



“Chairman’s Communique

Dear Shareholders,

**“Connecting business and technology
through innovation”**

It gives me immense pride to inform you that Hexaware has achieved good growth for the year 2006.

Going beyond the financials, I would like to take you through the growth journey of the Company which is based on four principles viz., Innovation, Competencies, Relationships and Scalability.

INNOVATIVENESS is being able to apply uncommon thought to arrive at a more efficient, elegant and sustainable solution to a customer problem. That’s why at Hexaware, our mission is – “To build value for customers through innovative use of technology and talent”.

In 2006, Hexawarians undertook several new initiatives which will lead to growth impulses for the future. The Company has demonstrated leadership and expertise in its Competencies like being a global market leader in PeopleSoft Services, leading IT solution providers for the Transportation and Hospitality industry, fastest growing among the top Indian IT service providers in Germany in expanding and establishing a strong base in





providing Testing Services offering by acquiring FocusFrame. The Company believes in building strong relationships and maximising opportunities by farming Top 40 accounts which contribute about 70% of our global revenue of Rs. 848 crores and with effective account management, it gives 88.4% of repeat business. Out of 129 active clients, 41 are the Fortune 500 / Global 500 clients.

Hexaware is scaling new heights and planning new goals at every step and the acquisition of FocusFrame during the year demonstrated in strengthening of our focus area, Testing Services. The Company has gained momentum not only in terms of volume but also in terms of the quality of offerings. During the year, the Company has also expanded its global footprint by opening a new office in the business capital of the world, New York and an onshore facility at Mexico in addition to 6 state-of-the-art delivery centres, in India and Germany. In line with the growth and vision, the Company acquired 25 acres of land in the SEZ area of Hinjewadi, Pune and 14 acres in Airoli, Mumbai. The first phase of our much awaited Green campus in Siruseri, Chennai, one of India's largest campuses will be operational by August 2007.

'Fun at work' is what we believe in and we continually strive to give the best to our employees where work and facilities are concerned. Today Hexaware has over 5,800 employees across the globe.

I would like to share with you the achievements during the year -

- International Magazine, BusinessWeek ranked your Company 1st among the five Indian companies and 22nd among the Asia's 100 Hot Growth Companies.

- The Institute of Company Secretaries of India (ICSI) has rated your Company amongst the top twenty five companies which have displayed excellence in Corporate Governance.
- Dataquest IDC's Best Employer survey 2006, grades your Company as 6th India's Best employer.

Like every Hexawarian, I have been emotionally attached to Hexaware, which motivates me to excel everyday to meet the expectations of our stakeholders. I have been deeply touched by the integrity, honesty and hardwork with which Hexawarians work for the growth of the Company. While, personal interest and egos have been subordinated, there has been a passion complimented by the faith posed in us by every one of you which will surely propel Hexaware's growth.

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

We value your support and commitment to Hexaware.

Yours sincerely,

Atul K.Nishar
Executive Chairman





“ Board of Directors ”



Atul K. Nishar
Executive Chairman

Atul Nishar is the Founder & Executive Chairman of Hexaware Technologies Limited. Under his leadership, Hexaware Technologies, which he founded in 1990, has grown into a 5,829 people, multi-million dollar, global software services and solutions corporation. Hexaware is listed on Indian & London Stock Exchanges. He also focused on building a strong brand identity for the company.

He has been associated with NASSCOM for several years in various capacities and was Chairman of NASSCOM for 2000. He continues to be on the Executive Council of NASSCOM. He is also a Charter Member of The Indus Entrepreneurs (TiE), and Co-Chairman on the Information Technology Committee of Indian Merchants Chamber. He is also appointed as President of the Indo-American Chamber of Commerce.

He was Chairman of National Association of Computer Trainers (NACT) for 1993-1995, Chairman of the National Committee on Information Technology and member of the Steering Committee of Federation of Indian Chambers of Commerce and Industry (FICCI) for 2001-2002, and Member of National Executive Committee (2000) of Confederation of Indian Industry (CII).

He is a Co-Founder of Infinity Technology Investments Pvt. Ltd. - a leading Venture Capital Fund. He is a Director of Indo-American Chamber of Commerce.

He has published several articles on Information Technology in "Business India" and "The Economic Times" and has been a speaker at conferences of Harvard Business School, NASSCOM, TiE, World Congress on Information Technology, Egypt's International Economic Forum Annual, US Consulate, IIT, FICCI, and CII.

He is a Fellow member of the Institute of Chartered Accountants of India (FCA), prior to which he received his Bachelor's Degree in Commerce and Degree in Law from Mumbai University.



Rusi Brij
Vice-Chairman & CEO

Rusi Brij has taken on the challenge of spearheading the growth of Hexaware Software business in the new millennium. As the global CEO, his mandate covers developing and growing the operations of the Company along the guidelines set by the Board. This includes setting the strategic direction of the business, developing long term plans for various business divisions, expanding market presence in the US, Europe and Asia Pacific, meeting business targets, and managing expectations of customers, investors, and employees. After completing the merger process in the year 2001, he has defined a new business direction, restructured operations and management globally, and set new business targets for leaders across the Company. He has also focused on aggressive business development and building a strong brand identity for the Company.

He is an MBA with an advanced course from HAAS School of Management, University of California, Berkeley.



P. K. Sridharan
*President &
Executive Director*

P K Sridharan holds overall responsibility for the delivery operations of Hexaware Technologies. He is a techno-commercial manager with over 30 years experience in the Companies like ECIL, Philips, ORG and DSQ in Senior Management positions. He has a brilliant academic



career with a B.Tech in Electronics Engineering from IIT, Chennai and M.Tech in Computer Sciences from IIT, Kanpur.

She is a MBBS from the Grant Medical College, Mumbai and is a Master of Management Studies from the Sydenham Institute of Management Studies,

L. S. Sarma
Director



L. S. Sarma has been on the Hexaware Board since March, 2000. He has had a distinguished career in the banking and finance industry and has worked for Punjab National Bank, Reserve Bank of India and IDBI (a premier financial institution). IDBI was a pioneer in Project finance in India and Mr. Sarma was a member of various committees on Export Finance and Construction Contracts. He represented IDBI on the committee for setting up the Export Import Bank of India.

He also has had a long international career and carried out various assignments on Export finance in Africa and South East Asia. He is the co-author of the publication 'Financing Exports in Developing Countries' published by the International Trade Center, Geneva.

After his retirement from IDBI he has been a director and consultant for various Banks and Export bodies. Since April 1999 he has been a representative of Botswana Export Development and Investment Authority. From March 1990 to March 1999, he served as the Representative Consultant of the Mauritius Export Development and Investment Authority.

A.P. Kurian
Director



A. P. Kurian has been on the Board since 2000. Since July 1998, he is the Executive Chairman of the Association of Mutual Funds in India (AMFI) – a trade body of all the Mutual Funds Operating in India. He is on the Board of many financial organizations like National Stock Exchange of India Ltd., National Securities Depository Ltd. He is closely associated with the Securities and Exchange Board of India (SEBI). He was a Nominee Director of Century Textiles & Industries (part of the 3rd largest Industrial House in India).

He has a career in the financial services industry spread over more than three decades and has held senior positions in the Reserve Bank of India and in Unit Trust of India. While in Unit Trust of India, he was the Executive Trustee (2nd only to Chairman) and was actively involved in the design and marketing of over 30 Mutual Fund schemes.

For his original contribution in the field of marketing of financial instruments, the Institute of Marketing Management (IMM) awarded him "Marketing Man of the Year award" in 1987. He was also awarded the "Best Professional Manager" award by the IMM in 1993.

Dr. Alka Nishar
Director



Dr. Alka Nishar has been on the Hexaware Board since inception. She is a Founder Director of the Company. She has extensive experience in Strategic Planning, Information and Infrastructure Planning, Logistics, Control Systems and Marketing.

P. G. Kakodkar
Director



P. G. Kakodkar has been on the Hexaware Board since March, 2000. He is the Chairman of the Discount and Finance House of India, and Chairman – Local Advisory Board of Societe Generale. He is a member of UTI Asset Management. Before retiring in 1997, he had an extremely



distinguished career spanning 40 years with State Bank of India (the largest bank in India, asset base of USD 67.71 billion with a vast domestic network of 9,019 branches and staff strength of 214,845) and rose to be the Chairman of the State Bank Group. In his long career, he has worked in virtually all aspects of banking. He was also a Member of the governing board in various banking organizations in the country.



Mark F Dzialga
Director

Mark F. Dzialga, who is based in the United States, is a Managing Director at General Atlantic LLC, a leading global private equity firm providing capital for growth of companies and a recent investor in Hexaware. He has been a director of numerous public and private companies including Hewitt, Daksh, Talus, Creditek and Multiplan. He is currently a director of Genpact, Schaller Anderson, UPromise, and Webloyalty. Prior to joining General Atlantic in 1998, he was the Co-Head of the High Technology Merger Group at Goldman Sachs. At Goldman Sachs, he has advised many of the firm's technology clients on mergers, acquisitions and restructurings.



Shailesh V. Haribhakti
Director

Shailesh V. Haribhakti is a leading Chartered Accountant and a fellow member of the Institute of Chartered Accountants of India (ICAI), Certified Internal Auditor, Certified Financial Planner, Graduate Cost Accountant and Certified Fraud Examiner. He contributed to shaping of India's economic policy through his association as the President of Indian Merchants' Chamber and as the Chairman of Corporate Governance Committee of ASSOCHAM. He was the Chairman of WIRC of ICAI,

President of BMA and President of IIA, Bombay. Presently, Mr. Shailesh V. Haribhakti is Director on the Board of several companies including Indian Petrochemicals Corporation Limited (IPCL), ACC, Blue Star Ltd, Gujarat Ambuja Cement Eastern Limited and Pantaloon Retail (India) Limited.



Dr. Bakul H. Dholakia
Director

Dr. Bakul H. Dholakia is the Director of IIM, Ahmedabad. He has over 37 years of professional experience out of which 31 years has been with IIM, Ahmedabad. He is a Doctorate in Economics, is a renowned and eminent professor. He has been a Consultant to the World Bank and the Asian Development Bank in addition to advising various National and International organizations. He has authored numerous books on business topics including Business Economics, Corporate Strategy and Development Economics.

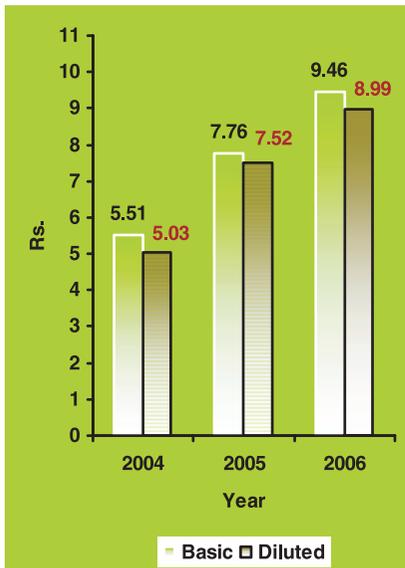


Preeti Mehta
Director

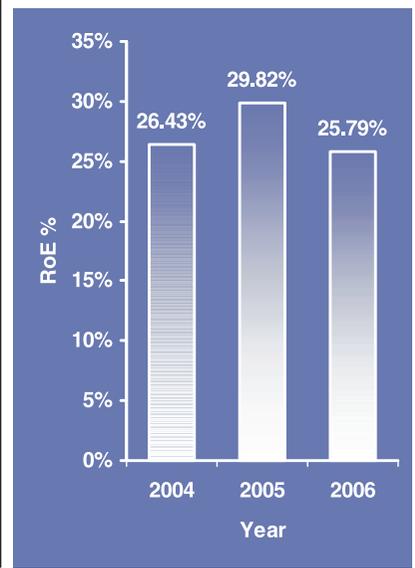
Preeti Mehta is B.A., L.L.B from Mumbai University and has qualified as a Solicitor both from Mumbai and England. She has undergone an intensive course on Franchising at the Middlesex University, London. She is a Partner of Messrs Kanga & Co., a leading firm of Advocates and Solicitors in Mumbai. She has been practising for over 17 years and has vast experience in matters relating to foreign collaborations, corporate laws and banking. She has participated in several international seminars and presented papers as also authored articles. She is also a Member of the Law Committee of the Bombay Chamber of Commerce and Industry, a member of the Rotary Club of Bombay and on the Executive Council of the Franchise Association of India (FAI).



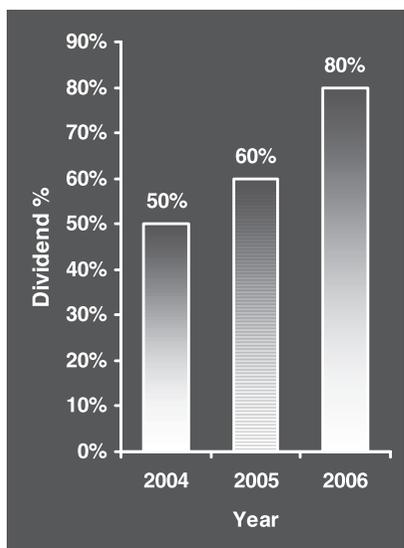
“ Performance Highlights ”



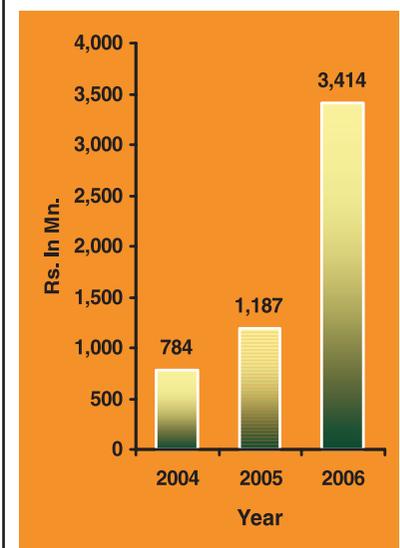
Earning per share



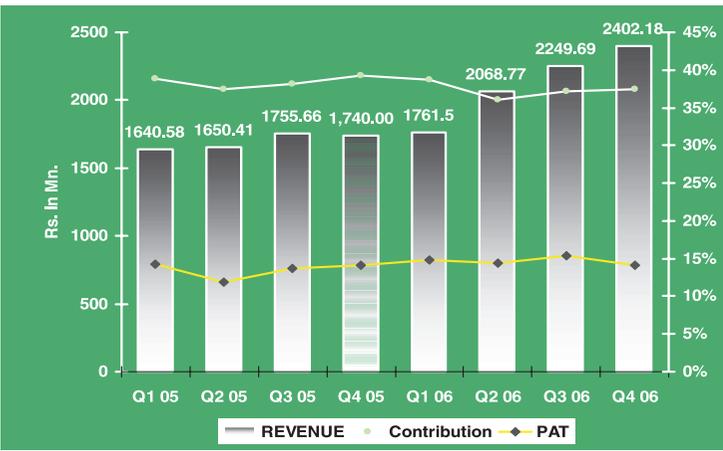
Return on Equity



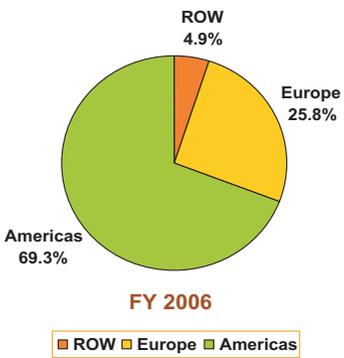
Dividend Payout



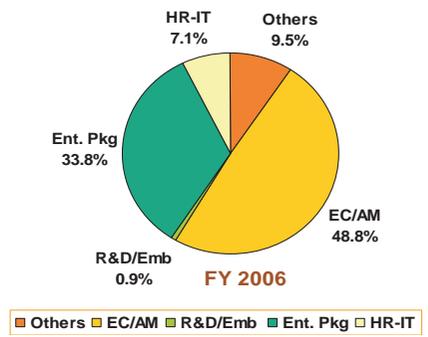
Cash and Cash Equivalents



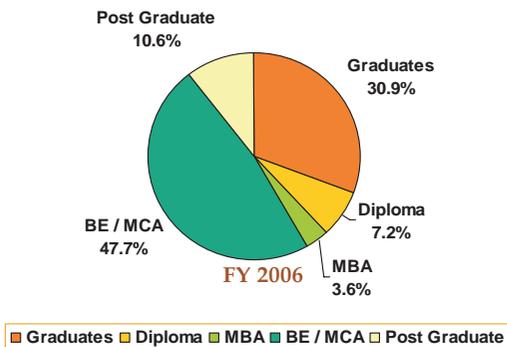
Revenue & Key Ratios



Geographical Split

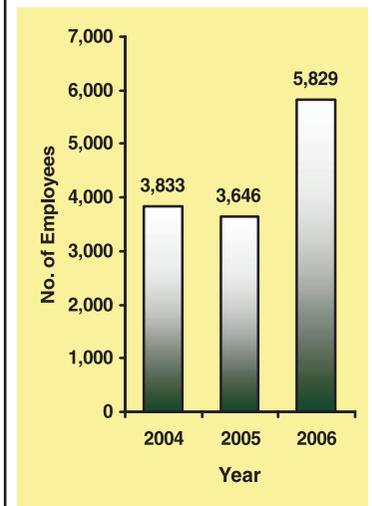


Technology Split



Human Resources

Headcount





“ Management Team ”

Atul K. Nishar
Founder and Chairman

Rusi Brij
Vice-Chairman & CEO

P. K. Sridharan
President - India Operations

Hari Murthy
President - North America Operations

Sunil Surya
President - Europe Operations

Ashok Bildikar
President - BPO

Yogen Shah
Sr. Vice President - Asia Pacific

Moorthi Chokkanathan
Head, India Delivery

Ramanan R. V.
Chief Software Architect

G. R. Raju
Chief Technology Officer
& Head - Insurance Practice

Rajesh Ghonasgi
Chief Financial Officer

Sulochana Ganesan
Vice President - Quality

Deependra Chumble
Chief People Officer

Naishadh P. Desai
AVP (Legal & Finance) & Company Secretary

M/s. Deloitte Haskins & Sells
Chartered Accountants
Statutory Auditors

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

Registrar and Share Transfer Agent
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

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NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of the Members of **Hexaware Technologies Limited** will be held on Tuesday, the 24th day of April, 2007 at 3.00 p.m. at M.C. Ghia Hall, 2nd Floor, Bhogilal Hargovinddas Building, 18/20, Dubash Marg, Behind Prince of Wales Museum/ Kala Ghoda, Mumbai - 400 001, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at December 31, 2006 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 final dividend on preference shares and to ratify interim dividend.
3. To declare final dividend on equity shares and to ratify interim dividend.
4. To appoint a Director in place of Mr. Rusi Brij, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr. Bakul H. Dholakia, who retires by rotation, and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Dr. (Mrs.) Alka A. Nishar, who retires by rotation, and being eligible, offers herself for re-appointment.
7. To re-appoint Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration and 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, 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 applicable tax, out-of-pocket expenses, travelling and other expenses, in connection with the work of audit to be carried out by them."

SPECIAL BUSINESS:

8. 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 257 of the Companies Act, 1956, (including any statutory modification(s) thereto or any re-enactment(s) thereof for the time being in force) Ms. Preeti Mehta, who was appointed as an Additional Director by the Board in terms of the provisions of the Companies Act, 1956 and Articles of Association of the Company and whose term of office expires at the ensuring Annual General Meeting and in respect of which the Company has received a notice in writing from a member proposing her candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."

9. To consider and, if thought fit, to pass, with or without modifications, the following resolution as a Special 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), enactment(s) or re-enactment(s) thereof for the time being in force), and subject to the approval of the Central Government, if any, the consent of the members be and is hereby accorded for (a) re-appointment of Mr. Atul K. Nishar as Executive Chairman for additional period of three years with effect from January 1, 2007 to December 31, 2009 and (b) increase in/revision of remuneration payable to Mr. Atul K. Nishar - Executive Chairman of the Company, with effect from April 1, 2007 as recommended by the Remuneration & Compensation Committee at its meeting held on March 22, 2007 & approved by the Board of Directors at its meeting held on March 23, 2007, on the terms as set out in the Explanatory Statement annexed to the Notice.

RESOLVED FURTHER THAT the Board be and is hereby authorised to alter, vary and modify the said term of his appointment and/or remuneration including salary, allowances and perquisites in such manner as may be agreed to between the Board and Mr. Atul K. Nishar - Executive Chairman within and in accordance 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 Chairman by way of salary and perquisites shall not be reduced and (b) if the approval of the Central Government as stated in (a) is

not received, the remuneration payable to the Executive Chairman shall be the maximum amount permitted as per Schedule XIII, as amended from time to time.

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

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 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), enactment(s) or re-enactment(s) thereof for the time being in force), and subject to the approval of the Central Government, if any, the consent of the members be and is hereby accorded for (a) re-appointment of Mr. P. K. Sridharan as President and Executive Director for an additional period of three years with effect from January 7, 2007 to January 6, 2010 and (b) increase in/revision of remuneration payable to Mr. P. K. Sridharan – President and Executive Director of the Company, with effect from April 1, 2007 as recommended by the Remuneration & Compensation Committee at its meeting held on March 22, 2007 and approved by the Board of Directors at its meeting held on March 23, 2007, on the terms as set out in the Explanatory Statement annexed to the Notice.

RESOLVED FURTHER THAT the Board be and is hereby authorised to alter, vary and modify the said term of his appointment and/or the remuneration including salary, allowances and perquisites in such manner as may be agreed to between the Board and Mr. P. K. Sridharan - President and Executive Director within and in accordance 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 President and 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."

11. 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 228 and other applicable provisions, if any, of the Companies Act, 1956, ("the said Act") the Board be and is hereby authorised to appoint Branch Auditors of any branch of the Company, whether existing or which may be opened/acquired hereafter, in India or abroad, in consultation with the Company's Auditors, or any person(s) qualified to act as Branch Auditor in accordance with the provisions of the said Act and fix the remuneration as may be mutually agreed to between the Board of Directors and the Branch Auditor(s) plus applicable tax, out-of-pocket expenses, travelling and other expenses, in connection with the work of audit to be carried out by them."

By Order of the Board of Directors

Naishadh P. Desai
Company Secretary

Place: Mumbai
Date: March 23, 2007

Registered Office:

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

Registrar and Transfer Agent:

Sharepro Services (India) Private Limited

Unit: Hexaware Technologies Limited

Satam Estate, 3rd Floor, Cardinal Gracious Road, Andheri (E), Mumbai – 400 099.

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 ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF 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.
- 3) Members/Proxies should bring the enclosed Attendance Slip duly filled in, for attending the Meeting.
- 4) 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 (Monday to Friday) from 10.00 a.m. to 1.00 p.m. upto the date of the Meeting except holidays.

- 5) The Register of Members and Share Transfer Books of the Company will remain closed from **Friday, the 20th day of April, 2007 to Tuesday, the 24th day of April, 2007**, both days inclusive, in terms of the provisions of Section 154 of the Companies Act, 1956 and the applicable Clauses of the Listing Agreement entered into with the Stock Exchanges.
- 6) Subject to the provisions of Section 206A of the Companies Act, 1956, 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 **Tuesday, 24th April, 2007** and to the beneficial owners as furnished by NSDL/CDSL, subject to deduction of tax, if any.
- 7) 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 and Share Transfer Agent, M/s. Sharepro Services (India) Private Limited and to their respective Depository Participants, in case the Shares are held in dematerialised form. The members are requested to utilise the facility of ECS in order to avoid postal delays/mishaps.
- 8) Those members who have so far not encashed their dividend warrants for the financial year ending 31st December, 2000 onwards, may approach the Registrar and Share Transfer Agent, M/s. Sharepro Services (India) Private Limited, at the address mentioned elsewhere in the Notice 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 Companies Act, 1956. 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.
- 9) 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 address mentioned elsewhere in the Notice.

- 10) Members are requested to:
 - (a) intimate to the Company's Registrar and 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.
- 11) 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.
- 12) Corporate members are requested to send a duly certified copy of the board resolution authorising their representative to attend and vote at the Annual General Meeting.
- 13) The Certificate from the Auditors of the Company certifying that the Employees 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.
- 14) Members seeking any information relating to the Accounts may write to the Company Secretary of 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 or send an email at investorinfo@hexaware.com.
- 15) Members are requested to bring their copies of the Annual Report for the meeting.
- 16) Re-appointment of Directors:

At the ensuing Annual General Meeting, Mr. Rusi Brij, Dr. Bakul H. Dholakia 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 entered into with the Stock Exchanges is furnished in the Report on Corporate Governance published in this Annual Report.

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

Item No. 8

Ms. Preeti Mehta was appointed as an Additional Director with effect from March 23, 2007 in accordance with the provisions of Section 260 of the Companies Act, 1956 and therefore holds office upto the date of forthcoming Annual General Meeting. Notice in terms of the provisions of Section 257 of the Companies Act, 1956 has been received alongwith the requisite deposit from a member proposing candidature of Ms. Preeti Mehta as a Director of the Company.

Ms. Mehta is B. A., L.L.B from Mumbai University and has qualified as a Solicitor both from Mumbai and England. She has undergone an intensive course on Franchising at the Middlesex University, London. Ms. Mehta is a Partner of Messrs Kanga & Co., a leading firm of Advocates and Solicitors in Mumbai. Ms. Mehta has been practising for over 17 years and has vast experience in matters relating to foreign collaborations, corporate laws and banking. Ms. Mehta has participated in several international seminars and presented papers as also authored articles. Ms. Mehta is also a Member of the Law Committee of the Bombay Chamber of Commerce and Industry, a member of the Rotary Club of Bombay and on the Executive Council of the Franchise Association of India (FAI).

Your Directors recommend the Resolution at Item No.8 for your approval.

Except Ms. Preeti Mehta, none of the Directors are concerned or interested in the resolution.

Item No. 9

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

Mr. Atul K. Nishar was appointed as Executive Chairman of the Company for a period of three years with effect from January 1, 2004 pursuant to the approval granted by the Members of the Company at its meeting held on June 9, 2004.

The Remuneration & Compensation Committee at its meeting held on March 22, 2007 has recommended to the Board and the Board at its meeting held on March 23, 2007, subject to the approval of the shareholders, has resolved re-appointment of Mr. Atul K. Nishar - Executive Chairman for further period of three years w.e.f. January 1, 2007 and to increase/revise the remuneration payable to him with effect from April 1, 2007. The details of the proposed revised remuneration payable to Mr. Atul K. Nishar - Executive Chairman are as under:

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

1. Salary

- (i) Rs. 2,00,000/- (Rupees Two Lakhs only) per month with effect from April 1, 2007 (with an annual increment of not more than 30% over the previous Basic Salary as may be decided by the Board or any committee thereof).

- (ii) Personal Allowance at the rate of 50% of Basic Salary per month.
- (iii) Mr. Nishar shall also be entitled for Ex-gratia @ 8.33% of Basic Salary per annum.

2. Perquisites

- A. In addition to salary, Mr. Atul K. Nishar shall be entitled to the following perquisites as specified below:

Housing:

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

Medical Reimbursement:

- (i) Mr. Atul K. Nishar 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.
- (ii) Mr. Atul K. Nishar and his family shall be covered under the Mediclaim Insurance Scheme as per the Rules of the Company.

Leave Travel Concession:

- (i) Mr. Atul K. Nishar shall be entitled to Leave Travel Assistance for self and family in accordance with the Rules of the Company.

Club Membership:

- (i) The Company shall pay 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.

Personal Accident Insurance:

- (i) The Company shall pay annual premium towards personal accident insurance as per the Rules of the Company.

Leave:

- (i) Subject to the exigencies of his employment, Mr. Atul K. Nishar shall be entitled to leave in a year on full pay and allowances as per rules and regulations of the Company.

Entertainment and other incidental expenses:

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

Other perquisites:

- (i) Subject to overall ceiling on remuneration, Mr. Atul K. Nishar - Executive Chairman 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.

Explanation: Perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in absence of any such rule, perquisites shall be evaluated at actual cost.

In the event of any re-enactment or recodification of the Companies Act, 1956 or the Income Tax Act, 1961 or amendments thereto, this Resolution shall continue to remain in force and the reference to various provisions of the Companies Act, 1956 or the Income Tax Act, 1961 shall be deemed to be substituted by the corresponding provisions of the new Act or the amendments thereto or the Rules and notification issued thereunder.

- B. (i) The Company shall provide telephone and fax at the residence of Mr. Atul K. Nishar and the entire cost shall be borne by the Company. However, personal long distance telephone calls and personal fax charges shall be billed by the Company to Mr. Atul K. Nishar.

Mr. Atul K. Nishar shall also be entitled to the following perquisites, which shall not be included in the computation of ceiling on remuneration as specified above.

- 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 as per the rules of the Group Gratuity Scheme of the Company.
- (iii) Encashment of Leave at the end of the tenure as per the Rules of the Company.
- (iv) 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 to Mr. Atul K. Nishar.

3. Overall Remuneration

The aggregate of salary, commission and perquisites in any one financial year shall not exceed the limits prescribed from time to time under Section 198, 309 and other applicable provisions of the Companies Act, 1956 ("the said Act") read with Schedule XIII of the said Act as may be for the time being in force.

4. Minimum Remuneration

In the absence or inadequacy of profits in any financial year, (a) subject to the approval of the Central Government, the remuneration payable to Mr. Atul K. Nishar by way of salary, commission, perquisites and other allowances 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. Atul K. Nishar shall be the maximum amount permitted as prescribed under Section II of Part II of the Schedule XIII to the said Act, as may be for the time being in force.

5. Other Term

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

Your Directors recommend the Resolution at Item No. 9 for your approval.

Except Mr. Atul Nishar and Dr. (Mrs.) Alka A. Nishar, none of the other Directors of the Company are 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 the re-appointment and increase/revision of remuneration to Mr. Atul K. Nishar as required to be circulated under Section 302 of the said Act.

Item No. 10

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.

The Remuneration & Compensation Committee at its meeting held on March 22, 2007 has recommended to the Board and the Board at its meeting held on March 23, 2007, subject to the approval of shareholders, has resolved re-appointment of Mr. P. K. Sridharan – President and Executive Director for further period of three years w.e.f. January 7, 2007 and to increase/revise the remuneration payable to Mr. P. K. Sridharan – President and Executive Director with effect from April 1, 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. 1,70,000/- (Rupees One lakh Seventy thousand only) per month with effect from April 1, 2007 (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) Personal allowance at Rs. 96,267/- per month.
- (iii) Mr. Sridharan shall also be entitled for Ex-gratia @ 8.33% of Basic Salary per annum.

2. Perquisites

- A. In addition to salary, Mr. P. K. Sridharan shall be entitled to the following perquisites as specified below:

Housing:

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

Medical Reimbursement:

- (i) 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.
- (ii) He and his family shall be covered under the Mediclaim Insurance Scheme as per the Rules of the Company.

Leave Travel Concession:

- (i) Mr. P. K. Sridharan shall be entitled to Leave Travel Assistance of Rs. 1,70,000/- for self and family in accordance with the Rules of the Company.

Club Membership:

- (i) The Company shall pay fees as per the Rules of Company, subject to a maximum of two clubs. This will, however, not include admission and life membership fee.

Personal Accident Insurance:

- (i) The Company shall pay annual premium towards personal accident insurance as per the Rules of the Company.

Leave:

- (i) Subject to the exigencies of his employment, 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.

Variable pay/Performance Bonus:

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

Other Perquisites:

- (i) Subject to overall ceiling on remuneration mentioned herein, Mr. P. K. Sridharan – President and Executive Director may be given such other benefits in accordance with the schemes and rules applicable to the members of the Company framed from time to time.

Explanation: Perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in absence of any such rule, perquisites shall be evaluated at actual cost.

In the event of any re-enactment or recodification of the Companies Act, 1956 or the Income Tax Act, 1961 or amendments thereto, this Resolution shall continue to remain in force and the reference to various provisions of the Companies Act, 1956 or the Income Tax Act, 1961 shall be deemed to be substituted by the corresponding provisions of the new Act or the amendments thereto or the Rules and notification issued thereunder.

- B. (i) 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.
- (iii) Encashment of Leave at the end of the tenure as per the Rules of the Company.
- (iv) 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.

Other Benefits

Employees Stock Option Scheme:

Participation in the Employees Stock Option Scheme(s) as may be framed by the Company from time to time.

3. Overall Remuneration

The aggregate of salary, commission and perquisites in any one financial year shall not exceed the limits prescribed from time to time under Section 198, 309 and other applicable provisions of the Companies Act, 1956 ("the said Act") read with Schedule XIII of the said Act as may for the time being in force.

4. 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 to the said Act, as amended from time to time.

5. Other Terms

- (i) 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.

Your Directors recommend the Resolution at Item No. 10 for your approval.

Except Mr. P. K. Sridharan, none of the other Directors of the Company are 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 re-appointment and increase/revision of remuneration to Mr. P. K. Sridharan as required to be circulated under Section 302 of the said Act.

Item No. 11

The Company has branches in India and abroad and may also open/acquire new branches in India and abroad in future. It may be necessary to appoint branch auditors for carrying out the audit of the accounts of such branches. The members are requested to authorise the Board of Directors of the Company to appoint branch auditors in consultation with the Company's Auditors and to fix their remuneration.

Your Directors recommend the Resolution at Item No. 11 for your approval.

None of the Directors are concerned or interested in the Resolution.

By Order of the Board of Directors

Naishadh P. Desai
Company Secretary

Place : Mumbai
Date : March 23, 2007

Registered Office:

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

DIRECTORS' REPORT

To the Members,

Your Directors are delighted to present their Fourteenth 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, 2006.

Financial Performance :

Global Operations :

Year ended December 31,	2006 Rs. million	2005 Rs. million	Growth%
Income from Operations	8,482.14	6,786.62	24.98
Other Income	281.67	145.74	93.27
Total Income from Operations	8,763.81	6,932.36	26.42
Profit before Depreciation & Tax	1,561.34	1,222.24	27.74
Less: Depreciation	198.58	209.90	(5.40)
Profit before taxation	1,362.76	1,012.34	34.61
Less: Provision for taxation			
Current Tax	115.54	43.65	
MAT Credit Entitlement	(8.40)	-	
Deferred Tax	(11.30)	38.96	
Fringe Benefit Tax	24.59	14.76	
Net Profit after tax	1,242.33	914.97	35.78

India Operations:

Year ended December 31,	2006 Rs. million	2005 Rs. million	Growth%
Income from Operations	4,126.92	3,557.93	15.99
Other Income	533.29	142.96	273.03
Total Income from Operations	4,660.21	3,700.89	25.92
Profit before Depreciation & Tax	1,382.98	971.68	42.33
Less: Depreciation	156.70	177.27	(11.60)
Profit before taxation	1,226.28	794.41	54.36
Less: Provision for taxation			
Current Tax	25.02	5.13	
MAT Credit Entitlement	(8.40)	-	
Fringe Benefit Tax	23.05	13.88	
Net Profit after tax	1,186.61	775.40	53.03
Add: Balance b/f from previous year	904.06	392.42	
Balance available for appropriation	2,090.67	1,167.82	79.02
Appropriation			
Transfer to/(from) General Reserve	200.00	100.00	
Interim Dividend*	112.65	71.00	
Proposed final Dividend*	127.89	71.62	
Dividend for previous year	6.78	-	
Tax on Dividends	34.69	21.14	
Balance carried to Balance Sheet	1,608.66	904.06	

* Interim and final dividend includes dividend on Preference shares for the year 2006.

Results of Operations

a) Global operations

Your Company has recorded consolidated income (as per Indian GAAP) of Rs. 8,763.81 million in 2006 compared to Rs. 6,932.36 million in 2005. The revenue from software business grew by 24.98% to Rs. 8,482.14 million in 2006 from Rs. 6,786.62 million in 2005. The net profit after tax increased by 35.78% to Rs. 1,242.33 million in 2006 from Rs. 914.97 million in 2005. Excluding PeopleSoft BOT business, your Company's revenue growth was at 39.90% to Rs. 8,482.14 million compared to Rs. 6,062.58 million in 2005 and net profit after tax was up at 99.10% to Rs. 1,242.33 million compared to Rs. 624.08 million in 2005.

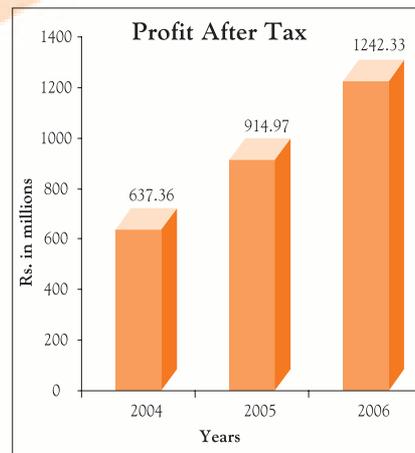
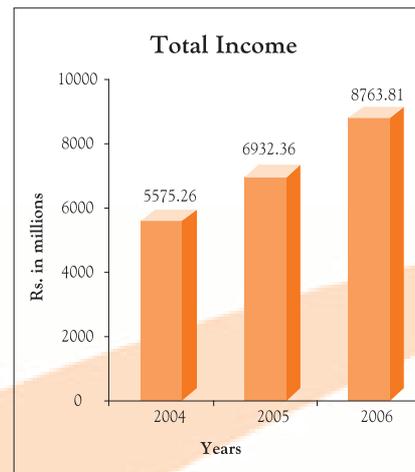
Excluding PeopleSoft BOT business, contribution was at 37.31% as against 35.68% in 2005, EBIDTA registered a healthy improvement to 15.59% as against 12.98% in 2005, Profit After Tax improved substantially to 14.65% of revenue compared to 10.29% in 2005.

The major key drivers/contributors for good growth are: (i) the ability to successfully replace PeopleSoft BOT business with other accounts (ii) the addition of 49 clients, the highest ever so far (iii) the ability to acquire new business at a better rate- both for offshore and onsite (iv) the ability to achieve 88.40% of revenue through repeat business and (v) the ability to execute projects efficiently and manage accounts effectively.

During the year, the quality of your Company's offerings have significantly improved. This is testified by (i) acquisition of highest number of new clients ever i.e. increase in clients' confidence in your Company (ii) an active client base of 129, of which 41 clients are fortune 500/global 500 compared to 30 clients in the previous year. (iii) top 10 clients contribute around 47% of revenue compared to 58% of revenue in the previous year. (iv) increase in Testing business by over one and half times as compared to the previous year. Your Company strengthened this offering by acquiring FocusFrame Inc; USA in November '06. (v) your Company has successfully penetrated into new geographies like Belgium, Sweden, Denmark, Norway and Philippines

b) India operations

Your Company has recorded a total income of Rs. 4,660.21 million in 2006 compared to Rs. 3,700.89 million in 2005, demonstrating a growth of 25.92%. The revenue from the Software business grew by 15.99% to Rs. 4,126.92 million in 2006 from Rs. 3,557.93 million in the previous year. The net profit after tax grew by 53.03% to Rs. 1,186.61 million in 2006 from Rs. 775.40 million in the previous year.



Reserves

During the year, your Company proposes to transfer Rs. 200 million to the General Reserve as compared to Rs.100 million in 2005. An amount of Rs. 1,894.79 million was proposed to be retained in the Profit & Loss Account.

Dividend

a) Preference Dividend

During the year 2006, your Company paid an amount of Rs. 8.12 million as interim dividend @ 2.95% for 67 days on 10,55,570 Series 'A' Redeemable and/or Optionally Convertible Preference Shares. Your Directors recommend a final dividend @ 2.95% for 184 days amounting to Rs. 22.31 million (Previous year Nil) on 10,55,570 Series 'A' Redeemable and/or Optionally Convertible Preference Shares subject to the approval by the members at the ensuing Annual General Meeting.

b) Equity Dividend

During the year 2006, your Company declared and paid an interim dividend @ 40% (Re. 0.80 per share on par value of Rs. 2/-). Your Directors recommend a final dividend of 40% i.e. Re. 0.80/- per share on par value of Rs. 2/- subject to the approval by the members at the ensuing Annual General Meeting. The total dividend declared for the year 2006 would be 80% (i.e. Rs.1.60/- per share on par value of Rs. 2/- each) as compared to 60% (i.e. Rs.1.20/- per share on par value of Rs. 2/- each) in the previous year 2005.

The total cash outgo on account of total dividend & tax thereon amounts to Rs. 274.27 million. The break up of dividend is shown in the table:

(Rupees in Millions)

	Total Dividend	Preference Shares	Equity Shares
Interim	112.65	8.12	104.53
Final – proposed	127.89	22.31	105.58
Tax	33.73	4.27	29.46
Total	274.27	34.70	239.57

The final 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.

As per Investor Education and Protection Fund (Awareness and Protection Investor) Rules, 2001, an amount of Rs.1.01 million for the financial year 1997 towards unclaimed dividends was transferred during the year to the Investor Education and Protection Fund. During the year, your Company circulated a reminder letter to those shareholders who had not claimed their dividend from the year 1998 onwards.

Share Capital

During the year 2006, the paid-up Share Capital of your Company increased to Rs. 1,763.92 million (i.e. Rs. 263.96 million equity + Rs. 1,499.96 million Preference) from Rs. 238.72 million. The break up of Share Capital comprising of (i) 131,980,625 equity shares of Rs. 2/- each. This increase was on account of (a) Private Placement of 10,569,790 equity shares of Rs. 2/- each at a premium of Rs. 140.10/- per share to GA Global Investments Limited; and (b) Upon exercise of warrants/options, allotment of 62,955 equity shares of Rs. 2/- each and 1,989,185 equity shares of Rs. 2/- each under Employee Stock Option Scheme 1999 and Employee Stock Plan – 2002 respectively; and (ii) 1,055,570 Series 'A' Redeemable and/or Optionally Convertible Preference Shares at a price of Rs. 1,421/- issued and allotted to GA Global Investments Limited.

The market capitalization of your Company as on December 31, 2006 was at Rs. 26,304 million (US\$ 595.21 million). Market capitalization is calculated on the basis of closing price of Rs. 199.30 per share as of December 31, 2006.

Acquisition

During the year, your Company acquired FocusFrame Inc; USA (FocusFrame) for US\$ 34.3 million, all in cash. FocusFrame's business revolves around Systems Verification, Quality strategy and IT Governance Solutions and various functional performance, and system stress verification exercises. As per the terms of the Agreement, your Company has paid US\$ 25 million in cash towards acquisition of FocusFrame along with its employees and consultants base of over 200. The balance amount of US\$ 9.3 million is being paid out over 24 months contingent on achieving the projected revenue and margin targets. FocusFrame became a wholly owned subsidiary of your Company w.e.f. November 28, 2006.

Your Company and FocusFrame together will reinforce their expertise in Independent Testing and Verification Services, which is amongst the fastest growing business opportunities for offshore vendors. Your Company will now be in a position to offer comprehensive solutions of Testing Service and aim to achieve more than US\$100 million revenue from this practice in the next three years. The firm's specialty is to provide end-to-end enterprise systems validation and optimisation for CRM, ERP, and Web based business technologies. This is accomplished with a suite of services that utilises proprietary process methodology, highly skilled professionals, and third-party automation validation and optimisation tools. FocusFrame is a global firm with offices in the US, Europe and Mexico which will help your Company to strengthen its global presence and relationship with its clients.

Investment

During the year, your Company made an investment of Rs. 1,209.51 million of which (i) Rs. 1,164.51 million were utilised for acquiring common stock of FocusFrame Inc; USA; and (ii) Rs. 45 million were invested in Caliber Point Business Solutions Limited. These investments are strategies to (i) complete the Testing competencies that would allow increase in market share, accelerate growth and position your Company to take advantage of global demand and (ii) to meet the growing global demand of BPO services by adding new offerings including call centre.

Infrastructure

Your Company's endeavour has been to build scale with latest technology to win customers' trust and confidence. Your Company is committed to invest in attracting and retaining talent and to create capacity to serve the customers better.

• People

“TALENT is your Company's key asset that will

constantly enhance and develop by harnessing the full potential of people. Your Company's Human Resource Capital will become source of competitive advantage."

Your Company focuses on campus recruitment to build a comprehensive framework that will enable the organisation to attract the best talent from leading engineering institutes across the country and to develop a diverse workforce that can adapt and contribute across all spheres of the organisation.

- **Facilities**

In line with the anticipated growth and vision, during the year, your Company has expanded its presence by acquiring on lease a 13,000 sq.ft facility in Gurgaon, as well as a 22,500 sq.ft. facility in Pune. Your Company also acquired around 25 acres of land in the SEZ area of Hinjewadi, Pune and around 14 acres in Airoli, Navi Mumbai from MIDC.

The progress on 1st phase of Green Campus in Siruseri, Chennai, one of India's largest campuses will be operational by August 2007. The total capacity of this 1st phase of the environment friendly and world-class facility will be around 4,000 software professionals.

The Company's new facility in Millennium Business Park, Navi Mumbai housing 600 software professionals has become operational from February, 2007.

Business

During the year, your Company re-invented its technology strategies to compete successfully in the global business environment by re-aligning its offshore and onsite business, global talent and understanding the impact of global business. In line with the strategy, your Company has achieved various milestones; a few of them are listed below:

- a) **Business portfolio enhancement and differentiated offerings**

- Your Company strengthened its testing Services by acquiring FocusFrame Inc; which will reinforce expertise in Independent Testing and Verification services. The testing services being the fastest growing business segment, your Company will leverage on it and with the acquisition, your Company encompasses a complete range of testing services across the globe.
- Your Company expanded its offerings in Transportation & Hospitality by adding Shipping, Hospitality, Car rentals and Third Party Logistics (3PL) companies, thereby enabling the Company to position as market leader.

- Your Company established its footprint by providing comprehensive Enterprise Application service portfolio with strong capability and competency to its clients in the entire spectrum of Enterprise Application and maintaining globally its leading position by offering its services in PeopleSoft.
- Your Company also gained momentum in Insurance segment by leveraging in Enterprise Content Management and winning new business from Europe region.

- b) **Flexible delivery excellence**

- During the year, your Company has commenced its offshore development centers in Pune and Gurgaon with an aim to de-risk from the existing presence and easy access of talent pool, which will help in creating a scalable model.
- Your Company's 'partner-in-business' approach generates high business value for customers and rich dividends to your Company in the form of a continual stream of repeat business. Your Company's domain capability expertise and reduced learning curves enables significant compression in time-to-value deliverables. Your Company's customer-centric philosophy is further strengthened by a robust Key Account Management process to find more ways to delight our key customers and grow market share.

- c) **Expanding & establishing global footprint**

- Your Company has opened new office in the business capital of the world, New York, and a near shore facility at Mexico which will reinforce its position as leading software services provider.
- Your Company has been acknowledged amongst the fastest growing Indian based IT Companies in the year 2006.

Operations

Striving to continue the growth momentum in overall business scenario for off-shoring, onsite and on-shoring, your Company achieved good growth in 2006. Some of the key drivers for your Company's growth are:

- a) **Effective Delivery**

Your Company has invested in building a significant offshore delivery and consulting capability to absorb the process overheads of onsite by locating our business practice leaders, account managers and top management team in North America and Europe. This structure enables quicker decision-making and ease of access to customers.

b) Innovative & Flexible Contract Mechanism

Your Company provides a great deal of flexibility in both the contractual and delivery models. This includes using innovative pricing and payment models that meet the unique expectations of its clients, as also optimising its SEI CMMI Level 5 processes to meet specific customer requirements. Working relationships stretch from fixed time/fixed fee to time and material.

c) Multi-Cultural Dimension

Your Company operates on a global platform, working with several Fortune 500 customers in North America, Europe and Asia Pacific. This gives us a unique understanding and access to not only the business practices but also the cultural and work-ethics in different regions and industry sectors.

d) Process and Methodologies

Your Company has institutionalised a number of processes and innovative methodologies, which has built in risk mitigation strategies and cost efficiencies. Our approach addresses the key issues of transition management and operational efficiency improvement.

e) Leadership in Focus Areas

Your Company has demonstrated leadership and expertise in focus areas like global market leader in PeopleSoft services, leading IT solution providers for the Transportation & Hospitality Industry and your Company is also fast emerging among the top two Indian IT services provider in Germany.

f) Focus versus Generic Strategy

In alignment with our focus on select areas, your Company's investment and focus is dedicated on growing to attain leadership in each sector. This has helped us to compete and win in these areas against much larger and more established vendors.

g) Domain Expertise

Another key differentiator is your Company's emphasis on bringing in domain experts in almost every project.

h) Our size the right size

Being a right-sized company, your Company has the ability to demonstrate adaptability and flexibility in our operations to suit the dynamic needs of our customers. Your Company has demonstrated capability in meeting resource and infrastructure requirements for large projects, at the same time remaining small enough for relationship comfort.

Quality and Security

Your Company's desire and continuous effort to improve

and maintain a competitive position, continues to ensure benchmarking against international standards like SEI-CMMi, ISO 9001:2000 and TickIT. All the new centres in Chennai and Mumbai were certified against the ISO 9001:2000 and TickIT. As a new initiative, your Company has trained several employees in Six Sigma techniques and identified some projects for improvement. A major process automation in the project management area was initiated.

Thrust areas for 2007 include re-assessment against the SEI CMMi model, inclusion of SEI-PCMM standards, thrust on improvement through Six Sigma, and completion of implementation of the new project management tool.

Your Company has achieved a new milestone in Information security with the successful completion of the certification audit and recommendation for certification against the ISO 27001 standard for all its development centres by Det Norske Veritas (DNV). This is a re-confirmation of your Company's enforcement of data privacy and protection practices, and our commitment to managing information security to ensure Confidentiality, Integrity and Availability of organisational and customer assets.

Talent Management – Asset Development

Consecutively, for the second year, your Company has been ranked among the top ten "Best IT Employers" in the DQ-IDC Survey in 2006 and was ranked 6th in terms of employee satisfaction among the 250 Companies rated. During the year, your Company's employee strength stood at 5,829 as compared to 3,646 in the previous year. Your Company has, over the years, made consistent efforts to retain and nurture talent by providing quality work, openness, training, world class infrastructure and net wealth programmes like ESOP. The attrition rate stands at 15% on an annualised basis.

HexaVarsity

Your Company firmly believes that professionals need to exhibit dynamism, not only in their respective fields, but also in their overall personality which includes leadership capabilities, resource of knowledge etc. Towards this, your Company's training arm - HexaVarsity organises seminars on a regular basis where eminent speakers from diversified fields continuous basis arranges for seminars where eminent enlighten our professionals on various topics. Your Company believes that each day is a learning experience and your Company has supported this ongoing learning process in more than one way.

Corporate Social Responsibility (CSR)

Your Company firmly believes that actual growth cannot be quantified in money and its equivalents. Your Company is committed to, and there has been a desire over the years, to help social causes.

Your Company believes that children are the future of this

nation, and at Hexaware everyone believes that your Company can provide a Helping Hand. Our H3O – (Helping Hands from Hexaware – Outreach Program) has been consistently taking up social responsibility projects in Mumbai and Chennai to facilitate the health and education of the underprivileged children.

- Your Company has joined hands with the Helen Keller Institute for the Deaf and Blind and celebrated Valentine day and New Year with nearly 150 Hearing Impaired and Visually Challenged students of the institute.
- Your Company and the employees donated close to Rs. 3 lakh for the development of the institute and built a fence around the institute to address security concerns.
- Your Company celebrated Christmas with the Little Flower Covent for hearing impaired and visually challenged and employees donated Rs. 1 lakh to the institute.
- Your Company organised a function at Chennai's Christ Faith Home for Children which is home to 43 infants, 34 destitute women and 25 orphaned girls.

Milestones

- Nominated amongst top 25 companies for 'National Award for excellence in Corporate Governance – 2006' by ICSI
- Ranked 12th in NASSCOM Top 20
- Ranked 6th as India's Best Employer survey by DQ-IDC.

Outlook

The year 2006 was a year of good growth and 2007 will be a year of advancement. The software industry is on new footing and is poised for significant moves in 2007. New technologies - such as software as a service (SaaS) and services-oriented architecture (SOA) - have become a well-integrated part of life for both vendors and buyers.

The software vendor landscape continues to evolve rapidly. M&A has become a way of life. The offshore services firms play an ever larger role and new crops of innovative services to keep everyone excited and moving forward.

Your Company's key revenue streams for the year 2007 are expected to come from the Vertical segment i.e. Asset Management, Transportation & Hospitality, HR IT solutions & Testing services and the Horizontal segment of Enterprise Solutions. These platforms continue to be the focus of your Company, on which new verticals & horizontals will be built. In addition to that your Company is confident to win new businesses with better rate for the focused service offerings. With the visibility of a formidable order book, your Company is confident of strengthening business in terms of quality, client base, geographies, verticals and horizontal services by which every stakeholders value will be enhanced.

Corporate Governance and Management Discussion and Analysis

Your Company takes pride in the belief that Corporate Governance not only in law but also in spirit. Your Company is endeavours to maximize the wealth of the stakeholder by managing the affairs of the Company with a pre-eminent level of accountability, transparency and integrity.

A report on Corporate Governance including the relevant (i) CEO and CFO certificate (ii) Auditors' Certificate regarding compliance with the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with stock exchanges; and (iii) declaration by CEO regarding compliance by Board Members and Senior Management with the Company's code of conduct are annexed. Management discussion and analysis of financial conditions and results of operation is also annexed.

Directors' Responsibility Statement

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

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- 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;
- 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;
- 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 2,052,140 equity shares of Rs. 2/- each on exercise of Stock Warrants/Options. These shares have been listed on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited. 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 Remuneration & Compensation Committee of the Board.

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

Disclosures in compliance with the Guidance Note on Accounting for Employee Share-based Payments

Sr. No.	Description	ESOP - 1999		ESOP - 2002	
1	Method used for accounting of the employee share-based payment plans	Intrinsic value method		Intrinsic value method	
2	If Intrinsic value method is used, impact for the accounting period had the fair value method been used on the following - Net results Earning per Share (EPS) - Basic - Diluted	1.94 Million		26.06 Million	
			9.23		9.23
			8.78		8.78
3	Description of each type of employee share-based payment plan that existed at any time during the period including the following - Total number of options under the plan Vesting Requirements	18,000,000		11,049,145	
		Vesting 25% on each successive anniversary of the grant date or as per the discretion of the Committee Deferred – 33.33% on each successive of the grant date or as per the discretion of the Committee		Vesting 25% on each successive anniversary of the grant date or as per the discretion of the Committee	
	Maximum term of options granted	10 years		7 years	
4	Number and weighted average exercise prices of stock warrants/options for each of the following groups of options	Number of warrants	Weighted Average Exercise Price (Rs.)	Number of options	Weighted Average Exercise Price (Rs.)
	- Outstanding at the beginning of the period	1,765,170	9.00	5,797,015	83.30
	- Granted during the period	-	-	157,000	143.03
	- Forfeited during the period	214,055	9.00	241,150	113.96
	- Exercised during the period	188,865	9.00	1,989,185	66.98
	- Outstanding at the end of the period and	1,362,250	9.00	3,723,680	67.78
	- Exercisable at the end of the period	1,302,250	9.00	2,141,425	53.74
5	Number of warrants/options vested		1,302,250		2,141,425
6	Total number of shares arising as a result of exercise		62,955		1,989,185
7	Money realised by exercise of options		0.06 Million		40.97 Million
8	Employee-wise details of warrants/options granted to - - Senior management personnel - Employees holding 5% or more of the total number of warrants/options granted during the year	Nil		Nil	
		Nil		Nil	

Sr. No.	Description	ESOP - 1999		ESOP - 2002	
	- Identified employees who were granted warrant/option, during the year equal to or exceeding 1% of the issued capital (excluding outstanding warrants/options and conversions) of the Company at the time of grant.	Nil		Nil	
9	For stock options exercised during the period the weighted average share price at the date of exercise. If options were exercised on a regular basis throughout the period, the weighted average share price during the period.	As disclosed in point 4 above			
10	For stock options outstanding at the end of the period, the range of exercise prices and weighted average remaining contractual life (vesting period + exercise period). If the range of the exercise prices is wide, the outstanding options should be divided into ranges that are meaningful for assessing the number and timing of additional shares that may be issued and cash that may be received upon exercise of those options.	Range of exercise Prices (Rs.)	Weighted average contractual life (months)	Range of exercise Prices (Rs.)	Weighted average contractual life (months)
		45 to 125	88	45 to 125	100
		353 to 368	-	353 to 368	115
		402 to 855	-	402 to 855	843
11	For stock options granted during the the period, the weighted average fair value of those options at the grant date and information on how the fair value was measured.	No grants made during current period.		1-Jul-06 6-Nov-06	48.18 68.71
12	For other instruments granted during the period (i.e., other than stock options) - - Number and weighted average fair value of those instruments at the grant date - Fair Value determination in case - (a) fair value not measured on the basis of an observable market price (b) whether and how expected dividends were incorporated (c) whether and how any other features were incorporated	Not other instruments were granted during the year		No other instruments were granted during the year	
13	For employee share-based payment plans that were modified during the period - - Explanation of those modifications - Incremental fair value granted (as a result of those modifications) - Information on how incremental fair value granted was measured, consistently with the requirements set out in points 7 and 8 above.	No modifications were made to the schemes during the year		No modifications were made to the schemes during the year	
14	Total expense recognised for the period for employee share-based payment plans	Nil (As the intrinsic value is 0)		Nil (As the intrinsic value is 0)	
15	Separate disclosure of that portion of the total expense that arises from transactions accounted for as equity-settled employee share-based payment plans -	Nil (As the intrinsic value is 0)		Nil (As the intrinsic value is 0)	
16	For liabilities arising from employee share-based payment plans - Total carrying amount at the end of the period - Total intrinsic value at the end to the period for which the right of the employee to cash or other assets had vested by the end of the period.	Nil (As the intrinsic value is 0)		Nil (As the intrinsic value is 0)	
17	Diluted earnings per share (EPS) pursuant to issue of shares on exercise of option.	8.99		8.99	

As at December 31, 2006, diluted earnings per share was at Rs. 8.99/- as compared to Rs. 7.52/- for the financial year ended December 31, 2005.

Fixed deposits

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

Insurance

All the properties of your Company are adequately insured and safeguarded.

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 and forms part of this Report.

Subsidiaries

In accordance with the provisions laid down in Section 212 of the Companies Act, 1956 ("the said Act"), your Company is required to attach the Directors' Report, Balance Sheet and Profit and Loss Account of the subsidiaries to its Balance Sheet. In accordance with Section 212 (8) of the said Act, your Company had made necessary application to the Central Government for seeking exemption from the aforesaid requirement. In this regard, your Company has received an approval from the Government of India, Ministry of Company Affairs, vide their letter no. 47/307/2006 - CL - III dated February 8, 2007, granting an exemption from attaching the audited accounts of the subsidiaries to this Annual Report for the financial year ended December 31, 2006. Audited Accounts of all subsidiaries of the Company are available at the Registered Office of the Company for inspection by members. The Company will make available these documents upon request by any member of the Company.

A Statement, as directed by the Ministry of Company Affairs, furnishing particulars of the subsidiaries forms part of the Annual Report and is available at the Registered Office of the Company for inspection by members. The Company will make available the said document upon request by any member of the Company.

Directors

In accordance with the Articles of Association of the Company, Mr. Rusi Brij, Dr. Bakul H. Dholakia 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 at the ensuing Annual General Meeting.

Your Directors are pleased to inform you that with effect from March 23, 2007, Ms. Preeti Mehta has been inducted on the Board as a Director of the Company in terms of the provisions of the Companies Act, 1956 ("the said Act") and Articles of Association of the Company. Ms. Preeti Mehta holds office upto the date of the ensuing Annual General Meeting. As required under Section 257 of the said Act, the Company has received notice in writing alongwith the

requisite deposit from a member, proposing candidature of Ms. Preeti Mehta for the office of Director.

Mr. P. G. Kakodkar, Director of the Company retires at the ensuing Annual General Meeting. Mr. Kakodkar has expressed his unwillingness for seeking re-appointment. The Board has taken on record the immense contribution made by Mr. P. G. Kakodkar during his tenure as a Director of the Company.

The shareholders information as necessitated in Clause 49 of the Listing Agreement pertaining to brief resume, expertise in functional areas, names of companies in which Mr. Rusi Brij, Dr. Bakul H. Dholakia, Dr. (Mrs.) Alka Nishar and Ms. Preeti Mehta are Directors etc. is being provided separately in the Annexure on page no. 36 of the Corporate Governance Report section of this Annual Report. Members are requested to refer to the said section of the Corporate Governance Report.

Auditors

Pursuant to the recommendation of the Audit Committee at its meeting held on February 14, 2007, for re-appointment of M/s. Deloitte Haskins & Sells as Statutory Auditors of the Company, for the financial year 2007, the Board of Directors have, at their meeting held on February 15, 2007, approved the re-appointment of M/s. Deloitte Haskins & Sells as the Statutory Auditors of the Company for the financial year 2007 and to hold office till the conclusion of the next Annual General Meeting scheduled to be held in 2008. In terms of the provisions of Section 224 of the Companies Act, 1956 ("the said Act") M/s. Deloitte Haskins & Sells retire at this Annual General Meeting and being eligible, offer themselves for re-appointment. In terms of provisions of Section 224(1B) of the said Act, M/s. Deloitte Haskins & Sells have furnished a certificate that their appointment, if made, will be within the limits prescribed under Section 224(1B) of the said Act.

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.

Acknowledgement

Your Directors place on record their gratitude towards their clients, bankers, Government of India, regulatory authorities of other countries, Registrar and Share Transfer Agent, vendors and Technology Partners for the whole hearted support extended by them. Your Directors are also deeply touched by the efforts, sincerity and loyalty displayed by our employees without whom the growth was unattainable. Your Directors wish to thank the investors and stakeholders for placing immense faith in us. Your Directors seek, and look forward to, the same support during the future years of growth. Your Directors hope that they can continue to satisfy you better in the years to come.

For and on behalf of the Board of Directors

Atul K. Nishar
Executive Chairman

Place : Mumbai
Date : March 23, 2007

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:

In the age where conserving power has become an obsession, keeping in view the shortage of power, your Company is fortunate that the operations are not energy intensive. Your Company believes that it forms part of the duty to save energy wherever possible and also install apparatus which would help in conservation of energy. Your Company's computer terminals, air-conditioning systems, lighting and utilities are modern technology enabled so that optimum use of energy and power can be made.

TECHNOLOGY ABSORPTION:

Your Company believes that in addition to progressive thought, it is imperative to invest in research and development to ascertain future exposure and prepare for challenges. In its endeavour to obtain and deliver the best, your Company has entered into alliances/tie-ups with major global players in the I.T. Industry, to harness and tap the latest and the best of technology in its field, upgrade itself in line with the latest technology in the world and deploy/

absorb technology wherever feasible, relevant and appropriate. At the same time, your Company has also attached tremendous significance to indigenous development and upgradation of technology through its extensive Research and Development operations. The benefits derived from these processes are phenomenal and have improved the quality of our world class services. It has also helped in diversifying the services portfolio while increasing cost efficiency.

RESEARCH & DEVELOPMENT:

Your Company has a state-of-the-art Research and Development (R&D) wing carrying on Research and Development activities. This is in line with the Company's philosophy of maintaining and sustaining leadership status and the management team of your Company recognises the fact that in the long run, R&D will be a crucial differentiator between companies.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

The details of Foreign Exchange Earnings and Outgo are mentioned in Point No. 19 of Para 3 & 4 of Schedule 13(B) 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 : March 23, 2007

REPORT ON CORPORATE GOVERNANCE :

The detailed report on Corporate Governance, for the financial year January 1, 2006 to December 31, 2006 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

Corporate Governance for Hexaware is passion, motto and culture. To attain growth in all facets and at the same time ensuring welfare of the society at large is only possible by adhering to high standards of Corporate Governance.

We are proud that we believe in Corporate Governance not only as a law but in spirit too. Our endeavour is to maximise the wealth of the stakeholders by managing the affairs of the Company with pre-eminent level of accountability, transparency and integrity.

We believe that accurate and timely disclosures improve public understanding on the activities of the Company which consequently attracts investors towards the Company. We aim to adopt best International practices in Corporate Governance and are confident of achieving it.

Hexaware has during its way towards growth, adopted the Hexaware Code of Conduct and Hexaware Prevention of Insider Trading Program. The Company has in place an Information Security Policy that ensures proper utilisation of the IT resources.

2. Board of Directors

2.1 Composition and category of Directors:

The Board of Directors of your Company comprises of eleven directors representing the optimum combination of professionalism, knowledge and experience. Of these, five directors are Non-Executive and Independent Directors. The Chairman of the Board is an Executive Chairman.

During the year, the Board has also approved and adopted a Code of Conduct for all Directors and the Senior Management of the Company. The same has been posted on the website of the Company at www.hexaware.com. All Directors and personnel of the Senior Management are under a requirement to affirm the compliance with the said Code annually beginning from the year 2006 onwards. The necessary declaration by the CEO of the Company regarding compliance of the above-mentioned code by the Directors and the Senior Management of the Company forms part of the Corporate Governance report.

The current composition of the Board of Directors of the Company is given below:

Name	Designation	Category	Shareholding in Company (No. of Shares)
Mr. Atul K. Nishar	Executive Chairman	Executive & non-independent Director	Nil
Mr. Rusi Brij	Vice-Chairman and CEO	Non-executive & non-independent Director	1,925,000
Mr. P. K. Sridharan	President and Executive Director	Executive & non-independent Director	702,000
Dr. (Mrs.) Alka A. Nishar	Director	Non-executive & non-independent Director	227,135
Mr. L. S. Sarma	Director	Non-executive & Independent Director	15,000
Mr. A. P. Kurian	Director	Non-executive & Independent Director	25,000
Mr. P. G. Kakodkar	Director	Non-executive & Independent Director	25,000

The Institute of Company Secretaries of India (ICSI) has rated Hexaware amongst the top twenty five companies which have displayed excellence in Corporate Governance for the year 2006.

Name	Designation	Category	Shareholding in Company (No. of Shares)
Mr. Mark F. Dzialga	Director	Non-executive & non-independent Director	Nil
Dr. Bakul Dholakia	Director	Non-executive & Independent Director	Nil
Mr. Shailesh V. Haribhakti	Director	Non-executive & Independent Director	Nil
Mr. Sunish Sharma	Alternate Director to Mr. Mark F. Dzialga	Non-executive & non-independent Director	Nil
Ms. Preeti Mehta*	Director	Non-executive & Independent Director	Nil

* Appointed as an Additional Director w.e.f. March 23, 2007

2.2 Attendance of each Director at the Board meetings and the last annual general meeting:

The Company holds at least four Board meetings in a year, one in each quarter inter-alia to review the financial results of the Company. The gap between the two Board meetings does not exceed three calendar months. Apart from the four scheduled Board meetings, additional Board meetings are also convened to address the specific requirements of the Company. Urgent matters are also approved by the Board by passing resolutions through circulation. Every Director on the Board is free to suggest any item for inclusion in the agenda for the consideration of the Board. All the departments in the Company communicate to the Company Secretary well in advance of the matters requiring approval of the Board/committees of the Board to enable him to include the same in the agenda for the Board/committee meeting(s).

Agenda papers along with explanatory notes are circulated to the Board members well in advance before the meeting of the Board. All material information is incorporated in the agenda papers for facilitating meaningful and focused discussions at the meeting.

During the year eight Board meetings were held on February 2, 2006, March 20, 2006, April 20, 2006, May 25, 2006, July 17, 2006, July 18, 2006, October 19, 2006 and November 6, 2006 respectively.

The attendance of the Directors at the Board Meetings and the Annual General Meeting held during the year 2006 was as follows:

Directors	Board Meetings attended during the year	Whether attended last AGM	Other Directorships/ Board Committees (Numbers)	
			Directorships of other public companies	Board Committee Membership/ (Chairmanship)
Mr. Atul K. Nishar	8	Yes	2	-
Dr. (Mrs.) Alka Atul Nishar	8	Yes	2	-
Dr. K. K. Anand*	2	No	4	-
Mr. L.S. Sarma	8	Yes	3	4 (1)
Mr. A. P. Kurian	6	Yes	5	4(1)
Mr. P. G. Kakodkar	4	No	13	5
Mr. Rusi Brij	6	Yes	5	-
Mr. P. K. Sridharan	7	Yes	1	1
Mr. Mark F. Dzialga **	1	No	4	1
Dr. Bakul Dholakia **	2	No	5	-
Mr. Shailesh V. Haribhakti **	5	No	15	5(5)
Mr. Sunish Sharma #	3	Yes	1	-

* Resigned as Director of the Company w.e.f. May 25, 2006.

** Appointed as a Director w.e.f. May 25, 2006.

Appointed as Alternate Director to Mr. Mark Dzialga w.e.f. May 25, 2006.

Notes:

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. Necessary disclosures regarding committee positions in other public companies as at December 31, 2006 have been made by the Directors.
2. The committees considered for the above purpose are those as specified in existing Clause 49 of the Standard Listing Agreement(s) i.e. audit committee and shareholders/investors grievance committee.
3. Information placed before the Board for consideration is specified in Clause 2.4 and is in compliance with Annexure 1A to Clause 49 of the Listing Agreement.

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

Name of Director	Other directorship details
Mr. Atul K. Nishar	Hexaware Technologies Inc. – USA Hexaware Technologies UK Limited – UK
Dr. (Mrs.) Alka Atul Nishar	Hexaware Technologies Inc. – USA Hexaware Technologies UK Limited – UK
Mr. L. S. Sarma	Granules India Limited Caliber Point Business Solutions Limited SpecSoft Technologies India Limited
Mr. A. P. Kurian	Association of Mutual Fund in India (AMFI) Geojit Financial Services Limited National Stock Exchange of India Limited Muthoot Capital Services Limited Granules India Limited
Mr. P. G. Kakodkar	Goa Carbon Limited Uttam Galva Steels 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 Limited Multi Commodity Exchange India Limited IBX Forex Limited The Ratnakar Bank Limited
Mr. Rusi Brij	Hexaware Technologies Inc. – USA DQ Entertainment Limited – India Hexaware Technologies Canada Limited – Canada Caliber Point Business Solutions Limited – India FocusFrame Inc. – USA
Mr. P. K. Sridharan	Hexaware Technologies Asia-Pacific Pte. Limited – Singapore
Mr. Mark F. Dzialga	General Atlantic LLC and affiliated entities Schaller Anderson Incorporated Genpact Limited Webloyalty
Dr. Bakul Dholakia	Reliance Natural Resources Limited Ashima Limited Oil & Natural Gas Corporation Limited (ONGC) Mahanagar Gas Limited Nachmo Knitex Limited

Name of Director	Other directorship details
Mr. Shailesh V. Haribhakti	Pantaloan Retail (India) Limited Gujrat Ambuja Cement Limited Everest Kanto Cylinder Limited Morarjee Textiles Limited Indian Petrochemicals Corporation Limited Mahindra Gesco Developers Limited Bihar Caustics and Chemicals Limited Blue Star Limited Kotak Mahindra Private Equity Trustee Limited Fortune Financials Services (India) Limited The Associated Cement Cos. Limited Hercules Hoists Limited Akruti Nirman Limited Great Offshore Limited Valecha Engineering Limited*
Mr. Sunish Sharma	Sharekhan Limited – Nominee Director
Ms. Preeti Mehta	Balmer Lawrie Van Leer Limited

* Mr. Shailesh Haribhakti is an Alternate Director in Valecha Engineering Limited. However, in accordance with the provisions of Sub-Section (d) of Section 278 of the Companies Act, 1956, holding a position of alternate director is excluded while calculating the number of Directorship under Section 275 of the Companies Act, 1956.

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, include:

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:

- 1) **Mr. Rusi Brij**, aged 51 years, has been the Director of Hexaware Technologies Limited since last 6 years. Mr. Rusi Brij has been shouldering the challenge of spearheading the growth of Hexaware Software and BPO business in the new millennium. As the global CEO, his mandate covers developing and growing the operations of the Company in accordance with the guidelines set by the Board. This includes setting the strategic direction of the business, developing long-term plans for various business divisions, expanding market presence in the US, Europe and Asia Pacific, meeting business targets, and managing expectations of customers, investors, and employees. After completing the merger process in the year 2001, he has defined a new business direction, restructured operations and management globally, and set new business targets for leaders across the Company. He has also focused on aggressive business development and building a strong brand identity for the Company.

Mr. Rusi is an MBA, with an Advance Course from Haas School of Management, University of California, Berkeley. He brings with him over 22 years of rich experience in diverse portfolios ranging from International Business Development, Sales & Marketing, Strategic Alliance Management and Strategic Planning. For 11 years he was the Executive Vice-President of Satyam Computers, based in India and later in USA. He was also instrumental in acquiring some of their largest customers and served as Chairman of several of their joint ventures, including those with GE and TRW.

- 2) **Dr. Bakul Dholakia**, aged 59 years, is a Director of IIM, Ahmedabad. He has over 37 years of professional experience out of which 31 years has been with IIM, Ahmedabad and the remaining 6 years with Reserve Bank of India. Dr. Dholakia, a Doctorate in Economics, is a renowned and eminent professor. He has been a Consultant to the World Bank and the Asian Development Bank in addition to advising various National and International organizations. He has authored numerous books on business topics including Business Economics, Corporate Strategy and Development Economics.

- 3) **Dr. (Mrs.) Alka Nishar**, aged 51 years, has been the Director of Hexaware Technologies Limited since inception. She has extensive experience in Strategic Planning, Information and Infrastructure Planning, Logistics, Control Systems and Marketing.

Dr. Nishar is a MBBS from the Grant Medical College, Mumbai and is a Master of Management Studies, Sydenham Institute of Management Studies, Mumbai.

The shareholders information as necessitated in Clause 49 of the Listing Agreement pertaining to brief resume, expertise in functional areas, names of companies in which he is a Director etc. is being provided separately in Annexure on page no. 36 of the Corporate Governance Report section. Members are requested to refer the said section of the Corporate Governance Report.

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, with management, the quarterly financial statements before submission to the Board for approval.
- (e) To review and approve annual accounts of the Company and recommend to the Board for consideration or otherwise.
- (f) To review with management, external and internal auditors, and review the efficacy of internal control systems.
- (g) 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.
- (h) To discuss with internal auditors about any significant findings and follow-up thereon.
- (i) 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.
- (j) 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.
- (k) To review the Company's financial and risk management policies.
- (l) 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 comprises of Four Members out of which three are non-executive and independent Directors and one is Non-Executive and Non-Independent Director. Mr. Shailesh V. Haribhakti (Chairman), Mr. L. S. Sarma, and Mr. A. P. Kurian are Non-Executive and Independent Directors and Mr. Mark F. Dzialga is Non-Executive and Non-Independent Director respectively.

During the year, Mr. L. S. Sarma resigned as Chairman of the Committee and continues as a member of the Committee. The Board has taken on record the immense contribution made by Mr. L. S. Sarma during his tenure as the Chairman of the Audit Committee. Mr. Shailesh V. Haribhakti and Mr. Mark F. Dzialga were appointed as members of the Committee w.e.f. May 25, 2006. Mr. Shailesh V. Haribhakti has been appointed as Chairman of the Committee w.e.f. October 18, 2006. All members of the Audit Committee have accounting and financial management expertise. Mr. Shailesh V. Haribhakti, FCA, is the Chairman of the Audit Committee and has got accounting and financial management expertise. Mr. L. S. Sarma, Ex- Chairman of the Audit Committee had attended the Annual General Meeting (AGM) of the Company held on 29th June, 2006, to answer queries raised by the shareholders.

The Chief Financial Officer, the Partner/Representative of the statutory auditors and internal auditors are permanent invitees to the Audit Committee. Mr. Naishadh P. Desai, AVP (Finance & Legal) and Company Secretary is the secretary to the Committee.

During the year, the Audit Committee met 6 (six) times on January 20, 2006, February 1, 2006, April 19, 2006, May 25, 2006, July 17, 2006 and October 18, 2006 respectively and the necessary quorum was present at the meeting.

The attendance record of the members is as per the table given below.

3.3 Meetings and Attendance during the Year 2006:

Name of the Director	Category	No. of meetings held during the year	
		Held	Attended
Mr. Shailesh V. Haribhakti* Chairman	Non-Executive and Independent	6	2
Mr. L. S. Sarma	Non-Executive and Independent	6	6
Dr. K. K. Anand #	Non-Executive and Independent	6	2
Mr. A. P. Kurian	Non-Executive and Independent	6	4
Mr. Mark F. Dzialga*	Non-Executive and Non-Independent	6	0
Mr. Sunish Sharma**	Non-Executive and Non-Independent	6	2

* Appointed as a Member w.e.f. May 25, 2006.

Ceased to be Member w.e.f. May 25, 2006.

** Appointed as Alternate Director to Mr. Mark Dzialga w.e.f. May 25, 2006.

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. Bakul Dholakia, Mr. Rusi Brij, Mr. P. K. Sridharan and Mr. A. P. Kurian. During the year, Mr. Atul K. Nishar - Executive Chairman of the Company resigned as a member of the Committee. The scope of this Committee is to determine the compensation of Executive Directors and Senior Management. The Committee also approves, allocates and administers the Employees Stock Option Schemes and other matters as prescribed by the Listing Agreement from time to time.

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 Remuneration & 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 the 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 2006:

During the year, Remuneration & Compensation Committee met 3 (three) times on February 1, 2006, April 19, 2006 and November 6, 2006 respectively and necessary quorum was present at the meeting.

The attendance record is as per the table given below.

Name of the Director	Category	No. of meetings held during the year	
		Held	Attended
Mr. L. S. Sarma - Chairman	Non-Executive and Independent	3	3
Dr. K. K. Anand*	Non-Executive and Independent	3	1
Mr. P. K. Sridharan	Executive and Non-Independent	3	3
Mr. Rusi Brij	Non-Executive and Non-Independent	3	3
Mr. Atul Nishar**	Executive and Non-Independent	3	2
Mr. A. P. Kurian\$	Non-Executive and Independent	3	1
Dr. Bakul Dholakia#	Non-Executive and Independent	3	0

* Ceased to be a Member w.e.f. May 25, 2006.

** Ceased to be a Member w.e.f. March 6, 2006.

\$ Appointed as Member w.e.f. April 19, 2006.

Appointed as Member w.e.f. May 25, 2006.

4.4 Details of Remuneration paid or payable to Directors during the Year 2006:

(Rupees in Millions)

Name of Director	Mr. Atul K. Nishar – Executive Chairman	Mr. P. K. Sridharan – President and Executive Director
Salary and Allowances	3.21	* 6.80
Perquisites	0.64	–
Contribution to Provident Fund and Other Funds	0.31	0.29
Total	4.16	7.09

* includes performance bonus paid during the year.

During the year, the salary of the Executive Chairman and President and Executive Director was revised in accordance with the approval granted by the Board of Directors of the Company and members of the Company. The increase was made in accordance with the average increase which was being made for the employees of Hexaware and the same was approved by the Remuneration & Compensation Committee. Mr. P. K. Sridharan - President and Executive Director of the Company was paid Performance Bonus of Rs. 2.30 millions based on the Global Delivery Performance and his contribution towards the growth of the Company for the year 2006.

4.5 Employees Stock Option Plan/Sitting Fees/Commission/Notice Period:

Name of the Director	ESOP 1999	ESOP 2002	Sitting Fees for attending Board/ Committee Meeting	Commission to Non- Executive Director	Notice Period
	No. of Warrants granted	No. of Options granted	Gross Amount Rupees in millions	Gross Amount Rupees in millions	
Mr. Atul K. Nishar	–	–	–	–	3 months
Dr. (Mrs.) Alka Nishar	–	–	–	–	N.A
*Dr. K. K. Anand	–	50,000	0.02	0.31	N.A
Mr. L. S. Sarma	150,000	50,000	0.12	0.75	N.A
Mr. A. P. Kurian	–	25,000	0.07	0.75	N.A
Mr. P. G. Kakodkar	–	25,000	0.02	0.75	N.A
Mr. Rusi Brij	3,300,000	1,100,000	–	–	3 months
Mr. P. K. Sridharan	513,100	930,000	–	–	3 months
Mr. Shailesh V. Haribhakti	Nil	Nil	0.05	0.50	N.A
Dr. Bakul Dholakia	Nil	Nil	0.01	0.50	N.A
Mr. Mark F. Dzialga	Nil	Nil	Nil	Nil	N.A

* Ceased to be a member w.e.f. May 25, 2006.

- All the members have exercised warrants/options.

i) **ESOP – 1999**

Every three Warrants entitle the holder to exercise the right to apply for and seek allotment of one Equity Shares of Rs. 2/- each at a price of Rs. 9/- per share. The Warrants are to be exercised on specified dates in four equal instalments beginning February 1, 2001, in every Calendar Year on or before December 29, 2009, or at the discretion of the Remuneration & 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. 2/- each at a price of Rs. 9/-, Rs. 25/-, Rs. 70.60/-, Rs. 73.60/-, Rs. 80.40/-, Rs. 101/-, Rs. 135/-, Rs. 145/- and Rs. 171/- per share. The Options are to be exercised on specified dates in four equal instalments beginning July 23, 2003, onwards in every Calendar Year on or before July 31, 2009, or at the discretion of the Remuneration & Compensation Committee.

4.6 Non-Executive Directors:

The Company pays Sitting Fees of (a) Rs. 20,000/- per meeting with effect from October 19, 2006, to its Non-Executive Directors for attending meetings of the Board and (b) Rs. 5,000/- per meeting for attending meetings of Committees of the Board. At the Tenth Annual General Meeting of the Company, members have approved payment of commission to the Non-Executive Directors within the ceiling of 1% of the net profits of the Company as computed under the applicable provisions of the Companies Act, 1956. The said commission will be decided each year by the Board of Directors and distributed amongst the Non-Executive Directors. The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending meetings.

During the year, the Company has declared commission on a pro-rata basis to all Non-Executive Directors of the Company amounting to Rs. 3.56 million in view of the contributions made by them towards the growth of the Company.

5. Shareholders/Investors Grievance Committee

5.1 Scope of Shareholders Grievances Committee's activities:

The scope of the Shareholders Grievance Committee is to review and address the grievance of the shareholders in respect of share transfers, transmission, non-receipt of annual report, non-receipt of dividend etc. and other related activities. In addition, the Committee also looks into matters which can facilitate better investors' services and relations.

Shareholders Services:

During the year under review the Company has sent the following communications to the Shareholders of the Company in order to serve them better:

- a. Communication for unpaid dividend.
- b. Communication requesting the shareholders to dematerialise their shares.

For the purpose of facilitating the shareholders, the Company has posted on its website detailed services for the Shareholders' which contains information on the following:

- (i) Procedure for Dematerialisation of shares;
- (ii) Procedure for transfer of shares;
- (iii) Change of address;
- (iv) Dividend;
- (v) Nomination Facility;
- (vi) Loss of shares Certificates;
- (vii) Right as a shareholder;
- (viii) Result of Postal Ballot, if any;
- (ix) Facility of online Shareholders'/Investors' Satisfaction Survey on a continuous basis.

5.2 Composition, Meetings and Attendance of Committee:

The composition of the Committee is given below:

Name of the Director	Category	No. of meetings held during the year	
		Held	Attended
Mr. A. P. Kurian – Chairman	Non-Executive and Independent	2	2
Mr. P. K. Sridharan	Executive and Non-Independent	2	–
Mr. L. S. Sarma	Non-Executive and Independent	2	2

During the year, two meetings were held on December 8, 2006 and December 19, 2006 and necessary quorum was present at the meeting.

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

Nature of Complaints	Year 2006		
	Received	Cleared	Pending
Transfer, Transmission etc.	6	6	–
Dividend	37	37	–
Annual Report	11	11	–
Others/Miscellaneous	0	0	–
TOTAL	54	54	–

Pending Transfers:

There were 10 (ten) transfers, involving 1,085 (One Thousand Eighty Five) Equity Shares pending as on December 31, 2006. These transfers have been processed and shares have been dispatched in January 2007.

5.4 Company Secretary and Compliance Officer:

Name of the 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 67919595
E-mail	naishadd@hexaware.com
Fax	+91 22 67561022

6. Details of Annual General Meetings

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

Financial Year	General Meeting	Location	Date	Time
2006	13th Annual General Meeting	M. C. Ghia Hall, 2nd Floor, Bhogilal Hargovinddas Building, 18/20, K Dubhash Marg, Behind Prince of Wales Museum / Kala Ghoda, Mumbai – 400 001.	Thursday, 29th June, 2006	3.00 P.M.
2005	12th Annual General Meeting	M. C. Ghia Hall, 2nd Floor, Bhogilal Hargovinddas Building, 18/20, K. Dubhash Marg, Behind Prince of Wales Museum/ Kala Ghoda, Mumbai – 400 001.	Monday, 4th April, 2005	11.30 A. M.
2004	11th Annual General Meeting	Yashwantrao Chavan Pratishthan, Mumbai, General Jagannath Bhosale Marg, Opp. Mantralaya, Nariman Point, Mumbai – 400 021.	Wednesday, 9th June, 2004	11.30 A.M.

- During the last three Annual General Meetings, the Shareholders of the Company have approved the Special Resolutions as provided in the Notice of the respective Annual General Meetings.

6.2 Location, date and time where the last three Extra Ordinary General Meetings were held:

Financial Year	General Meeting	Location	Date	Time
2006	Extra Ordinary General Meeting	Patkar Hall, New Marine Lines, Mumbai – 400 020.	Thursday, 13th April, 2006	11.00 A.M
2004	Extra Ordinary General Meeting	M. C. Ghia Hall, 2nd Floor, Bhogilal Hargovinddas Building, 18/20, K. Dubhash Marg, Behind Prince of Wales Museum/ Kala Ghoda, Mumbai – 400 001.	Tuesday, 19th October, 2004	11.30 A.M.
2002	Extra Ordinary General Meeting	Shree Vile Parle Gujarati Mandal, Navinbahi Thakkar Hall, Shradhanand Road, Vile Parle (East), Mumbai – 400 057.	Friday, 15th March, 2002	11.30 A.M.

6.3 Postal Ballot:

No Postal Ballot was conducted during the year.

7. Disclosures

- There are no transactions with related parties i.e with the Promoters, Directors, Management, subsidiaries or relatives that may have potential conflict of interest with the Company at large. Transactions with related parties are disclosed in note no. 5 of schedule 13B to the Standalone Accounts of the Company in the Annual Report.
- 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.

- (c) In compliance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 1992, as amended till date, on Prohibition of Insider Trading, the Company has a comprehensive code of conduct and the same is being strictly adhered to by its management, staff and relevant business associates. The code expressly lays down the guidelines and the procedure to be followed and disclosures to be made, while dealing with shares of the Company and cautioning them on the consequences of non-compliance thereof.

The Company follows quiet periods (closure of trading window) prior to the publication of price sensitive information. During the quiet period, the Company has set up a mechanism where the management and relevant staff and business associates of the Company are informed about the same and are advised not to trade in Company's securities.

- (d) The Company has fulfilled the **following non-mandatory requirements** as prescribed in Annexure ID to Clause 49 of the Listing Agreement with the Stock Exchanges:

(a) **Remuneration Committee:** The Company has set up a Remuneration & Compensation Committee. Please see the para on Remuneration & Compensation Committee for details.

(b) **Auditors qualification:** Nil.

(c) **Training of Board Members:**

- (i) The Statutory Auditors of the Company i.e. M/s. Deloitte Haskins & Sells, Chartered Accountants, has made presentation before the Board of Directors of the Company on the revised Clause 49 of the Listing Agreement.
- (ii) M/s. Axis Risk Consulting Services Pvt. Limited has made presentation on comprehensive risk assessment, minimisation procedures and tool for monitoring the process and risk for the Company.
- (iii) M/s. Mercer, Human Resource Consulting has made presentation on Stock Option Plan.
- (iv) Every month a synopsis of MIS and any amendment related to Company Law/any important tax related regulations are being sent/discussed to/with all the Directors of the Company.

- (e) **Secretarial Audit**

A qualified practicing Company Secretary carried out a secretarial audit on quarterly basis to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL and the shares issued from time to time were listed with the Stock Exchanges.

8. Means of communication

- (a) The quarterly and half yearly results were generally published in The Economic Times, The Hindu Business Line, Business Standard, Free Press Journal and the Navshakti in Marathi.
- (b) The Company's audited and un audited periodical financial results, press releases and the presentations made to institutional investors and analysts are posted on the Company's website – 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 Fourteenth Annual General Meeting:

Date	Tuesday, April 24, 2007
Time	3.00 p.m.
Venue	M. C. Ghia Hall, 2nd Floor, Bhogilal Hargovinddas Building, 18/20, K. Dubhash Marg, Behind Prince of Wales Museum/Kala Ghoda, Mumbai – 400 001

9.2 Financial Calendar for the Year, 2007:

Financial year	January 1, 2007 to December 31, 2007
Dividend Payment	The final dividend if declared by the shareholders at the Annual General Meeting shall be paid/credited on or before May 23, 2007 . i.e. within 30 days from the date of declaration.
Book Closure	Friday, April 20, 2007 to Tuesday, April 24, 2007 (both days inclusive) to determine the entitlement of shareholders to receive the final dividend as may be declared for the year ended 31st December, 2006.
Listing on Stock Exchanges	<p>1) Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 023.</p> <p>2) National Stock Exchange of India Limited Exchange Plaza, BandraKurla Complex, Bandra (East), Mumbai – 400 051.</p> <p>Global Depository Receipts listed on</p> <p>3) London Stock Exchange PIC Third Floor, 10, Paternoster Square, London EC4M 7 LS</p>

Financial reporting for the quarter ending (tentative and subject to change)	
March 31, 2007	By April 24, 2007
June 30, 2007	By July 18, 2007
September 30, 2007	By October 17, 2007
December 31, 2007	By February 28, 2008
Annual General Meeting for the year ending December 31, 2006	By April 24, 2007

9.3 Registered Office:

The Registered Office of the Company is situated at; 152, Sector-III, Millennium Business Park, 'A' Block, TTC Industrial Area, Mahape, Navi Mumbai – 400 710.

9.4 Scrip Information:

Name of the Exchange	Reuters	Bloomberg	Code
Bombay Stock Exchange Limited	HEXT.BO	APTHLIN	532129
National Stock Exchange of India Limited	HEXT.NS	NAPTHLIN	"HEXAWARE"
London Stock Exchange	APHDLI		
ISIN Demat	INE093A01033		

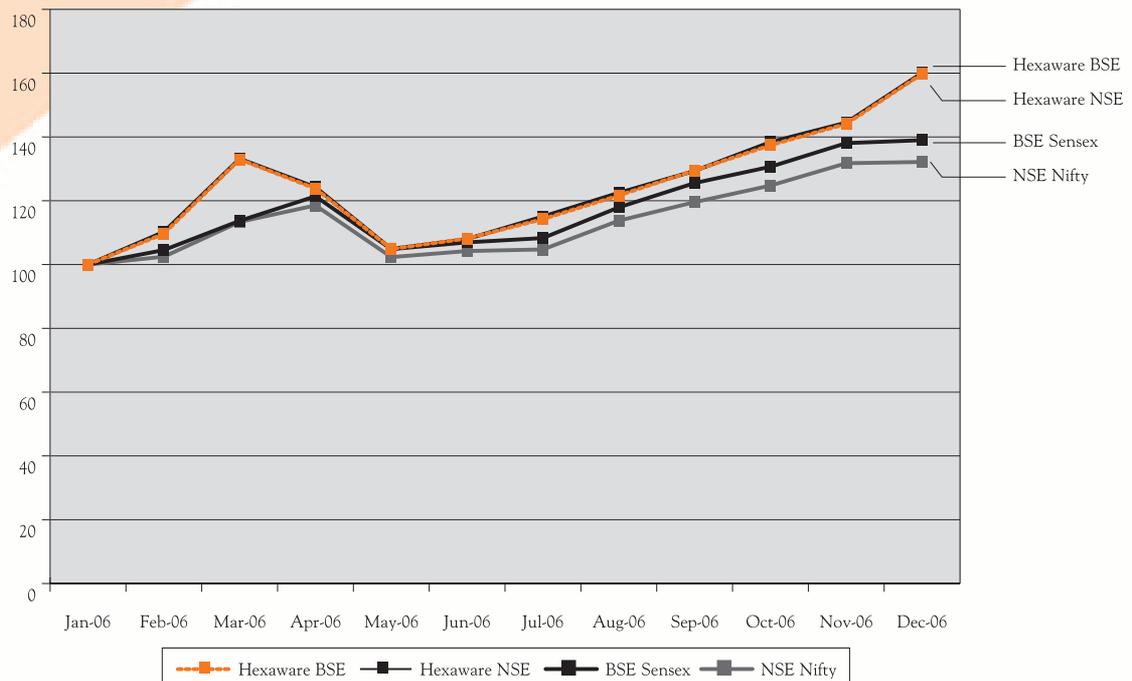
9.5 Stock Market Data:

The high/low of the shares of the Company from January 2006 to December 2006 is given below:

Year/ Month	Bombay Stock Exchange (Rs.)		National Stock Exchange (Rs.)	
	High	Low	High	Low
January'06	142.75	122.05	143.00	122.00
February'06	151.90	122.05	151.00	121.90
March'06	174.50	136.10	174.80	136.15
April'06	177.50	131.15	177.65	138.00
May'06	160.50	123.35	160.00	126.00
June'06	136.00	110.00	136.00	109.50
July'06	154.60	131.05	154.90	133.05
August'06	172.40	140.00	169.90	126.00
September'06	166.85	149.00	171.00	131.55
October'06	182.00	160.15	179.20	159.25
November'06	191.40	166.10	191.25	158.30
December'06	204.90	159.00	204.90	159.00

During the year, there has been no trading of GDR's on London Stock Exchange.

9.6 Stock Performance:



9.7 Stock Performance: For the Year 2006:

In Percentage	Year 2006	
	BSE	NSE
Hexaware Technologies Limited	51.25%	50.30%
BSE Sensex	46.32%	
BSE IT	43.11%	
S & P CNX NIFTY	39.82%	
CNX IT	39.10%	

9.8 Registrar and Share Transfer Agent:

In order to attain speedy processing and disposal of share transfers and other allied matters, the Board has appointed M/s. Sharepro Services (India) Private Limited as the Registrar and Share Transfer Agent of the Company. Their complete postal address is as follows:

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.

9.9 Share Transfer system:

The trading in Equity Shares of the Company is permitted only in dematerialised 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.

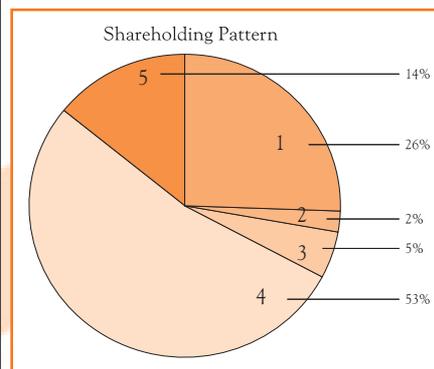
The Committee of Directors (Shareholders/Investors Grievances) usually approves transfer of shares every 15 to 30 days.

9.10 Distribution of Shareholding:

No. of Equity Shares held	As on December 31, 2006			
	No. of Share-holders	% of Share-holders	Total No. of Shares held	% of Share holding
1-500	65,246	95.93	7,057,574	5.34
501-1000	1,605	2.36	1,187,550	0.90
1001-2000	528	0.78	795,146	0.60
2001-3000	165	0.24	418,361	0.32
3001-4000	93	0.14	330,911	0.25
4001-5000	69	0.10	323,358	0.25
5001-10000	146	0.21	1,045,056	0.79
10001 and above	161	0.24	120,822,669	91.55
TOTAL	68,013	100.00	131,980,625	100.00

Categories of Shareholding (as on December 31, 2006):

Sr. No.	Category of Holder	No. of Shares	% of Equity
1.	Promoters Holdings	33,870,664	25.66
2.	Mutual funds/UTI	3,018,500	2.29
3.	Banks/Financial Institutions/Insurance Companies (Central/State Govt. Institutions/ Non Govt. Institutions)	6,392,571	4.84
4.	FII's/GDR	70,366,829	53.31
5.	Others :		
	- Private Corporate Bodies	1,659,391	1.26
	- Indian Public	13,551,992	10.27
	- NRIs/OCBs	3,095,703	2.35
	- Trust	24,975	0.02
	Sub Total	18,332,061	13.90
	TOTAL	1,31,980,625	100.00



9.11 Dematerialisation of Shares and liquidity:

Procedure for dematerialisation/rematerialisation of shares.

Shareholders seeking demat/remat of their shares need to approach their Depository Participants (DP) with whom they maintain a demat account. The DP will generate an electronic request and will send the physical share certificates to Registrar and Share Transfer Agents ("the Registrar") of the Company. Upon receipt of the request and share certificates, the Registrar will verify the same. Upon verification, the Registrar will request National Securities Depository Ltd. (NSDL)/Central Depository Services (India) Ltd. (CDSL) to confirm the demat request. The demat account of the respective shareholder will be credited with equivalent number of shares. In case of rejection of the request, the same shall be communicated to the shareholder.

In respect of remat, upon receipt of the request from the shareholder, the DP generates a request and verification of the same is done by the Registrar. The Registrar then requests NSDL and CDSL to confirm the same. Approval of the Company is being sought and equivalent number of shares are issued in physical form to the shareholder. The share certificates are dispatched within one month from the date of issue of shares.

97.69% of the issued capital has been dematerialised upto December 31, 2006.

9.12 Dividend payment date: On or before May 23, 2007. i.e. within 30 days from the date of declaration of dividend.

9.13 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, 2006 is 1,88,360.

2. Warrants/Options: (will be corrected at the end of the Year)

1. 1,80,00,000 Warrants allotted under ESOP Scheme 1999, entitles the holder to get allotted one equity share of Rs. 2/- each in the Company for every block of 3 warrants at a price of Rs. 9/- per Equity share within a period of ten years commencing from February 1, 2001 (exercise period) and any proportionate entitlement arising out of any corporate actions in accordance with the said Scheme.
2. 1,10,49,145 Options allotted under ESOP Scheme 2002, entitles the holder to get allotted one Equity share of Rs. 2/- each in the Company at an exercise price being the market price on the date of grant of options or average closing price on the primary Stock Exchanges, whichever is high or such price that may be determined by the Remuneration and Compensation Committee ('Committee'). The options shall vest in four equal installments or as determined at the discretion of the Committee. Any proportionate entitlement arising out of any corporate actions in accordance with the said Scheme.

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 4.18 million Equity shares of Rs. 2/- each.

9.14 Plant Locations:

Registered Office & Offshore Development Centers	152, Sector-III, Millennium Business Park, TTC Industrial Area, Mahape, Navi Mumbai - 400 710.	} Mumbai
	1, Sector-III, Millennium Business Park, TTC Industrial Area, Mahape, Navi Mumbai - 400 710.	
	8, Sector-III, Millennium Business Park, TTC Industrial Area, Mahape, Navi Mumbai - 400 710.	
Offshore Development Centers	Hexaware Towers, (HT-1), 51/3, G. N. Chetty Road, T Nagar, Chennai - 600 017.	} Chennai
	Hexaware Towers, (HT-2), 115, G. N. Chetty Road, T Nagar, Chennai - 600 017.	
	Hexaware Towers, (HT-3), 53, Greames Road, Chennai - 600 008.	
Offshore Development Center*	302 A, Building no. B-1, The Cerebrum IT Park, Kumar Park, Kalyani Nagar, Haveli, Pune - 411 006.	Pune
Offshore Development Center**	Unitech World Cyber Park, Tower B, 1st Floor, Sector-39, Gurgaon - 122 001, Haryana.	Gurgaon

* with effect from April 21, 2006.

** with effect from January 15, 2007.

9.15 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 unclaimed dividend lying in the unpaid dividend account of 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 10, 2000	1999	June 27, 2007
June 19, 2001	2000	August 23, 2008
June 9, 2004	2003	August 14, 2011
April 4, 2005	2004	June 8, 2012
October 27, 2005 (Interim)	2005	December 3, 2012
June 29, 2006	2005	August 3, 2013
July 18, 2006 (Interim)	2006	September 21, 2013

9.16 Investor Correspondence:

Shareholders can contact the following Officials for secretarial matters of the Company:

Name	E-Mail ID	Telephone Number	Fax No.
Naishadh P. Desai	naishadd@hexaware.com investorinfo@hexaware.com	+91 22 67919595	+91 22 67561022

Shareholders can contact the following Officials for financial related matters:

Name	E-Mail ID	Telephone Number	Fax No.
Rajesh B. Ghonasgi	rajeshbg@hexaware.com	+91 22 67919595	+91 22 67919623
Rajesh Kanani	rajeshk@hexaware.com	+91 22 67919595	+91 22 67919623

Correspondence address :

Hexaware Technologies Limited
 152, Sector-III, Millennium Business Park,
 'A' Block, TTC Industrial Area,
 Mahape, Navi Mumbai - 400 710
 E-mail : investorinfo@hexaware.com

Annexure

Details of the Directors seeking appointment/re-appointment at the Annual General Meeting (in pursuance of Clause 49 (VI)(G) of the Listing Agreement)

At the ensuing Annual General Meeting, Mr. Rusi Brij, Dr. Bakul H. Dholakia and Dr. (Mrs.) Alka Nishar, Directors of the Company retire by rotation and being eligible offer themselves for re-appointment. Ms. Preeti Mehta has been appointed on the Board as an Additional Director of the Company w.e.f. March 23, 2007 and seeks appointment at the ensuing Annual General Meeting. The brief resume, experience, functional expertise and the membership on various Boards and Committees, of Directors proposed to be appointed/re-appointed at serial no. 4, 5, 6 and 8 of Notice as per the revised Corporate Governance code defined under Clause 49 of the Listing Agreement are furnished below:

Name of the Director	Mr. Rusi Brij	Dr. Bakul H. Dholakia	Dr. (Mrs.) Alka Nishar	Ms. Preeti Mehta
Date of Birth	17.11.1955	15.07.1947	06.01.1956	01.10.1959
Age	51	59	51	47
Date of Appointment	30.07.2001	25.05.2006	20.11.1992	23.03.2007
Experience in specific functional area	IT Professional with 22 plus years of experience, with 15 years in IT.	Economist and a Management Expert	Extensive experience in Strategic Planning, Information and Infrastructure Planning, Logistics, Control Systems and Marketing.	Over 17 years of experience in matters relating to foreign collaborations, corporate laws, banking, external commercial borrowings and capital raising.
No. of Shares held in the Company	1,925,000	Nil	227,135	Nil
Qualification	MBA with an Advance Course from Haas School of Management, University of California, Berkeley.	Doctorate in Economics (Gold Medalist)	MBBS from the Grant Medical College, Mumbai and Master of Management Studies from Sydenham Institute of Management Studies, Mumbai.	B.A., L.L.B., Advocate, High Court, Mumbai and Solicitor, Mumbai and England
List of Companies	Hexaware Technologies Inc.- USA DQ Entertainment Limited - India Hexaware Technologies Canada Limited - Canada Caliber Point Business Solutions Limited FocusFrame Inc, - USA	Reliance Natural Resources Limited Ashima Limited Oil & Natural Gas Corporation Limited (ONGC) Mahanagar Gas Limited Nachmo Knitex Limited	Hexaware Technologies Inc. - USA Hexaware Technologies UK Limited - UK	Balmer Lawrie Van Leer Limited
Chairman/Members of the Committee of the Board of Companies in which he is Director #	Nil	Nil	Nil	Nil

The committees considered for the above purpose are those as specified in existing Clause 49 of the Standard Listing Agreement(s) i.e. audit committee, shareholders/investors grievance committee and remuneration committee.

CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

We, Rusi Brij Vice – Chairman & CEO, P.K. Sridharan – President & Executive Director and Rajesh Ghonasgi – Chief Financial Officer hereby certify that:

- (a) We have reviewed the Audited Financial Accounts and the cash flow statement for the financial year ended December 31, 2006 and that to the best of our knowledge and belief:
 - (i) these audited financial accounts do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these audited financial accounts together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

Rusi Brij
Vice – Chairman & CEO
Place : Mumbai
Date : February 15, 2007

P. K. Sridharan
President & Executive Director

Rajesh B. Ghonasgi
Chief Financial Officer

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 December 31, 2006, as stipulated in Clause 49 of the Listing Agreement of the said compliance 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 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 grievance 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
Date : March 23, 2007

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted a Code of Conduct for the Board of Directors and Senior Management of the Company. The same is available on website of the Company at www.hexaware.com.

As Vice-Chairman and Chief Executive Officer of Hexaware Technologies Limited and as required by Clause 49 (I) (D) (ii) of the Listing Agreement of the Stock Exchanges in India, I hereby declare that all the Board members and senior management personnel of the Company have affirmed compliance with the Code of Conduct for the financial year 2006.

Rusi Brij
Vice-Chairman and CEO
Place : Mumbai
Date : February 15, 2007

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATION

Premises

Your Company's financial statements, including those of subsidiaries are prepared in compliance with the provisions of the Companies Act, 1956 and your Directors do accept the responsibility for the integrity and objectivity of the financial statements. The business forecasts or opinion expressed by your Directors are based on the prevailing market conditions. Your Directors to the extent possible, have correlated their forecasts on the financial statements so as to depict appropriately the true affairs of the Company.

1. Industry Structure and Developments & Overview

There has been a paradigm shift in the industry driven largely by the change in the business conditions and to some extent the economic conditions. With globalization, though India has become the premier destination for IT services, the extent of competition has increased and therefore, all companies are looking forward to transform their business through innovation. Mergers and Acquisitions have also emerged as a key strategic focus area for establishing themselves as a Global player.

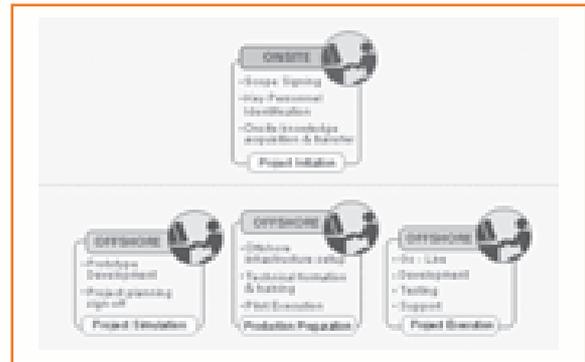
While, the expectations of the clients have increased manifold there continues to be an increased motivation to satisfy the clients with improved quality of service with the focus on developing long term relationships. The time on intake of order and the commencement thereof has also decreased and with an exact discipline on delivery time. Upgrading the technology infrastructure and harnessing the human resource is the need of the hour because these factors affect both the quality and the cost of services offered directly.

In view of the circumstances referred, your Company is filled with a lot of promising business opportunities and hence it has equipped itself to capture the opportunities and at the same time focus on expansion and diversification of the services offered. Your Company is focusing on bringing in more business and additions of 49 clients during the year 2006 bears a testimony to that fact. Your Company has also been able to satisfy the existing clients which is evident from the 88.4% percentage of revenues through repeat business with existing clientele.

There has been an increasing trend towards the offshoring technological services. The advantages which the client enjoys on availing the IT led services from the offshore destination are (a) reduced cost of high quality human resource (b) improved quality of service through application of innovation (c) reduction in cost of setting up of IT infrastructure.

Your Directors estimate that the major factors for the increase in offshore technology services are (a) acquiring and upgrading technology applications and technical know-how (b) ability to understand the needs of the clients and apply innovation to develop customized bespoke solutions tailored to the needs of the client (c) ability to attract and retain high skilled human capital at a competitive cost structure.

Your Company has strengthened its position in global markets and has also displayed market leadership and technical expertise in the focus areas. It has acquired domain knowledge in focus areas and is banking on O vertical segments to drive the company's growth opportunities. Your Company has designed a Global Delivery Model which supports delivering complex IT solutions from both onsite locations and offshore delivery centers in India.



Global capability in IT Services

Your Company pioneers the implementation of service offerings in enterprise wide applications such as global payroll, human resource management and customer relationship management globally. This implementation experience and the technical know-how serve as a credible pre-requisite for application roll out and other IT initiatives in various countries. Your Company's implementation of a 47-country rollout of a global payroll application is one of the most challenging IT initiatives undertaken at the global scale. Use of a common hub and platform and implementation through the Onsite-Offshore model, greatly diminishes time to market and reduces cost of the application services.

Some of the salient features of such IT implementations are: -

- Global Consolidation of IT applications through IT shared services Model
- Multi-country roll out through hub and spoke approach
- Global Database Management
- Global reporting and Enterprise Performance Management



Your Company is aware that it has been a standard requirement of most of the clients to expect an operational effectiveness and hence your Company has applied innovative techniques which is not solely aimed at achieving delivery improvements and focusing on operational excellence but also to proactively understand the business requirements of the client and thereby developing long-term relationship with the client. Your Company's innovation strategy is primarily focused on enhancing the value proposition offered to the clients and playing an integral role in facilitating the clients in their growth aspirations. This will help your Company sustain its global competitive edge.

2. Key Business Areas

Your Company has integrated its diversified service portfolio to provide the clients with end-to-end solutions which will address the issues of the clients business.

IT Services

Enterprise Solutions:

- **PeopleSoft Services**

Your Company's primary focus is on PeopleSoft HCM, FSCM, CRM and EPM solutions. Hexaware is staffed with a large number of senior managers, functional experts & technical experts who bring a plethora of experience in a variety of industries including Banking, Manufacturing, Airlines, Finance, Insurance and Education.

In addition to the proven excellence in the field of Peoplesoft Solutions, your company is looking to expand its presence in specific business segments like Higher Education. Your company is also actively seeking opportunities in under-served markets like Europe and Asia Pacific for offering PeopleSoft Solutions.

- **SAP Services**

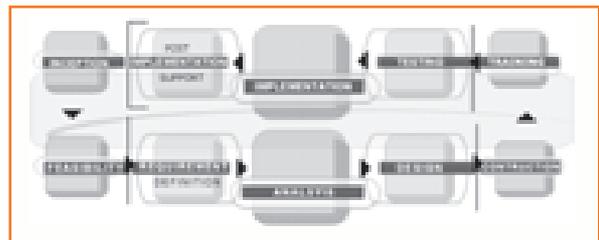
Your Company offers a range of end-to-end SAP services for major industry segments such as Banking and Financial services, Manufacturing and others. Your Company helps enterprises leverage SAP Solutions to efficiently manage enterprise resource planning (ERP), proactively handle supply chain management (SCM) and build sales and marketing efficiency through customer relationship management (CRM).

- **CRM**

Your Company specializes in providing CRM Services by identifying customer service standards and optimising and realigning the client's software and processes synergistically towards these objectives.

- **Business Intelligence/Data Warehousing Services/ EPM**

Your Company offers Business Intelligence Solutions that can provide the right information to everyone in your enterprise - including in-depth analysis and reporting capabilities that are required to understand business, make the right decisions, gain the competitive edge and increase profitability.



- **Application Development & Management**

Your Company's ADM Services steer business processes and promote business growth by focusing on impacting operational efficiency.

- **PeopleWare**

PeopleWare is an end-to-end service range offered by your Company to cater to technology challenges in the area of Human Resource. It covers all functions from "Hire-to-retire" viz, Workforce Planning, Recruitment, Workforce Management, Training, Payroll, Compensation, Benefits & Rewards, Garnishment, Time & Labour, Severance, Document

Management and workflow. Your Company has acquired tremendous amount of functional skills in HR and Payroll domain over the last decade. Your Company provides integrated HR services, which includes HR Consulting, HR IT, and HR BPO services.

- **Testing Service**

Your Company's Independent Testing Practice offers a complete range of testing services to various clients across the globe. Core strengths of the practice revolve around the rich experience and knowledge base in diversified areas such as Testing Tools, Application Domains, Testing Processes/ Methodologies and Specialised areas such as Security Policies, Availability Testing, etc.

- **BPO Service**

Your Company's wholly owned subsidiary viz., Caliber Point Business Solutions Limited offers Healthcare, Human Resources, Finance & Accounting and knowledge services domain.

- **Product Engineering**

Your Company has partnered with world-class product companies to provide product-engineering services. Our services help clients achieve "Cost" and "Time To market" benefits. Hexaware's SEI CMMI level 5 approach and effective statistical quality control procedures provide an efficient and reliable framework to meet stringent service levels and delivery commitments. It is also an assurance to product vendors that they are dealing with a world-class software services organization.

Focus Industry Segments are

- **Asset Management/Capital Markets**
- **Travel, Transportation, Hospitality & Logistics**
- **Insurance**

3. Opportunities and Strengths

Opportunities:

With Company's impressive suite of software solutions features several unique advantages that ensure high quality expertise and cost efficiency, your Company has identified various areas which will drive the Company's growth to reach its vision. Some of these key growth drivers are:

Leadership in focus areas

Your Company has demonstrated leadership and expertise in focus areas like global market leader in PeopleSoft services, among the leading IT solution providers for the Travel, Transportation & Hospitality Industry and fast emerging among the top two Indian IT services provider in Germany. These three dimensions form the core of the business strategy which will continue to provide

ample opportunity for increasing its market share and business volumes.

The growth would be augmented by developing new engines like the additional impetus in the testing services domain and increased focus in developing new service offerings such as HR IT solutions and Business Analytics.

Domain expertise & enhancement of Service portfolio

Another key differentiator is your Company's emphasis on bringing in domain experts in almost every business domain/ technology segment. All your Company's competency practices are led by highly skilled and experienced professionals in the respective areas. Your Company is continuously enhancing its service portfolio through investments and understanding client's requirements. These new services include Testing Services & Business Analytics etc. All these new offerings will add to the business volume and growth of the Company.

Geographies

Your Company's stratagem is to grow by tapping new geographies globally. Your Company has nearshore global development center at Mexico to offer same time-zone services to American clients, which will deepen presence in South America & Canada. Your Company has also strengthened client relationships in Europe. In Asia Pacific, your Company has observed that Japan and Australia have potential for further opportunities. Overall, the traction from the new clients from these geographies have been encouraging and expected to evolve into concrete business opportunities.

Innovative Sales

Your Company has continuously invested in sales in specific areas/competencies in which it has built its strength which are also core business of the Company. With these new sales and in high growth service offerings, your Company will have ample opportunity to grow faster.

Strategic Business Growth

Your Company's sales enhancing efforts that group into "hunting" & "Farming" is working very well and your Company will continue to provide quality service through farming approach and increasing its wallet share to top 60 accounts from top 40 accounts of the Company. Hunting strategy is also working very well and your Company continues to win new clients as depicted by the addition of 49 new clients during the year 2006 .

Strengths:

Your Company's innovation strategy, expertise, business acumen and domain expertise possessed are the fundamental strengths. This is very important in the context of adaptiveness required in the cross-cultural environment. These are the essential factors which have helped your Company to move up the value chain. While the senior management of your Company have

transformed the attitude to make your Company a Global player, sufficient care has been exercised to align the business practices followed by the developed countries.

In addition to primary focus on verticals & horizontals as discussed above, your Company is also endeavor to improve margin by continuing operating leverage, further improvement in productivity, reduction in SG&A, better prices for premium offerings, mining of large clients and raise volumes & size of the order.

4. Business Outlook

The year 2006 was a year of good growth and 2007 will be a year of advancement. The software industry is on new footing and is poised for significant advances in 2007. New technologies - such as software as a service (SaaS) and services-oriented architecture (SOA) - have become a well-integrated part of life for both vendors and buyers.

The software vendor landscape continues to evolve rapidly. M&A has become a way of life. The offshore services firms play an ever larger role and new crops of innovative services to keep everyone excited and moving forward.

The outlook for the quarter ending March 31, 2007 is as follows:

- Consolidated Revenue from operations is expected to be in the range of US\$ 59-60 million.
- Consolidated Profit after tax is expected to be in the range of US\$ 7.8 – 8 million

5. Risks and Risk Management

India is now being looked as the international hub for rendering the services for the IT Industry. Increase in opportunities also brings in the risks attached thereto which may hamper the growth of the organization. It is very important that a risk management policy should form part of the organization. While, your Company focuses on bringing in more business and satisfy its customers and develop long-term relationship, it is of utmost importance that a risk mitigation process is embedded in the policy and procedures followed which will insulate the Company from the risk that may arise out of the business propositions.

Risk Management

Your Directors are collectively shouldering the responsibility of framing policies and procedures to be implemented for mitigating the risks involved. The Vice-Chairman, President & Executive Director and the Chief Finance Officer of the Company affirm the compliance of the policies and procedures framed by the Company. The affirmation is based on the certification received from respective Department/Project Head.

The risks analysed are discussed below: -

(i) Revenue Concentration Risks

a) Service Concentration

Your Company as part of its ongoing strategy emphasis is on increasing the portfolio and bring in diverse mix of revenues so as to derisk the loss or adverse effect on any of the portfolios due to the competitive environment, price points etc. Your Company's revenue mix is from two main portfolios viz., Vertical Split and Technology Split.

Vertical Split

	2006 (%)	2005 (%)
Transportation & Hospitality	17.20	16.10
BFSI	45.50	44.90
Manufacturing	32.90	32.70
Others	4.40	6.30
Total	100.00	100.00

Technology Split

	2006 (%)	2005 (%)
Application Services	48.80	42.20
R&D/Embedded	0.90	1.80
Enterprise	33.80	41.20
HR IT	7.10	6.00
Others	9.40	8.80
Total	100.00	100.00

Your Company has made special efforts that the revenue mix should be from all the portfolios and consciously avoided concentration of revenues from one or two specific portfolios. During the current year, your Company is confident to gain strength in the testing space, especially with the acquisition of FocusFrame Inc.

b) Client Concentration

During the year, your Company has added 49 new clients and thereby the active clients stand at 129. The Company believes in building long term relationships and effective management of the account gives us 88.4% of the repeat revenues. During the year, revenue from any single client has come down to 8.1% compared to 10.7% in the previous year. The Company is proactively taking efforts to minimise the risk that may arise due to change in the business of the client and the IT strategy. Your Company has the advantage

of having appropriate client base and the generation of repeat revenues. The table below provides information on the client size and concentration.

Parameters	2006	2005
Billed clients	129	134
Clients added during the year	49	39
% of revenue from the largest client	8.10%	10.70%
% of revenue from top 5 clients	32.30%	40.70%
% of revenue from top 10 clients	47.10%	57.60%
No. of US\$ 1 million clients	41	30
No. of US\$ 1-5 million clients	32	22
No. of US\$ 5-10 million clients	5	4
Over US\$ 10 million clients	4	4

c) Geographic Concentration

The concentration of revenues from one country exposes to risks specific to that geographic location. The risks involved are the trade policy, political environment and laws prevalent. Apart from the aforesaid, based on the features of different markets the penetration into each market has cost attached to it which may adversely affect your Company's profitability. While, your Company is focusing on entering the new geographical area, North America stands to be the major revenue market. Your Company is now stabilising its position in new markets like South America, Far East, Scandinavia and France. Simultaneously, your Company is exploring the possibilities of entering into other geographical areas. The table below provides geographical distribution of revenue.

	2006 (%)	2005 (%)
North America	69.30	72.80
Europe	25.80	23.20
Rest of World	4.90	4.00
Total	100.00	100.00

(ii) Financial Risks

a) Foreign Currency

During the year, the Rupee has appreciated

marginally. On account of prudent practice of appropriately hedging the Rupee against various currencies & cross currencies, the exchange gain has increased to Rs. 37.52 million from an exchange loss of Rs. 50.59 million in the previous year and addition to currency translation reserves stands at Rs. 17.20 million.

Your Company will continue to adopt the prudent policy & practices to mitigate the impact of appreciation of the Rupee in future by appropriately hedging the Rupee against various currencies.

b) Liquidity

By adopting effective receivable management system, liquidity of your Company has improved every year. During the year, the cash and cash equivalent accounted 45.84% of the Company's assets and substantial amount of funds were invested in mutual funds.

Your Company is debt-free and maintains sufficient cash to finance the strategic objectives. Liquidity is important so as to enable ourselves in case of deviation of the market and if it demands to mitigate the financial and business risk involved.

(iii) Legal and Contractual Compliance

The operations of the Company are spread in many countries across the globe and it is necessary to adhere and comply with the laws of that particular country. With regard to the agreements entered into with the clients the management has entrusted the responsibility of reviewing the agreements to the legal department. The Company Secretary is the compliance officer for the compliance of laws and also heads the legal department. Operational teams have been informed about the compliance related issues to adhere to all contractual commitments.

(iv) Disaster Risk

In the event of force majeure, the work may get stalled or hampered or the possibility of loss of important information from the computer systems is a risk and may affect the confidence of the client. To mitigate this, your company has well defined Business continuity Plan (BCP) and has achieved a new milestone in Information Security with successful completion of the certification audit and recommendation for certification against ISO 27001 standards for all its development centers by Det Norske Veritas (DNV). The objectives of adhering to these standards are to ensure business continuity and mitigate the damage by preventing and minimizing the impact of security incidence.

6. Internal Control Systems

Your Company's objective with regard to internal control and their adequacy has been to safeguard the assets and interest of the Company and with proper policies & procedures and checks & balances to bring in discipline in day to day function and to determine the accuracy and reliability of data. While, Audit Committee comprising of majority of Independent Directors of the Company, during the year, your Company has decided to appoint KPMG as internal Auditor w.e.f January 1, 2007. The Internal audit will help to ensure the systems are implemented with adequate internal controls and assets are safeguarded.

7. Financial Highlights

Balance Sheet movements

a) Share Capital

During the year 2006, pursuant to the approval granted by the members of the Company on April 13, 2006, the authorized capital of the Company was increased to Rs. 2,213.10 million from Rs. 650.00 million.

The paid-up Share Capital of your Company increased to Rs. 1,763.92 million from Rs. 238.72 million comprising of 131,980,625 equity shares of Rs. 2/- each and 1,055,570 Series 'A' Redeemable and/or Optionally Convertible Preference Shares aggregating to Rs. 1,499.96 million. The increase in paid-up capital was on account of preferential allotment of shares and allotment of shares under the Employee Stock Option Schemes of your Company.

b) Reserves and Surplus

Your Company's global reserves increased by 73.98% to Rs. 5,627.49 million from Rs. 3,234.64 million in the previous year. This growth is attributed to: -

- 1) share premium amount on allotment of shares on preferential basis and to the employees under the Employee Stock Option Schemes; and
- 2) transfer of profits to the reserves;

c) Fixed Assets

During the year, the net block of assets has grown by 132.49% over previous year. The additions to fixed assets were at Rs. 1,412.70 million. The primary reasons for addition to fixed assets are (i) capitalization of goodwill on account of acquisition of FocusFrame amounting to Rs. 1,024.77 million (ii) keeping in mind the growth of the company, your Company has made investments of Rs. 167.98 million in land at Pune & Navi Mumbai and (iii) investments in computers & software amounting to Rs. 181.94 million.

d) Investments

During the year, investments increased to Rs. 2,616.73 million as compared to Rs. 652.98 million in 2005, which was on account of proceeds received on issue & allotment of equity & preference shares to GA Global Investments Ltd. and on account of re-investments of dividend in Mutual Funds.

e) Sundry Debtors

During the year, sundry debtors amounted to Rs. 2,233.94 million as against Rs. 1,835.64 million in the previous year. During 2006, your Company made provision of Rs. 33.13 million for the doubtful debtors. The increase in debtors was primarily on account of increase in business operations.

f) Cash and Cash Equivalents

During the year, your Company generated a net cash flow of Rs. 1,174.33 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. 722.10 million, repayment of loan Rs. 61.87 million and payment of dividends Rs. 216.69 million.

g) Deferred Tax Assets and Deferred Tax Liability

Your Company accounts for deferred tax in compliance with the Accounting Standard issued by the Institute of Chartered Accountants of India. Your Company has recognized the deferred tax asset of Rs. 49.28 million against Rs. 36.76 million in 2005, mainly on account of provision for leave encashment and your Company has recognized the deferred tax liability of Rs. 52.39 million as against Rs. 7.12 million in 2005, mainly on account of cash to accrual adjustment and depreciation.

h) Current Liabilities and Provisions

During the year, the current liability and provisions have increased to Rs. 1,565.61 million as against Rs. 1,015.43 million in 2005. This is mainly on account of increase in other liabilities by Rs. 227.39 million largely on account of increase in business operations, provisions increased by Rs. 207.05 million largely on account of provision for dividend, tax & fringe benefit tax.

8. Results of Operation

a) Income

During the year, the revenue from software business grew 24.98% to Rs. 8,482.14 million compared to Rs. 6,786.62 million in 2005. The profit after tax increased by 35.78% to Rs. 1,242.33 million compared to Rs. 914.97 million in 2005. Majority of the revenues were repeat revenues from the existing

clients. This reflects the effective client account management.

Revenues from operations are basically segregated into onsite and offshore revenues. The table below indicates the revenue split: -

Onsite – Offshore mix	2006 (%)	2005 (%)
Onsite	61.20	57.20
Offshore	38.80	42.80
Total	100.00	100.00

During the year, the billing rates for onsite was at US\$ 65.91 per hour and offshore rate was at US\$ 22.86 per hour. The blended utilization was at 70.50%.

Other income

During the year, global other Income was reported at Rs. 281.67 million as compared to Rs. 145.74 million in the previous year, a growth of 93.27%. The other income was mainly from dividend earned from investment in Mutual Funds of Rs. 113.67 million, Foreign exchange gain of Rs. 37.52 million.

b) Expenses

Software Development expenses

During the year, your Company's Software and Development expenses increased to Rs. 1,318.10 million compared to Rs. 1,036.01 million in 2005, a growth of 27.23%. The increase was attributed to software and consultant and related expenses on account of increase in business operations.

Employment expenses

Your Company's Employment expenses increased to Rs. 4,662.15 million in 2006 from Rs. 3,737.62 million in 2005, an increase of 24.74%. As a percentage of software revenues, employment expenses decreased to 54.96% for the year 2006 from 55.07% for the year 2005.

Administration and other expenses

Your Company's Administration and other expenses increased to Rs. 1,219.06 million in 2006 from Rs. 929.32 million in 2005. This increase is mainly due to increased business and added costs due to new software development centres and offices. As a percentage of software revenues, administrative and other expenses increased to 14.37% for the year 2006 from 13.69% for the year 2005.

9. Operating margin

Global Operating profit (EBITDA) increased to Rs. 1,564.50 million in 2006 from Rs. 1,229.41 million in the year 2005, a substantial increase of 27.26% over the previous year. The increase was largely due to increase in billing rates, better productivity and cost rationalisation measures.

10. Depreciation

During the year, the depreciation has reduced to Rs. 198.58 million from Rs. 209.90 million mainly on account of transfer of assets to Oracle.

11. Provision for Taxation

During the year, the provision for taxation was at Rs. 120.43 million compared to Rs. 97.37 million mainly on account of MAT and increase in Fringe Benefit Tax. As a percentage of Profit before Tax, the provision for taxation has decreased to 8.84% compared to 9.62% in 2005.

12. Net Profit

The net profit for the year 2006 amounted to Rs. 1,242.33 million as against Rs. 914.97 million for the year 2005 registering a growth of 35.78%. This was achieved because your Company quickly replaced the loss of business from PeopleSoft BOT with that of another account and acquisition of new business.

13. Dividend

Your Company declared a dividend (i) @ 2.95% on 1,055,570 Series 'A' Redeemable and/or Optionally Convertible Preference Shares of Rs. 30.43 million (previous year NIL) (including interim dividend) and (ii) 80% (including interim dividend @ 40%) on equity shares for the current year as compared to 60% in 2005. The total gross amount of dividend (preference and equity) for the year 2006 is Rs.240.54 million as against Rs. 142.62 million for the previous year. The tax on distributed profits, payable by your Company would amount to Rs. 34.69 million for the year 2006 as compared to Rs. 21.14 million in 2005.

14. Transaction in which the management is interested in their personal capacity

During the year 2006, there are no materially significant related party transactions entered into with the management that may have potential conflict with the interest of your Company. For detailed discussion, refer note No. 8 of schedule 13B in Notes to the Accounts.

Cautionary Statement

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

For and on behalf of the Board

Atul K. Nishar

Executive Chairman

Place : Mumbai

Date : March 23, 2007

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

(Rupees in Millions)

1. Name of the Subsidiary	Hexaware Technologies Inc., USA	Hexaware Technologies GmbH, Germany	Hexaware Technologies UK Limited UK	Hexaware Technologies Asia Pacific Pte. Limited, Singapore	Hexaware Technologies Canada Limited, Canada	Caliber Point Business Solutions Limited, India	Specsoft Technologies India Limited, India	FocusFrame Inc., USA	FocusFrame Mexico S de RL De CV, Mexico	FocusFrame UK Limited, UK	FocusFrame Europe BV, Netherland
2. The Financial Year of the Company ended on	31st December, 2006	31st December, 2006	31st December, 2006	31st October, 2006	31st December, 2006	31st December, 2006	31st December, 2006	31st December, 2006	31st December, 2006	31st December, 2006	31st December, 2006
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 Inc., U.S.A.	Hexaware Technologies Limited India	Focus Frame Inc., U.S.A.	Focus Frame Inc., U.S.A.	Focus Frame Inc., U.S.A.
4. Holding Company's Interest	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
5. Shares held by the holding Company in the Subsidiary	23,026 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	1,09,00,000 equity shares of Rs.10 each	50061 equity shares of Rs. 10 each	1,000 Common Stock at no par value	2 Participation Share of 3000 pesos each	1 Ordinary Share of GBP 1 each	1800 Common Stock of Euro 10 each
6. Reporting Currency	USD	EURO	GBP	SD	CAD	INR	INR	USD	MXN	GBP	EURO
7. Exchange Rate	44.27	58.41	86.71	28.84	38.00	-	-	44.27	4.10	86.71	58.41
8. Capital	355.40	7.57	265.96	14.42	0.89	109.00	0.50	0.16	0.01	-	1.05
9. Reserves	47.57	36.29	12.35	1.47	9.88	125.52	-	132.74	-	-	30.97
10. Total Assets	1,238.03	375.36	519.84	60.97	17.09	273.88	2.19	383.96	42.62	34.18	104.93
11. Total Liabilities	835.06	331.50	241.53	45.08	6.32	39.36	1.69	251.93	42.61	34.18	72.91
12. Details of Investments	-	-	-	-	-	-	-	0.87	-	-	-
13. Turnover	4,346.84	1,009.94	979.65	101.75	66.45	356.22	0.23	812.86	175.37	76.08	228.92
14. Profit/(Loss) Before Taxation	202.60	25.38	65.51	7.10	5.81	66.37	(0.08)	28.20	14.39	(10.37)	32.47
15. Provisions for Taxation	48.38	9.47	13.61	3.43	2.03	(2.36)	-	13.56	13.10	-	9.58
16. Profit/(Loss) After Taxation	154.22	15.91	51.90	3.67	3.78	68.73	(0.08)	14.64	1.29	(10.37)	22.89
17. Proposed Dividend, if any	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
18. Material change between the end of the Financial Year of the subsidiary Company and the Company's Financial Year ended December 31, 2006											
a. Fixed Assets	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b. Investments	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c. Money Lent	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
d. Money borrowed other than those for meeting Current Liabilities	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

- Notes :**
- 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.
 - With effect from January 3, 2006, Specsoft Consulting Inc., U.S.A. merged with Hexaware Technologies Inc., U.S.A.
 - Focus Frame Inc., U.S.A. was acquired on 28th November, 2006. Focus Frame Mexico S de RL De CB, Mexico, Focus Frame UK Limited, U.K. and Focus Frame Europe BV, Netherland are subsidiaries of Focus Frame Inc., U.S.A.

For and on behalf of the Board

Atul K. Nishar
Executive Chairman

Place : Mumbai
Date : February 15, 2007

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, 2006.

Sr. No.	Name	Age (Years) as on 31.12.06	Designation/ Nature of Duties	Gross Remuneration Received (Rs.)	Complete Qualification & Total Work Experience (Years)	Date of Commencement of employment in Hexaware	Last Employment held - Company Name Designation - Period of Employment in Years
A	Employed throughout the year						
1	Atul K Nishar	52	Executive Chairman	4,157,690	B.Com., ACA.	01-Jan-04	Founder
2	Abjijit Talukdar	38	Associate Vice President	2,905,796	B.E. MBA., 13 Years	12-Jun-00	Deloitte & Touche Tech., System Analyst, 2 Years - 2 Months
3	Akshay Bochia	40	Assistant Vice President	2,694,640	B. Com., 19 Years	17-Oct-96	Reliance Consulting Services, System Manager, 4 Years - 2 Months
4	Amberin Memon	45	Associate Vice President	2,790,024	B.A., PGDBM, 17 Yrs.	01-Jun-99	Phillips India Ltd., Project Leader, 3 Years - 3 Months
5	Arul Nambi	50	Associate Vice President	2,593,128	B. Com., 26 Years	10-Mar-99	Mastek Ltd., Manager, 1 Year - 11 Months
6	Baalasundaram K	56	Senior Vice President	3,763,558	B.A., 34 Years	01-Apr-01	Hexaware Technologies Ltd., 3 Years - 2 Months
7	Chandrashekar Vaze	41	Associate Vice President	2,868,630	B.E., PGDM, 13 Years	31-Mar-03	IBM, Principal Consultant - 2 Yrs - 1 Month
8	David Paul K Abraham	44	Assistant Vice President	2,514,490	B.A., DCA, DSM, PGDHRM, 23 Years	05-Aug-98	John Crane Engg. Sealing Systems Ltd., Manager Infm., 2 Years
9	Janaki S	49	Vice President	3,734,132	B.Sc., M.Sc., PGDM, 25 Years	07-Feb-05	Satyam Computer Services Ltd., 7 Years - 6 Months
10	Jiyaraman Thiyagarajan	44	Associate Vice President	2,706,855	B.Sc., PGD., 19 Years	02-Sep-02	Infosys Technologies, Group Project Manager, 2 Years - 8 Months
11	Jyotirmoy Das Gupta	53	Vice President	3,034,369	B.E., M.S., 31 Years	21-Dec-98	Patni Computer Systems Ltd., Director - 5 Years - 5 Months
12	K Baskaran	45	Vice President	3,013,530	B.Com., I.C.W.A.I., 23 Years	03-Nov-03	Keane India Ltd., 1 Year
13	KN Narayanan	48	Senior Vice President	4,356,797	B.E., 26 Years	01-Apr-01	Hexaware Technologies Inc., 1 Year
14	K Senthilnayagam	43	Vice President	4,681,615	B.Com., I.C.W.A.I., 17 Years	26-Sep-03	Cecadital International Services, 1 Year - 3 Months
15	Krishna Kumar C	36	Assistant Vice President	2,434,395	B.Tech., Fellow IIMC, 13 Years	04-Oct-04	KPMG, Project Manager - 2 years
16	Lakshmi Vedanarayanan	38	Associate Vice President	2,745,114	B. E., 15 Years	11-Oct-04	Pricewaterhouse, Sr Managing Consultant, 6 Years - 9 Months
17	Madhavi Malineni	39	Assistant Vice President	2,403,121	B.E., PGDPMHR, 15 Years	21-Jan-02	Cedar Enterprise Engagement, Manager 6 Months
18	Moorathi Chokkanathan	46	Senior Vice President	5,660,524	B.E., MBA, 25 Years	02-Apr-01	DSQ Software Ltd., 1 Year
19	Naishadh Desai	42	Associate Vice President	2,736,162	B. Com., LLB, ACS, 21 Years	05-Oct-98	M/S Kollmorgen Tandon India - Finance Manager, 3 Years - 2 Months
20	Narendra Sharma	45	Vice President	5,219,958	M.Sc., MBA, 21 Years	26-Dec-01	Internal Solutions Ltd., Practice Director, 1 Year
21	Nirmala Gopalakrishnan	50	Assistant Vice President	2,497,426	B.Sc., M.Sc., 15 Years	16-Nov-98	DSQ Datasystem Ltd., Manager Quality, 5 Years - 8 Months
22	P K Sridharan	58	President & Executive Director	7,088,797	M.Tech., 33 Years	01-Apr-01	Hexaware Technologies Ltd., 3 Years - 2 Months
23	P N Sridharan	50	Vice President	3,012,369	B.Sc., B.Tech., M.S., Ph.D., 27 Years	05-Sep-03	Cognizant Technology Solutions, 6 Years
24	R Subramaniam	55	Vice President	2,986,086	B.Sc., M.Sc., 32 Years	01-Apr-01	Hexaware Technologies Ltd., 2 Years - 9 Months
25	Rajesh B Ghonasi	45	Chief Financial Officer	3,966,150	B.Com., F.C.A., A.C.S., I.C.W.A.I., 20 Years	08-Jul-02	ICICI Venture Funds Mgmt Co. Lts. - CFO - 1 Year
26	Rajesh Kanani	47	Vice President	2,847,836	B.Com., F.C.A., 21 Years	20-Dec-93	M/S Usha Martin Industries Ltd. - Dy Manager Finance, 5 Years
27	Ramanan R V	42	Senior Vice President	5,196,834	M.Tech., 18 Years	21-Oct-02	Orbitech Solutions India Limited, 1 Year
28	Sridhar Rangachari	40	Assistant Vice President	2,428,706	B.E., PGDM, 19 Years	01-Dec-04	Zensar Technologies, General Manager, 10 Months
29	Sulochana Ganeshan	57	Sr Vice President	3,648,761	B.A. (Hons.), 22 Years	01-Apr-01	Hexaware Technologies Ltd. 2 Years - 9 Months
30	Uday Kumar Reddy	43	Vice President	4,621,389	B.A., MCA, 18 Years	03-Nov-03	Polaris Software Lab Ltd., 3 Years
31	V B Singh	52	Vice President	3,187,089	B. Tech., 24 Years	01-Nov-00	Datamatics Ltd., Vice President, 4 Years - 3 Months
32	V Ramakrishnan	49	Associate Vice President	2,586,618	B.Sc., M.Sc. (Tech.), M. Phil., 25 Years	02-Apr-01	CPU Software Consultants, Director, 3 Years
33	V Sundarajan	40	Associate Vice President	2,478,481	B.Tech., M.S., 19 Years	19-Nov-03	Electronic Data Systems, Sr. Consultant, 9 Years - 3 Months
B	Employed for part of the Year						
1	Avijit Bardhan	48	Senior Vice President	1,504,096	B.Sc., M.Sc., PGDCM 24 Years	01-Apr-01	Hexaware Technologies Ltd. 5 Years - 4 Months
2	Deependra Chumble	43	Senior Vice President	1,790,762	B. Com., MBA	1-Sept-06	J.P.Morgan Chase - Head HR, 1 Year - 5 Months
3	Malini Moorthy	41	Assistant Vice President	1,314,677	B. Pharm., MBA, 16 Years	01-Jan-96	Apex Trg. Services Ltd., Sr. Business Manager, 2 Years - 7 Months
4	Manojet Choudhary	49	Associate Vice President	2,437,896	B.E., PGDRM,	24-Feb-03	Intentia South Asia, Vice President - Sales, 4 Years - 2 Months
5	Nagarajan Ramchandran	51	Assistant Vice President	1,767,635	B.Tech., PGDM, 22 Years	10-May-99	Automatic Data Processing, Technologies Consultant, 9 Years - 8 Months
6	PK Venkateshwaran	52	Vice President	3,243,718	B.E., M.Tech., 28 Years	17-Jun-02	SCM Micro Systems Pvt. Ltd., 1 Year - 6 Months
7	Prem Tilak Iyer	47	Vice President	2,292,961	B.Sc., M.B.A., 18 Years	28-Jan-05	Polaris Software Labs Ltd., 1 Yrs.-8 Months
8	Ravindran Rajendran	58	Associate Vice President	1,209,552	B.Sc., 35 Years	18-May-98	TCS, Manager, 3 Years
9	Sundaram Krishnan	57	Vice President	2,444,705	M.Sc., 32 Years	04-Sep-00	LICI, 20 Years
10	Sundararajan Parthasarathy	45	Assistant Vice President	1,485,736	B.Sc., M.Sc., PGDM, 24 Years	23-Jan-06	Adrenalin, Vice President, 3 Years - 6 Months
11	T Nandakumar	43	Associate Vice President	1,899,066	B.Com., AICWA, ACA, CQA, 21 Years	12-Nov-03	COSL, PM, 4 Years
12	Ulhas Budhisagar	51	Associate Vice President	1,379,484	B.Sc., M. Sc., 24 Years	30-Oct-00	Datamatics Ltd., General Manager, 3 Years - 2 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.Sridharan P K 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

Place: Mumbai
Date : February 15, 2007

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF HEXAWARE TECHNOLOGIES LIMITED ON CONSOLIDATED FINANCIAL STATEMENTS OF HEXAWARE TECHNOLOGIES LIMITED AND ITS SUBSIDIARIES

1. We have audited the attached consolidated Balance Sheet of Hexaware Technologies Limited ("the Company") and its subsidiaries (collectively "the Group"), as at December 31, 2006 and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 1,273.50 million as at December 31, 2006, total revenues of Rs. 2,003.16 million and net cash outflows amounting to Rs. 132.79 million for the year then ended. These financial statements have been audited by other auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries is based solely on the report of other auditors except in case of one subsidiary, whose financial statements, which reflect total assets Rs. 113.71 million as at December 31, 2006 and total revenues Rs. 64.85 million and net cash flows of Rs. 1.45 million for the year then ended are not audited.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, 'Consolidated Financial Statements', issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at December 31, 2006;
 - b) in the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - c) in the case of the consolidated cash flow statement, of the Cash Flows of the Group for the year ended on that date.

For Deloitte Haskins & Sells
Chartered Accountants

P. R. Barpande
Partner

Membership No. 15291

Place : Mumbai
Dated : February 15, 2007

CONSOLIDATED BALANCE SHEET AS AT 31ST DECEMBER, 2006

(Rupees in Millions)

Particulars	Schedule	As at	
		31st December, 2006	31st December, 2005
SOURCES OF FUNDS			
Share Holders' Funds :			
A) Share Capital	"1"	1,763.92	238.72
B) Share Warrants (Refer Note No. 7(a) of Schedule 13 B)		0.41	0.43
C) Share Application Money		3.44	0.69
D) Reserves and Surplus	"2"	5,627.49	3,234.64
		7,395.26	3,474.48
Loan Funds :			
A) Secured Loans	"3"	-	61.66
B) Unsecured Loans		0.34	-
Deferred Tax Liability (Net) (Refer Note No. 5 (c) of Schedule 13 B)			
		52.39	7.12
Total		7,447.99	3,543.26
APPLICATION OF FUNDS			
Fixed Assets :			
A) Gross Block	"4"	2,959.41	1,564.30
B) Less: Depreciation/Impairment		794.75	633.22
C) Net Block		2,164.66	931.08
D) Capital Work-in-progress		336.22	2.05
		2,500.88	933.13
Investments :			
	"5"	2,616.73	652.98
Deferred Tax Asset (Refer Note No. 5 (c) of Schedule 13 B)			
		49.28	36.76
Current Assets, Loans and Advances :			
A) Sundry Debtors	"6"	2,233.94	1,835.64
B) Cash and Bank Balances		797.39	534.35
C) Loans and Advances		812.93	563.37
D) Other Current Assets		2.45	2.46
		3,846.71	2,935.82
Less:			
Current Liabilities and Provisions :			
A) Current Liabilities	"7"	1,102.52	759.39
B) Provisions		463.09	256.04
		1,565.61	1,015.43
Net Current Assets		2,281.10	1,920.39
Total		7,447.99	3,543.26
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

Atul K. Nishar
(Executive Chairman)

L. S. Sarma
(Director)

Shailesh Haribhakti
(Director)

For and on behalf of the Board

Rusi Brij
(Vice-Chairman & CEO)

Dr. (Mrs.) Alka Nishar
(Director)

Rajesh B. Ghonasgi
(Chief Financial Officer)

P. K. Sridharan
(President & Executive Director)

A. P. Kurian
(Director)

Naishadh Desai
(Company Secretary)

Place : Mumbai
Date : 15th February, 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2006

(Rupees in Millions)

Particulars	Schedule	For the Year Ended 31st December, 2006	For the Year Ended 31st December, 2005
INCOME			
Software and Consultancy		8,482.14	6,786.62
Other Income	"8"	281.67	145.74
		8,763.81	6,932.36
EXPENDITURE			
Software and Development Expenses	"9"	1,318.10	1,036.01
Employment Expenses	"10"	4,662.15	3,737.62
Administration and Other Expenses	"11"	1,219.06	929.32
Interest	"12"	3.16	7.17
Depreciation	"4"	198.58	209.90
		7,401.05	5,920.02
Profit Before Tax		1,362.76	1,012.34
Less : Provision for Taxation:			
- Income Tax - Current		115.31	43.56
(including prior year Rs. 2.18 million (Rs. - 1.11million))			
- Deferred (including prior year Rs. 3.00 million (Rs. Nil))		(11.30)	38.96
- Fringe Benefit Tax		24.59	14.76
- Wealth Tax		0.23	0.09
- MAT Credit Entitlement (Refer Note No. 5 (b) of Schedule 13B)		(8.40)	-
		1,242.33	914.97
Profit After Tax		1,242.33	914.97
Add : Balance brought forward from Previous Year		1,134.47	483.26
Balance Available for Appropriation		2,376.80	1,398.23
Appropriations :			
Interim Dividend			
Equity		104.53	71.00
Preference		8.12	-
Proposed Dividend			
Equity		105.58	71.62
Preference		22.31	-
Dividend for Previous Year		6.78	-
Dividend Tax		34.69	21.14
Transfer to General Reserve		200.00	100.00
		482.01	263.76
Balance Carried to Balance Sheet		1,894.79	1,134.47
Earnings Per Share (in Rupees) (Refer Note No. 10 of Schedule 13 B)			
- Basic		9.46	7.76
- Diluted		8.99	7.52
Face Value of Equity Shares (in Rupees)		2.00	2.00
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

Atul K. Nishar
(Executive Chairman)

L. S. Sarma
(Director)

Shailesh Haribhakti
(Director)

For and on behalf of the Board

Rusi Brij
(Vice-Chairman & CEO)

Dr. (Mrs.) Alka Nishar
(Director)

Rajesh B. Ghonasgi
(Chief Financial Officer)

P. K. Sridharan
(President & Executive Director)

A. P. Kurian
(Director)

Naishadh Desai
(Company Secretary)

Place : Mumbai
Date : 15th February, 2007

CONSOLIDATED CASH FLOW FOR THE YEAR ENDED 31ST DECEMBER, 2006

(Rupees in Millions)

	For the year	Previous year
A Cash Flow from operating activities		
Net Profit before tax	1,362.76	1,012.34
Adjustments for:		
Depreciation	198.58	209.90
Interest Income	(17.05)	(11.70)
Dividend from Current Investments	(113.67)	(10.60)
Profit on sale of investments (Net)	(31.52)	(1.51)
Provision for impairment loss	-	10.70
Investment written off	-	0.30
Recoveries on debts previously written off	-	(1.79)
Profit on sale of fixed assets (Net)	(9.00)	(8.43)
Gain on Transfer/Assignment- Service Centre	-	(44.96)
Exchange Rate Difference (Refer Note 1 below)	0.69	0.01
Interest expense	3.16	7.17
Operating profit before working capital changes	1,393.95	1,161.43
Adjustments for:		
Trade and other receivables	(303.72)	(478.35)
Trade and other payables	193.40	47.48
Cash generated from operations	1,283.63	730.56
Direct taxes paid	(109.30)	(62.99)
Net cash from operating activities	1,174.33	667.57
B Cash Flow from investing activities		
Additions to fixed assets	(722.10)	(239.38)
Proceeds from sale of fixed assets	14.85	64.00
Interest received	17.06	11.71
Purchase of investments (net of dividend reinvested)	(10,911.06)	(979.48)
Acquisition of shares vide Agreement and Plan of merger	(1,125.50)	-
Proceeds from Sale of investments	8,978.80	722.43
Gain on Transfer/Assignment- Service Centre	-	44.96
Dividend from Current Investments	113.67	10.60
Net cash used in investing activities	(3,634.28)	(365.16)
C Cash Flow from financing activities		
Proceeds from issue of share capital	2,986.77	30.36
Share application money	3.44	0.69
Interest paid	(3.16)	(7.17)
Dividend paid	(216.69)	(212.88)
(Repayments)/Proceeds of long-term and other borrowings	(61.87)	9.52
Net cash from/(used in) financing activities	2,708.49	(179.48)
Net increase in cash and cash equivalents	248.54	122.93
Cash and cash equivalents at the beginning of the year	534.23	391.19
Effect of exchange rate change on cash and cash equivalent	15.19	20.11
Cash and cash equivalents at the end of the year	797.96	534.23

Notes:

- Cash and cash equivalents included in the Cash Flow Statement comprise the following:

Cash and Bank Balances (as per schedule 6)	797.39	534.35
Effect of changes in Exchange rate	0.57	(0.12)
Total Cash and cash equivalents	797.96	534.23

- 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

Atul K. Nishar
(Executive Chairman)

L. S. Sarma
(Director)

Shailesh Haribhakti
(Director)

For and on behalf of the Board

Rusi Brij
(Vice-Chairman & CEO)

Dr. (Mrs.) Alka Nishar
(Director)

Rajesh B. Ghonasgi
(Chief Financial Officer)

P. K. Sridharan
(President & Executive Director)

A. P. Kurian
(Director)

Naishadh Desai
(Company Secretary)

Place : Mumbai
Date : 15th February, 2007

SCHEDULES TO CONSOLIDATED BALANCE SHEET

(Rupees in Millions)

Particulars	As at 31st December, 2006	As at 31st December, 2005
SCHEDULE "1" – SHARE CAPITAL		
AUTHORISED		
175,000,000 Equity Shares of Rs. 2/- each.	350.00	350.00
3,000,000 Preference Shares of Rs. 100/- each*	300.00	300.00
1,100,000 (Nil) Series "A" Preference Shares of Rs. 1421/- each* (See note II below)	1,563.10	-
	<u>2,213.10</u>	<u>650.00</u>
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
EQUITY :		
131,980,625 (119,358,695) Equity Shares of Rs. 2/- each Fully Paid	263.96	238.72
PREFERENCE:		
1,055,570 (Nil) Series "A" Redeemable and/or optionally Convertible Preference Shares of Rs. 1,421/- each (See Note No. III below)	1,499.96	-
Notes:		
I) Of the above Equity Shares:		
1) 11,134,625 Equity Shares of Rs. 2/- each have been allotted as fully paid up without receiving consideration in cash in accordance with the Composite scheme of Reconstruction and Arrangement.		
2) 36,188,870 Equity Shares of Rs. 2/- each have been allotted as fully paid up by way of Bonus Share by capitalisation of General Reserve/Securities Premium Account.		
3) 10,452,965 Equity Shares of Rs. 2/- each fully paid up have been allotted against Global Depository Receipts issued by the Company.		
4) 50,000,000 Equity Shares of Rs. 2/- each fully paid up 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) 3,700,980 (3,638,025) Equity Shares of Rs. 2/- each fully paid up have been allotted to employees under ESOP 1999.		
6) 7,218,395 (5,229,210) Equity Shares of Rs. 2/- each fully paid up have been allotted to employees under ESOP 2002.		
II) Authorised Preference share capital can be either cumulative or non cumulative with a power to the Company to convert the same into equity shares at any time.		
III) Refer Note No. 13 (a) to Schedule 13B for terms of redemption/conversion of issued preference shares.		
IV) Particulars of options on unissued share capital (Refer Note No. 7 of Schedule 13B)		
Total	<u>1,763.92</u>	<u>238.72</u>
SCHEDULE "2" – RESERVES AND SURPLUS		
Securities Premium Account		
As per Last Balance Sheet	1,749.60	1,719.14
Add : Received during the year	1,521.40	30.46
Less : Share issue expenses	59.14	-
Less : Provision for premium payable on Redemption of Redeemable and/or optionally Convertible Preference Shares (Refer Note No. 13 (b) of Schedule 13B)	46.93	-
	<u>3,164.93</u>	<u>1,749.60</u>
General Reserve		
As per Last Balance Sheet	363.66	263.66
Add : Transfer from Profit and Loss Account	200.00	100.00
	<u>563.66</u>	<u>363.66</u>

SCHEDULES TO CONSOLIDATED BALANCE SHEET

(Rupees in Millions)

Particulars	As at	
	31st December, 2006	31st December, 2005
Amalgamation Reserve		
As per Last Balance Sheet	2.88	2.88
Currency Translation Reserve		
As per Last Balance Sheet	(15.97)	(37.95)
Addition during the Year (Net)	17.20	21.98
	1.23	(15.97)
Surplus in Profit and Loss Account	1,894.79	1,134.47
Total	5,627.49	3,234.64
SCHEDULE "3" - LOAN FUNDS		
A Secured Loans		
Term Loan from a Bank	-	51.00
(Loan was secured by equitable mortgage of premises of the Company located at Navi Mumbai.)		
Loan Under Finance Agreement	-	10.66
(During the year, the Company has repaid the loan, which was secured by a charge on the specified assets acquired and financed viz. computers. The Company is in the process of intimating to the Registrar of Companies towards satisfaction of charge.)		
Total	-	61.66
B Unsecured Loans		
Short Term Loan	0.34	-
From Others	-	-
Total	0.34	-

SCHEDULE "4" - FIXED ASSETS

Sr. No.	Particulars	GROSS BLOCK					DEPRECIATION/AMORTIZATION					IMPAIRMENT LOSS			NET BLOCK	
		As at 01.01.06	Additions	Assets taken over on Acquisition	Deductions	As at 31.12.06	As at 01.01.06	For the Year	Assets taken over on Acquisition	Deductions	As at 31.12.06	As at 01.01.06	Deductions	As at 31.12.06	As at 31.12.05	
A	Goodwill on Consolidation (Refer Note no. 12 of Schedule 13B)	-	1,024.77	-	-	1,024.77	-	-	-	-	-	-	-	1,024.77	-	
B	Own Assets															
1	Land - Freehold	0.15	-	-	-	0.15	-	-	-	-	-	-	-	0.15	0.15	
2	Land - Leasehold	39.36	167.98	-	-	207.34	0.58	1.57	-	2.15	-	-	2.15	205.19	38.78	
	Building	427.37	7.05	-	-	434.42	19.26	7.44	-	26.70	-	-	26.70	407.72	408.11	
3	(Refer Note No. 1) Plant and Machinery (Includes Computers and Softwares)	757.51	181.94	39.86	38.83	940.48	491.60	139.60	17.00	36.54	611.66	-	-	328.82	265.91	
4	Furniture and Fixtures	277.01	20.00	2.85	(0.07)	299.93	89.78	37.94	0.86	(0.04)	128.62	-	-	171.31	187.23	
5	Improvements to Leasehold Premises	4.48	1.56	1.70	0.54	7.20	1.61	1.34	1.23	0.71	3.47	-	-	3.73	2.87	
6	Vehicles	44.57	9.40	-	10.31	43.66	17.70	10.50	-	6.56	21.64	-	-	22.02	26.87	
C	Leased Assets															
	Furniture and Fixtures	1.49	-	-	0.03	1.46	0.33	0.19	-	0.01	0.51	-	-	0.95	1.16	
D	Intangible Assets															
	Softwares #	12.36	-	-	12.36	-	9.30	-	-	9.30	-	3.06	3.06	-	-	
	Current Year	1,564.30	1,412.70	44.41	62.00	2,959.41	630.16	198.58	19.09	53.08	794.75	3.06	3.06	2,164.66	931.08	
	Previous Year	1,401.62	346.66	-	183.98	1,564.30	541.05	209.90	-	120.78	630.17	-	-	934.13	-	
	Capital Work-in-Progress					336.22						7.64	7.64	336.22	2.05	
	TOTAL											10.70		2,500.88	933.13	

Internally generated

Notes:

- Includes one building having gross block of Rs. 150.21million. and accumulated depreciation of Rs. 14.14 million (Rs. 11.69 million), which the Company acquired, along with land from MIDC, at Mumbai, entered in to necessary agreements and took possession of the building in an earlier year. The final agreement is being executed.
- Capital work-in-Progress is in respect of building under construction, land acquisition, plant and machinery & furnishing of building and includes capital advances.
- 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	(1.88)	(1.58)
Furniture and Fixtures	0.07	0.03
Improvements to Leasehold Premises	0.04	(0.13)
Vehicles	-	(0.03)
Leased Assets		
Furniture and Fixtures	(0.03)	(0.01)
Total	(1.80)	(1.72)

SCHEDULES TO CONSOLIDATED BALANCE SHEET

(Rupees in Millions)

Particulars	As at		As at	
	31st December, 2006		31st December, 2005	
SCHEDULE "5" – INVESTMENTS				
A Long Term				
Non Trade Investments (at cost)				
Quoted				
Nil (2,000) Shares of Rs. 10/- Each Fully paid up In Aptech Limited		–		0.02
Unquoted				
Investment in Long Term Capital Gain Bonds	Nos		Nos	
(Bond of Rs. 10,000/- each unless otherwise stated)				
National Bank of Agriculture and Rural Development	3,000	30.00	3,000	30.00
National Housing Bank	2,000	20.00	2,000	20.00
Rural Electrification Corporation	1,450	14.50	1,450	14.50
		64.50		64.50
B Current Investments				
(At Cost or Fair value, whichever is lower)				
Non Trade Investment (Quoted)				
Ace Aviation Holdings Inc. Nil (2,000) Common stock of Ace Aviation Holdings Inc.		–		1.79
Non Trade Investment (Unquoted)				
Investment in Mutual Funds (Unit of Rs. 10/- each unless otherwise stated)				
Name of Mutual Fund	Units		Units	
Deutsche Money Plus Fund Institutional Weekly Dividend	58,596,028	586.92		
Kotak FMP 3 M Series 7	15,754,432	157.54		
Reliance Fixed Horizon Fund - 1 Quarterly Plan Series IV	31,499,502	315.00		
Reliance Fixed Horizon Fund - Plan B Series IV	77,329,556	773.30		
Prudential ICICI FMP - Series 34-3 Month Plan A	31,175,683	311.76		
ABN Amro FMP - Series 3 Quarterly Plan E	5,000,000	50.00		
ABN Amro FTP - Series 4 Quarterly Plan B	15,444,305	154.44		
Prudential ICICI FMP - Series 32 Plan D	5,000,000	50.00		
Prudential ICICI FMP - Series 32 Plan E	5,351,978	53.52		
Principal Income Fund - Growth Plan	5,744,683	99.75		
Franklin Templeton - Floating Rate Income Fund	–	–	12,564,500	125.97
LIC Floating Rate Fund	–	–	6,962,076	70.23
Principal Floating Rate Fund FMP	–	–	5,027,377	50.28
Institutional Plus Growth	–	–	4,308,384	51.08
Reliance Floating Rate Fund	–	–	9,935,838	100.16
Reliance Liquidity Fund	–	–	1,308,984	13.13
SBI Magnum Institutional Income - Saving Dividend	–	–	11,214,081	112.51
UTI Floating Rate Fund - STP	–	–	6,282,193	63.31
Note : Current Investment includes amount of Rs. 1,546.16 million (Rs. Nil) invested out of unutilised funds from Preferential allotment of shares.		2,552.23		586.67
Total		2,616.73		652.98
(i) Aggregate cost /fair value of quoted investments.		–		1.81
Aggregate market value of quoted investments		–		3.20
(ii) Aggregate value of unquoted investments.		2,616.73		651.17
		2,616.73		652.98

SCHEDULES TO CONSOLIDATED BALANCE SHEET

(Rupees in Millions)

Particulars	As at	
	31st December, 2006	31st December, 2005
SCHEDULE "6" – CURRENT ASSETS, LOANS AND ADVANCES		
Sundry Debtors (Unsecured)		
Debts Outstanding for a period exceeding six months	117.17	62.88
Other Debts	2,149.90	1,796.77
	<u>2,267.07</u>	<u>1,859.65</u>
Less: Provision for Doubtful Accounts	33.13	24.01
	<u>2,233.94</u>	<u>1,835.64</u>
Sundry Debtors		
Considered Good	2,233.94	1,835.64
Considered Doubtful	33.13	24.01
	<u>2,267.07</u>	<u>1,859.65</u>
Cash and Bank Balances		
Cash in Hand	0.24	0.04
Balances with Scheduled Banks		
In Fixed Deposit Accounts	6.35	4.18
[Includes Interest Accrued of Rs. 0.47 million (Rs. 0.45 million)]		
[Includes Deposits of Rs. 4.17 million (Rs. 3.07 million) under lien with banks for guarantees given by bank to various Government Authorities]		
In Exchange Earner's Foreign Currency Account	57.76	6.31
In Current Accounts (includes remittance in transit)	293.28	83.03
Balances with Non-scheduled Banks		
In Fixed Deposit Accounts	8.40	8.46
[Includes Interest Accrued of Rs. 0.03 million (Rs. Nil)]		
[Includes Deposits of Rs. 2.77 million (Rs. Nil) under lien with banks for guarantees given by bank to various authorities]		
In Current Accounts	431.36	432.33
	<u>797.39</u>	<u>534.35</u>
Loans and Advances (Unsecured - Considered Good)		
Advances recoverable in cash or in kind or for value to be received.	330.54	200.15
Deposits	212.79	182.38
Unbilled Services	208.51	144.26
Advance Income Tax (Net of Provision) (Refer Note No.11 of Schedule 13B)	52.69	36.58
MAT Credit Entitlement (Refer Note No. 5(b) of Schedule 13B)	8.40	-
	<u>812.93</u>	<u>563.37</u>
Other Current Assets		
Interest accrued on Investments	2.45	2.46
Total	<u><u>3,846.71</u></u>	<u><u>2,935.82</u></u>

SCHEDULES TO CONSOLIDATED BALANCE SHEET

(Rupees in Millions)

Particulars	As at 31st December, 2006	As at 31st December, 2005
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	258.11	172.74
Liability for Leased Assets	0.22	0.58
Unearned Revenues	64.66	34.71
Other Liabilities (Other Liabilities includes Rs. Nil [Rs. 1.93 million] being temporarily overdrawn bank balance as per books of account)	749.45	522.06
Unclaimed dividend *	7.94	6.78
Deposits received for leased premises	22.14	22.52
* This figure does not include any amount due and outstanding to be credited to Investor Education and Protection Fund	1,102.52	759.39
Provisions		
– Provision for Leave Encashment	196.94	142.17
– Proposed Dividend	127.89	71.62
– Corporate Tax on Dividend	17.94	10.04
– Provision for Gratuity	7.00	8.26
– Provision for Taxation (Refer Note No. 11 of Schedule 13B)	59.64	14.06
– Provision for Fringe Benefit Tax (Net of Advances)	6.75	5.39
– Provision for Redemption of Redeemable and/or optionally Convertible Preference Shares (Refer Note No. 13b of Schedule 13B)	46.93	–
– Other Provisions (Refer Note No. 14 of Schedule 13B)	–	4.50
	463.09	256.04
Total	1,565.61	1,015.43

SCHEDULES TO CONSOLIDATED PROFIT & LOSS ACCOUNT

(Rupees in Millions)

Particulars	For the year ended 31st December, 2006	For the year ended 31st December, 2005
SCHEDULE "8" – OTHER INCOME		
Dividend from Current Investments	113.67	10.60
Profit on Sale of Current Investments (Net)	31.52	1.51
Interest Income		
From long term investments	3.27	3.26
From Others		
(Tax deducted at Source Rs. 0.07 million (Rs. 1.68 million))	13.78	8.44
	17.05	11.70
Gain on transfer/assignment - service centre	-	44.96
Profit on Sale of Fixed Assets (Net)	9.00	9.80
Exchange Gain (Net)	37.52	-
Rental Income (Tax deducted at source Rs. 6.78 million (Rs. 5.55 million))	25.80	25.95
Miscellaneous Income	47.11	41.22
(Includes write backs Rs. 5.27 million (Rs. Nil))		
Total	281.67	145.74
SCHEDULE "9" – SOFTWARE AND DEVELOPMENT EXPENSES		
Consultant and Related Expenses	606.43	469.02
Software Expenses	711.67	566.99
Total	1,318.10	1,036.01
SCHEDULE "10" – EMPLOYMENT EXPENSES		
Salary and other Allowances	4,089.95	3,335.75
Contribution to Provident and other Funds	423.74	283.09
Staff Welfare Expenses	148.46	118.78
Total	4,662.15	3,737.62
SCHEDULE "11" – ADMINISTRATION AND OTHER EXPENSES		
Rent	160.42	160.16
Rates and Taxes	11.98	8.90
Travelling and Conveyance Expenses	278.33	181.90
Electricity Charges	59.27	60.06
Communication Expenses	132.73	122.54
Repairs and Maintenance		
Buildings	5.47	9.68
Plant and Machinery	16.45	12.32
Others	24.28	13.25
	46.20	35.25
Printing and Stationery	23.50	20.08
Auditors Remuneration		
Audit Fees	5.14	3.45
Audit of US GAAP (Previous year figures for 2 years)	1.96	5.16
Tax Audit Fees	1.12	0.92
Limited reviews, certification work, taxation and other matters	2.17	1.72
Out of Pocket Expenses	0.07	0.07
	10.46	11.32
Legal and Professional Fees	88.58	53.65
Advertisement and Publicity	69.39	10.72
Seminar and Conference Expenses	59.73	53.35
Bank and Other Charges	13.71	17.45
Exchange Loss (Net)	-	50.59
Directors' Sitting Fees	0.51	0.52
Insurance Premium	33.33	28.05

SCHEDULES TO CONSOLIDATED PROFIT & LOSS ACCOUNT

(Rupees in Millions)

Particulars	For the year ended	
	31st December, 2006	31st December, 2005
Donation	0.13	4.30
Fixed Assets Written off	-	1.37
Debts and Advances Written off	-	0.96
Provision for Doubtful Debts [Net of Bad Debts Written off Rs. 15.26 million (Rs. 21.23 million)]	14.12	9.37
Provision for Impairment Loss	-	10.70
Processing Charges	53.85	-
Staff Recruitment Expenses	55.17	24.45
Service Charges	57.72	32.54
Investments Written off	-	0.30
Miscellaneous Expenses	49.91	30.79
Note : Miscellaneous Expenses includes Stamp Duty and Filing Fees, Hiring Charges Registrar and Share Transfer Expenses, Membership and Subscription etc.		
Total	1,219.04	929.32
SCHEDULE "12" – INTEREST EXPENSES		
On Fixed Loans	3.16	6.42
Others	-	0.75
Total	3.16	7.17

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 subsidiaries (together “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 subsidiaries used in the consolidation are drawn upto the same reporting date as that of the holding company, namely December 31, 2006.

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 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 which will be tested for impairment on an annual basis.

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 amount of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Difference between actual results and estimates are recognised in the period in which the results are known/materialise.

4. Revenue Recognition

i. Revenues from software solutions including testing 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 time based contracts. Such revenue is recognised as related services are performed in accordance with the specific terms of the contract with the client.

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

iii. Interest income is recognised on time proportion basis.

5. Fixed Assets

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

6. Depreciation and Amortisation

Depreciation and amortisation 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:

Asset Class	Estimated useful Life
Computers and Software (included in Plant and Machinery)	3 years
Office Equipment (included in Plant and Machinery)	5 years
Electrical Fittings (included in Plant and Machinery)	8 years
Furniture and Fixtures (owned and leased)	8 years
Vehicles	4 to 7 years
Leasehold Land	Over the lease period
Lease Improvement	Over the lease period
Intangible assets – Software	3 years

7. Investments

Long term investments are stated at cost. Provision is made for diminution in the value of long term investments, if such decline is other than temporary. Current investments are carried at cost or fair value, whichever is lower.

8. 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 imported 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 imported fixed assets) denominated in foreign currency 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 imported fixed assets is adjusted in the value of the related fixed assets.

In case of monetary items which are covered by forward exchange contracts, the difference between the exchange rate on the date of such contracts and the year end rate is recognised in the Profit and Loss Account. Any profit or loss arising on cancellation of forward exchange contract is recognised as income or expense of the year. Premium/Discount arising on such forward exchange contracts is amortised as income/expense over the life of contract.

Foreign Branches

In respect of the foreign branches, being integral foreign operations, all revenues and expenses (except depreciation) during the year are reported at average rate. Monetary assets and liabilities are restated at the year-end exchange rate. Non-monetary assets and liabilities are stated 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 'foreign branch' account in the books of the head office. Net gain/loss on foreign currency translation are recognised in the Profit and Loss Account.

9. 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 period.
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.

10. Employee Benefits

The provision for retirement benefits such as Provident Fund, Gratuity, Superannuation and other funds is made for employees from the date of their respective appointment.

- i) Company's contribution to Provident Fund, Superannuation Fund (from 1st April, 2006) 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 is charged to Profit and Loss Account.
- iii) Liability for leave encashment is accrued based on balance of un-availed leave to the credit of each employee at the end of the period in accordance with the policy followed by the Company.

11. Borrowing Cost

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. Leases

Finance Lease

Assets taken on finance lease are accounted for as fixed assets in accordance with Accounting Standard (AS 19) "Leases" 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 straight line basis.

Furnished premises leased out under operating lease are capitalised in the books of the Company. Lease income is recognised in Profit and Loss Account over the lease term on a straight line basis.

13. Taxes on Income

Income Taxes are accounted for in accordance with Accounting Standard (AS 22) "Accounting for Taxes on Income", issued by The Institute of Chartered Accountants of India (ICAI). Tax expense comprises of current tax, deferred tax and fringe benefit 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 or substantively 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. Fringe benefit tax is recognised in accordance with the relevant provisions of the Income Tax Act, 1961, and the Guidance Note on Fringe Benefit Tax issued by the ICAI. Minimum Alternate Tax (MAT) credit entitlement is recognised in accordance with the Guidance Note on "Accounting for credit available in respect of Minimum Alternate Tax under the Income Tax Act, 1961" issued by ICAI. (Refer Note No.5 (b) of Schedule 13B).

14. 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.

15. Intangible Assets

Internally generated intangible asset arising from development activity is recognised at cost 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. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

16. Provisions, Contingent Liabilities and Contingent assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised, but are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial statements.

B) NOTES FORMING PART OF CONSOLIDATED ACCOUNTS

1. Description of Business

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

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 31.12.2006
Hexaware Technologies Inc.	United States of America	100%
Specsoft Consulting Inc. (upto 2-1-2006) (See Note No. 'a' below)	United States of America	100%
FocusFrame Inc., USA (from 28-11-2006)	United States of America	100%
FocusFrame Mexico S de RL De CV (from 28-11-2006)*	Mexico	100%
Hexaware Technologies UK Limited	United Kingdom	100%
FocusFrame UK Limited (from 28-11-2006)*	United Kingdom	100%
FocusFrame Europe BV (from 28-11-2006)*	Netherland	100%
Hexaware Technologies Asia Pacific Pte Limited	Singapore	100%
Hexaware Technologies GmbH	Germany	100%
Hexaware Technologies Canada Limited	Canada	100%
Caliber Point Business Solutions Limited	India	100%
Specsoft Technologies India Limited (See Note No. 'b' below)	India	100%

* Subsidiaries of Focus Frame Inc., USA

a) Merged with Hexaware Technologies Inc. w.e.f. January 3, 2006

b) The Company Proposes to apply for striking off name under Section 560 of the Companies Act, 1956.

3. Contingent Liabilities

(Rupees in Millions)

	Particulars	As at 31-12-2006	As at 31-12-2005
A	Counter Guarantees outstanding in respect of guarantees given by bank on behalf of the Company	9.63	8.35
B	Letter of Credit outstanding	6.96	2.54
C	Claims against the Company not acknowledged as Debts	37.73	54.49
D	Income tax disputed in appeal and pending decision, Company is hopeful of getting a favourable decision	5.76	3.34

4. Estimated amount of contracts remaining to be executed on capital account not provided for (Net of Advances) Rs. 1,107.60 million (Previous year Rs. 6.83 million)

5. Income Taxes

a) In respect of certain entities in the group, where the income tax year is different from the accounting year, provision for current tax is made on the basis of income for the respective accounting year, which will be adjusted considering the total assessable income for the tax year.

b) Considering the future profitability and taxable positions in the subsequent years, the Parent Company has recognised the 'MAT Credit entitlement' as an asset by crediting the profit and loss account for an equivalent amount and disclosed under 'Loans and Advances' (Schedule 11) in accordance with the Guidance Note on "Accounting for credit available in respect of Minimum Alternate Tax under the Income Tax Act, 1961" issued by Institute of Chartered Accountants of India on 23rd March, 2006. Net deferred tax asset has not been recognised considering the requirement of AS 22 relating to reasonable certainty.

c) The breakup of the deferred tax assets and deferred tax liability is as under:

(Rupees in Millions)

Particulars	As at 31.12.2006	As at 31.12.2005
Deferred Tax Assets		
Provision for doubtful accounts	8.68	6.35
Depreciation	1.62	0.27
Provision for Leave Encashment	30.34	24.23
Net operating losses carry forward	-	0.68
Others	8.64	5.23
Deferred Tax asset (Net)	49.28	36.76
Deferred Tax Liabilities		
Deferred Tax Asset		
Provision for Leave Encashment	(1.64)	-
Deferred Tax Liabilities		
Depreciation	3.22	7.12
Items offered to tax on cash basis	50.81	-
Deferred Tax Liability (Net)	52.39	7.12

6. a) The Company takes on lease offices space, accommodation and vehicles for its employees under operating leases for a period ranging between one to five years. The lease rentals recognised in the Profit and Loss Account for the year are Rs. 160.42 million (Previous year Rs. 160.16 million). The future minimum lease payments and payment profile of non-cancellable operating leases are as follows :

(Rupees in Millions)

	Total minimum lease payments outstanding as on 31.12.2006	Total minimum lease payments outstanding as on 31.12.2005
Not later than one year	147.73	107.54
Later than one year but not later than five years	166.42	136.36
Later than five years	30.02	-
Total	344.17	243.90

- 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 capitalised using interest rates determined at the inception of the lease.

The aggregate maturities under these finance leases are as follows:

(Rupees in Millions)

	Total minimum lease payments outstanding		Future interest outstanding		Present value of minimum lease payments	
	2006	2005	2006	2005	2006	2005
Not later than one year	0.22	0.39	0.01	0.03	0.21	0.36
Later than one year but not later than five years	-	0.23	-	0.01	-	0.21
Total	0.22	0.62	0.01	0.04	0.21	0.57

- c) The Company has given furnished premises on operating lease for a period of three years, the income from which amounting to Rs. 25.80 million (Previous Year Rs. 25.95 million) is included in 'Other Income'. Details of assets given on lease is as under

(Rupees in Millions)

Type of Assets	Gross block as on 31.12.2006	Accumulated depreciation upto 31.12.2006	Depreciation provided for the year 2006
Premises	105.92 (105.92)	8.17 (6.44)	1.73 (1.73)
Plant and Machinery	32.90 (32.88)	17.27 (11.28)	5.99 (5.99)
Furniture and Fixtures	43.66 (42.59)	16.88 (10.98)	5.90 (5.50)

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

(Rupees in Millions)

	Total minimum lease receivables outstanding as on 31.12.2006	Total minimum lease receivable outstanding as on 31.12.2005
Not later than one year	17.74	17.52
Later than one year but not later than five years	-	-
Total	17.74	17.52

7. ESOP

- a) 6,897,060 (7,085,925) warrants under Employee Stock Option Scheme - 1999 (ESOP 1999) aggregating to Rs. 0.41 million (previous year Rs. 0.43 million) of Rs. 0.06 each are outstanding as at December 31, 2006 and 2005 respectively. Each block of 3 warrants entitles the holder to get one equity share of Rs. 2/- each at a price of Rs. 9/- per share within a period of ten years commencing from February 1, 2001 (exercise period) in accordance with the said Scheme. The particulars of warrants granted and lapsed under the Scheme are tabulated below under (d).
- b) 3,830,730 (5,819,915) Options are outstanding as at December 31, 2006 and 2005 respectively under Hexaware Technologies Limited - Employee Stock Option ('ESOP - 2002') ('the Plan') at an exercise price being the market price on the date of grant of Options or average closing price on the primary stock exchanges, whichever is higher or such price that may be determined by the Remuneration and Compensation Committee ('Committee'). Each Option entitles the holder to exercise the right to apply for and seek allotment of one equity share of Rs. 2/- each. The Options shall vest in four equal instalments or as determined at the discretion of the Committee. No Options shall be granted after March 31, 2009. The particulars of options granted and lapsed under the Scheme are tabulated below under (d).
- c) As approved by the Shareholders of the Company, during the year the Company granted 1,57,000 Options under ESOP 2002 duly approved by the Remuneration/compensation Committee of the Board of Directors of the Company.

Grant Date	No. of Options granted	Exercise price	Vesting period
July 1, 2006	1,22,000	Rs. 135	July 1, 2007 to June 30, 2011
November 6, 2006	35,000	Rs. 171	November 6, 2007 to November 5, 2011

The options are granted at the exercise price, which is in accordance with SEBI guidelines in force at the time of such grants. Each option entitles the holder to exercise the right to apply for and seek allotment of one equity share of Rs. 2/- each.

- d) The particulars of number of warrants / Options granted and lapsed under the aforementioned scheme are tabulated below:

	ESOP- 1999	ESOP-2002
Opening Balance	1,765,170 (4,236,285)	5,797,015 (7,455,290)
Additions during the year	- (-)	157,000 (1,214,000)
Exercised during the year	188,865 (2,274,705)	1,989,185 (2,082,435)
Cancelled during the year	214,055 (196,410)	241,150 (789,840)
Closing Balance	1,362,250 (1,765,170)	3,723,680 (5,797,015)

Figures for the previous year are given in brackets.

Consequent to change in the capital structure of the Company in the previous year viz. sub-division of shares, which entitles the holder to five times the number of options granted to him in accordance with the ESOP 1999 and ESOP 2002 schemes, the information regarding the number of warrants/options allotted, exercised and lapsed in the previous year has been restated on that basis in paragraphs a), b) and d) above.

- e) The Company has followed the intrinsic value-based method of accounting for stock options granted after April 1, 2005 based on Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. Had the compensation cost for the Company's stock based compensation plan been determined in the manner consistent with the fair value approach as described in the Guidance note, the Company's net income would be lower by Rs. 1.72 million and earnings as per share as reported would be lower as indicated below:

Particulars	(Rupees in Millions)	
	Basic	Diluted
Net profit as Reported (After Income Tax)	1,242.33	1,242.33
Less : Preference dividend and tax thereon	34.70	-
Less : Total stock-based employee compensation expense determined under fair value based method	1.72	1.72
Adjusted net profit available to equity shareholders	1,205.91	1,240.61
Weighted average number of equity shares (Nos.)	127,619,067	138,169,335
Earning per share		
- As reported (in Rupees)	9.46	8.99
- Adjusted (in Rupees)	9.45	8.98

The fair value of each option is estimated on the date of grant based on the following assumptions:

Particulars	Grant dated 01-07-2006	Grant dated 6-11-2006
Dividend yield (%)	0.87%	0.87%
Expected life (years)	1.25 to 4.25 years	1.25 to 4.25 years
Risk free interest rate (%)	6.51% - 7.52%	7.40% - 7.57%
Volatility (%)	43.06% - 57.58%	41.16%-55.92%

Note : Previous year figures are not included, as the above disclosure has become mandatory for employee share based payment plans, the grant date in respect of which falls on or after April 01, 2005.

8. Related Parties:

Names of related parties and description of relationship:

Key Management Personnel

Mr. Atul K. Nishar – Executive Chairman

Mr. Rusi Brij – Vice Chairman and Chief Executive Officer

Mr. P. K. Sridharan – Executive Director

Mr. Ashok Bildikar – President and Executive Director (Caliber Point Business Solutions Ltd.)

Mr. Sunil Surya – Whole Time Director (Hexaware Technologies UK Ltd.)

Dr. (Mrs.) Alka A. Nishar – Director

Mr. Vaughn Paladin - Whole Time Director (from 28-11-2006) (FocusFrame Inc. and its subsidiaries)

Mr. Surinder Chawla – Whole Time Director (from 28-11-2006) (FocusFrame Inc. and its subsidiaries)

Mr. Albert Vissar – Whole Time Director (from 28-11-2006) (FocusFrame Europe BV)

Mr. Yogendra Shah – Whole Time Director (from 16-1-2006) (Hexaware Technologies Asia Pacific Pte Ltd.)

Mr. Manab Sen – Whole Time Director (upto 31-12-2005) (Specsoft consulting Inc.)

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

Hexaware Technologies Employee Stock Option Trust

(Rupees in Millions)

Sr. No.	Description of Nature of Transaction	Key Management Personnel	Others	Total
1	Remuneration			
	Mr. Atul K. Nishar	15.83 (13.09)	- (-)	15.83 (13.09)
	Mr. Rusi Brij	27.96 (23.94)	- (-)	27.96 (23.94)
	Dr. (Mrs.) Alka A. Nishar	9.80 (7.60)	- (-)	9.80 (7.60)
	Mr. P. K. Sridharan	7.09 (6.63)	- (-)	7.09 (6.63)
	Mr. Ashok Bildikar	6.75 (4.85)	- (-)	6.75 (4.85)
	Mr. Sunil Surya	15.19 (25.10)	- (-)	15.19 (25.10)
	Mr. Manab Sen	- (9.89)	- (-)	- (9.89)
	Mr. Vaughn Paladin	1.22 (-)	- (-)	1.22 (-)
	Mr. Surinder Chawla	1.22 (-)	- (-)	1.22 (-)
	Mr. Yogendra Shah	6.85 (-)	- (-)	6.85 (-)
	Mr. Albert Vissar	0.82 (-)	- (-)	0.82 (-)
2	Loan given			
	Opening balance as on January 1	4.97 (5.04)	0.43 (0.56)	5.40 (5.60)
	Add: Given during the year	28.87 (4.83)	- (-)	28.87 (4.83)
	Less: Repaid during the year	6.79 (4.90)	0.02 (0.13)	6.81 (5.03)
	Closing balance as on December 31	27.05 (4.97)	0.41 (0.43)	27.46 (5.40)

Figures for the previous year given in brackets.

Out of the above items transactions with subsidiaries and Key Management Personnel in excess of 10% of the total related party transactions are as under:

(Rupees in Millions)

Transaction	For the year ended 31-12-2006	For the year ended 31-12-2005
a) Loans given		
Granted during the year		
- Yogendra Shah	28.87	-
Repaid/adjusted during the year		
- Sunil Surya	4.65	-
- Yogendra Shah	1.82	-

9. Segments:

(Rupees in Millions)

Primary Segment : Business Segments					
	Airlines and Transport	Finance Banking and Insurance	Manufacturing and Enterprise Solution	Others	Total
Segment Revenue	1,397.99 (1,093.56)	3,685.96 (2,900.20)	2,695.00 (2,192.06)	703.19 (600.80)	8,482.14 (6,786.62)
Segment Results	276.25 (167.33)	659.55 (515.32)	323.56 (368.50)	23.47 (32.52)	1,282.83 (1,083.67)
Less: Unallocable expenses					198.58 (209.90)
Add: Other Income					281.67 (145.74)
Less: Interest					3.16 (7.17)
Profit before tax					1,362.76 (1,012.34)
Less: Provision for tax					
- Current income tax/ Wealth tax/Fringe benefit tax/Mat credit entitlement					131.73 (58.41)
- Deferred tax					-11.30 (38.96)
Profit after tax					1,242.33 (914.97)
Other Information – Segment Assets					
Debtors	362.77 (230.56)	834.35 (796.18)	650.89 (706.03)	385.93 (102.87)	2,233.94 (1,835.64)
Goodwill	- (-)	- (-)	- (-)	1,024.77 (-)	1,024.77 (-)
Secondary Segment – Geographic Segments					
	USA	Europe	India	Rest of the World	Total
Revenue attributable to location of customers	5,881.85 (4,970.96)	2,173.41 (1,604.71)	159.40 (93.57)	267.48 (117.38)	8,482.14 (6,786.62)
Segment assets based on their locations	1,226.56 (1,158.74)	894.72 (785.75)	5,802.70 (2,731.58)	64.85 (37.08)	7,988.83 (4,713.15)
Additions to fixed assets (including capital work-in-progress)	22.88 (6.81)	3.66 (6.93)	695.46 (334.79)	0.10 (0.18)	722.10 (348.71)
Goodwill	934.49 (-)	90.28 (-)	- (-)	- (-)	1,024.77 (-)

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 organisational structure and the internal reporting system.
2. Assets (except debtors and a building given under lease) 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. Figures for the previous year are given in brackets.

10. Earnings Per Share (EPS):

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

(Rupees in Millions)

Particulars	31st December, 2006	31st December, 2005
Net Profit after tax	1,242.33	914.97
Less : Preference dividend and tax thereon	34.70	-
Net profit available to equity shareholders for basic EPS	1,207.63	914.97
Weighted average number of equity shares considered for basic EPS (Nos.)	127,619,067	117,835,366
Earning per share (Basic) (in Rupees)	9.46	7.76
Net profit available to equity shareholders for basic EPS	1,207.63	914.97
Add : Preference dividend and tax thereon	34.70	-
Net Profit available to equity shareholders for diluted EPS	1,242.33	914.97
Weighted average number of equity shares considered for basic EPS (Nos.)	127,619,067	117,835,366
Add : Effect of dilutive issue of stock options and preference shares (including share application money received on exercise of options) (Nos.)	10,550,268	3,849,339
Weighted average number of equity shares considered for diluted EPS (Nos.)	138,169,335	121,684,705
Earnings Per Share (diluted) (in Rupees)	8.99	7.52

11. As at December 31, 2006, advance income tax and provision for taxation have been disclosed on net basis wherever a legal right to set off exists and when the Company intends to settle the asset and liability on a net basis. Accordingly, previous year's balances have been regrouped, which were disclosed on gross basis.
12. During the year, vide Agreement and Plan of Merger (the 'Agreement') dated November 6, 2006, the Company, on merger of Faulkner Acquisition Corp., a company promoted by the Company acquired shares of common stock of FocusFrame Inc. (FF) a company registered under the laws of State of Nevada, USA for a initial consideration of Rs. 1,164.51 million As a result, FF and its three wholly owned subsidiaries have become subsidiaries of the Company with effect from the date of acquisition i.e. November 28, 2006.

The terms of purchase also provide for earn out payment (contingent consideration) to all the selling shareholders, payable over two years and calculated based on achievement of earn-out condition. The contingent consideration is payable in cash and is not expected to exceed US\$ 9.30 million equivalent to Rs. 411.71 million (based on closing exchange rate), subject to achieving the earn-out conditions. The consideration so payable would be accounted in the books of account in the year of achieving the milestones under the Agreement and payment thereof. During the year ended December 31, 2006, no provision has been made for any sum related to such contingent consideration.

The excess of the above cost to the Company over its share of the equity in FF at the date on which the investment is made aggregating to Rs. 1,024.77 million has been recognised as 'Goodwill on Consolidation' and disclosed in the Fixed Assets Schedule (Refer Schedule 4).

13. a) During the year, the Company issued 1,055,570 Series A Redeemable and/or Optionally Convertible Preference Shares ('the preference shares') of Rs. 1,421 each, which entitles the holder to dividend @ 2.95% per annum subject

to deduction of tax as applicable. As per the terms of the issue, the holder has an option to convert all or any of the preference shares into equity shares of Rs. 2 each on the basis of a conversion ratio of 10:1, subject to certain adjustments as regards conversion ratio as per the terms of the issue, within 18 months from the date of issue i.e. April 24, 2006.

The preference shares, unless converted earlier into equity shares, shall be redeemed by the Company on the Maturity Date viz. 18 months from the date of the issue at a premium of 7.5% on the total face value of the preference shares, subject to adjustments as detailed in the terms of the issue.

- b) The Company has accrued the redemption premium, in accordance with the requirements of Accounting Standard ('AS 29') 'Provisions, Contingent Liabilities and Contingent Assets' and debited the same to Securities Premium Account as permitted by Section 78 of the Companies Act, 1956.
14. 'Other Provision' as on 31st December, 2005 included provision towards expenses in relation to leased premises based on substantial degree of estimation by the management. The details of movement thereof are as under:

	2006 (Rupees in Millions)
Opening Provision	4.50
Provision made during the year	-
Utilisation during the year	4.50
Closing Provision	-

15. The parent company has reinstated contribution to Super Annuation Fund from April 1, 2006 in accordance with the decision taken by management, which had been discontinued from April 1, 2005.
16. Figures for the previous year have been regrouped/rearranged wherever necessary to correspond with the figures of current year and are disclosed in brackets. Amounts and other disclosures for the preceding year are included as an integral part of the current years financial statements and are to be read in relation to the amounts and other disclosures relating to the current year.

Signature to Schedules 1 to 13

For Deloitte Haskins & Sells
 Chartered Accountants

P. R. Barpande
 Partner

Atul K. Nishar
 (Executive Chairman)

L. S. Sarma
 (Director)

Shailesh Haribhakti
 (Director)

For and on behalf of the Board

Rusi Brij
 (Vice-Chairman & CEO)

Dr. (Mrs.) Alka Nishar
 (Director)

Rajesh B. Ghonasgi
 (Chief Financial Officer)

P. K. Sridharan
 (President & Executive Director)

A. P. Kurian
 (Director)

Naishadh Desai
 (Company Secretary)

Place : Mumbai
 Date : 15th February, 2007

AUDITOR'S REPORT

To the shareholders of Hexaware Technologies Limited

1. We have audited the attached Balance Sheet of Hexaware Technologies Limited as at 31st December, 2006, 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, 2006 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st December, 2006 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, 2006;
 - 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. Bapande
Partner
Membership No. 15291

Place : Mumbai
Dated : 15th February, 2007

ANNEXURE TO THE AUDITOR'S 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 fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- ii) The activities of the Company and the nature of its business do not involve the use of inventory. Accordingly, clause 4 (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 4 (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 4 (v) of the Companies (Auditor's Report) Order 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 a firm 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 4 (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, customs duty, excise duty, cess, investor education and protection fund 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 statutory dues were in arrears as at 31st December, 2006 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 as follows:

Name of statute	Nature of the dues	Amount Rupees in Millions	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income tax demands	1.61	Assessment Year 2001-02	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income tax demands	1.72	Assessment Year 2002-03	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income tax demands	2.43	Assessment Year 2004-05	Commissioner of Income Tax (Appeals)

- 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 borrowed any amounts from banks and financial institutions or by issue of debentures and hence the question of default in repayment of dues does not arise.
- 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 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xv) According to the information and explanations given to us, the Company had given guarantee to a bank in the previous year for a loan taken by a subsidiary Company. However, during the year the loan has been repaid and the guarantee has expired and in our opinion the terms and conditions were 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 they 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

Place : Mumbai
Dated : 15th February, 2007

BALANCE SHEET AS AT 31ST DECEMBER, 2006

(Rupees in Millions)

Particulars	Schedule	As at	
		31st December, 2006	31st December, 2005
SOURCES OF FUNDS			
Share Holders' Funds:			
A) Share Capital	"1"	1,763.92	238.72
B) Share Warrants (Refer Note No. 3(a) of Schedule 13B)		0.41	0.43
C) Share Application Money		3.44	0.69
D) Reserves and Surplus	"2"	5,340.13	3,020.20
		<u>7,107.90</u>	<u>3,260.04</u>
Loan Funds:			
Secured Loans	"3"	—	10.66
Total		<u><u>7,107.90</u></u>	<u><u>3,270.70</u></u>
APPLICATION OF FUNDS			
Fixed Assets:			
A) Gross Block	"4"	1,547.98	1,259.18
B) Less: Depreciation		641.99	499.81
C) Net Block		905.99	759.37
D) Capital Work-in-progress		327.24	—
		<u>1,233.23</u>	<u>759.37</u>
2. Investments:	"5"	4,495.17	1,059.90
3. Current Assets, Loans and Advances:	"6"		
A) Sundry Debtors		1,152.97	1,384.01
B) Cash and Bank Balances		421.86	82.53
C) Loans and Advances		774.87	703.42
D) Other Current Assets		2.45	2.45
		<u>2,352.15</u>	<u>2,172.41</u>
Less:			
Current Liabilities and Provisions:			
A) Current Liabilities	"7"	679.94	564.35
B) Provisions		292.71	156.63
		<u>972.65</u>	<u>720.98</u>
Net Current Assets		<u>1,379.50</u>	<u>1,451.43</u>
Total		<u><u>7,107.90</u></u>	<u><u>3,270.70</u></u>
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

For and on behalf of the Board

P. R. Barpande
Partner

Atul K. Nishar
(Executive Chairman)

Rusi Brij
(Vice-Chairman & CEO)

P. K. Sridharan
(President & Executive Director)

L. S. Sarma
(Director)

Dr. (Mrs.) Alka Nishar
(Director)

A. P. Kurian
(Director)

Shailesh Haribhakti
(Director)

Rajesh B. Ghonasgi
(Chief Financial Officer)

Naishadh Desai
(Company Secretary)

Place : Mumbai
Date : 15th February, 2007

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2006

(Rupees in Millions)

Particulars	Schedule	For The Year Ended 31st December, 2006	For The Year Ended 31st December, 2005
INCOME			
Software and Consultancy		4,126.92	3,557.93
Other Income	"8"	533.29	142.96
		4,660.21	3,700.89
EXPENDITURE			
Software and Development Expenses	"9"	948.44	402.99
Employment Expenses	"10"	1,703.87	1,763.96
Administration and Other Expenses	"11"	623.89	560.65
Interest	"12"	1.03	1.61
Depreciation		156.70	177.27
		3,433.93	2,906.48
Profit Before Tax		1,226.28	794.41
Less : Provision for Taxation			
Income Tax - Current (Including prior years Rs. 1.36 Million (Rs. Nil))		24.79	5.05
Fringe Benefit Tax		23.05	13.88
Wealth Tax		0.23	0.08
MAT Credit Entitlement (Refer Note No. 4(b) of Schedule 13B)		(8.40)	—
		39.67	19.01
Profit After Tax		1,186.61	775.40
Add : Balance brought forward from Previous Year		904.06	392.42
Balance Available for Appropriation		2,090.67	1,167.82
Appropriations :			
Interim Dividend			
Equity		104.53	71.00
Preference		8.12	—
Proposed Dividend			
Equity		105.58	71.62
Preference		22.31	—
Dividend for previous year		6.78	—
Dividend Tax		34.69	21.14
Transfer to General Reserve		200.00	100.00
		482.01	263.76
Balance carried to Balance Sheet		1,608.66	904.06
Earnings Per Share (in Rupees) (Refer Note No. 9 of Schedule 13B)			
Basic		9.03	6.58
Diluted		8.59	6.37
Face value of Equity Shares (in Rupees)		2	2
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

Atul K. Nishar
(Executive Chairman)

L. S. Sarma
(Director)

Shailesh Haribhakti
(Director)

For and on behalf of the Board

Rusi Brij
(Vice-Chairman & CEO)

Dr. (Mrs.) Alka Nishar
(Director)

Rajesh B. Ghonasgi
(Chief Financial Officer)

P. K. Sridharan
(President & Executive Director)

A. P. Kurian
(Director)

Naishadh Desai
(Company Secretary)

Place : Mumbai
Date : 15th February, 2007

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2006

(Rupees in Millions)

	Current Year	Previous Year
A Cash flow from operating activities		
Net profit before tax	1,226.28	794.41
Adjustments for:		
Depreciation and amortisation	156.70	177.27
Dividend from current investments	(113.34)	(10.51)
Interest income	(12.98)	(12.78)
Profit on sale of investments (net)	(30.41)	(1.50)
Gain on transfer/assignment- service centre	—	(44.96)
Profit on sale of fixed assets (net)	(6.77)	(8.90)
Interest expense	1.03	1.61
Provision for diminution in value of investment written back (net)	(260.23)	—
Exchange rate difference (Refer Note No. 1 below)	0.68	(0.12)
Operating profit before working capital changes	960.96	894.52
Adjustments for:		
Trade and other receivables	174.52	(609.95)
Trade and other payables	125.66	263.87
Cash generated from operations	1,261.14	548.44
Direct taxes paid	(40.84)	(25.32)
Net cash from operating activities	1,220.30	523.12
B Cash flow from investing activities		
Additions to fixed assets	(635.97)	(194.20)
Purchase of trade investments	(1,209.51)	(66.20)
Purchase of other investments (net of dividend reinvested)	(10,847.71)	(874.36)
Interest received	12.98	12.79
Proceeds from sale of investments	8,912.57	673.53
Gain on transfer/assignment- service centre	—	44.96
Dividend from current investments	113.34	10.51
Proceeds from sale of fixed assets	12.18	70.78
Net cash used in investing activities	(3,642.12)	(322.19)
C Cash flow from financing activities		
Proceeds from issue of shares	2,986.77	30.36
Share application money	3.44	0.69
Interest paid	(1.03)	(1.61)
Dividend paid	(216.69)	(212.88)
Repayments of long term and other borrowings	(10.66)	(11.48)
Net cash from/used in financing activities	2,761.83	(194.92)
Net Increase in cash and cash equivalents	340.01	6.01
Cash and cash equivalents at the beginning of the year	82.41	76.40
Cash and cash equivalents at the end of the year	422.42	82.41

Notes:

1. Components of cash and cash equivalents comprise the following :

– Cash and Bank Balances (Refer Schedule 6 of the Balance Sheet)	421.86	82.53
– Unrealised (loss)/gain on foreign currency cash and cash equivalents	(0.56)	0.12

Total Cash and Cash equivalents	422.42	82.41
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2. Purchase of Fixed Assets (including movements in Capital work in progress) are considered as a part of investing activities.

3. 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

Atul K. Nishar
 (Executive Chairman)

L. S. Sarma
 (Director)

Shailesh Haribhakti
 (Director)

For and on behalf of the Board

Rusi Brij
 (Vice-Chairman & CEO)

Dr. (Mrs.) Alka Nishar
 (Director)

Rajesh B. Ghonasgi
 (Chief Financial Officer)

P. K. Sridharan
 (President & Executive Director)

A. P. Kurian
 (Director)

Naishadh Desai
 (Company Secretary)

 Place : Mumbai
 Date : 15th February, 2007

SCHEDULES TO BALANCE SHEET

Particulars	(Rupees in Millions)	
	As at 31st December, 2006	As at 31st December, 2005
SCHEDULE "1" – SHARE CAPITAL		
AUTHORISED		
175,000,000 Equity Shares of Rs. 2/- each	350.00	350.00
3,000,000 Preference Shares of Rs. 100/- each *	300.00	300.00
1,100,000 (Nil) Series "A" Preference Shares of Rs. 1421/- each *	1,563.10	—
* (See Note No. II below)		
	2,213.10	650.00
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
EQUITY :		
131,980,625 (119,358,695) Equity Shares of Rs. 2/- each Fully Paid.	263.96	238.72
PREFERENCE :		
1,055,570 (Nil) Series "A" Redeemable and/or optionally convertible Preference Shares of Rs. 1421/- each. (See Note No. III below)	1,499.96	—
Notes:		
I) Of the above Equity Shares :		
1) 11,134,625 Equity Shares of Rs. 2/- each have been allotted as fully paid up without receiving consideration in cash in accordance with the Composite scheme of Reconstruction and Arrangement.		
2) 36,188,870 Equity Shares of Rs. 2/- each have been allotted as fully paid up by way of Bonus Share by capitalisation of General Reserve/Securities Premium Account.		
3) 10,452,965 Equity Shares of Rs. 2/- each fully paid up have been allotted against Global Depository receipts issued by the Company.		
4) 50,000,000 Equity Shares of Rs.2/- each fully paid up 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) 3,700,980 (3,638,025) Equity Shares of Rs.2/- each fully paid up have been allotted to employees under ESOP 1999.		
6) 7,218,395 (5,229,210) Equity Shares of Rs.2/- each fully paid up have been allotted to employees under ESOP 2002.		
Particulars of options on unissued share capital (Refer Note No. 3 of Schedule 13B)		
II) Authorised Preference Share Capital can be either cumulative or non cumulative with a power to the Company to convert the same into equity shares at any time.		
III) Refer Note No 17(a) of Schedule 13B for terms of redemption/conversion of issued preference shares.		
Total	1,763.92	238.72

SCHEDULES TO BALANCE SHEET

(Rupees in Millions)

Particulars	As at	
	31st December, 2006	31st December, 2005
SCHEDULE "2" – RESERVES AND SURPLUS		
Securities Premium Account		
As Per Last Balance Sheet	1,749.60	1,719.14
Add : Received during the year	1,521.40	30.46
Less : Share issue expenses	59.14	—
Less : Provision for premium payable on redemption of redeemable and/or optionally convertible preference shares (Refer Note No. 17(b) of Schedule 13B)	46.93	—
	3,164.93	1,749.60
General Reserve		
As per Last Balance Sheet	363.66	263.66
Add : Transferred from Profit and Loss Account	200.00	100.00
	563.66	363.66
Amalgamation Reserve		
As Per Last Balance Sheet	2.88	2.88
Surplus in Profit and Loss Account	1,608.66	904.06
Total	5,340.13	3,020.20
SCHEDULE "3" – SECURED LOANS		
Loan Under Finance Agreement		10.66
(During the year, the Company has repaid the loan, which was secured by a charge on the specified assets acquired and financed and is in the process of intimating to the Registrar of Companies towards satisfaction of charge)		
Total		10.66

SCHEDULE "4" – FIXED ASSETS

(Rupees in Millions)

Sr. No.	Particulars	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
		As at 01.01.2006	Additions	Deductions Adjustments	As at 31.12.2006	As at 01.01.2006	For The Year	Deductions Adjustments	As at 31.12.2006	As at 31.12.2006	As at 31.12.2005
1	Land - Freehold	0.15	—	—	0.15	—	—	—	—	0.15	0.15
2	Land - Leasehold	39.36	167.98	—	207.34	0.58	1.57	—	2.15	205.19	38.78
3	Building (Refer Note No. 1)	342.84	—	—	342.84	17.97	6.02	—	23.99	318.85	324.87
4	Plant & Machinery (Includes Computers & Softwares)	596.14	134.56	9.62	721.08	383.70	108.19	7.99	483.90	237.18	212.44
5	Furniture & Fixtures	238.95	4.20	—	243.15	80.68	32.00	—	112.68	130.47	158.27
6	Vehicles	41.74	1.99	10.31	33.42	16.88	8.92	6.53	19.27	14.15	24.86
	Current Year	1,259.18	308.73	19.93	1,547.98	499.81	156.70	14.52	641.99	905.99	759.37
	Previous Year	1,142.79	288.00	171.61	1,259.18	432.27	177.27	109.73	499.81	759.37	—
	Capital Work in Progress (In respect of building under construction/capital advances including towards acquisition of land.)									327.24	—
										1,233.23	759.37

Notes:

- Includes one building having gross block of Rs. 150.21 million- and accumulated depreciation of Rs. 14.14 million (Previous year Rs. 11.69 million), which the Company acquired, along with land from MIDC, at Mumbai entered in to necessary agreements and took possession of the building in an earlier year. The final agreement is being executed.
- Additions to Plant & Machinery are net off Rs. 0.05 million (Previous year including Rs. 0.16 million) on account of exchange difference.

SCHEDULES TO BALANCE SHEET

(Rupees in Millions)

Particulars	As at		As at	
	31st December, 2006		31st December, 2005	
SCHEDULE "5" - INVESTMENTS				
A Long Term:				
1 Trade Investments – Unquoted				
Investment in Subsidiaries (At Cost less provision for Diminution in value of Investment)				
Nil (2,461,254) common stock at no par value In Specsoft Consulting Inc., U.S.A. (Refer Note No. 12(a) of Schedule 13B)		-		306.02
23,026 (22,450) common stock at no par value In Hexaware Technologies inc., U.S.A. (Refer Note No. 12(a) of Schedule 13B)		345.28		295.28
3,067,000 (3,067,000) shares of 1 GBP each fully paid up in Hexaware Technologies UK Ltd.		218.87		218.87
5,00,000 (5,00,000) shares of singapore \$ 1/- each fully paid up in Hexaware Technologies Asia - Pacific Pte. Ltd. Singapore		12.48		12.48
3,618 (3,618) shares of face value 50 euro each fully paid up in Hexaware Technologies GmbH, Germany		7.57		7.57
1 (1) common stock at no par value in Hexaware Technologies Canada Limited, Canada		0.73		0.73
10,900,000 (8,400,000) shares of Rs. 10/- each fully paid up in Caliber Point Business Solutions Ltd.		129.00		84.00
1,000 (Nil) common stock at no par value In Focus Frame Inc., U.S.A. (Refer Note No. 13 of Schedule 13B)		1,164.51		-
		<u>1,878.44</u>		<u>924.95</u>
Less: Provision for diminution in value of investment (Refer Note No. 12 of Schedule 13B)		-		516.25
		<u>1,878.44</u>		<u>408.70</u>
2 Non Trade Investments (At cost)				
Quoted				
Nil (2,000) shares of Rs. 10/- each fully paid up in Aptech Limited		-		0.02
Unquoted				
	Nos.		Nos.	
Investment in long term Capital Gain Bonds (Bonds of Rs. 10,000/- each, unless otherwise stated)				
National Bank of Agriculture and Rural Development	3,000	30.00	3,000	30.00
National Housing Bank	2,000	20.00	2,000	20.00
Rural Electrification Corporation	1,450	<u>14.50</u>	1,450	<u>14.50</u>
		<u>64.50</u>		<u>64.50</u>

SCHEDULES TO BALANCE SHEET

(Rupees in Millions)

Particulars	As at		As at	
	31st December, 2006		31st December, 2005	
B Current Investments				
Non Trade Investments (Unquoted)				
Investment in Mutual Funds (At cost or fair value, whichever is lower) (Unit of Rs. 10/- each, unless otherwise stated).				
Name of Mutual Fund	Units		Units	
Franklin Templeton - Floating Rate Income Fund	-	-	12,564,500	125.97
LIC Floating Rate fund	-	-	6,962,076	70.23
Principal Floating Rate Fund FMP	-	-	5,027,377	50.28
Institutional Plus Growth	-	-	4,308,384	51.08
Reliance Floating Rate Fund	-	-	9,935,838	100.16
Reliance Liquidity Fund	-	-	1,308,984	13.13
SBI Magnum Institutional Income	-	-	-	-
Saving Dividend	-	-	11,214,081	112.51
UTI Floating Rate Fund - STP	-	-	6,282,193	63.32
Deutsche Money plus Fund Institutional Weekly Dividend	58,596,028	586.92	-	-
Kotak FMP 3 M Series 7	15,754,432	157.54	-	-
Reliance Fixed Horizon Fund - 1 Quarterly Plan Series IV	31,499,502	315.00	-	-
Reliance Fixed Horizon Fund - Plan B Series IV	77,329,556	773.30	-	-
Prudential ICICI FMP - Series 34-3 Month Plan A	31,175,683	311.76	-	-
ABN Amro FMP - Series 3 Quarterly Plan E	5,000,000	50.00	-	-
ABN Amro FTP - Series 4 Quarterly Plan B	15,444,305	154.44	-	-
Prudential ICICI FMP - Series 32 Plan D	5,000,000	50.00	-	-
Prudential ICICI FMP - Series 32 Plan E	5,351,978	53.52	-	-
Principal Income Fund - Growth Plan	5,744,683	99.75	-	-
		2,552.23		586.68
Total		4,495.17		1,059.90
(i) Aggregate cost of quoted investments.		-		0.02
Aggregate market value of quoted investments		-		0.28
(ii) Aggregate value of unquoted investments.		4,495.17		1,059.88
		4,495.17		1,059.90
(iii) Current investment includes amount of Rs. 1,546.16 million (Previous year Rs. Nil) invested out of unutilised funds from preferential allotment of shares.				
(iv) Details of investment purchased and sold during the Year (Face Value of Rs. 10/- each, unless otherwise stated).				
Mutual Funds	Units	Cost		
ABN Amro Fixed Term Plan Series - II Quarterly Dividend	15,212,300	152.12		
ABN Amro FTP Series - 3 Quarterly Plan D - Dividend	15,444,305	154.44		
Chola Liquid Plus - Cumulative	17,494,139	250.00		

SCHEDULES TO BALANCE SHEET

(Rupees in Millions)

Particulars	Units	As at	As at
		31st December, 2006	31st December, 2005
		Cost	
Franklin Templeton India Treasury Management (Face Value Rs.1,000/-)	110,050	110.08	
Franklin Templeton Floating Rate Income Fund	132,818	1.33	
Birla Cash Plus	26,891,600	300.00	
Canliquid Fund - Institutional Growth	23,554,286	301.90	
Canliquid Fund - Institutional Weekly Dividend	3,003,338	30.20	
Chola FMP Quarterly Series 3 Plan II	2,000,000	20.29	
Chola FMP Quarterly Series 3 Plan III	25,149,575	251.50	
Chola FMP Quarterly Series 3 Plan IV	2,031,900	20.32	
Chola FMP Quarterly Series 4 Plan III	25,163,156	251.63	
DBS Chola Freedom Income STF	4,627,334	50.60	
Deutsche Insta Cash Plus Fund	30,353,572	305.77	
Deutsche Money Plus Fund	57,987,789	581.36	
DSP ML Liquidity Fund Institutional- Weekly Dividend (Face Value Rs.1,000/-)	254,281	254.34	
DSP ML Liquidity Fund - Weekly Dividend	2,443,563	30.33	
ING Vysya Income Fund - Short Term	13,573,255	151.46	
ING Vysya Liquid Fund Institutional Weekly Dividend	9,969,537	100.33	
Kotak Flexi Debt Scheme - Quarterly Dividend	31,335,619	320.02	
Kotak FMP 3 M Series 1	15,751,503	157.52	
Kotak Liquid Fund	3,007,512	30.14	
Kotak Liquid Fund Daily Dividend	4,922,161	60.19	
Kotak Liquid Institutional Premium - Weekly Dividend	30,450,849	305.60	
LIC MF FMP - Series 9	7,609,094	76.09	
Principal ICICI FMP 32 - 3M Plan B Dividend	10,524,485	105.24	
Principal ICICI FMP 32 - 3M Plan B	30,643,537	306.44	
Principal ICICI FMP - Yearly XXV - Dividend	10,366,580	103.68	
UTI Liquid Cash Plus Institutional Weekly Dividend (Face Value Rs. 1,000/-)	63,565	64.80	
Kotak FMP 3M Series 1	15,519,859	155.20	
LIC Floating Rate Fund	5,257,025	53.20	
LIC MF Liquid Fund Growth Plan	19,657,952	250.00	
Principal Floating Rate Fund - SMP	5,091,095	50.91	
Principal PNB FMP 91 Days	10,358,126	103.60	
Principal Short Term Institutional Plan D Weekly Dividend	13,704,341	149.77	
Prudential ICICI FMP - Series 24 Yearly Dividend	10,234,566	102.35	
Prudential ICICI Institutional Liquid - Weekly Dividend	30,273,454	302.86	
Reliance Fixed Horizon Fund - Plan B Series II	75,000,000	761.68	
Reliance Fixed Horizon Fund - Plan B Series III	30,500,000	305.00	
Reliance Fixed Maturity Fund - Series II	15,091,847	151.66	
Reliance Floating Rate Fund	69,067	0.70	
SBI Magnum Institutional Income	192,810	1.93	
UTI Fixed Maturity Plan (QFMP)	6,399,096	63.84	
UTI Floating Rate Fund	35,815	0.36	
UTI Fixed Maturity Plan (QFMP/0203/11)	6,399,096	63.99	
Prudential ICICI Institutional Liquid Plan	61,865,628	618.72	
Prudential ICICI FMP 32 - 3M Plan C	31,175,683	311.76	

SCHEDULES TO BALANCE SHEET

(Rupees in Millions)

Particulars	As at 31st December, 2006	As at 31st December, 2005
SCHEDULE "6" – CURRENT ASSETS, LOANS AND ADVANCES		
Sundry Debtors (Unsecured)		
Debts outstanding for a period exceeding six months	12.30	19.07
Other Debts	<u>1,146.58</u>	<u>1,371.49</u>
	1,158.88	1,390.56
Less: Provision for doubtful accounts	<u>5.91</u>	<u>6.55</u>
	1,152.97	1,384.01
Sundry Debtors		
Considered good	1,152.97	1,384.01
Considered doubtful	<u>5.91</u>	<u>6.55</u>
	1,158.88	1,390.56
Cash And Bank Balances		
Cash in hand	0.04	–
Balances with Scheduled Banks		
In Fixed Deposit Accounts	4.67	2.52
[Includes Interest accrued of Rs. 0.35 million (Rs. 0.35 million) [Includes deposits of Rs. 3.37 million (Rs. 2.18 million) under lien with banks for guarantees given by bank to various government authorities]		
In Exchange Earner's Foreign Currency Account	49.82	2.84
In Current Accounts (includes Remittance in Transit)	284.27	67.94
Balances with Non-scheduled Banks		
In Fixed Deposit Accounts - in Foreign Currency		
Societe Generale Bank - France	0.38	–
[under lien with bank for guarantee given by bank for leased premises]		
In Current Accounts - in Foreign Currency		
a) Union Bank of California, Tokyo - Japan	–	7.53
[Maximum balance outstanding during the year Rs. 12.13 million (Rs. 7.53 million)]		
b) Hong Kong and Shanghai Banking Corporation, Tokyo - Japan	54.99	–
[Maximum balance outstanding during the year Rs. 54.99 million (Rs. NIL)]		
c) Union Bank of Switzerland - Switzerland	0.27	0.36
[Maximum balance outstanding during the year Rs. 2.21 million (Rs. 1.11 million)]		
d) Royal Bank of Scotland - United Kingdom	0.79	0.72
[Maximum balance outstanding during the year Rs. 0.79 million (Rs. 0.79 million)]		
e) National Australia Bank - Australia	1.90	0.62
[Maximum balance outstanding during the year Rs. 2.36 million (Rs. 7.37 million)]		
f) Societe Generale Bank - France	2.88	–
[Maximum balance outstanding during the year Rs. 2.89 million (Rs. NIL)]		
g) Rabo Bank - Netherland	21.85	–
[Maximum balance outstanding during the year Rs. 21.86 million (Rs. NIL)]		
	<u>421.86</u>	<u>82.53</u>

SCHEDULES TO BALANCE SHEET

(Rupees in Millions)

Particulars	As at 31st December, 2006	As at 31st December, 2005
Loans and Advances (Unsecured - Considered Good)		
Loans and Advances to Subsidiaries	229.74	367.72
Advances recoverable in cash or in kind or for value to be received	211.22	128.19
Deposits	205.56	176.21
Unbilled services	83.97	1.86
Advance Income Tax (net of provision for tax) (Refer Note No. 16 of Schedule 13B)	35.98	29.44
MAT Credit Entitlement (Refer Note No. 4(b) of Schedule 13B)	8.40	-
	774.87	703.42
 Note : Loans and Advances includes loan given to Executive Director Rs. NIL (Rs. 0.32 million) (Loan was granted to him before becoming a director, and has been repaid as per the Company's policy.) (Maximum balance outstanding during the year Rs. 0.32 million (Rs. 0.41 million))		
Other Current Assets		
Interest accrued on investments	2.45	2.45
Total	2,352.15	2,172.41
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	114.80	78.23
Due to Subsidiaries	210.92	242.23
Deposit Received for Leased Premises	22.14	22.52
Unearned Revenues	9.36	-
Unclaimed Dividend *	7.94	6.78
Other Liabilities	314.78	214.59
	679.94	564.35
Provisions		
Provision for Leave Encashment	70.34	53.12
Provision for Gratuity	6.75	8.25
Proposed Dividend	127.89	71.62
Corporate Tax on Dividend	17.94	10.04
Provision for Taxation (Net of Advance Tax)	16.61	4.10
Provision for Fringe Benefit Tax (Net of Advance Tax) (Refer Note No. 16 of Schedule 13B)	6.25	5.00
Provision for Redemption of Redeemable and/or optionally convertible Preference Shares (Refer Note No. 17(b) of Schedule 13B)	46.93	-
Other Provisions	-	4.50
	292.71	156.63
Total	972.65	720.98

* This figure does not include any amount due and outstanding to be credited to Investor Education and Protection Fund.

SCHEDULES TO PROFIT AND LOSS ACCOUNT

(Rupees in Millions)

Particulars	For the Year ended 31st December, 2006	For the Year ended 31st December, 2005
SCHEDULE "8" – OTHER INCOME		
Dividend from Current Investments	113.34	10.51
Profit on Sale of Current Investments (Net)	30.41	1.50
Interest Income		
From long term investments	3.27	3.25
From others (Tax Deducted at Source Rs. 1.44 million (Rs. 1.67 million))	9.71	9.53
	12.98	12.78
Exchange Rate Difference (Net)	43.17	–
Provision for Diminution in Investment no longer required written back	516.25	–
Less: Loss in Value of Investment	256.02	–
(Refer Note No. 12 of Schedule 13B)	260.23	–
Gain on Transfer/Assignment - Service Centre	–	44.96
Provision for Doubtful Accounts written back	0.64	–
Profit on Sale of Fixed Assets (Net)	6.77	9.80
Rental Income (Tax Deducted at Source Rs. 6.78 million (Rs. 5.55 million))	27.25	25.95
Miscellaneous Income	38.50	37.46
Total	533.29	142.96
SCHEDULE "9" – SOFTWARE AND DEVELOPMENT EXPENSES		
Consultant and Related Expenses	233.64	197.28
Software Expenses	714.80	205.71
Total	948.44	402.99
SCHEDULE "10" – EMPLOYMENT EXPENSES		
Salary and Other allowances	1,497.14	1,587.94
Contribution to Provident and other Funds	95.10	74.74
Staff Welfare Expenses	111.63	101.28
Total	1,703.87	1,763.96

SCHEDULES TO PROFIT AND LOSS ACCOUNT

(Rupees in Millions)

Particulars	For the Year ended 31st December, 2006	For the Year ended 31st December, 2005
SCHEDULE "11" – ADMINISTRATION AND OTHER EXPENSES		
Rent	114.75	123.40
Rates and Taxes	7.38	5.24
Travelling and Conveyance Expenses	105.95	76.94
Electricity Charges	49.54	54.13
Communication Expenses	86.69	78.27
Repairs and Maintenance		
Buildings	4.44	9.26
Plant and Machinery	16.23	11.01
Others	14.27	8.59
	34.94	28.86
Printing and Stationery	16.55	15.26
Auditors Remuneration		
(Includes Service Tax of Rs. 0.64 million (Rs. 0.52 million))		
Audit Fees	2.24	1.60
Audit of US GAAP (Previous year figures for 2 years)	1.96	5.16
Tax Audit Fees	0.90	0.66
Limited Reviews, Certification Work etc.	2.16	1.40
Out of Pocket Expenses	0.07	0.01
	7.33	8.83
Legal and Professional Fees	35.55	30.18
Advertisement and Publicity	5.09	1.19
Seminar and Conference Expenses	25.48	14.19
Bank Charges	2.17	8.81
Exchange Rate Differences (Net)	-	39.55
Directors' Sitting Fees	0.30	0.29
Insurance Premium	9.53	10.23
Donation	0.13	4.30
Fixed Assets Written off	-	0.90
Bad Debts/Advances Written off	11.51	0.96
Provision for Doubtful Accounts	-	5.08
Staff Recruitment Expenses	40.75	18.65
Service Charges	41.67	26.06
Miscellaneous Expenses	28.58	9.33
Note : Miscellaneous Expenses includes Stamp Duty & Filing fees, Hiring charges, Registrar and Share Transfer expenses, Membership and Subscription etc.		
Total	623.89	560.65
SCHEDULE "12" – INTEREST		
On Fixed Loans	1.03	1.59
Others	-	0.02
Total	1.03	1.61

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.

c) Interest income is recognised on time proportion basis.

4. Fixed Assets

Fixed assets are stated 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 and amortisation 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:

Asset Class	Estimated useful Life
Computers and Software (included in Plant and Machinery)	3 years
Office Equipment (included in Plant and Machinery)	5 years
Electrical Fittings (included in Plant and Machinery)	8 years
Furniture and Fixtures	8 years
Vehicles	4 years
Leasehold Land	Over the lease period

6. Investments

Long-term investments are stated at cost. Provision is made for diminution in the value of long term investments, if such decline is other than temporary. Current investments are carried at cost or fair 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 imported 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 imported fixed assets) denominated in foreign currency 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 imported fixed assets is adjusted in the value of the related fixed assets.

In case of monetary items which are covered by forward exchange contracts, the difference between the exchange rate on the date of such contracts and the year end rate is recognised in the Profit and Loss Account. Any profit/loss arising on cancellation of forward exchange contract is recognised as income or expense of the year. Premium/discount arising on such forward exchange contracts is amortised as income/expense over the life of contract.

Foreign Branches

In respect of the foreign branches, being integral foreign operations, all revenues and expenses (except depreciation) during the year are reported at average rate. Monetary assets and liabilities are restated at the year end exchange rate. Non-monetary assets and liabilities are stated 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 'foreign 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. Employee Benefits

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

- i) Company's contribution to provident fund, superannuation fund (from 1st April, 2006) 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 is charged to Profit and Loss Account.
- iii) Liability for leave encashment is accrued based on balance of unavailed leave to the credit of each employee at the end of the period in accordance with the policy followed by the Company.

9. Borrowing Cost

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. Leases

Finance Lease

Assets taken on finance lease are accounted for as fixed assets in accordance with Accounting Standard (AS 19) "Leases", 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 straight-line basis.

Furnished premises leased out under operating lease are capitalised in the books of the Company. Lease income is recognised in Profit and Loss Account over the lease term on a straight-line basis.

11. Taxes on Income

Income Taxes are accounted for in accordance with Accounting Standard (AS 22) "Accounting for Taxes on Income", issued by The Institute of Chartered Accountants of India ('ICAI'). Tax expense comprises of current tax, deferred tax and

fringe benefit 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 or substantively 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. Fringe benefit tax is recognised in accordance with the relevant provisions of the Income Tax Act, 1961, and the Guidance Note on Fringe Benefit Tax issued by the ICAI. Minimum Alternate Tax (MAT) credit entitlement is recognised in accordance with the Guidance Note on "Accounting for credit available in respect of Minimum Alternate Tax under the Income Tax Act, 1961" issued by ICAI. (Refer Note No.4(b) of Schedule 13B).

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 at cost 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. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

14. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised, but are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial statements.

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) Rs. 1,098.81 million (Previous Year Rs. 2.09 million).

2) Contingent Liabilities in respect of

- a) Claims not acknowledged as debt Rs. 37.51 million (Previous year Rs. 31.97 million)
- b) (i) Counter Guarantee given to banks Rs. 3.49 million (Previous Year Rs. 2.55 million)
(ii) Guarantees given by the Company to a bank on behalf of the Company's wholly-owned subsidiary Rs. Nil (Previous Year Rs. 51 million)
- c) Income tax disputed in appeal and pending decision Rs. 5.76 million (Previous Year Rs. 3.34 million), Company is hopeful of getting a favourable decision.

3) ESOP

- a) 6,897,060 (7,085,925) warrants under Employee Stock Option Scheme – 1999 (ESOP 1999) aggregating to Rs. 0.41 million (Rs. 0.43 million) of Rs. 0.06 each are outstanding as at December 31, 2006 and 2005 respectively. Each block of 3 warrants entitles the holder to get one equity share of Rs. 2/- each at a price of Rs. 9/- per share within a period of ten years commencing from February 1, 2001 (exercise period) in accordance with the said Scheme. The particulars of warrants granted and lapsed under the Scheme are tabulated below under (d).
- b) 3,830,730 (5,819,915) Options are outstanding as at December 31, 2006 and 2005 respectively under Hexaware Technologies Limited – Employee Stock Option ('ESOP – 2002') ('the Plan') at an exercise price being the market price on the date of grant of Options or average closing price on the primary stock exchanges, whichever is higher or such price that may be determined by the Remuneration and Compensation Committee ('Committee'). Each Option entitles the holder to exercise the right to apply for and seek allotment of one equity share of Rs. 2/- each. The Options shall vest in four equal instalments or as determined at the discretion of the Committee. No Options shall be granted after March 31, 2009. The particulars of options granted and lapsed under the Scheme are tabulated below under (d).

- c) As approved by the Shareholders of the Company, during the year the Company granted 1,57,000 Options under ESOP - 2002 duly approved by the Remuneration/Compensation Committee of the Board of Directors of the Company.

Grant Date	No. of Options granted	Exercise Price	Vesting Period
July 1, 2006	1,22,000	Rs. 135	July 1, 2007 to June 30, 2011
November 6, 2006	35,000	Rs. 171	November 6, 2007 to November 5, 2011

The options are granted at the exercise price, which is in accordance with SEBI guidelines in force at the time of such grants. Each option entitles the holder to exercise the right to apply for and seek allotment of one equity share of Rs. 2/- each.

- d) The particulars of number of Warrants/Options granted and lapsed under the aforementioned scheme are tabulated below.

	ESOP – 1999	ESOP – 2002
Opening Balance	1,765,170 (4,236,285)	5,797,015 (7,455,290)
Additions during the year	– (–)	157,000 (1,214,000)
Exercised during the year	188,865 (2,274,705)	1,989,185 (2,082,435)
Cancelled during the year	214,055 (196,410)	241,150 (789,840)
Closing Balance	1,362,250 (1,765,170)	3,723,680 (5,797,015)

Figures for the previous year are given in brackets.

Consequent to change in the capital structure of the Company in the previous year viz. subdivision of shares, which entitles the holder to five times the number of options granted to him in accordance with the ESOP – 1999 and ESOP – 2002 schemes, the information regarding the number of warrants/options allotted, exercised and lapsed in the previous year has been restated on that basis in paragraphs a), b) and d) above.

- e) The Company has followed the intrinsic value-based method of accounting for stock options granted after April 1, 2005, based on Guidance Note on Accounting for Employee Share-based Payments, issued by The Institute of Chartered Accountants of India. Had the compensation cost for the Company's stock based compensation plan been determined in the manner consistent with the fair value approach as described in the Guidance Note, the Company's net income would be lower by Rs 1.72 million and earnings per share reported would be lower as indicated below:

(Rupees in Millions)

Particulars	Basic	Diluted
Net profit as Reported (After Income Tax of earlier years)	1,186.61	1,186.61
Less : Preference dividend and tax thereon	34.70	–
Less : Total stock-based employee compensation expense determined under fair value based method	1.72	1.72
Adjusted net profit available to equity shareholders	1,150.19	1,184.89
Weighted average number of equity shares (Nos.)	127,619,067	138,169,335
Earning per share		
– As reported (in Rs.)	9.03	8.59
– Adjusted (in Rs.)	9.01	8.58

The fair value of each option is estimated on the date of grant based on the following assumptions:

Particulars	Grant dated 01-07-2006	Grant dated 6-11-2006
Dividend yield (%)	0.87%	0.87%
Expected life (no. of years)	1.25 to 4.25 years	1.25 to 4.25 years
Risk free interest rate (%)	6.51%-7.52%	7.40%-7.57%
Volatility (%)	43.06%-57.58%	41.16%-55.92%

Note : Previous year figures are not included, as the above disclosure has become mandatory for employee share based payment plans, the grant date in respect of which falls on or after April 01, 2005.

4) Income Taxes

- a) The income tax year of the Company being the year ending March 31, the provision for current tax for the year is the aggregate of (a) provision made for three months ended March 31, 2006, on the basis of Minimum Alternate Tax in accordance with Section 115 JB of the Income Tax Act, 1961, and (b) provision for the remaining nine months upto December 31, 2006, the ultimate tax liability of which will be determined on the basis of the tax year ending March 31, 2007.
- b) Considering the future profitability and taxable positions in the subsequent years, the Company has recognised the 'MAT Credit entitlement' as an asset by crediting the Profit and Loss Account for an equivalent amount and disclosed under 'Loans and advances' (Schedule 6) in accordance with the Guidance Note on "Accounting for credit available in respect of Minimum Alternate Tax under the Income Tax Act, 1961" issued by The Institute of Chartered Accountants of India on 23rd March, 2006.
- c) Net deferred tax asset has not been recognised considering the requirement of AS 22 relating to reasonable certainty.

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. (upto 2-1-2006)	United States of America
3	Focus Frame Inc. (from 28-11-2006)	United States of America
4	Hexaware Technologies UK Ltd.	United Kingdom
5	FocusFrame UK Limited (from 28-11-2006)	United Kingdom
6	Hexaware Technologies Asia Pacific Ltd.	Singapore
7	Hexaware Technologies GmbH.	Germany
8	Hexaware Technologies Canada Ltd.	Canada
9	Caliber Point Business Solutions Ltd.	India
10	Specsoft Technologies India Limited	India
11	FocusFrame Europe BV (from 28-11-2006)	Netherland
12	FocusFrame Mexico S de RL De CV (from 28-11-2006)	Mexico
	Key Management Personnel	
1	Mr. Atul K. Nishar – Executive Chairman	
2	Mr. P. K. Sridharan – President and Executive Director	
3	Mr. Rusi Brij – Vice Chairman and Chief Executive Officer	
	Others	
1	Hexaware Technologies Employee Stock Option Trust	

Transactions with parties are :

(Rupees in Millions)

Nature of Transactions	Subsidiaries	Key Management Personnel	Others	Total
1) Finance (including loans and equity contributions) in cash or in kind				
a) Loans Given				
Balance as at January 1, 2006	121.18 (127.25)	0.32 (0.42)	0.43 (0.56)	121.93 (128.23)
Fresh loans during the year (including interest)	9.10 (8.74)	- (-)	- (-)	9.10 (8.74)
Repaid /adjusted during the year	36.01 (14.81)	0.32 (0.10)	0.02 (0.13)	36.35 (15.04)
Balance as at December 31, 2006	94.27 (121.18)	- (0.32)	0.41 (0.43)	94.68 (121.93)
b) Investment in equity (including share application money)				
Balance as at January 1, 2006	924.95 (914.95)	- (-)	- (-)	924.95 (914.95)
Add : Purchased during the year	1,209.51 (10.00)	- (-)	- (-)	1,209.51 (10.00)
Less : Provision for diminution in value of Investment	516.25 (516.25)	- (-)	- (-)	516.25 (516.25)
Less : Loss on value of Investment	256.02 (-)	(-) (-)	(-) (-)	256.02 (-)
Add : Provision for diminution in value of Investment written back	516.25 (-)	(-) (-)	(-) (-)	516.25 (-)
Balance as at December 31, 2006	1,878.44 (408.70)	- (-)	- (-)	1,878.44 (408.70)
c) Guarantee and collateral	- (51.00)	- (-)	- (-)	- (51.00)
2) Software and consultancy income	2,008.75 (1,675.86)	- (-)	- (-)	2,008.75 (1,675.86)
3) Software and development expenses	623.62 (42.70)	- (-)	- (-)	623.62 (42.70)
4) Interest and other income	10.55 (11.87)	- (-)	- (-)	10.55 (11.87)
5) Reimbursement of cost	13.76 (377.98)	- (-)	- (-)	13.76 (377.98)
6) Receiving of services	12.24 (2.35)	11.25 (10.03)	- (-)	23.49 (12.38)
7) Recovery of cost/advances during the year	336.77 (235.83)	- (-)	- (-)	336.77 (235.83)
8) Purchase of Assets	0.35 (0.72)	- (-)	- (-)	0.35 (0.72)

Nature of Transactions	Subsidiaries	Key Management Personnel	Others	Total
9) Closing Balances as on December 31, 2006				
Receivable towards software and consultancy income	697.80 (814.18)	- (-)	- (-)	697.80 (814.18)
Advances	135.47 (246.54)	- (-)	- (-)	135.47 (246.54)
Payable towards services and reimbursement of cost	210.92 (242.23)	- (-)	- (-)	210.92 (242.23)

Previous year figures are given in brackets.

Out of the above items transactions with subsidiaries and Key Management Personnel in excess of 10% of the total related party transactions are as under:

(Rupees in Millions)

Transaction		For the year ended 31-12-2006	For the year ended 31-12-2005
a) Loans given			
Subsidiaries			
Granted during the year			
- Hexaware Technologies Inc.	9.10		8.74
		9.10	8.74
Repaid/adjusted during the year			
- Hexaware Technologies Inc.	22.50		10.94
- Specsoft Consulting Inc.	13.51		(0.39)
- Hexaware Technologies Asia Pacific Pte Ltd	-		4.25
		36.01	14.80
b) Software & Consultancy Income			
Subsidiaries			
- Hexaware Technologies Inc.	937.30		820.93
- Hexaware Technologies UK Ltd.	488.98		235.80
- Hexaware Technologies GmbH.	557.32		559.35
		1,983.60	1,616.08
c) Expenditure			
Outsourcing/Expenses payable			
Subsidiaries			
- Hexaware Technologies Inc.			
Software and Development Expenses	579.77		366.01
- Hexaware Technologies Canada Ltd.			
Software and Development Expenses	43.85		45.89
- Caliber Point Business Solutions Ltd.			
Receiving of Services	12.24		2.35
		635.86	414.25
Purchase of Assets			
Subsidiaries			
- Specsoft Technologies India Ltd.	0.35		0.72
		0.35	0.72

Transaction		For the year ended 31-12-2006	For the year ended 31-12-2006
Remuneration			
Key Management Personnel			
- Atul K. Nishar	4.16		3.40
- P. K. Sridharan	7.09		6.63
		11.25	10.03
d) Income			
Interest and Other Income received			
Subsidiaries			
- Hexaware Technologies Inc.	9.10		8.74
- Caliber Point Business Solutions Ltd	1.45		-
- Specsoft Consulting Inc	-		3.13
		10.55	11.87
e) Advances during the year			
Subsidiaries			
- Hexaware Technologies Inc.	196.03		141.01
- Hexaware Technologies UK Ltd.	107.39		59.31
		303.42	200.32
f) Guarantee			
Subsidiaries			
- Caliber Point Business Solutions Ltd.		-	51.00
g) Equity Investment/Share Application Money			
Addition during the year			
Subsidiaries			
- Focus Frame Inc.	1,164.51		-
- Caliber Point Business Solutions Ltd.	45.00		10.00
		1,209.51	10.00

- 6) Details of loans and advances in the nature of loans (As required by Clause 32 of the Listing Agreement with the stock exchanges):

(Rupees in Millions)

Name of party	Relationship	Amount outstanding as at 31-12-2006	Maximum amount outstanding during the year
Specsoft Consulting Inc.	Wholly Owned Subsidiary	- (13.51)	13.51 (13.79)
Hexaware Technologies Inc.	Wholly Owned Subsidiary	94.27 (107.67)	108.50 (114.23)
Hexaware Technologies Asia Pacific Pte Ltd.	Wholly Owned Subsidiary	- (-)	- (4.25)

Notes

- The interest rate applicable to the above loans/advances is as follows:
 - Specsoft Consulting Inc. - NIL
 - Hexaware Technologies Inc. = LIBOR + 500 basis points (loan repayable on demand).
- 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.
- Figures for the previous year are given in brackets.

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) The Ministry of Company Affairs, Government of India vide its order no. 47/307/2006-CL-III dated 8th February, 2007 issued under Section 212(8) of the Companies Act, 1956, has exempted the Company from attaching the Balance Sheet and Profit and Loss Account of subsidiaries under Section 212(1) of the Companies Act, 1956. As per the order, key details of each subsidiary are attached along with the statement under Section 212 of the Companies Act, 1956.

9) **Earnings Per Share (EPS)**

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

(Rupees in Millions)

Particulars	31st December, 2006	31st December, 2005
Net Profit after tax	1,186.61	775.40
Less : Preference dividend and tax thereon	34.70	-
Net Profit available to equity shareholders for basic EPS	1,151.91	775.40
Weighted average outstanding equity shares considered for basic EPS (Nos.)	127,619,067	117,835,366
Earning per share (Basic) (in Rupees)	9.03	6.58
Net Profit available to equity shareholders for basic EPS	1,151.91	775.40
Add : Preference dividend and tax thereon	34.70	-
Net Profit available to equity shareholders for diluted EPS	1,186.61	775.40
Weighted average number of equity shares considered for basic EPS (Nos.)	127,619,067	117,835,366
Add : Effect of dilutive issue of stock options and preference shares (including share application money received on exercise of options) (Nos.)	10,550,268	3,849,339
Weighted average number of equity shares considered for diluted EPS (Nos.)	138,169,335	121,684,705
Earnings Per Share (diluted) (In Rupees)	8.59	6.37

10) a) **Managerial Remuneration:**

(Rupees in Millions)

	For the year ended 31-12-2006	For the year ended 31-12-2005
Executive Directors		
- Salaries and allowances	10.01	8.92
- Contribution to Provident and Other funds	0.60	0.60
- Perquisites	0.64	0.51
Total	11.25	10.03
Non Executive Directors		
- Commission	3.56	2.50

Notes:

- 1) Above amount does not include remuneration paid by subsidiary company to the directors aggregating to Rs. 49.43 million (Previous Year Rs. 41.24 million)
- 2) Commission to non executive director aggregating to Rs. 3.56 million is included in employment expenses.

- 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.

(Rupees in Millions)

Particulars	For the Year ended 31-12-2006	For the Year ended 31-12-2006	For the Year ended 31-12-2005	For the Year ended 31-12-2005
Net Profit after tax		1,186.61		775.40
Add:				
Remuneration to whole time director	11.25		10.03	
Directors sitting fees	0.30		0.29	
Provision for doubtful debts	-		5.08	
Depreciation as per books of Accounts	156.70		177.27	
Provision for taxation	39.44		18.93	
Commission to non-whole time director	3.56		2.50	
		211.25		214.10
Less :				
Profit on sale of Investment (Net)	30.41		1.50	
Gain on Transfer/Assignment Service Centre	-		44.96	
Depreciation as envisaged under Section 350 of the Companies Act	156.70		177.27	
Provision for diminution in value of investments written back	260.23		-	
Profit on sale of Fixed Asset (Net)	6.77		9.80	
Provision for doubtful debt written back	0.64	454.75	-	233.53
Net Profit on which commission is payable		943.11		755.97
Maximum allowed as per Companies Act, 1956 at 1%		9.43		7.56
Commission provided for		3.56		2.50

- 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 is Rs. 114.75 million (Previous Year Rs. 123.40 million). Sublease rental recognised in the Profit and Loss Account on account of subleasing of one of the leased premises is Rs 1.45 million (Previous Year Rs. Nil). The future minimum lease payments and payment profile of non-cancellable operating leases are as follows:

(Rupees in Millions)

	Total minimum lease payments outstanding as on 31.12.2006	Total minimum lease payments outstanding as on 31.12.2005
Not later than one year	103.75	83.98
Later than one year but not later than five years	92.91	105.39
Later than five years	30.02	-
	226.68	189.37

- b) The Company has given furnished premises on operating lease, the income from which amounting to Rs. 25.80 million (Previous Year Rs. 25.95 million) is included in 'Other Income'. Details of leased assets is as under:
 (Rupees in Millions)

Type Of Assets	Gross Block as on 31.12.2006	Accumulated Depreciation upto 31.12.2006	Depreciation provided for the year 2006
Premises	105.92 (105.92)	8.17 (6.44)	1.73 (1.73)
Plant and Machinery	32.90 (32.88)	17.27 (11.28)	5.99 (5.99)
Furniture and Fixtures	43.66 (42.59)	16.88 (10.98)	5.90 (5.50)

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

(Rupees in Millions)

	Total minimum lease receivables outstanding as on 31.12.2006	Total minimum lease receivables outstanding as on 31.12.2005
Not later than one year	17.74	17.52
	17.74	17.52

- 12) a) The Company had investments (long-term) in shares of wholly owned subsidiary 'Specsoft Consulting Inc.' ('SCI') of Rs. 306.02 million and had made a provision of Rs. 254.86 million towards diminution in value of such investments being other than temporary considering the substantial erosion in the net worth of the said company. However, during the year the said subsidiary got merged with another wholly owned subsidiary and the Company was allotted 576 shares for an amount aggregating to Rs 50.00 million based on the valuation report in lieu of shares held in SCI. Based on the above, the Company has recognised a loss of Rs. 256.02 million considering the value of shares allotted in the merged company and has written back the provision of Rs. 254.86 million since no longer required.
- b) The Company has equity investments (long-term) in respect of two wholly owned subsidiary companies viz.,
- Hexaware Technologies Inc.
 - Hexaware Technologies UK Ltd.
- In the earlier years, considering the losses and the net worth of said subsidiary companies, provision aggregating to Rs. 261.39 million was made in accounts for diminution in value of investments in the said subsidiary companies considering the same to be other than temporary. 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 from the said subsidiary companies and their financial strength, the Company has written back the provision towards such diminution.
- c) Provision towards diminution written back under a) and b) above aggregating to Rs. 516.25 million has been grouped and disclosed under Schedule 8.
- 13) During the year, vide Agreement and Plan of Merger (the 'Agreement') dated November 6, 2006, the Company consequent to merger of Faulkner Acquisition Corp. a company promoted by the Company acquired shares of common stock of Focus Frame Inc. (FF) a company registered under the laws of State of Nevada, USA, for an initial consideration of Rs. 1,164.51 million. As a result, FF and its three wholly owned subsidiaries have become subsidiaries of the Company with effect from the date of acquisition i.e. November 28, 2006.

The terms of purchase also provide for earn-out payment (contingent consideration) to all the selling shareholders, payable over two years and calculated based on achievement of Earn-out condition. The contingent consideration is payable in cash and is not expected to exceed US\$ 9.30 million equivalent to Rs. 411.71 million (based on current exchange rate), subject to achieving the Earn-out conditions. The consideration so payable would be accounted in the books of account in the year of achieving the milestones under the Agreement and payment thereof. During the year ended December 31, 2006 no provision has been made for any sum related to such contingent consideration.

- 14) The Company has reinstated contribution to Super Annuation Fund from April 1, 2006 in accordance with the decision taken by management, which had been discontinued from April 1, 2005.

15) Derivative Instruments:

The Company has entered into the following derivative instruments:

- a) Forward Exchange Contracts (being a derivative instrument), which are not for trading or speculative purposes, but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables.

The following are the outstanding Forward Exchanges Contracts entered into by the Company as on 31st December, 2006:

Currency	Amount	Buy or Sell	Cross Currency
USDollar	30 million	Sell	Rupees

- b) Currency options (other than forward exchange contracts stated above) to hedge against fluctuations in changes in exchange rate:

Currency	Amount	Buy or Sell	Cross Currency
Euro	6.0 million	Sell	USD
Euro	8.0 million	Buy	USD
GBP	1.0 million	Sell	USD

Total number of currency option/contract outstanding as on 31st December 2006 is four.

- c) The year end foreign currency exposure that have not been hedged by a derivative instrument or otherwise are as below:

- i) Amount receivable in foreign currency on account of the following:

Particulars	Rupees in Millions	Amount in Foreign Currency	Foreign Currency
Receivable			
Exports/Recoverable			
	165.39	1,907,197	GBP
	19.57	677,894	SGD
	0.46	13,300	AUD
	253.49	4,339,616	EURO
	0.12	3,272	CAD

- ii) Amount payable in foreign currency on account of the following:

Particulars	Rupees in Millions	Amount in Foreign Currency	Foreign Currency
Payables			
	7.35	84,785	GBP
	0.42	14,412	SGD
	14.65	385,493	CAD

The above disclosure have been made consequent to an announcement by The Institute of Chartered Accountants of India in December, 2005, which is applicable to the financial periods ending on or after 31st March, 2006. Therefore, figures for the previous year have not been disclosed.

- 16) As at December 31, 2006 advance income tax and provision for taxation have been disclosed on net basis wherever a legal right to set off exists and when the Company intends to settle the asset and liability on a net basis. Accordingly, previous year's balances have been regrouped, which were disclosed on gross basis.

- 17) a) During the year, the Company issued 1,055,570 Series A Redeemable and/or Optionally Convertible Preference Shares ('the preference shares') of Rs. 1,421 each, which entitles the holder to dividend @ 2.95% per annum subject to deduction of tax as applicable. As per the terms of the issue, the holder has an option to convert all or any of the preference shares into equity shares of Rs. 2 each on the basis of a conversion ratio of 10:1, subject to certain adjustments as regards conversion ratio as per the terms of the issue, within 18 months from the date of issue i.e. April 24, 2006.

The preference shares, unless converted earlier into equity shares, shall be redeemed by the Company on the Maturity Date viz. 18 months from the date of the issue at a premium of 7.5% on the total face value of the preference shares, subject to adjustments as detailed in the terms of the issue.

- b) The Company has accrued the redemption premium, in accordance with the requirements of Accounting Standard ('AS 29') 'Provisions, Contingent Liabilities and Contingent Assets' and debited the same to Securities Premium Account as permitted by Section 78 of the Companies Act, 1956.
- 18) 'Other Provision' as on 31st December, 2005 included provision towards expenses in relation to leased premises based on substantial degree of estimation by the management. The details of movement thereof are as under:

(Rupees in Millions)

	2006
Opening Provision	4.50
Provision made during the year	-
Utilisation during the year	4.50
Closing Provision	-

- 19) 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 and 4C of Part II of Schedule VI of the Companies Act, 1956.

(Rupees in Millions)

	For the year ended 31.12.2006	For the year ended 31.12.2005
II. CIF value of Imports :		
a) Capital Goods	78.92	67.67
III. Expenditure in Foreign Currency :		
a) Foreign Travelling Expenses	6.07	4.39
b) Software and Development Expenses	765.92	465.70
c) Business Promotion, Seminar and Conference Expenses	3.72	-
d) Legal and Professional Charges	3.67	1.73
e) Communication Expenses	3.01	3.72
f) Miscellaneous	4.82	3.99

IV. 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 foreign currency in this respect is given herein below:

	Dividend-2005	Interim Div-2006
a) Net amount remitted (Rs. in Millions)	0.46 (1.66)	0.58 (1.18)
b) Number of shares held by non-resident shareholders	771,621 (331,407)	728,376 (1,973,824)
c) Year to which dividend relates	2005 (2004)	2006 (2005)
d) Number of Non-resident Shareholders	566 (365)	549 (584)

Figures for the previous year are given in brackets.

(Rupees in Millions)

	For the year ended 31.12.2006	For the year ended 31.12.2005
V. Earnings in Foreign Currency:		
a) Income from Software Solutions and Consulting Services	3,816.05	3,477.77
b) Interest Income	9.10	8.74
c) Other Income	0.20	3.13

- 20) The figure for the previous accounting year have been regrouped/rearranged wherever necessary to correspond with the figures of the current year and are disclosed in brackets. Amounts and other disclosures for the preceding year are included as an integral part of the current year financial statement and are to be read in relation to the amounts and other disclosures relating to the 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

Atul K. Nishar
(Executive Chairman)

L. S. Sarma
(Director)

Shailesh Haribhakti
(Director)

For and on behalf of the Board

Rusi Brij
(Vice-Chairman & CEO)

Dr. (Mrs.) Alka Nishar
(Director)

Rajesh B. Ghonasgi
(Chief Financial Officer)

P. K. Sridharan
(President & Executive Director)

A. P. Kurian
(Director)

Naishadh Desai
(Company Secretary)

Place : Mumbai
Date : 15th February, 2007

Balance Sheet Abstract & Company's General Business Profile

I. Registration Details

Registration No.

1	1	-	6	9	6	6	2
---	---	---	---	---	---	---	---

State Code

1	1
---	---

Balance Sheet Date

3	1	1	2	2	0	0	6
---	---	---	---	---	---	---	---

Date Month Year

II. Capital Raised during the year (Rupees in Millions)

Public Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Bonus Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Right Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Private Placement

						1	5	2	5
--	--	--	--	--	--	---	---	---	---

III. Position of Mobilisation and Deployment of Funds (Rupees in Millions)

Total Liabilities

						8	0	8	1
--	--	--	--	--	--	---	---	---	---

Total Assets

						8	0	8	1
--	--	--	--	--	--	---	---	---	---

Sources of Funds

Subscribed & Paid-up Capital

						1	7	6	4
--	--	--	--	--	--	---	---	---	---

Reserves & Surplus

						5	3	4	0
--	--	--	--	--	--	---	---	---	---

Unsecured Loans

						N	I	L
--	--	--	--	--	--	---	---	---

Share Application Money

									4
--	--	--	--	--	--	--	--	--	---

Secured Loans

						N	I	L
--	--	--	--	--	--	---	---	---

Application of Funds

Net Fixed Assets

						1	2	3	3
--	--	--	--	--	--	---	---	---	---

Net Current Assets

						1	3	8	0
--	--	--	--	--	--	---	---	---	---

Accumulated Losses

						N	I	L
--	--	--	--	--	--	---	---	---

Investments

						4	4	9	5
--	--	--	--	--	--	---	---	---	---

Misc. Expenditure

						N	I	L
--	--	--	--	--	--	---	---	---

IV. Performance of Company (Rupees in Millions)

Turnover and Other Income

						4	6	6	0
--	--	--	--	--	--	---	---	---	---

Profit Before Tax

						1	2	2	6
--	--	--	--	--	--	---	---	---	---

Earning Per Share in Rs. - Basic & Diluted

B	A	S	I	C			9	.	0	3
D	I	L	U	T	E	D	8	.	5	9

Total Expenditure

						3	4	3	4
--	--	--	--	--	--	---	---	---	---

Profit After Tax

						1	1	8	7
--	--	--	--	--	--	---	---	---	---

Dividend Rate %

								8	0
--	--	--	--	--	--	--	--	---	---

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

For and on behalf of the Board

Atul K. Nishar
(Executive Chairman)

L. S. Sarma
(Director)

Shailesh Haribhakti
(Director)

Rusi Brij
(Vice-Chairman & CEO)

Dr. (Mrs.) Alka Nishar
(Director)

Rajesh B. Ghonasgi
(Chief Financial Officer)

P. K. Sridharan
(President & Executive Director)

A. P. Kurian
(Director)

Naishadh Desai
(Company Secretary)

Place : Mumbai
Date : 15th February, 2007



HEXAWARE TECHNOLOGIES LIMITED

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

PROXY FORM

For Shares in Dematerialised form

DP ID
CLIENT ID

For Shares in Physical mode

REGD. FOLIO NO.
NO. OF SHARES HELD

I/We _____ s/o, w/o, d/o _____ residing
at _____

_____ being member/member(s) of
the Hexaware Technologies Limited hereby appoint Mr./Ms. _____ residing
at _____

_____ or failing him/her
Mr./Ms. _____ residing at _____

_____ as my/our proxy to vote for me/us and on my/our behalf at the **Fourteenth Annual General Meeting** of the Company to be held on **Tuesday, the 24th day of April, 2007** at **3.00 p.m.** at M.C. Ghia Hall, 2nd floor, Bhogilal Hargovinddas Building, 18/20, K. Dubash Marg, Behind Prince of Wales Museum/Kala Ghoda, Mumbai 400 001 and at any adjournment thereof.

Signed this _____ day of _____, 2007.

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

ATTENDANCE SLIP

For Shares in Dematerialised form

DP ID
CLIENT ID

For Shares in Physical mode

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 **Fourteenth Annual General Meeting** of the Company held on **Tuesday, the 24th day of April, 2007** at **3.00 p.m.** at M.C. Ghia Hall, 2nd floor, Bhogilal Hargovinddas Building, 18/20, K. Dubash Marg, Behind Prince of Wales Museum/Kala Ghoda, Mumbai 400 001 and at any adjournment thereof.

Member's/proxy's name in BLOCK letters

Member's/proxy's Signature

(Shareholders attending the meeting in person or by proxy are requested to complete the attendance slip and hand over the same at the entrance of the meeting Hall.)



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 before **April 19, 2007**.
2. Please complete the form and send it to Registrar of the Company if you are holding share certificate(s) in physical form.
3. In case your shares are in Dematerialized form, inform/update the Depository Participant (DP) with whom you are maintaining Demat account.
4. In case of more than one Folio, please complete the details on separate sheets.
5. Shareholders are also requested to note that changes directly intimated to the Registrar or its Company will not be considered in respect of Demat accounts.
6. In case there is a change in address/Bank A/c./Bank Branch, inform/update the Company/DP immediately.

