

Contents

Board of Directors	2
Notice	3
Directors' Report	6
Corporate Governance	12
Management Discussion & Analysis	22
Financials – Indian Operations	37
Consolidated Financials	58
Subsidiaries	
Hexaware Technologies Inc. - USA	73
Specsoft Consulting Inc. - USA	83
Hexaware Technologies GmbH - Germany	91
Hexaware Technologies Europe Limited - UK	101
HTI Europe Limited - UK	108
Hexaware Technologies Asia-Pacific Pte. Limited - Singapore	115
Hexaware Technologies Canada Limited - Canada	126
Aptech Technologies Pty Ltd. - Australia	130
Proxy Form/Attendance Slip	135

BOARD OF DIRECTORS

ATUL K. NISHAR

CHAIRMAN

DR. K. K. ANAND

DIRECTOR

L. S. SARMA

DIRECTOR

A. P. KURIAN

DIRECTOR

P. G. KAKODKAR

DIRECTOR

DR. ALKA A. NISHAR

DIRECTOR

RUSI BRJ

DIRECTOR

P. K. SRIDHARAN

EXECUTIVE DIRECTOR

AUDITORS

M/s. Mahendra Kumbhat & Associates, Chartered Accountants

COMPANY SECRETARY

Naishadh Desai

BANKERS

ICICI Bank, IDBI Bank, Bank of India, HDFC Bank, Bank of America, Deutsche Bank

REGISTERED OFFICE

Elite Auto House, 54-A, Sir M. V. Road, Andheri (East), Mumbai - 400 093.

REGISTRARS AND TRANSFER AGENTS

Sharepro Services Unit: Hexaware Technologies Limited, 3rd floor,
Satam Estate, Cardinal Gracious Road, Andheri (East),
Mumbai - 400 099, Tel. No. 28329828/28215991,
Fax No. 28375646.

Notice

NOTICE is hereby given that the Tenth Annual General Meeting of the Members of Hexaware Technologies Limited will be held on Monday, the 21 day of April, 2003 at Yashwantrao Chavan Pratishthan Mumbai, General Jagannath Bhosale Marg, Opp. Mantralaya, Nariman Point, Mumbai – 400 021 at 11.30 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at December 31, 2002 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 appoint a Director in place of Mr. L. S. Sarma, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. A. P. Kurian, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass with or without modification, 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, M/s. Mahendra Kumbhat & Associates, Chartered Accountants, be and are hereby re-appointed as the Statutory Auditors of the Company, including its branches, to hold office from the conclusion of this meeting upto the conclusion of next Annual General Meeting of the Company, and to examine and audit the accounts of the Company for the financial year 2003 on such remuneration as may be mutually agreed upon between the Board of Directors and the said Statutory Auditors plus service tax, out-of-pocket expenses, travelling and other expenses, in connection with the work of audit to be carried out by them."

SPECIAL BUSINESS:

5. **Commission to Non-Wholetime Directors**
To consider and, if thought fit, to pass with or

without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 309 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act"), a sum not exceeding 1% (one per cent) per annum of the net profits of the Company calculated in accordance with the provisions of Section 198, 349, 350 of the Act, be paid to and distributed amongst the Non-Wholetime Directors of the Company, in addition to sitting fees being paid to them for attending the meeting of the Board, to be divided amongst them in such manner as the Board of Directors of the Company may from time to time determine and deem fit and such payments shall be made in respect of the profits of the Company for each year".

By Order of the Board of Directors

Naishadh P. Desai

Company Secretary

Place : Mumbai

Date : February 17, 2003

Registered Office:

Elite Auto House, 54-A, Sir M. VasANJI Road,
Andheri (East), Mumbai – 400 093.

NOTES:

1. The Explanatory Statements, pursuant to Section 173(2) of the Companies Act, 1956, are annexed and form part of the Notice.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE VALID AND EFFECTIVE MUST BE DELIVERED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

Members/Proxies should bring the enclosed

- Attendance Slip duly filled in, for attending the Meeting.
3. All documents referred to in the Notice and Explanatory Statements are open for inspection at the Registered Office of the Company on all working days upto the date of the Meeting.
 4. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, the 17 day of April, 2003 to Monday, the 21 day of April, 2003 (both days inclusive).
 5. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31 December, 1996 and thereafter which remain unclaimed for a period of 7 years will be transferred by the Company to the Investor Education and Protection Fund (EP Fund) established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Shareholders who have not so far encashed the dividend warrant(s) are requested to seek issue of duplicate warrants by writing to the office of the Registrar and Share Transfer Agent, M/s. Sharepro Services. 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.
 6. Consequent upon introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Individual Shareholder(s) can avail of the facility of nomination. The nominee shall be a person in whom all rights of transfer and/or amount payable in respect of the shares shall vest in the event of the death of the shareholder(s). A minor can be a nominee provided the name of the guardian is given in the Nomination form. The facility of nomination is not available to non-individual shareholders such as Bodies-Corporate, Kartas of Hindu Undivided Families, Partnership Firms, Societies, Trusts and holders of Power of Attorney. For further details please contact Company's Secretarial Department. Shareholders desirous of making nominations are requested to send their requests in FORM 2B (which will be made available on request) to the Registrar and Share Transfer Agent, M/s. Sharepro Services.
7. Members are requested to:
 - (a) intimate to the Company's Registrar & Share Transfer Agent, changes, if any, in their respective addresses along with pin code number at an early date.
 - (b) quote folio numbers in all their correspondence.
 - (c) consolidate holdings into one folio in case of multiplicity of folios with names in identical order.
 8. 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.
 9. Corporate members are requested to send a duly certified copy of the board resolution authorizing their representative to attend and vote at the Annual General Meeting.
 10. Appointment/Re-appointment of Directors:

At the ensuing Annual General Meeting, Mr. L.S. Sarma and Mr. A.P. Kurian retire by rotation and being eligible offer themselves for re-appointment. The brief resume, experience and functional expertise and the membership on various Boards and Committees, of Directors proposed to be re-appointed at serial numbers 3 and 4, as required under clause 49 of the Listing Agreement are furnished below:

Name of the Director	Mr. L.S. Sarma	Mr. A.P. Kurian
Date of Birth	October 11, 1928	June 26, 1933
Date of Appointment	March 11, 2000	May 9, 2001
Experience in specific functional area	Expert in International Finance and Trade	Financial services over more than three decades
Qualification	Masters Degree in Commerce (First Class), CAIIB	Masters Degree in Economics and Statistics, First student from Kerala University to be the National Scholar and Research in Economics in the University of Kerala.
List of companies in which outside directorship	i) Granules India Ltd. ii) Gajara Bevel Gears Ltd. iii) Transamerica Apple Distribution Finance Ltd. iv) Flora Projects Consultancy Private Ltd.	i) National Stock Exchange of India Ltd. (NSDL) ii) Association of Mutual Funds in India (AMFI) iii) Zurich Trustee Company (India) vi) Muthoot Capital Services v) Geojit Securities Limited
Chairman/Members of the Committee of the Board of the companies on which he is Director	Nil	i) Executive Committee of National Securities Depository

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

Item No. 5

Taking into account the increase in the Company's activities and the consequent increase in the responsibilities of the Non-Wholetime Directors, it is proposed in terms of Section 309 (4) of the Companies Act, 1956 ('the Act'), to pay the Non-Wholetime Directors of the Company commencing from 1 January, 2003, remuneration not exceeding 1% per annum of the net profits of the Company computed in accordance with the provisions of the Act. This remuneration will be distributed amongst all or some of the Non-Wholetime Directors in accordance with the directions given by the Board.

All the Directors of the Company except the Executive Director and Wholetime Directors may be considered to be concerned or interested in this Resolution to the

extent of the remuneration that may be received by them.

The Directors, therefore, recommend the passing of the Special Resolution contained in Item no. 5 of the accompanying notice.

By Order of the Board of Directors

Naishadh P. Desai

Company Secretary

Place : Mumbai

Date : February 17, 2003

Registered Office:

Elite Auto House, 54-A, Sir M. Vasanji Road, Andheri (East), Mumbai – 400 093.

Directors' Report

To

The Members of Hexaware Technologies Limited

Your Directors present their Tenth Annual Report on the business and operations of your Company together with the Audited Financial Results for the year ended 31 December 2002.

CONSOLIDATED RESULTS :

Rs. in million

Year ended 31 December	2002
Software and Consultancy	2,485.92
Other Income	5.95
Consolidated Revenue	2,491.87
Profit before Tax	6.50
Less : Provision for taxation	(15.73)
Net Profit After tax	22.23
Share of Profit in Associate	35.27
Profit after tax and Share of Profit in Associate	57.50

The Company recorded consolidated revenue (as per Indian GAAP) of Rs. 2,491.87 million in 2002 compared to Rs. 2,966.02 million in 2001. The revenue from software business grew 11.82 percent from Rs. 2,223.15 million in 2001 to Rs. 2,485.92 million in 2002. The Company reported a consolidated profit after tax of Rs. 57.50 million in 2002, which includes associate company profit of Rs. 35.27 million.

INDIA RESULTS :

The financial results for the current year 2002 are not comparable with the figures of previous year, as the previous year figures include the income and expenditure of the Training Division for the period January 1, 2001 to March 31, 2001.

Year ended 31 December	2002	2001
Software and Consultancy	977.01	506.69
Training and Education	-	600.76
Other Income	21.91	64.91
Total Income from Operations	998.92	1,172.36
Profit before Depreciation & Tax	188.87	165.41
Less: Depreciation	114.47	149.17
Profit before taxation	74.40	16.24
Less : Provision for taxation	(0.35)	0.17
Net Profit after tax	74.75	16.07
Add : Balance b/f from previous year	130.35	120.96
Transfer on De-merger and		
Amalgamation as per the Scheme	-	111.52
Balance available for appropriation	205.10	248.55
Appropriation		
Provision for Investment/Loan in Subsidiary Companies	(14.79)	628.48)
Transfer to/(from) General Reserve	100.00	(510.00)
Proposed Dividend (includes Interim and Final Dividend on Preference Shares)	-	9.26
Tax on Dividends	-	0.94
Excess Provision for Dividend Tax in Previous Year	-	(10.48)
Balance c/f to Balance Sheet	119.89	130.36

The Company reported all-round growth in its India operations.

Software and consulting revenue increased 92.82 per cent from Rs. 506.69 million in 2001 to Rs. 977.01 million in 2002. Operating profit jumped by 14.18 per cent from Rs. 165.41 million in 2001 to Rs. 188.87 million in 2002.

Operating profit margin also hardened from 14.11 per cent in 2001 to 18.91 per cent in 2002 on account of the Company's focus on select verticals and technologies, a better contribution from offshore assignments, cost rationalisation and higher billing rates.

The success of the Company's Indian operations was also reflected in customer accretion and retention. In 2002, the Company acquired 28 new clients, strengthened its customer base to 70 and in doing so, reached out to 17 Fortune 500 organisations.

The index of dependability was reflected in the fact that customers with an annual billing of US\$ 1 million or more increased from four to ten. We would request readers to look under the Management Discussion and Analysis section of this annual report for information on strategically important projects executed by your Company during the year under review.

DIVIDEND :

Your Company sees significant growth opportunities in 2003 and will need to invest in creating new infrastructure and sales and marketing – hence to conserve resources, your Directors considered it prudent to not recommend any dividend on equity shares for the financial year 2002.

FRACTIONAL ENTITLEMENT :

During the year under review, "Aptech Limited – Shareholders Fractional Entitlement Trust" distributed Rs. 14,73,073 (Rupees fourteen lakh seventy three thousand seventy three only) to 23,984 fractional shareholders by selling 12,925 shares arising out of the Company's restructuring in 2001.

SHARE CAPITAL :

During the year, the paid-up Share Capital of your company increased from Rs. 220,982,920 to Rs. 221,128,280, comprising 14,536 equity shares of Rs. 10 each. This increase was a result of the exercise of 43,608 warrants by employees under Employee Stock Option Scheme–1999 issued by the erstwhile Hexaware Technologies of

Horizontals: In addition to the prudent selection of verticals, your Company judiciously selected to specialise in the Peoplesoft horizontal. The Company's Peoplesoft enterprise resource package solutions are being increasingly used to deliver financial, HR and CRM-centric solutions across select verticals. Your Company has developed a deep expertise in this segment: by the virtue of having worked directly with Peoplesoft on various consulting projects in service sector verticals across a number of years, your Company has emerged as one of the few Indian companies with vast implementation and support experience, as a result of which it emerged as 'The Preferred Alliance Partner' for the international giant.

New initiatives: Following a close study of global trends, your Company sees an attractive opportunity in the delivery of focused HR solutions, system architecture and design, software testing and business process outsourcing (BPO). These initiatives have been detailed in the Management Discussion and Analysis section of the annual report.

PROSPECTS :

Your company believes that for success to be sustainable, it must evolve a one-off customer transaction into an extended relationship. Such assignments will not only enable a better coverage of marketing expenses, but will enable your Company to comprehend the business of its customers with a greater depth, deliver more effective solutions and emerge as a strategic partner, leading to a sustainable quality revenue stream.

The result of this business strategy is reflected in your Company's order book: The strong order book will enable your Company to plan its asset and people investments with a greater accuracy over the future.

The heartening point is that this volume of business was generated in line with the Company's geographic focus: it acquired two major multi-year, multi-million dollar projects from prestigious clients in Germany. These assignments are expected to entrench your Company as a leading IT solutions provider in the largest IT spender in Europe and the third largest IT spending country in the world.

Your Company is not only a leading IT solutions provider to the service sector, but has also emerged as one of the most preferred offshore Peoplesoft service providers in the world. Your Company expects to reach out to a wider client spread and enlarge the size of solutions to enhance shareholder value.

QUALITY :

In support of continuous improvement and a competitive position in the marketplace, your Company committed to a software process improvement initiative. This initiative was based upon the SEI's CMM in 1998. As a result, your Company was assessed at the SEI-CMM level 5, the highest level of quality certification in the IT industry in December 2000. Your Company, ISO 9001-certified since 1995, was re-certified across all its development centers against the ISO 9001:2000 and TickIT standards by Det Norske Veritas (DNV) in June 2002.

Your Company has achieved these milestones through the continuous identification of improvement opportunities through the implementation of documented processes, using the results for planning and executing process improvement initiatives in a systematic and disciplined manner.

Organisation wide metrics, defect prevention and automation programmes were implemented to achieve the quality goal. As part of this initiative your Company went through a number of process improvement cycles that addressed all relevant areas of operations.

In the pursuit of these international quality benchmarks, your Company's members were exposed to the world's best quality processes, which translated into a better performance and a consequent increase in the customer's confidence.

To further enhance quality delivery, your Company used the services of the testing group at the pre-delivery stage. It also employed the services of the architecture and design teams to review the quality of the on-going projects.

After attaining the highest certification levels, your Company now is in the process of aligning its practices with PCMM standards and expects to be assessed for the certification by end of 2003.

Your Company is also aligning its existing processes with the BS7799 standard, which represents an auditable standard for information security. An assessment for this certification is expected to take place by the end of current fiscal. Only four other IT companies have undertaken this initiative in India.

HUMAN RESOURCE MANAGEMENT :

Your Company recognises that people represent its principal asset.

To attract and retain people, Hexaware provides a judicious combination of attractive career-personal

growth and a lucrative performance-based compensation structure. The latter comprised a performance-based ESOP 2002 (for details please refer to ESOP 2002, mentioned elsewhere in this report), which is expected to strengthen a sense of ownership among employees.

Your Company continued to enhance the quality of its people skills. Technical and non-technical training (soft and managerial skills) continued to receive priority as the company invested 75 hours per person in training in 2002.

The mix of these initiatives helped the Company retain its people skills more effectively: for instance, your Company's attrition rate of 12.5% was considerably lower than the industry average. Besides, there was a successful integration of merged entities, a detailed performance appraisal system was created with a greater insight into individual capability and performance. A corporate portal (N Power) and newsletters were used to facilitate an effective internal knowledge transfer. An independent team called 'Hexacare' was created in December 2002 to address employee concerns within a time frame and create a better work environment.

Your Company expects to emerge a preferred IT Company to work through the alignment of business processes and practices to the PCMM, the internal implementation of the Peoplesoft HRMS module and a focused communication exercise.

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS :

Your Company seeks to benchmark itself with the best-of-breed global Corporate Governance practices. A separate report on the Corporate Governance and Management Discussion and Analysis has been attached as a part of this annual report. The relevant Auditors' Certificate has also been annexed.

DIRECTORS' RESPONSIBILITY STATEMENT :

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

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the

financial year and of the profit or loss of the Company for that period;

- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared the annual accounts on a going concern basis.

EMPLOYEE STOCK OPTION PLAN (ESOP) :

- i) 2,20,000 Warrants allotted under ESOP Scheme 1999, entitle the holder to get allotted one Equity share of Rs. 10/- each in the Company at a price of Rs. 490/- per Equity share between one to ten years from the date of allotment and any proportionate bonus entitlement for any bonus shares issued before the right to be entitled to a share by a Warrant holder is exercised.
- ii) 36,00,000 Warrants granted under ESOP Scheme 1999 of the erstwhile Hexaware Technologies Limited, entitles the holder to get allotted one third Equity share of Rs.10/- each in the Company at a price of Rs. 45/- per equity share between one to ten years from the date of allotment and any proportionate bonus entitlement for any bonus shares issued before the right to be entitled to a share by a Warrant holder is exercised.
- iii) 22,09,829 Options granted under the ESOP Scheme 2002, entitles the holder to get allotted one Equity share of Rs. 10/- each in the Company at a price of Rs. 45/- per Equity share between one to seven years from the date of allotment and any proportionate bonus entitlement for any bonus shares issued before the right to be entitled to a share by a Option holder is exercised.

FIXED DEPOSITS :

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

DIRECTORS :

In accordance with the Articles of Association of the Company, Mr. L. S. Sarma and Mr. A. P. Kurian retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS' QUALIFICATION :

During the year under review, regarding change in Accounting Policy in respect of revenue recognition, due to which the profit and reserves and surplus are

higher by Rs. 4,96,387/-. With reference to the qualification in the Auditors' Report, your Directors would like to clarify that based on the best industry practice, your Company has adopted the prudent accounting policy of revenue recognition. The impact of change in Accounting Policy of recognising revenue under fixed price contract "from achievement of the milestone method to percentage of completion method" the revenue of the Company is increased by Rs. 18,39,600/- and the net profit of the Company is higher by Rs. 4,96,387/-.

MANAGERIAL REMUNERATION :

During 2002, the managerial remuneration paid to Mr. P. K. Sridharan – Executive Director was Rs. 31,34,565 (Rupees thirty one lakh thirty four thousand five hundred sixty five only).

INSURANCE :

All the properties of the Company were adequately insured.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

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

SUBSIDIARIES :

Hexaware Technologies Inc., USA: During the year under review, Aptech Worldwide Inc., USA merged with Hexaware Technologies Inc., USA effective from 31 January, 2002. During the year under review, the revenue of the Company was Rs. 1397.19 million against Rs. 1214.13 million in the previous year and the profit was Rs. 0.32 million against a loss of Rs. 113.81 million during the previous year. In view of the merger, the current year figures are not comparable with that of the previous year.

Specsoft Consulting Inc., USA: During the year under review, the revenue of the Company was US\$ 4.81 million for 2002 against US\$ 7.28 million in the previous year and loss for the year was US\$ 0.38 million against US\$ 0.22 million during the previous year.

Hexaware Technologies GmbH, Germany: During the year under review, the revenue of the Company was Rs. 290.64 million against Rs. 60.53 million and profit for the year was Rs. 1.42 million against a loss of Rs. 1.83 million during the previous year.

Hexaware Technologies Europe Limited, UK:

During the year under review, the revenue of the Company was GBP 1.92 million against GBP 1.34 million in the previous year and loss for the year was GBP 0.08 million against a loss of GBP 1.69 million during the previous year.

HTI Europe Limited, UK (formerly Aptech Worldwide Europe Limited):

During the year under review, the revenue of the Company was GBP 0.39 million against GBP 0.91 million and loss for the year was GBP 0.29 million against a loss of GBP 0.31 million during the previous year.

The Company has initiated the merger of HTI Europe Limited, UK (formerly Aptech Worldwide Europe Limited) and Hexaware Technologies Europe Limited, UK, which is expected to be completed shortly.

Hexaware Technologies Asia Pacific Pte Limited, Singapore (formerly known as Aptech Worldwide Pte Limited):

During the year under review, the revenue of the Company was S\$ 2.34 million against S\$ 2.45 million in the previous year and profit for the year was S\$ 0.005 million as against S\$ 0.05 million during the previous year.

Hexaware Technologies Canada Limited, Canada:

During the year under review, your Company opened Hexaware Technologies Canada Limited, a wholly-owned subsidiary, with effect from 2 October, 2002. This being the first year, the company has yet to commence business. The Company incurred a loss of Rs. 0.29 million towards incorporation expenses.

CLOSURE OF SUBSIDIARIES :

Your Company had set up subsidiaries in the name of Aptech Technologies Pty. Limited, Aptech Worldwide (Australia) Pty Limited and BconnectB Worldwide Limited as a part of its earlier marketing strategy. Following restructuring, the Company is able to market its services directly and proposed to close the subsidiaries. Accordingly, Aptech Worldwide (Australia) Pty Limited has been closed. Your Company has made an application to the Reserve Bank of India to close its subsidiary in Australia namely Aptech Technologies Pty. Limited for which approval is awaited, while the holding of its subsidiary in India namely BconnectB Worldwide Limited was sold during the year.

As required under Section 212 of the Companies Act, 1956, the Balance Sheets, Profit and Loss Accounts, Directors' Reports and Auditors' Report on the Accounts (as applicable under the relevant Laws of the Countries of Incorporation) of the subsidiaries are annexed together with the Statement of Subsidiary Companies, to this report.

RESEARCH AND DEVELOPMENT :

During the year under review, your Company incurred Rs. 28.89 million (previous year Rs. 7.35 million) towards Research and Development.

AUDITORS :

M/s Mahendra Kumbhat & Associates, Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES :

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

ACKNOWLEDGMENT :

The Board wishes to place on record its sincere appreciation of the effort put in by the company's

consultants and executives to post improved results under difficult conditions.

Your Directors would like to thank investors, our corporate clients, financial institutions, banks, government authorities, the registrars and share transfer agents, business/alliance and technology partners for their support.

Your Directors like to take this opportunity to express their gratitude to one and all for their faith and wholehearted support, which was a source of inspiration to achieve the intimidating.

For and on Behalf of the Board of Directors

Atul K. Nishar
Chairman

Place: Mumbai
Date : February 17, 2003

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

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

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

TECHNOLOGY ABSORPTION :

Your Company has, in its endeavour to obtain and deliver the best, entered into alliances / tie-ups with major Global players in the I.T. Industry, to harness and tap the latest and the best of technology in its field, upgrade itself in line with the latest technology in the world and deploy / absorb technology wherever

feasible, relevant and appropriate. At the same time, your Company has also attached tremendous significance to indigenous development and upgradation of technology through its Research and Development Operations.

RESEARCH & DEVELOPMENT :

The Company has a well-developed and well-equipped Research and Development wing carrying on Research and Development activities. The total expenditure incurred on Research and Development by your Company for the year 2002 was Rs. 28.89 million.

FOREIGN EXCHANGE EARNINGS AND OUTGO :

The details of Foreign Exchange Earnings and Outgo are mentioned in Para 11 (III) of Schedule 14 of Notes to Accounts, forming part of the Balance Sheet.

For and on Behalf of the Board of Directors

Atul K. Nishar
Chairman

Place: Mumbai
Date : February 17, 2003

Corporate Governance

PHILOSOPHY

Your Company believes that the Corporate Governance is a powerful medium to serve the long-term interest of all the stakeholders. Corporate Governance strengthens Investors' trust and ensures a long-term partnership, which helps your company in fulfilling its quest for achieving significant growth and profits. A sound governance process consists of a combination of business practices, which result in enhanced shareholder value and enable the company to fulfill its commitment to customers, employees, lenders and the society in general. Your Company further believes that such practices are founded upon the core values of transparency, empowerment, accountability and independent monitoring.

Your Company is committed to benchmarking itself with the best in all areas including Corporate Governance. Your Company has benchmarked its practices with the prevailing guidelines by upholding the core values across all aspects of its operation. Key aspects of the Company's Governance Processes are:

- Clear statements of Board Processes and Board Executive linkage.
- Disclosures, accountability, transparency, adequate systems and procedures to monitor the state of affairs of the Company to enable the Board in effectively discharging its responsibilities to the stakeholders of the Company.
- Identification and management of key risks to deliver better performance of the Company.

BOARD OF DIRECTORS :

Composition, Category of Directors and their Other Directorships and Committee Memberships :

The board consists of eight members. The composition of Board of Directors , the number of other directorship or board committees of which he / she is a member / Chairperson are as under:

Directors	Category	Other Directorships/ Board Committees (Numbers)	
		Directorships	Board Committee
Mr. Atul K. Nishar	Chairman and Director	6	–
Dr. (Mrs.) Alka Atul Nishar	Non-Executive Director	2	–
Dr. K.K. Anand	Independent & Non-Executive Director	4	2
Mr. L.S. Sarma	Independent & Non-Executive Director	4	–
Mr. A. P. Kurian	Independent & Non-Executive Director	5	1
Mr. P. G. Kakodkar	Independent & Non-Executive Director	14	2
Mr. Rusi Brij	Director	2	–
Mr. P. K. Sridharan	Executive Director (Whole Time Director)	–	–

Six Meetings of the Board of Directors were held during the year 2002 as under :

Dates of Board Meeting
January 7, 2002
March 11, 2002
April 26, 2002
June 4, 2002
July 23, 2002
October 17, 2002

Attendance of the Directors at the Board Meetings, Last Annual General Meeting and Extra Ordinary General Meeting :

Name of Director	Board Meetings Attended	Attendance at the Last Annual General Meeting held on 03 June, 2002	Attendance at the Extra Ordinary General Meeting held on 15 March, 2002
Mr. Atul K. Nishar	6	Present	Present
Dr. (Mrs.) Alka Atul Nishar	3	Present	Absent
Dr. K. K. Anand	6	Present	Present
Mr. L. S. Sarma	6	Present	Present
Mr. P. G. Kakodkar	2	Absent	Absent
Mr. A. P. Kurian	4	Absent	Absent
Mr. Rusi Brij	4	Present	Absent
Mr. P. K. Sridharan	6	Present	Present

AUDIT COMMITTEE

Broad terms of reference :

The terms of reference of the audit committee include:

- (a) To oversee the Company's financial reporting process and the disclosure of its financial information, and to ensure that the financial statement is correct, sufficient and credible.
- (b) To recommend the appointment/removal of external auditors, fixing audit fees and to approve payments for any other services.
- (c) To review with management the annual financial statements before submission to the Board, focussing primarily on :
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgement by Management.
 - Qualifications in 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 Company at large.
- (d) To review with Management, external and internal auditors, and review the efficacy of internal control systems.
- (e) 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.
- (f) To discuss with internal auditors about any significant findings and follow-up thereon.
- (g) 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.

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

Composition, Name of Members and Chairman :

To ensure the independence of the committee the three members Audit Committee composed entirely of non-executives and independent Directors, viz. Dr. K. K. Anand (Chairman), Mr. L. S. Sarma and Mr. A. P. Kurian.

Meetings and Attendance during the Year 2002

Name of the Director	No. of Meetings	
	Held	Attended
Dr. K. K. Anand	5	5
Mr. L. S. Sarma	5	5
Mr. A. P. Kurian	5	3

Remuneration to Directors for the Year 2002 :

Amount in Rs.

I) Salary and Perquisites

Name of Director	Mr. P. K. Sridharan – Executive Director
Salary & Allowances	28,98,254
Perquisites	79,991
Contribution to Provident Fund and Superannuation Fund	1,56,320

II) ESOP's and Sitting Fees

	ESOP 1999	ESOP 2002	Sitting Fees for attending Board/Committee Meetings
	No. of Warrants	No. of Options	Rs.
Mr. Atul K. Nishar	–	–	30,000
Dr. (Mrs.) Alka Atul Nishar	–	–	15,000
Dr. K. K. Anand	–	10,000	1,15,000
Mr. L. S. Sarma	10,000	10,000	1,15,000
Mr. P. G. Kakodkar	–	5,000	10,000
Mr. A. P. Kurian	–	5,000	90,000
Mr. Rusi Brij	6,60,000	2,20,000	–
Mr. P. K. Sridharan	1,02,620	1,86,000	–

ESOP 1999

For every three Warrants, entitles the holder to exercise the right to apply for and seek allotment of one Equity Share of Rs.10/- each at a price of Rs. 45/- per share. As per the Scheme, the Warrants are to be exercised in four equal installments beginning 1 February, 2001 in every Calendar Year on or before 29 December, 2009 or at the discretion of the Compensation Committee. The Warrant holder will also be entitled for any bonus shares issued before the right to be entitled to a share by the Warrant holder is exercised.

ESOP 2002

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

SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

Your Company constituted the shareholder/ investor grievances committee to oversee the redressal of the shareholders and investors grievances in relation to transfer of shares, non-receipt of annual report, non-receipt of dividend etc.

Composition:

The constitution of the committee is given below:

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

Details of the Complaints received during the year :

Nature of Complaints	Year 2002		
	Received	Cleared	Pending
Relating to Transfer, Transmission etc.	332	332	Nil
Dividend, Interest & redemption	290	290	Nil
Others/ Miscellaneous	276	276	Nil
TOTAL	898	898	Nil

Pending Transfers :

There were 2 Transfers, involving 38 Equity Shares pending as on 31 December, 2002. These transfers have been processed and shares have been dispatched in January 2003.

Compliance officer :

The Board has designated Mr. Naishadh P. Desai - Company Secretary as the Compliance Officer.

Brief information on Directors proposed for re-appointment :

Mr. L. S. Sarma, aged 74 years, has been the Director of Hexaware Technologies Limited since last three years. Mr. Sarma is an expert in International Finance and Trade. He was General Manager, IDBI (India's largest financial institution).

Mr. A. P. Kurian, aged 69, has been the Director of Hexaware Technologies Limited since last two years. Mr. Kurian is also Executive Chairman of Association of Mutual Funds in India and Board Member of National Stock Exchange, the National Securities Depository Limited.

The Directorships and Membership of Committees of the Board held by Mr. L. S. Sarma and Mr. A. P. Kurian are as under :

Name of Director	Directorship	Committee
Mr. L. S. Sarma	Hexaware Technologies Limited Granules India Limited Gajara Bevel Gears Limited Transamerica Apple Distribution Finance Limited Flora Projects Consultancy Private Limited	Audit Committee Capital Issue Committee Compensation Committee Shareholders / Investors Grievance Committee
Mr. A. P. Kurian	Hexaware Technologies Limited National Stock Exchange of India Limited (NSDL) Association of Mutual Funds in India (AMFI) Zurich Trustee Company (India) Muthoot Capital Services Geojit Securities Limited	Audit Committee Capital Issue Committee Shareholders / Investors Grievance Committee – Executive Committee of NSDL

Details of Annual General/Extra Ordinary General Meetings :

Financial Year	General Meeting	Location	Date	Time
2002	Annual General Meeting	Shree Vile Parle Gujarati Mandal, Navinbhai Thakkar Hall, Dixit Road, Vile Parle (East), Mumbai – 400 057	03/06/2002	11.30 A.M.
2002	Extra Ordinary General Meeting	Shree Vile Parle Gujarati Mandal, Navinbhai Thakkar Hall, Dixit Road, Vile Parle (East), Mumbai – 400 057	15/03/2002	11.30 A.M.
2001	Extra Ordinary General Meeting	Dinanath Mangeshkar Hall, Opp. Vile Parle Railway Station, Vile Parle (East), Mumbai – 400 057	27/09/2001	11.00 A.M.
2000	Annual General Meeting	Dinanath Mangeshkar Hall, Opp. Vile Parle Railway Station, Vile Parle (East), Mumbai – 400 057	19/06/2001	11.00 A.M.

No Special Resolutions were passed through postal ballot at the Last Annual General Meeting (AGM). No special resolutions are proposed through postal ballot at the forthcoming AGM.

Disclosures :

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

There are no materially significant related party transactions during the year 2002 that may have potential conflict with the interest of the Company.

- (b) Details of no non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

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

Means of communication

- Half yearly report sent to each household of shareholders No
- Quarterly Results
Which newspapers normally published in The Economic Times
Free Press Journal
Navshakti
Maharashtra Times
- Any Website, where displayed www.hexaware.com
- Whether it also displays, official news releases and Presentations made to institutional investors / Analysts Yes
- Whether MD & A is a part of Annual Report Yes
- Whether shareholder information Section forms part of the Annual Report Yes

General Shareholder Information
1. Annual General Meeting

- Date and Time : 21 April, 2003, 11.30 a.m.
- Venue : Yashwantrao Chavan Pratishthan
Mumbai, General Jaganath Bhosale Marg,
Opp. Mantralaya, Nariman Point,
Mumbai - 400 021

2. Financial Calendar

Financial reporting for the quarter ending

- March 31, 2003 : By April 30, 2003
- June 30, 2003 : By July 31, 2003
- September 30, 2003 : By October 31, 2003
- December 31, 2003 : By February, 2004

3. Book Closure Date

- : 17 April, 2003 to 21 April, 2003
(both days inclusive)

- 4. Registered Office** : Elite Auto House, 54-A,
Sir M.V. Road, Andheri (East),
Mumbai - 400 093.
- 5. Listing of Equity Shares on Stock Exchanges** : The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 023.
- National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex,
Bandra (East), Mumbai - 400 051.
- London Stock Exchange
Old Broad Street, London EC2N 1HP
United Kingdom.

6. Scrip Information :

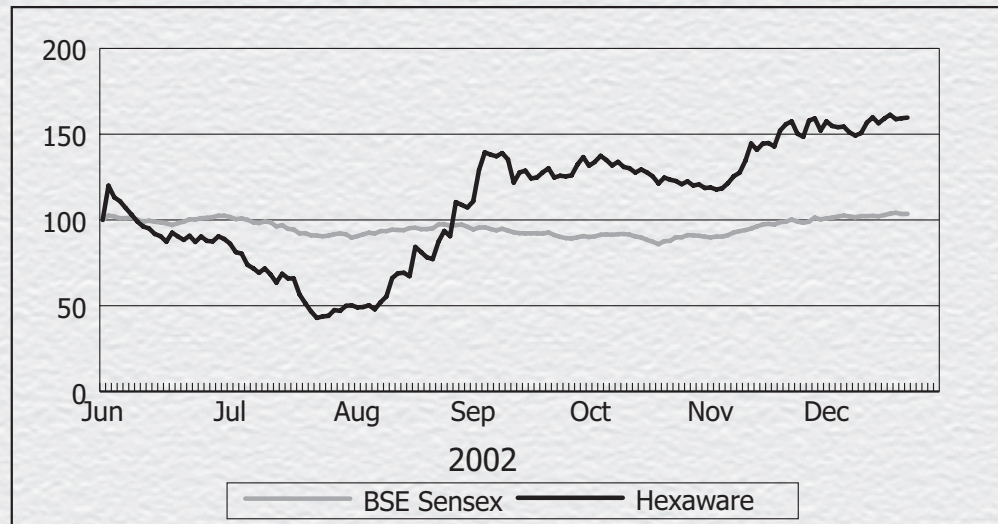
Name of the Exchange	Reuters	Bloomberg	Stock Code
The Stock Exchange, Mumbai	HEXT.BO	APTH.IN	532129
National Stock Exchange of India Limited	HEXT.NS	NAPTH.IN	"HEXAWARE"
London Stock Exchange	APHD LI		
Demat ISIN Number of NSDL & CDSL	INE093A01025		

7. Stock Market Data :

Year / Month	The Stock Exchange, Mumbai (Rs.)		National Stock Exchange of India Limited (Rs.)	
	High	Low	High	Low
Jan '02	-	-	-	-
Feb '02	-	-	-	-
Mar '02	-	-	-	-
Apr '02	-	-	-	-
May '02	-	-	-	-
June '02	107.00	70.00	69.95	66.10
July '02	70.50	68.00	49.95	40.15
Aug '02	65.00	42.00	63.40	56.50
Sep '02	107.50	64.00	89.85	84.30
Oct '02	99.50	84.05	86.45	83.30
Nov '02	115.50	84.00	115.00	109.60
Dec '02	122.85	114.50	119.60	115.80

Post Merger, your company's equity shares resumed trading from 10 June, 2002 on BSE and 12 June, 2002 on NSE.

8. Stock Performance : (Indexed)



9. Stock Performance : For the year 2002

In Percentage	Year 2002
Hexaware Technologies Limited	+ 64.90%
BSE Sensex	+ 4%
Nifty	+3.29%

10. Registrar and Share Transfer Agents : M/s. Sharepro Services

Unit: Hexaware Technologies Limited
 Satam Estate, 3rd Floor, Cardinal Gracious Road,
 Chakala, Andheri (East), Mumbai - 400 099
 Tel. : 28329828/28215991
 Fax : 28375646

M/s. Sharepro Services

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

E-mail : sharepro@vsnl.com

Share Transfer System :

Trading in Equity Shares of the Company is permitted only in dematerialized form w.e.f. 15 December, 1998, as per circular issued by Securities and Exchange Board of India (SEBI) on 24 September, 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) meets usually every 15 to 30 days to approve the transfer of shares.

11. Distribution of Shareholding :

No. of Equity Shares held	As on 31 December, 2002			
	No. of Shareholders	% of Shareholders	Total No. of Shares held	% of shareholding
1-500	120314	98.99	4101251	18.55
501-1000	653	0.54	487752	2.21
1001-2000	280	0.23	406446	1.84
2001-3000	98	0.08	246667	1.11
3001-4000	46	0.04	165126	0.75
4001-5000	28	0.03	131176	0.59
5001-10000	45	0.04	334698	1.51
10000 and above	71	0.05	16239712	73.44
TOTAL	121535	100.00	22112828	100.00

12. Categories of Shareholding (as on 31 December, 2002) :

Sr. No.	Category of Holder	No. of Shares	% of Equity
1.	Promoters Holdings	8644416	39.09
2.	Mutual funds / UTI	736318	3.33
3.	Banks / Financial Institutions / Insurance Companies (Central / State Govt. Institutions / Non Govt. Institutions	983920	4.45
4.	FII's / GDR	500080	2.26
5.	Others		
	Private Corporate Bodies	2079032	9.40
	Indian Public	4968998	22.47
	NRI's / OCB's / Foreign Company	4154218	18.79
	NSDL in Transit	8	0.00
	Trust	45838	0.21
	Sub Total	11248094	50.87
	TOTAL	22112828	100.00

13. Dematerialization of Shares and Liquidity :

Over 80% of Outstanding shares have been dematerialized upto 31 December, 2002.

14. Details on use of public funds obtained in the last three years :

No funds have been raised from the public during the last three years.

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

a. Global Depository Receipts (GDR)

During the year, outstanding GDRs as on 31 December, 2002 is 7,40,050.

b. Warrants / Options :

1. 2,20,000 Warrants allotted under ESOP Scheme 1999 entitles the holder to get allotted one Equity share of Rs.10/- each in the Company at a price of Rs. 490/- per Equity share between one to ten years from the date of allotment and any proportionate bonus entitlement for any bonus shares issued before the right to be entitled to a share by a Warrant holder is exercised.
2. 36,00,000 Warrants allotted under ESOP Scheme 1999 of erstwhile Hexaware Technologies Limited entitles the holder to get allotted one third Equity share of Rs.10/- each in the Company for every 3 Warrants at a price of Rs. 45/- per Equity share between one to ten years from the date of allotment and any proportionate bonus entitlement for any bonus shares issued before the right to be entitled to a share by a Warrant holder is exercised.
3. 22,09,829 Options allotted under ESOP Scheme 2002 entitles the holder to get allotted one third Equity share of Rs. 10/- each in the Company at a price of Rs. 45/- per Equity share between one to seven years from the date of allotment and any proportionate bonus entitlement for any bonus shares issued before the right to be entitled to a share by a Option holder is exercised.

Assuming all the Warrants / Options are converted into Equity shares then number of Equity shares available for trading in Indian Stock Exchanges would go up by further 38,35,293 Equity shares.

16. Investor Correspondence

The Company Secretary

Elite Auto House, 54-A, Sir M. VasANJI Road,
Andheri (East), Mumbai - 400 093.

Tel. : 91-22- 55919 595

Fax : 91-22- 55919 600

E-mail : investor@hexaware.com

Management Discussion and Analysis

1. Industry Structure and Developments

Despite a distinct slowdown in the global markets, the Indian software industry sustained its growth in 2002. The industry grew by 30 per cent in 2001-02 (source: Nasscom) due to an increasing need for companies in developed markets to rationalize their costs and the excellent price-value proposition provided by Indian software exporters.

A Merrill Lynch survey of the Chief Information Officers of globally respected corporations in 2001 indicated that nearly 70 per cent of these large companies currently, who outsource less than five per cent of their IT services budgets to Indian companies, are expected to increase their exposure to 15 per cent over the medium term.

Gartner has ranked India higher than any other offshore destination on several critical parameters: quality and depth of the talent pool, cost efficiency, overall process capability and quality, proficiency in English and the level of government support.

In addition to these long-standing advantages, India has adapted reasonably well in the short-term to unforeseen business downsides, reflecting a depth in its managerial ability as well: an increasing number of Indian IT companies have begun to spread their high US presence with customers in Europe, Latin America and the Asia Pacific.

Thanks to this background, the software industry's growth is expected to sustain in 2003 and is well in line to meet the targeted revenue of \$77 billion by 2008. In doing so, the industry is expected to generate employment of four million individuals, account for 7 per cent of India's GDP and 30 per cent of all foreign exchange inflows over the next five years.

2. Opportunities and Strengths

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

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

Hexaware's strengths

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

- *Large base:* Hexaware's 1031 engineers represent a large pool of experienced software professionals to address projects of varying complexity in the airlines, banking and insurance domains.
- *Domain insight:* The company has emerged as a leading airlines cargo solutions provider and for niche banking and insurance solutions.

- *Centre of Excellence:* Hexaware possesses a valuable repository of reusable program components and business processes in addition to domain-dedicated project managers and software professionals.
- *Robust project management:* Hexaware possesses multi-geography project management skills. This enables projects to be reviewed at periodic intervals and completed on schedule. Besides, the company's SEI CMM level 5 certified quality practices ensure a consistent quality standard (also refer to the quality section discussed elsewhere), meeting customer expectations the first time – and every time.
- *Cost-effective delivery:* Hexaware has demonstrated an ability to dovetail a low proportion of onsite working with offshore service delivery routed out of development centres in India (Chennai and Mumbai), helping customers save costs.
- *24x7 capability:* Even though Hexaware and its customers are present in totally diverse geographies, its projects are unified through a state-of-the-art telecommunication network.
- *Scalable:* Hexaware is able to ramp up human resources with a minimum lead-time in response to the emerging requirements of large organizations, making it a dependable outsourcing partner for the long-term.
- *Management commitment:* Hexaware's management is responsive to dynamic customer needs, leading to the speedy redressal of issues and a long-term relationship.
- *Repeat income:* Credible endorsements translated into repeat business from existing customers to the extent of 68 per cent of the company's revenue in 2002.

Hexaware's strategy

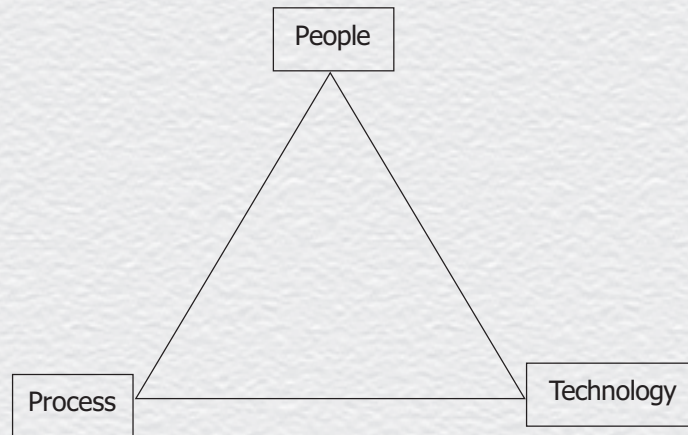
Focussed Portfolio of Services: Hexaware differentiates itself from its competitors by focussing its expertise in select sectors. It has technology skills in select verticals – airlines, insurance and banking and securities - which enables it to provide application management, enterprise integration, Peoplesoft, e-business, and business process outsourcing solutions. As a result, the company has evolved into a trusted consulting and implementation partner for a number of large and visible customers across the world.

Domain expertise: The Company continued to enhance its leadership by strongly aligning its business development activities with its delivery competences in the selected verticals. This enabled it to invest effectively in each vertical, provide a range of domain-intensive solutions and emerge with a specialized reputation, which translated into multi-year, multi-million dollar contracts from globally respected organizations.

Quality: The company has adopted two international standards for process definition and improvement: In 1995, the company was certified ISO 9001: 1994. In 1998 the company adopted the SEI-CMM model. In October 1999 the company was assessed at SEI-CMM level 4. Subsequently in December 2000, the company was assessed at highest level of certification of SEI CMM 5. These certifications have helped the company deliver a error-free and consistent solutions.

In 2001, the primary quality challenge was in the integration of quality standards for the merged entity and in response to this, the company was awarded with ISO 9001: 2000 and TickIT certification during 2002. Hexaware undertook various initiatives metrics analysis. Under this study, process, management and customer satisfaction indicators were identified and mapped regularly.

In 2002, all indicators under Metrics analysis reflected a positive development, a sign of increasing customer confidence. The company's SEI-CMM level 5 certification increased the customer's confidence in the company. The use of best practices enhanced competencies and helped attract and retain talent.



Hexaware is currently working towards implementing the PCMM model (to improve the work process, work environment, staffing, performance and competency management). It further plans to be assessed for the information security management BS7799 (among the handful of Indian IT organizations to adopt the security standard related to personnel, infrastructure and processes).

Global Delivery Model: The company's global onsite-offshore service delivery model reaches out of customers in North America, Europe and the Asia Pacific.

Hexaware's offshore locations are supported by entire service delivery groups. These comprise a President-Delivery, Delivery Unit Heads of all practices and a Global Sales Support (GSS) group. These groups are in charge of quality process development, multi-skilled delivery teams, infrastructure and on-time and under-budget delivery. The GSS group assists the marketing of the US-based team by way of adequate documentation for specific projects. A Global Marketing Services (GMS) group, which operates out of India, is responsible for an ongoing internal and corporate communication.

At Hexaware, its existing business model comprises offshore services - which includes back-end solutions development, maintenance and testing - and onsite work that comprises client management, solutions design, project management, onsite testing and customer-specific assignments. The company's strategy involves the implementation of shared solutions that focus on specific service sector verticals, technical competence and select geographies.

Over the years, it has been the company's emphasis to migrate an increasing proportion of the assignments offshore, leading to cost reduction and enhanced customer value.

Organization structure: Hexaware's organization structure involves the prudent allocation of human resources across relevant geographies so that projects are marketed and delivered just as customers require.

As a result, a large part of the company's top management - its CEO, Strategy and Technology Officer as well as leading executives - is based in the US, its principal geography. These officers manage Hexaware's key

customer relationships, enhance the local brand and visibility, track technology and domain shifts and in doing so, mitigate the probable risks arising out of offshore outsourcing.

Human resources: In a technology dynamic world, Hexaware hired, skilled and developed competencies continuously. Training accelerated this process: each member received individual career development counseling and mentoring in addition to technical and managerial training. In 2001-02, the company invested 75 training hours per person, expending 10 per cent of its annual revenue in training in 2002. Organizational learning was also shared through a corporate portal (N power) and newsletters. The company supplemented this with external training: members were encouraged to undertake sponsored programs.

To attract and retain people, Hexaware supplemented an environment of career and personal growth with attractive performance-based compensation. Hexaware followed an attractive performance-based compensation policy and professional growth plan. The company's shares were allotted to members as a part of the ESOP 2002 plan (for details, refer to ESOP 2002 discussed in the Directors' Report).

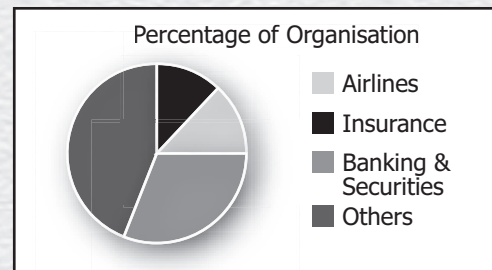
Highlights, 2002

Hexaware enlisted 231 qualified and competent professionals to meet its growing requirements. On the other hand, since attrition rate was 12.5 per cent compared to the industry benchmark of 15 per cent, the company was able to enlarge its intellectual pool during the year.

Post merger the company successfully unified its operational culture, framing of uniform policies and procedures, and strengthened its performance appraisal process.

The total number of employees on 31 December 2002 was 1176. The following is Hexaware's people profiles:

Qualification	Percentage of organisation
Engineers	68
MCAs	16
MBAs	8
Others	8



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

- **PCMM** (People Capability Maturity Model) implementation
- **Hexacare** - a dedicated HR Helpdesk for technical teams, setup to provide a one-stop interface for individual issues relating to finance, administrative, and personnel related issues.
- Hexaware leveraged their domain knowledge and technical expertise in **Peoplesoft**, and started implementing its modules within the organisation. The aim is to build a truly web enabled organisation by the end of current fiscal (2003). This will also facilitate decision making, reporting and improve operational efficiency at each level.
- A number of structured member initiatives leading to a sense of belonging and a congenial work atmosphere.

3. Threats and Risks

The impact of slowdown in the US economy and geo-political environment resulted in reduced budgetary allocations for new IT projects by clients, delay in account progression, and increasing pressure on billing rates.

However, Hexaware continues to be optimistic in view of:

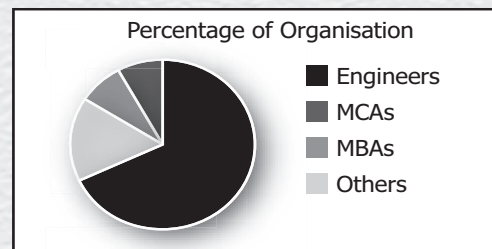
- High loyalty, confidence and strong relationships with the existing clients.
- Enhancing domain expertise and competencies to deliver best-of-class solutions to customers' business problems in a cost effective manner.
- Over a period developed ability to collaborate with and compete against the major IT service vendors.
- To rationalise its geographical concentration risk, the company leveraged its niche expertise across the globe. The thrust on increasing global reach is resulting in significant addition in customers from Europe and SE Asia.
- Greater acceptance of IT services outsourcing amongst Fortune 1000 Companies.

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

4. Segment-wise or Product-wise Performance

The company's focus translated into its financials.

Business segments/ Verticals	Proportion of revenue in FY02
Airlines	12
Insurance	13
Banking & securities	31
Others	44



5. Outlook

Over the last couple of years, Hexaware invested in training, recruitment and physical infrastructure. This translated into multi-million dollar projects, which are expected to translate into revenue from 2003 onwards. Your Company's sales efforts on building new strategic relationships and leveraging the existing ones have started yielding results and will lead to a better people utilisation, enhanced billing rates, a larger proportion of cost-effective offshore assignments and improved margins.

6. Risk and concerns

Risk management

In a dynamic technology-driven industry environment, the company's ability to manage diverse risks determines its success. Hexaware's comprehensive risk management framework enables it to manage risks at various levels with speed and effectiveness.

a. Industry risk

Further worsening of the economy in US and Europe could reduce and delay IT spending by customers. Besides, billing rates could decline as competition increases.

Risk mitigation

Hexaware has countered these risks by narrowing its focus to address only specific verticals, technologies and geographies. Over the years, this has translated into deeper competencies, protected margins and a leadership position in various niches. As a result, Hexaware grew in 2002 despite a weak industry environment.

b. Service concentration risk

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

Risk mitigation

On the contrary, Hexaware's domain expertise serves as a shock absorber even in the face of a sectoral slowdown: it enables companies within that vertical to outsource solutions from specialized service providers like Hexaware and reduce their high inhouse costs. As a matter of prudence, Hexaware has selected to be present in only those verticals where thanks to the broad market size, its prospects stand to be unaffected even during the midst of a sectoral slowdown.

Service offerings	% of revenue in	
	FY02	FY01
E-commerce and Application management	55	72
Research and development	17	17
Peoplesoft	21	0.5
Others	7	10.5

Service offerings to verticals	% of revenue in	
	FY 02	FY01
Airlines	12	12
Banking and finance	31	16
Insurance	13	19
Others	44	53

c. Client concentration risk

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

Risk mitigation

As a prudent strategy, Hexaware has spread its client risk across a large number of clients, minimising any risk arising out of the underperformance of a few clients.

Parameters	2002	2001
Active clients	70	42
Clients added during the year	28	16
% of revenue from the largest client	11%	13%
% of revenue from top 5 clients	35%	32%
% of revenue from top 10 clients	50%	39%
No. of million dollar clients	10	4
% increase in million dollar clients	150%	–

d. Geographical concentration risk

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

Risk mitigation

Hexaware's geography selection is influenced by the growth potential within that geography, its capacity to invest in IT, its willingness to outsource and the expenditure required to be incurred to penetrate that geography. In view of this, Hexaware increased its presence in Europe to rationalize its concentration in North America. As an extension of this initiative, Hexaware has prudently decided to focus on a few geographies with a deep growth potential as opposed to extending itself thin across a number of geographies.

Geography	% of revenues in	
	FY 02	FY01
USA	74	82
Europe	18	8
Rest of the world	8	10

e. Currency risk

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

Risk mitigation

The company's expenses are made in the US dollar and the Euro while all income is earned in internationally tradable currencies, minimising its risk to currencies with a significant downside. The company's net

foreign currency earning status acts as a natural hedge against depreciation in the value of the Indian currency. The company does not trade in foreign currencies; it does so only to hedge and protect its receivables. The company has employed the services of external foreign exchange experts to frame risk-management policies.

f. Leverage risk

A high debt can reduce the company's cash flow, affecting its capacity to pay interest and its credit rating.

Risk mitigation

Hexaware has substantially reduced its debt. Following the repayment of Rs. 100 million debentures and Rs. 50 million loans, the debt-equity ratio declined from 0.16 in 2001 to 0.08 in 2002, a negligible risk.

g. Liquidity risk

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

Risk mitigation

Following cash flows turning positive from July 2002, Hexaware enjoys adequate liquidity. At the end of 2002, cash and bank balances accounted for 16 per cent of the company's total assets. The company realized its outstandings faster and rationalized its costs, enhancing liquidity in the process.

h. Quality risk

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

Risk mitigation

Hexaware's offshore development centres - Mahape (Mumbai) and four centres across Chennai – have been re-certified as per the ISO 9001:2000 standard and the TickIT scheme in an external audit conducted by DNV. These centres have also been assessed at SEI-CMM Level 5, the highest industry quality benchmark. Thanks to this robust, assessed and certified quality process, the quality risk at Hexaware is considerably lower.

i. Human resources risk

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

Risk mitigation

Hexaware's attrition is considerably below the industry average for a number of reasons: it has created an employee friendly and yet challenging work environment supported by a performance-based compensation package. As a result, Hexaware provides members with an opportunity to enhance the value of their personal and professional lives. 'Hexacare', an independent in-house team, promises a time-bound redressal to member grievances. To reinforce a sense of ownership, the company offered a performance-based employee stock option plan under ESOP 2002. The company is also in the process of implementing PCMM (People Capability Maturity Module).

j. Disaster risk

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

Risk mitigation

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

7. Internal control system

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

8. Financial Performance

Highlights

Hexaware recorded consolidated global revenues of Rs. 2,491.87 million and a net profit of Rs. 57.50 million in 2002. These results compare favourably with consolidated revenues of Rs 2,966.02 million of which software and consulting revenues were Rs. 2,223.15 million in 2001.

The turnaround was also reflected in the results of the Indian operations: software and consulting revenues were Rs. 977.01 million in 2002 compared to Rs. 506.69 million in 2001, an increase of 93 per cent. Profit after tax strengthened by 365 per cent to Rs. 74.75 million.

This improvement was also reflected in the quarter-to-quarter results sequence: a loss of Rs. 28.40 million in the first quarter of 2002 turned positive from July 2002 onwards and the company ended the last quarter with a surplus of Rs. 74.12 million, reflecting the success of its business model and a robust foundation for prospective growth.

This turnaround was engineered by a change in the company's business mix, a focus on fewer segments (airlines, banking and Peoplesoft solutions), an emphasis on leadership in those segments as well as prudent cost rationalisation. These initiatives translated into an attractive client addition, business expansion from each and enhanced margins.

In the following sections we have analysed the financial condition and the results of the company's operations. Since the numbers for 2001 includes the operations of the training division, the two sets of financials are not strictly comparable.

Share capital

Hexaware's equity share capital increased marginally from Rs. 222.28 million in 2001 to Rs. 222.42 million in 2002, attributed to the issue & allotment of 14, 536 equity shares as fully paid-up as per the ESOP scheme of the erstwhile Hexaware Technologies Limited.

Reserves and surplus

Hexaware's reserves and surplus increased 4 per cent from Rs. 1,937.98 million in 2001 to Rs. 2,019.49 million in 2002 due to a transfer of profits earned during the year to the reserves.

Loan funds

Hexaware's loan funds declined from Rs. 346.89 million (secured loans) in 2001 to Rs. 178.45 million in 2002, a reduction of 49 per cent. This transpired on account of the repayment of Rs. 100 million of non-convertible debentures in 2002 (Rs. 50 million debentures of 12 per cent coupon rate were repaid to IDBI Bank and Rs. 50 million debentures repaid to UTI Bank Limited) and the repayment of Rs. 50 million of 13 per cent term Loan to ICICI Bank. Thanks to these repayments, the debt on the company's books declined: the debt-equity ratio of 0.16 in 2001 dropped to 0.08 in 2002.

Fixed assets

Fixed assets increased by 13 percent from Rs. 755.12 million in 2001 to Rs. 853.93 million in 2002 following investments in infrastructure. Cumulative depreciation accounted for 25 per cent of the gross block, indicating the youthful nature of the assets. Fixed assets at 35 per cent of the total capital employed also indicated the nature of the industry.

Investments

Investments increased marginally from Rs. 344.26 million in 2001 to Rs. 348.54 million in 2002. These represented investments in subsidiary companies, which facilitated the company's operations in international geographies in terms of client acquisition, better client servicing and strong customer relationships.

Debtors

The company's selective customer focus translated into a quicker recovery of its outstandings: debtor days declined from 93 days in 2001 to 73 days in 2002. Of the total receivables of Rs. 480.80 million in 2002, only 9 per cent was due for over six months (of the total dues of Rs. 330.10 million in 2001, the corresponding figure was 18 per cent). An age-wise analysis of 2002 debtors is given below:

0-30 days: 45 per cent

31-60 days: 17 per cent

61-90 days: 11 per cent

>90 days: 27 per cent.

(Age wise analysis of global debtors)

Cash and bank balances

Hexaware's cash and bank balance stood at a comfortable Rs. 380.00 million at the end of 2002, accounting for 16 per cent of its total assets. This liquidity was adequate to meet future expansion programme and exigencies plan. As a prudent approach, the company balanced its need for liquidity with optimal funds deployment.

Loans and advances

Hexaware's loans and advances grew 17 per cent to Rs. 480.97 million in 2002, compared to Rs. 412.22 million in 2001. These loans, made to its subsidiaries, increased from Rs. 136.97 million in 2001 to Rs. 288.91 million in 2002, are the result of the increased volume of its operations. Advances and deposits accounted for 40 per cent of the loans and advances position of the company in 2002.

Current liabilities

Hexaware's current liabilities declined from Rs. 201.17 million in 2001 to Rs. 112.01 million in 2002 as it repaid dues on schedule. Sundry creditors (various services provided to the company by its vendors) accounted for 51 per cent of the total current liabilities in 2002, compared to 68 per cent in 2001.

Working capital

Hexaware's networking capital stood at Rs. 1,225.88 million at the end of 2002, compared to Rs. 1,407.78 million in 2001, inspite of a 93 per cent increase in software and consulting income. This improvement was a result of a faster collection of dues and the prudent utilisation of cash.

Deferred tax

The standard on accounting for taxes became mandatory from 1 April 2001. The deferred tax assets represent the timing differences in the financial and tax books arising out of depreciation, investment provision and a provision for sundry debtors. At the end of 2002, the company had a net deferred tax liability of Rs. 8 million.

Operational Performance

Overview

During 2002, Hexaware strengthened its focus to offer technology-intensive solutions in fewer market segments and select geographies, emerging as a reputable service provider in them. As a result, Hexaware added 28 clients in 2002, translating into multi-million and multi-year contracts, a steady increase in offshore revenues as a percentage of total income (31 per cent in the first quarter of 2002 to 40 per cent in the fourth quarter), a corresponding cost reduction and a five-year order book of over US\$ 100 million.

Income from operations

Hexaware's total income from operations declined from Rs. 1,107.46 million in 2001 to Rs. 977.01 million in 2002, a drop of 12 per cent mainly due to demerger of Training division which had earned Rs. 600.76 million in 2001. However, software and consulting revenues increased 93 per cent over the previous year.

Hexaware's revenues were derived from a mix of onsite-offshore assignments. In 2002, offshore revenues increased from 30 per cent to 37 per cent, a trend that is likely to accelerate.

Other income

Hexaware's Other Income (net of interest and foreign exchange differences and profit on sale of investments) declined from Rs. 64.90 million in 2001 to Rs. 21.90 million in 2002. As a result, Other Income's proportion of the total revenue declined from 6 per cent in 2001 to only 2 per cent in 2002, a reflection of the company's strengthening focus on its core business.

Software development expenses

At Hexaware, software development & Training expenses declined from Rs. 510.07 million in 2001 to Rs. 125.55 million in 2002 as a result of the de-merger of its training division. The development expense related to the company's core business increased 45 percent from Rs 86.50 million in 2001 to Rs. 125.55 million in 2002, outpaced by 93 per cent revenue growth. Software development & Training expense as a percentage of revenues declined from 46 per cent in 2001 to 13 per cent in 2002 as a result of de-merger of Training Division.

Employment expenses

Hexaware's employment expenses rose from Rs. 272.20 million in 2001 to Rs. 450.64 million in 2002 on account of the increased recruitment (of software engineers and domain specialists) and the general increase in remuneration levels. The benefit of this selective recruitment will be visible in 2003 and beyond.

Administration and other expenses

Hexaware's total administration and other expenses rose marginally in absolute terms from Rs. 224.69 million in 2001 to Rs. 233.86 million in 2002 and as a proportion of total revenues from 20 per cent in 2001 to 24 per cent in 2002. The increase was on account of the higher volume of business. However, the company expects costs as a proportion of revenues to decline from 2003 onwards.

Operating margin

The company's overall strategy was vindicated in the increase in its operating profit (EBITDA): from Rs. 165.40 million in 2001 to Rs. 188.80 million in 2002, an increase of 14 per cent. Operating profit margin strengthened from 14.11 per cent in 2001 to 18.90 per cent in 2002. The company's prudent investments in infrastructure and manpower are expected to translate into higher margins from the first quarter of 2003.

Cautionary Statement

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



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

To the Members of Hexaware Technologies Limited.

We have reviewed the relevant records of Hexaware Technologies Limited (the Company) for the year ended on 31 December, 2002 relating to compliance of conditions of Corporate Governance, as stipulated in Clause 49 of the Listing Agreement entered into, by the Company, with the Stock Exchanges.

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

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

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

We further state that such compliance is neither 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 **MAHENDRA KUMBHAT & ASSOCIATES**

Chartered Accountants

MANOJ P. SHAH

Partner

Mumbai, 17 February, 2003

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

1. Name of the Subsidiary	Hexaware Technologies Inc. - USA	Specsoft Consulting Inc. - USA	Hexaware Technologies GmbH - Germany	Hexaware Technologies Europe Ltd. - UK	HTI Europe Ltd. - UK	Hexaware Technologies Asia Pacific Pte. Ltd. - Singapore	Hexaware Technologies Canada Ltd. - Canada	Aptech Technologies Pty. Ltd. - Australia
2. The Financial Year of the Company ended on	31 December, 2002	31 October, 2002	31 December, 2002	31 December, 2002	31 December, 2002	31 October, 2002	31 December, 2002	30 June, 2002
3. Holding Company	Hexaware Technologies Ltd. India	Hexaware Technologies Ltd. India	Hexaware Technologies Ltd. India	Hexaware Technologies Ltd. India	Hexaware Technologies Ltd. India	Hexaware Technologies Ltd. India	Hexaware Technologies Ltd. India	Hexaware Technologies Ltd. India
4. Holding Company's Interest	100%	100%	100%	100%	100%	100%	100%	100%
5. Shares held by the holding Company in the Subsidiary	22,450 Shares Common Stock at no par value	1,50,000 Shares Common Stock of no par value	500 Shares of face value of Euro 50 each	14,00,000 shares of 1 GBP each	4,10,000 Equity Shares of GBP 1 each	5,00,000 Equity Shares of 1 S\$ each	1 Common Stock of no par value	65,000 Equity Shares of A\$ 1 each
6. The aggregate of profits or losses for the current financial year of the Subsidiary so far as it concerns the members of the holding Company a. dealt with or provided for in the accounts of the holding Company b. not dealt with provided for in the accounts of the Company	NIL Rs. (2,204,119)	NIL US\$ (384,339)	NIL Rs. 1,419,364	NIL GBP (82,658)	NIL GBP (297,914)	NIL S\$ 4,954	NIL Rs. 294,299	NIL A\$ 1,492.09
7. The aggregate of profits or losses for the previous financial year of the Subsidiary so far as it concerns the members of the holding Company a. dealt with or provided for in the accounts of the holding Company b. not dealt with provided for in the accounts of the Company	NIL Rs. (63,759,344)	NIL US \$ 205,234	NIL Rs. (1,829,884)	NIL GBP (2,394,136)	NIL GBP (701,460)	NIL S\$ (205,552)	NIL CAD NA	NIL A\$ (16,387.14)
8. Material change between the end of the Financial Year of the subsidiary Company and the Company's Financial Year ended 31 December, 2001 a. Fixed Assets b. Investments c. Money Lent d. Money borrowed other than those for meeting Current Liabilities	NIL NIL NIL NIL	NIL NIL NIL NIL	NIL NIL NIL NIL	NIL NIL NIL NIL	NIL NIL NIL NIL	NIL NIL NIL NIL	NIL NIL NIL NIL	NIL NIL NIL NIL
Notes : 1. There has been no change in holding Company's interest in the subsidiaries between the end of financial year or the last of the financial years of subsidiary and the end of the holding Company's financial year. 2. During the year Aptech Worldwide Inc., USA merged with Hexaware Technologies Inc., USA. 3. BConnectB Worldwide Limited wholly owned subsidiary was sold during the year.								

Atul K. Nishar
(Chairman)

Annexure to the Directors' Report

Particulars of employees pursuant to Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees Rules) 1975 and forming part of the Directors' Report for the year ended 31 December, 2002.

Sr. No.	Name	Age (Years)	Designation/ Nature of Duties	Gross Remuneration Received (Rs.)	Qualification & Experience (Years)	Date of Commencement of employment	Last Employment held Period (Years)
Employed throughout the year							
1	P K Sridharan	54	Executive Director	3,134,565	M.Tech. (30)	1-Apr-01	Hexaware Technologies Ltd. (3y. 2m)
Employed for part of the year							
1	Abhay Sinha	50	Executive Vice President	366,670	B. E., MBA (26)	19-Jun-00	Deutsche Bank India (2y. 8m)
2	Harshad Shah	49	Executive Director	659,265	B.Com., ACA (26)	1-Jan-97	Apple Finance Ltd. (5y)
3	R V Ramanan	38	Chief Software Architect	475,555	B. Tech. (14)	21-Oct-02	Orbitech Solutions India Limited (1y)

Notes:

- 1 Remuneration includes Salary, Company's Contribution to Provident and Superannuation Fund and taxable Value of Perquisites and allowances as per Income Tax Act, 1961 and rules made thereunder.
- 2 All appointments are non-contractual and terminable by notice on either side.
- 3 None of the above employee is related to any Director of the Company except Mr. P K Sridharan who is Executive Director of the Company during the Year.

For and on behalf of the Board

Atul K Nishar
Chairman

Auditors' Report

To,

THE STAKEHOLDERS OF HEXAWARE TECHNOLOGIES LIMITED,

We have audited the attached Balance Sheet of Hexaware Technologies Limited ("the Company") as at 31 December, 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on the test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act') we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order to the extent applicable.

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

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act.
- e) On the basis of written representations received from the Directors as on 31 December, 2002 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 December, 2002 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act.
- f) In our opinion and to the best of our information and according to the explanations given to us, ***the said accounts subject to Note No. 12 of Schedule 14 regarding change in the Accounting policy in respect of revenue recognition, due to which the Profit and Reserve and surplus are higher by Rs. 4,96,387/-*** and read with the other notes thereon give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet of the state of affairs of the Company as at 31 December, 2002
and
 - ii) In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **Mahendra Kumbhat & Associates**
Chartered Accountants

Manoj P. Shah
Partner

Place : Mumbai

Date : February 17, 2003.

Annexure to the Auditors' Report

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

1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. The management has physically verified all the assets. We are informed that no material discrepancies have been noticed on the assets physically verified by the Company.
2. None of the fixed assets have been revalued during the year.
3. The Company has not taken loans from companies, firms and other parties required to be listed in the register to be maintained under Section 301 of the Act. In terms of sub-section (6) of Section 370 of the Act, provisions of the Section 370 are not applicable to the Company on or after the commencement of the Companies (Amendment) Act, 1999.
4. The Company has granted loans to the companies, firms and other parties required to be listed in the register to be maintained under Section 301 of the Act. In our opinion the terms and conditions including the rate of interest are prima facie not prejudicial to the interest of the Company. In terms of sub-section (6) of Section 370 of the Act, provisions of the Section 370 are not applicable to the Company on or after the commencement of the Companies (Amendment) Act, 1999.
5. The Parties including the employees to whom the loans or advances in the nature of loans have been given are repaying the principal amounts as stipulated and interest wherever applicable.
6. In our opinion and according to the information and explanations given to us, it appears that, there are in general, adequate internal control procedures, commensurate with the size of the Company and the nature of its business, with regard to purchase of assets, equipments, stores, materials, and for sale of goods and services.
7. According to the information and explanations given to us, the Company has entered into transactions for purchase of goods and services with parties required to be listed in the register to be maintained under Section 301 of the Act and aggregating during the year to Rs. 50,000/- or more in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices of such services and goods or at prices at which similar services are made available by other parties.
8. The Company has not accepted any deposits during the year and hence provisions of Section 58A of the Act and the rules framed there under are not applicable.
9. Internal audit is carried out by a Chartered Accountants firm and in our opinion the scope of internal audit is commensurate with the size and nature of its business.
10. We have been informed that the Central Government has not prescribed the maintenance of Cost records under Section 209 (1) (d) of the Act.
11. During the year under review, the Company has regularly deposited Provident Fund dues and Employees State Insurance Scheme dues.
12. According to the information and explanations given to us there are no undisputed amounts payable in respect of income tax, wealth tax, customs duty and excise duty which remains outstanding at the year end for a period exceeding six months from the date they became payable.

13. According to the information and explanations given to us no personal expenses have been charged to revenue account other than those payable under contractual obligations or in accordance with the generally accepted business practices.
14. In our opinion, the Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of Sick Industrial Companies (Special Provisions) Act, 1985.
15. In respect of services/consultancy rendered by the Company.
 - a) The Company has reasonable system of recording receipts, issues and consumption of materials and allocating materials consumed to each project.
 - b) It has reasonable system of allocation of man-hours to the relevant consultancy contracts.
 - c) It has a proper system of Internal Control for allocation of man-hours utilized and the same is commensurate with the size of the Company and nature of its business.
16. In respect of trading activity, in our opinion the Company has a system of determining the damaged goods.
17. All the investments are held by the Company in its own name.

For **Mahendra Kumbhat & Associates**
Chartered Accountants

Manoj P. Shah
Partner

Place : Mumbai
Date : February 17, 2003

Balance Sheet as at 31 December, 2002

Particulars	Schedule	As at		As at	
		31 December, 2002	31 December, 2001	Rupees	Rupees
SOURCES OF FUNDS					
1. SHARE HOLDERS' FUNDS :					
A) Share Capital	"1"	222,415,198		222,282,920	
B) Reserves And Surplus	"2"	2,019,490,103		1,937,976,628	
			2,241,905,300		2,160,259,548
2. LOAN FUNDS :					
Secured Loans	"3"	178,447,467		346,892,965	
			2,420,352,767		2,507,152,513
APPLICATION OF FUNDS					
1. FIXED ASSETS :	"4"				
A) Gross Block		1,138,109,813		943,403,734	
B) Less: Depreciation		284,293,928		200,731,589	
		853,815,885		742,672,145	
Add : Capital Work-in-Progress		111,000		12,443,392	
			853,926,885		755,115,537
2. INVESTMENTS :	"5"		348,542,637		344,259,338
3. A) CURRENT ASSETS, LOANS AND ADVANCES :	"6"				
i) Sundry Debtors		480,804,692		330,091,151	
ii) Cash And Bank Balances		380,347,421		874,668,383	
iii) Loans And Advances :		480,971,657		412,216,425	
		1,342,123,770		1,616,975,959	
Less:					
B) CURRENT LIABILITIES AND PROVISIONS :	"7"				
i) Current Liabilities		112,008,663		201,169,115	
ii) Provisions		4,230,962		8,029,206	
		116,239,625		209,198,321	
NET CURRENT ASSETS (A-B)			1,225,884,145		1,407,777,638
4. DEFERRED TAX LIABILITY		(8,532,901)		-	
DEFERRED TAX ASSET		532,000		-	
			(8,000,901)		-
			2,420,352,767		2,507,152,513
SIGNIFICANT ACCOUNTING POLICIES	"13"				
NOTES FORMING PART OF ACCOUNTS	"14"				

SCHEDULES 1 TO 14 FORM AN INTEGRAL PART OF THE ACCOUNTS.
This is the Balance Sheet referred to in our Report of even date.

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner

Atul K. Nishar
(Chairman)

Dr. K. K. Anand
(Director)

L. S. Sarma
(Director)

A. P. Kurian
(Director)

Dr. (Mrs.) Alka Nishar
(Director)

Rusi Brij
(Director)

Place : Mumbai
Date : 17 February, 2003

P. K. Sridharan
(Executive Director)

Rajesh B. Ghonasgi
(Chief Financial Officer)

Naishadh Desai
(Company Secretary)

Profit and Loss Account for the Year Ended 31 December, 2002

Particulars	Schedule	For the Year Ended	
		31 December, 2002 Rupees	31 December, 2001 Rupees
INCOME AND EXPENDITURE			
INCOME FROM OPERATIONS	"8"		
Software and Consultancy		977,011,053	506,691,222
Training and Education		—	600,765,041
Other Income	"9"	21,906,995	64,905,220
		998,918,048	1,172,361,483
EXPENDITURE			
Software, Development and Education Expenses	"10"	125,548,926	510,071,257
Employment Expenses	"11"	450,644,296	272,191,918
Administration And Other Expenses	"12"	233,858,604	224,690,168
Depreciation		114,466,110	149,169,269
		924,517,936	1,156,122,612
Profit Before Tax		74,400,112	16,238,871
Less : Provision For Tax - Current		100,000	168,370
- Deferred		(532,000)	—
- Earlier Years		86,210	—
		(345,790)	168,370
Profit After Tax		74,745,902	16,070,501
Add : Balance Brought Forward From Previous Year		130,356,761	120,955,606
Add : Transferred On Demerger and Amalgamation Scheme During The Year		—	111,524,435
Balance Available For Appropriation		205,102,662	248,550,542
APPROPRIATIONS :			
- Provision For Investments In B Connect B Worldwide Ltd.		—	110,837,999
- Provision For Investment In Specsoft Consulting Inc., USA (Refer Note No. 8 of Schedule 14)		(14,791,712)	256,244,581
- Provision For Investment In Other Subsidiary Companies		—	261,393,502
- Dividend On Preference Shares - Interim		—	9,255,628
- Proposed Dividend On Equity Shares		—	—
- Corporate Tax On Dividend		—	942,722
- Transfer To/(From) General Reserve		100,000,000	(510,000,000)
- Excess Provision for Dividend Tax In Previous Year		—	(10,480,650)
		85,208,288	118,193,782
BALANCE CARRIED TO BALANCE SHEET		119,894,374	130,356,761
SIGNIFICANT ACCOUNTING POLICIES	"13"		
NOTES FORMING PART OF ACCOUNTS	"14"		

SCHEDULES 1 TO 14 FORM AN INTEGRAL PART OF THE ACCOUNTS.
 This is the Profit and Loss referred to in our Report of even date.

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner

Atul K. Nishar
(Chairman)

Dr. K. K. Anand
(Director)

L. S. Sarma
(Director)

A. P. Kurian
(Director)

Dr. (Mrs.) Alka Nishar
(Director)

Rusi Brij
(Director)

Place : Mumbai
 Date : 17 February, 2003

P. K. Sridharan
(Executive Director)

Rajesh B. Ghonasgi
(Chief Financial Officer)

Naishadh Desai
(Company Secretary)

Schedules to Balance Sheet

	As at 31 December, 2002 Rupees		As at 31 December, 2001 Rupees	
SCHEDULE "1" - SHARE CAPITAL				
AUTHORISED				
3,50,00,000 Equity Shares of Rs. 10/- each.	350,000,000		350,000,000	
30,00,000 Preference Shares of Rs. 100/- each.	300,000,000		300,000,000	
	650,000,000		650,000,000	
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL				
EQUITY :				
2,21,12,828 (1,20,98,292) Equity Shares of Rs.10/- each fully paid	221,128,280		120,982,920	
Of the above :-				
a) 22,26,925 Equity Shares has been allotted as fully paid up without receiving consideration in cash.				
b) 72,37,774 Equity Shares have been allotted as fully paid up by way of Bonus Share by capitalisation of General Reserve/Share Premium Account.				
c) 20,90,593 Equity Shares have been allotted to Global Depository Shareholders.				
d) 1,00,00,000 Equity Shares issued to the Shareholders of erstwhile Hexaware Technologies Limited pursuant to the Composite Scheme of reconstruction and arrangement.				
e) 14,536 Equity Shares have been allotted as fully paid up pursuant to the ESOP scheme issued by the erstwhile Hexaware Technologies Ltd.				
WARRANTS :				
a) 2,20,000 (2,20,000) Warrants of Re. 1/- Each Allotted By Hexaware Technologies Limited, Under Employee Stock Option Plan (ESOP) 1999 Each block of 5 warrants entitles the holder to get allotted simultaneously two equity shares of Rs.10/- each in the Company and three equity shares of Rs. 10/- each in Aptech Limited at a price of Rs. 490/- per share, within a period ten years from the date of allotment i.e. 29 December, 1999 together with proportionate Bonus entitlement.	220,000		220,000	
b) 35,56,392 (36,00,000) Warrants of Re. 0.30 each Allotted Under Employee Stock Option Scheme 1999 issued by erstwhile Hexaware Technologies Limited. Each block of 3 warrants entitles the holder to get allotted one equity share of Rs. 10/- each at a price of Rs. 45/- per share, within a period ten years from the date of allotment. i.e. 31 December, 1999.	1,066,918		1,080,000	
UNISSUED EQUITY SHARE CAPITAL				
Nil (1,00,00,000) Equity Shares of Rs. 10/- each to be issued to the Shareholders of erstwhile Hexaware Technologies Limited pursuant to the Composite Scheme of demerger and amalgamation approved by the honourable High Court of Jurisdiction at Bombay. Share allotted on 12.02.2002	—		100,000,000	
	222,415,198		222,282,920	

Schedules to Balance Sheet

	As at 31 December, 2002 Rupees	As at 31 December, 2001 Rupees
SCHEDULE "2" - RESERVES AND SURPLUS		
Security Premium Account		
As Per Last Balance Sheet	1,674,240,624	4,185,601,560
Less : Transferred on Demerger and Amalgamation Scheme during the year	—	2,511,360,936
Add : Received during the year	508,760	—
	1,674,749,384	1,674,240,624
Esop Capital Suspense Reserve A/c.		
As Per Last Balance Sheet	2,200,000	5,500,000
Less : Transferred on Demerger and Amalgamation Scheme during the year	—	3,300,000
	2,200,000	2,200,000
Debenture Redemption Reserve		
As Per Last Balance Sheet	—	—
Add : Transferred on Demerger and Amalgamation Scheme during the year	—	18,750,000
Less : Transferred to General Reserve	—	18,750,000
	—	—
General Reserve I		
As Per Last Balance Sheet	97,440,400	—
Add : Transfer from General Reserve II	—	97,440,400
	97,440,400	97,440,400
General Reserve II		
As Per Last Balance Sheet	30,859,034	1,690,000,000
Add : Transfer from Debenture Redemption Reserve	—	18,750,000
Less : Transfer to General Reserve I	—	97,440,400
Less : Transferred to Profit & Loss Account	—	510,000,000
Less : Transferred on Demerger and Amalgamation Scheme during the year	—	1,070,450,566
Less : Accumulated Deferred Tax Liability	8,532,901	—
Add : Transferred from Profit and Loss Account	100,000,000	—
	122,326,133	30,859,034
Amalgamation Reserve A/c.		
As Per Last Balance Sheet	2,879,812	—
Addition during the year	—	50,000,000
Less : Demerger/Merger Expenses during the year	—	47,120,188
	2,879,812	2,879,812
Profit and Loss Account		
As Per Annexed Account	119,894,374	130,356,761
	2,019,490,103	1,937,976,630

Schedules to Balance Sheet

	As at 31 December, 2002 Rupees	As at 31 December, 2001 Rupees
SCHEDULE "3" - SECURED LOANS		
1) NON-CONVERTIBLE DEBENTURES (Secured by hypothecation of immovable property, book debts and other movable assets)		
a) 7,50,000, (12,50,000) 12% Secured, Redeemable Debentures of Rs. 100/- each with IDBI Bank To be redeemed at the end of 18 months with a call/put option after 6 months from the date of allotment i.e. 9 August,2001.	75,000,000	125,000,000
b) Nil (5,00,000), 13% Secured, Redeemable Debentures of Rs. 100/- each with UTI Bank repaid during the year	—	50,000,000
	75,000,000	175,000,000
2) FROM BANKS		
a) Secured by the specified assets acquired and financed by the Bank	—	14,040,000
b) Secured by Hypothecation of immovable property	100,000,000	150,000,000
	100,000,000	164,040,000
3) OTHER TERM LOANS Secured by the specified assets acquired and financed by the Bank/Financier	3,447,467	7,852,965
	178,447,467	346,892,965

SCHEDULE "4" - FIXED ASSETS

Particulars	GROSSBLOCK					DEPRECIATION					NETBLOCK		
	As at 01.01.2002	Addition during the Year	Reductions during the year	Addn. on merger/ demerger	As at 31.12.2002	As at 01.01.2002	Provided during the year	Deduction during the year	Addn. on merger/ demerger	As at 31.12.2002	As at 31.12.2002	As at 31.12.2001	
Land	153,699	—	—	—	153,699	—	—	—	—	—	153,699	153,699	
Leasehold Premises	240,723,544	39,663,092	—	—	280,386,636	3,708,726	3,995,692	—	—	7,704,418	272,682,219	237,014,818	
Plant & Machinery	558,510,941	172,027,622	73,546,561	—	656,992,002	174,996,458	100,496,488	28,406,458	—	247,086,487	409,905,514	383,514,483	
Furniture & Fixtures	107,610,357	60,443,636	1,297,680	—	166,756,313	18,290,374	6,996,734	99,222	—	25,187,886	141,568,427	89,319,983	
Vehicles	36,405,193	7,434,223	10,018,253	—	33,821,163	3,736,031	2,977,200	2,398,095	—	4,315,136	29,506,026	32,669,162	
Current Year	943,403,734	279,568,572	84,862,494	—	1,138,109,813	200,731,589	114,466,114	30,903,776	—	284,293,928	853,815,885	742,672,145	
Previous Year	2,693,438,366	547,279,633	36,606,539	(2,260,707,726)	943,403,734	650,365,381	149,169,269	6,700,431	(592,102,630)	200,731,589	742,672,145	2,043,072,985	

Schedules to Balance Sheet

	As at 31 December, 2002		As at 31 December, 2001	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE "5" - INVESTMENTS				
(AT LOWER OF COST OR BOOK VALUE)				
TRADE INVESTMENTS - UNQUOTED				
INVESTMENT IN SUBSIDIARIES				
1,50,000 No Par Value Common Stock of Specsoft Inc.; USA	13,355,325		13,355,325	
* 22,450 (22,450) Common Stock at no par value in Hexaware Technologies Inc.; USA (3,000 Common Stock at no par value pursuant to merger of Aptech Worldwide Inc.; USA)	152,360,458		-	
4,10,000 Shares of 1 GBP each fully paid up in HTI Europe Ltd.; UK (Formerly Aptech Worldwide Europe Limited; UK)	1		1	
14,00,000 (13,50,000) Shares of 1 GBP each in Hexaware Technologies Europe Ltd.; UK	3,555,501		1	
65,000 Shares of Australian \$ 1/- each fully paid up in Aptech Technologies Pty. Ltd.; Australia.	1,804,430		1,804,430	
5,00,000 Shares of Singapore \$ 1/- each fully paid up in Hexaware Technologies Asia-Pacific Pte. Ltd. (Formerly Aptech Worldwide Pte. Ltd.); Singapore.	12,476,000		12,476,000	
3,618 Shares of Face Value 50 Euro in Hexaware Technologies GmbH; Germany	7,570,241		7,570,241	
1 Common Stock at no par value in Hexaware Technologies Canada Limited; Canada	727,800		-	
OTHERS				
1,11,87,727 Common Stock of USD 0.30 each in Turbograd.com Inc.; USA	156,672,882		156,672,882	
2,000 Shares of Rs. 10/- each fully paid up in Aptech Limited	20,000		20,000	
Nil (10,000,000) Shares of Rs. 10/- each fully paid up in Bconnectb Worldwide Limited (10,000,000 Shares sold during the year)	-		1	
	348,542,637		344,259,339	

* Aptech Worldwide Inc., USA merged with Hexaware Technologies Inc., USA effective from 31 January, 2002.

Schedules to Balance Sheet

	As at 31 December, 2002		As at 31 December, 2001	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE "6" - CURRENT ASSETS				
Sundry Debtors (Unsecured - Considered Good)				
Due Over Six Months	44,356,380		49,925,212	
Others	436,448,313		280,165,939	
		480,804,692		330,091,151
Cash And Bank Balances				
Cash in Hand	791,254		622,047	
Balances with Scheduled Banks (Including cheques in hand and remittance in transit)				
In Fixed Deposit Accounts	3,655,712		1,278,888	
In Exchange Earner's Foreign Currency Account	12,078,541		6,470,091	
In Current Accounts	31,043,325		12,915,208	
Balances with Non-scheduled Banks				
In Deposit Accounts in Foreign Currency				
a) Harris Trust and Savings Bank [Maximum Balance outstanding during the year Rs. Nil (Previous Year Rs. 851,111,467/-)]	-		851,111,467	
b) South Trust Bank N.A. [Maximum Balance outstanding during the year Rs. 325,188,630/- (Previous Year Rs. Nil)]	229,824,530		-	
c) Deutsche Bank - Singapore [Maximum Balance outstanding during the year Rs. 1,017,59,571/- (Previous Year Rs. Nil)]	101,759,571		-	
In Current Accounts				
a) ABN AMRO Bank - Amsterdam [Maximum Balance outstanding during the year Rs.4,18,897 /- (Previous Year Rs. 4,18,897/-)]	418,897		418,897	
b) Union Bank of California, Tokyo - Japan [Maximum Balance outstanding during the year Rs. 6,10,588/- (Previous Year Rs. 13,12,208)]	420,626		558,612	
c) Union Bank of Switzerland [Maximum Balance outstanding during the year Rs. 12,93,173/- (Previous Year Rs. 31,43,916)]	354,965		1,293,173	
		380,347,421		874,668,383
Loans And Advances (Unsecured - Considered Good)				
Loans To Subsidiaries	288,913,278		136,974,481	
Advances recoverable in cash or in kind or for Value to be received.	110,437,810		198,310,548	
Deposits	59,856,672		59,333,088	
Unbilled Services	1,839,600		-	
Income Tax	19,924,297		17,598,308	
		480,971,657		412,216,425
		1,342,123,771		1,616,975,959
SCHEDULE "7" - CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities				
Sundry Creditors	57,025,469		136,772,450	
Interest Accrued but not Due	769,106		1,187,668	
Other Liabilities	54,214,088		63,208,997	
		112,008,663		201,169,115
Provisions				
- Provision for Expenses	4,130,962		7,860,836	
- Provision for Taxation	100,000		168,370	
		4,230,962		8,029,206
		116,239,625		209,198,321

Schedules to Profit and Loss Account

	For the year ended 31 December, 2002		For the year ended 31 December, 2001	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE "8" - INCOME FROM OPERATIONS				
Software and Consulting		977,011,053		506,691,222
Training and Education		—		600,765,041
		<u>977,011,053</u>		<u>1,107,456,263</u>
SCHEDULE "9" - OTHER INCOME				
Dividend from Subsidiary		—		342,541
Interest and Exchange Differences (Net)		21,468,398		62,912,407
Profit on Sale of Investments		399,999		—
Others		38,598		1,650,272
		<u>21,906,995</u>		<u>64,905,220</u>
SCHEDULE "10" - SOFTWARE, DEVELOPMENT AND EDUCATION EXPENSES				
Software and Consulting Expenses		120,853,802		80,123,347
Advertisement and Publicity		118,687		2,573,619
Seminar and Conference Expenses		4,576,437		3,807,818
		<u>125,548,926</u>		<u>86,504,784</u>
Add : Education and Training Business Expenses		—		423,566,473
		<u>125,548,926</u>		<u>510,071,257</u>
SCHEDULE "11" - EMPLOYMENT EXPENSES				
Salary and Other Allowances		418,390,148		190,734,627
Contribution to Provident and Other Funds		12,474,112		21,132,600
Welfare Expenses		19,780,036		13,603,731
		<u>450,644,296</u>		<u>225,470,958</u>
Add : Education and Training Business Expenses		—		46,720,960
		<u>450,644,296</u>		<u>272,191,918</u>

Schedules to Profit and Loss Account

	For the year ended 31 December, 2002		For the year ended 31 December, 2001	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE "12" - ADMINISTRATION AND OTHER EXPENSES				
Rent		20,370,904		16,646,780
Rates & Taxes		1,857,764		2,621,038
Travelling and Conveyance Expenses		95,823,280		57,378,354
Electricity Charges		14,341,589		11,715,808
Communication Expenses		36,294,542		18,623,726
Repairs and Maintenance :				
Buildings	1,657,872		1,321,201	
Plant & Machinery	2,518,636		3,359,343	
Others	2,745,361		2,233,737	
		6,921,869		6,914,281
Printing and Stationery		7,163,303		4,999,187
Auditors Remuneration				
Audit Fees	525,000		525,000	
Tax Audit Fees	210,000		210,000	
Certification Fees	-		89,000	
Out of Pocket Expenses	157,950		66,176	
		892,950		890,176
Legal and Professional Fees		8,555,725		12,130,161
Bank and Other Charges		1,301,852		1,818,956
Director's Sitting Fees		370,000		377,000
Stamp Duty and Filing Fees		796,528		1,503,713
Registrar and Share Transfer Expenses		1,721,590		1,174,214
Insurance Premium		2,636,275		1,840,809
Loss on Sale of Assets (Net)		15,146,331		5,882,822
Debts Written Off		-		16,883,688
Staff Recruitment Expenses		7,790,663		9,465,682
Service Charges		8,195,719		7,156,136
Membership and Subscription		689,720		3,425,960
Miscellaneous Expenses		2,988,000		1,558,397
		233,858,604		183,006,887
Add : Education and Training Business Expenses		-		41,683,281
		233,858,604		224,690,168

Significant Accounting Policies

SCHEDULE "13"

1. Accounting Convention and Concepts :

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

2. Revenue Recognition :

- a) Revenues from Software Solutions are recognized on specified terms of contract in case of contract for development of software undertaken on time basis. In case of fixed price contracts revenue is recognized using the percentage of completion method of accounting, unless work completed cannot be reasonably estimated. Provisions for estimated losses on such engagements are made during the year in which a loss becomes probable and can be reasonably estimated. Amount received or billed in advance of services performed are recorded as unearned revenue. Unbilled services, represents amount recognized based on services performed in advance of billing in accordance with contract terms.
- b) Dividend income is recognised on right to receive basis.
- c) Recovery of expenses is credited to the respective expense head and such expenses are shown on net basis.

3. Fixed Assets :

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

4. Depreciation :

Depreciation on Fixed Assets is provided on Straight-Line Method on a pro rata basis at the rates specified in Schedule XIV of the Companies Act, 1956 except Computer Systems and Software's forming part of plant and machinery are depreciated over a period of 3-5 years based on their technical evaluation about their useful economic life.

5. Investments :

Investments are stated at cost of acquisition. All the Investments are held as long term investments and provision is made for permanent diminution in the value of Investment.

6. Foreign Currency Transactions :

- i) Value of Fixed Assets is converted at the rate prevailing on the date of remittance/acquisition.
- ii) Investment in the Overseas Subsidiary companies/Joint Ventures is accounted at the prevailing on the date of remittance/acquisition.
- iii) Transactions done during the year are converted at the rate prevailing on the date of transaction.
- iv) Conversion of Transactions of Foreign Branch :
 - a) Conversion of Foreign Currency Transaction of the Overseas branch offices of the Company on revenue accounts excluding depreciation on Fixed Assets of Overseas branch are incorporated in the Company's account at average rate during the year.
 - b) Fixed Assets and depreciation thereon are translated in case of specific remittance at the rate of exchange prevailing on the day of remittance and in case of no specific remittance at the rate prevailing on the day of acquisition of the assets.
 - c) Current Assets and liabilities are translated at the rate prevailing on the last working day of the year.
 - d) Balances appearing in foreign currency in branch books of Head Office account are translated at corresponding Rupee balance appearing in the Head Office books.

7. Retirement Benefits :

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

- i) Company's contribution to Provident Fund, Superannuation Fund and other fund is charged to Profit and Loss Account.
- ii) The amount of Gratuity liability ascertained on the basis of actuarial valuation is paid and charged to Profit and Loss Account.
- iii) Provision is made towards liability for leave encashment.

8. Borrowing Cost :

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

Notes forming part of the Accounts

SCHEDULE "14"

- 1) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) Rs. 52,54,226/- (Previous year Rs. 3,86,31,610/-).
- 2) Contingent Liabilities in respect of:
 - a) Claims not acknowledged as debt amounts to Rs. 3,79,77,700/- (Previous year Rs. 3,79,77,700/-).
 - b) Counter Guarantee to the Bankers, who have given guarantees to the third parties on behalf of the Company amounted to Rs. 12,60,14,571/- (Previous year Rs. 2,10,95,961/-).
 - c) Letter of Credit outstanding amounting to Rs. Nil (Previous year Rs. 1,11,75,704/-).
 - d) The Company has not provided for disputed tax liability of Rs.1,023,630/- arising from disallowance made in the assessment, which is pending with appellate authorities for its decision based on professional advice received.

3) ESOP

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

Employee Stock Option Plans			
	Hexaware Technologies Limited – 1999 (Warrants)	Erstwhile Hexaware Technologies Limited – 1999 (Warrants) *	Hexaware Technologies Limited – 2002 (Options) **
Opening Balance	220000	1416850	–
Additions during the year	–	937500	1677000
Exercised during the year	–	43610	–
Cancelled during the year	93570	25675	16250
Closing Balance	126430	2285065	1660750

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

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

4) Income Taxes

During the year, the Company adopted AS 22 "Accounting for Taxes on income" as a result, the Company has cumulative net deferred tax liability of Rs. 85,32,901/- as at 1-1-2002 and has adjusted to General Reserve.

Deferred tax for timing differences between the book profits and tax profits is accounted for using the tax rates and laws that have been enacted or substantially enacted as of the Balance Sheet date. Deferred tax asset arising from the timing differences are recognized to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Notes forming part of the Accounts

SCHEDULE "14" (Contd.)

5) Related Parties

The Company has entered into transactions with following related parties.

Subsidiaries

Hexaware Technologies Inc., Specsoft Consulting Inc. – USA, HTI Europe Limited, Hexaware Technologies Europe Limited – UK, Hexaware Technologies Asia Pacific Pte Ltd. - Singapore, Hexaware Technologies GmbH -Germany, Aptech Technologies Pty. Limited -Australia, Hexaware Technologies Canada Limited, Canada.

Associates

Turbograd.Com Inc.

Related Party Transaction

Sr. No.	Description and Nature of Transaction	Transaction (Rs.)	Closing Balance (Rs.)
1	Sales/Receivable	51,58,05,095	36,19,64,574
2	Outsourcing/Expenses Payables	12,70,61,486	3,05,67,233
3	Expenses Recoverable	3,64,48,199	2,12,39,049
4	Investments	42,83,300	34,85,22,637
5	Guarantees & Collateral	12,57,44,571	12,57,44,571
6	Finance (Including Loans)	14,33,72,975	27,36,90,281
7	Interest on Loan	85,65,822	1,52,22,997

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

7) **Earning Per Share (EPS)**: The Components of basic and diluted earnings per share were as follows :

		As at 31 December	
		2002	2001
a)	Net Income available to equity shareholders	Rs. 7,47,45,902	1,60,70,502
b)	Weighted average outstanding equity shares considered for basic EPS	2,21,12,828	2,20,98,292
	Add : Effect of dilutive issue of stock options	Nos. 38,35,293	16,40,000
	Considered for diluted EPS	Nos. 2,59,48,121	2,37,38,292
c)	Earning per shares		
	Basic	Rs. 3.38	0.73
	Diluted	Rs. 2.88	0.68

8) During the year the Company has reversed Rs.14,791,712/- being the excess provision made in earlier years in respect of acquisition of stock of subsidiary company.

9) a) Remuneration to Whole-time Directors (Including Managing Director) :

	Current Year (Rs.)	Previous Year (Rs.)
- Salaries and Allowances	35,56,495	68,29,424
- Contribution to Provident Fund and Other Funds	1,59,792	5,39,892
- Perquisites (Valued as per Income Tax Rules)	80,559	99,553
Total	37,96,846	74,67,869

Notes forming part of the Accounts

- b) Since no commission is paid/payable to any director, the computation of profits under Section 349 of the Companies Act, 1956 has not been made.
- 10) Provision for Tax is made on a yearly basis under the Tax payable method, based on the tax liability as computed after taking credit for allowance and exemptions.
- 11) Additional information pursuant to the provisions of Paragraphs 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956.

I. Quantitative Details of :

A) Educational and other Material

		For the year ended 31-12-2002	For the year ended 31-12-2001
i	Sales		
	Quantity (Nos.) *	Nil	10,02,537
	Value (Rs.)	Nil	3,02,86,342
ii	Purchase		
	Quantity (Nos.)	Nil	14,70,496
	Value (Rs.)	Nil	2,75,15,146
iii	Opening Stock		
	Quantity (Nos.)	Nil	31,97,836
	Value (Rs.)	Nil	7,04,24,928
iv	Transfer on Amalgamation/ Demerger		
	Quantity (Nos.)	Nil	(3,66,57,950)
	Value (Rs.)	Nil	(6,32,92,437)
v	Closing Stock		
	Quantity (Nos.)	Nil	Nil
	Value (Rs.)	Nil	Nil

* Including consumption at owned Education and Training Centres which was demerged effective from 1 April, 2001.

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

		For the year ended 31-12-2002 (Rs.)	For the year ended 31-12-2001 (Rs.)
II.	CIF value of Imports :		
	Software and Capital Goods	1,70,36,651	26,16,516
III.	Expenditure in Foreign Currency :		
a)	Foreign Travelling Expenses	3,38,94,312	2,72,44,506
b)	Membership & Subscription	1,87,500	4,56,428
c)	Consultancy Charges	6,38,232	33,18,489
d)	Business Promotion, Seminar & Conference Expenses	1,33,513	3,15,005
e)	Software & Capital Goods	1,70,36,651	26,16,516
f)	Legal & Professional Charges	6,77,025	11,02,360
g)	Reimbursement of Onsite Expenses	9,91,02,631	Nil
h)	Miscellaneous	22,38,189	13,43,848
IV.	Earnings in Foreign Currency :		
a)	Income from Software Development, Technical Services, Interest & Royalties.	74,79,59,604	48,48,87,081

Notes forming part of the Accounts

- | | | |
|--|------------|-----------|
| b) Dividend from Subsidiary | Nil | 3,42,541 |
| c) F.O.B. Value of Education and other Materials | Nil | 20,45,192 |
- 12) Due to change in Accounting Policy of recognising revenue under fixed price contracts "from achievement of the milestone method to percentage of completion method" the revenue of the Company is increased by Rs. 18,39,600/- and the net profit of the Company is higher by Rs. 4,96,387/-.
- 13) Sundry Debit/Credit balances is subject to confirmation and reconciliation.
- 14) Figures for the previous year have been regrouped/rearranged wherever necessary. Figures in the bracket represent previous year's figures.

Signature to Schedules 1 to 14

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner

Atul K. Nishar
(Chairman)

Dr. K. K. Anand
(Director)

L. S. Sarma
(Director)

A. P. Kurian
(Director)

Dr. (Mrs.) Alka Nishar
(Director)

Rusi Brij
(Director)

Place : Mumbai
 Date : 17 February, 2003

P. K. Sridharan
(Executive Director)

Rajesh B. Ghonasgi
(Chief Financial Officer)

Naishadh Desai
(Company Secretary)

Cash Flow Statement for the Financial Year 2002

	Year ended 31 December, 2002		Year ended 31 December, 2001	
	Rupees	Rupees	Rupees	Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit Before Tax & Extraordinary items		74,400,112		16,238,872
Adjustments				
Depreciation	114,466,110		149,169,269	
Interest Expenses	26,044,076		41,869,593	
Interest & Exchange Difference Income	(47,512,474)		(104,782,000)	
Dividend Received	—		(342,541)	
Profit on sale of Assets / Investments (Net)	14,746,332		5,882,822	
		107,744,044		91,797,143
(Increase) / Decrease in Current Assets				
Inventory	—		79,469,864	
Sundry Debtors	(150,713,541)		900,313,770	
Loans & Advances	(68,536,734)		59,852,621	
		(219,250,275)		1,039,636,255
Increase / (Decrease) in Current Liabilities				
Liabilities	(64,624,408)		(214,071,059)	
		(283,874,683)		825,565,196
NET CASH FROM OPERATIONS		(101,730,527)		933,601,211
Less:				
Interest Paid		26,462,638		40,681,925
Interest & Exchange Difference Received		(47,293,976)		(104,782,000)
Direct Tax Paid		86,210		10,268,370
		(80,985,399)		987,432,915
B. CASH FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(280,460,190)		(552,355,360)	
Fixed Assets Transfer on Merger/Demerger	—		1,668,605,095	
Sales of Fixed Assets	38,812,387		24,023,287	
Purchase of Investments (net)	(3,883,300)		(324,397,789)	
Investments Transfer on Merger/Demerger	—		148,795,243	
Dividend Received	—		342,541	
NET CASH USED IN INVESTING ACTIVITIES		(245,531,103)		965,013,017

Cash Flow Statement for the Financial Year 2002

	Year ended 31 December, 2002 Rupees		Year ended 31 December, 2001 Rupees	
	Rupees	Rupees	Rupees	Rupees
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Issue of Share Capital	641,038		(150,000,000)	
Reduction on Merger / Demerger	—		(80,724,370)	
Proceeds from Long-term Borrowings	(168,445,498)		346,892,965	
Dividend Paid	—		(119,617,153)	
Transfer of Reserves on Demerger/Merger	—		(3,441,476,605)	
		(167,804,460)		(3,444,925,163)
		(494,320,962)		(1,492,479,230)
Cash and Cash Equivalents as on 1 January, 2002	874,668,383		2,367,147,613	
Cash and Cash Equivalents as on 31 December, 2002	380,347,421		874,668,383	
		(494,320,962)		(1,492,479,230)

Atul K. Nishar
(Chairman)

A. P. Kurian
(Director)

P. K. Sridharan
(Executive Director)

Dr. K. K. Anand
(Director)

Dr. (Mrs.) Alka Nishar
(Director)

Rajesh B. Ghonasgi
(Chief Financial Officer)

L. S. Sarma
(Director)

Rusi Brij
(Director)

Naishadh Desai
(Company Secretary)

Place : Mumbai
Date : 17 February, 2003

Auditors' Certificate

We have examined the above Cash Flow Statement of Hexaware Technologies Ltd. derived from Audited Annual Financial Statements for the year ended 31 December, 2002. This statement has been prepared by the Company in accordance with the requirements of Clause 32 of Listing Agreement with the Stock Exchange.

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

Place : Mumbai
Date : February 17, 2003

Manoj P. Shah
Partner

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

 Registration No.

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

 State Code

1	1
---	---

 (Refer Code List 1)

 Balance Sheet Date

3	1
---	---

1	2
---	---

2	0	0	2
---	---	---	---

 Date Month Year

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

Public Issue <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;">N</td><td style="width: 20px; height: 20px;">I</td><td style="width: 20px; height: 20px;">L</td></tr></table>						N	I	L	Rights Issue <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;">N</td><td style="width: 20px; height: 20px;">I</td><td style="width: 20px; height: 20px;">L</td></tr></table>						N	I	L
					N	I	L										
					N	I	L										

Bonus Issue <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;">N</td><td style="width: 20px; height: 20px;">I</td><td style="width: 20px; height: 20px;">L</td></tr></table>						N	I	L	Private Placement* <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;">1</td><td style="width: 20px; height: 20px;">4</td><td style="width: 20px; height: 20px;">5</td><td style="width: 20px; height: 20px;">.</td><td style="width: 20px; height: 20px;">3</td><td style="width: 20px; height: 20px;">6</td></tr></table>			1	4	5	.	3	6
					N	I	L										
		1	4	5	.	3	6										

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

Total Liabilities <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;">2</td><td style="width: 20px; height: 20px;">4</td><td style="width: 20px; height: 20px;">2</td><td style="width: 20px; height: 20px;">0</td><td style="width: 20px; height: 20px;">3</td><td style="width: 20px; height: 20px;">5</td><td style="width: 20px; height: 20px;">3</td></tr></table>			2	4	2	0	3	5	3	Total Assets <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;">2</td><td style="width: 20px; height: 20px;">4</td><td style="width: 20px; height: 20px;">2</td><td style="width: 20px; height: 20px;">0</td><td style="width: 20px; height: 20px;">3</td><td style="width: 20px; height: 20px;">5</td><td style="width: 20px; height: 20px;">3</td></tr></table>			2	4	2	0	3	5	3
		2	4	2	0	3	5	3											
		2	4	2	0	3	5	3											

Source of Funds

Paid-up Capital <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;">2</td><td style="width: 20px; height: 20px;">2</td><td style="width: 20px; height: 20px;">2</td><td style="width: 20px; height: 20px;">4</td><td style="width: 20px; height: 20px;">1</td><td style="width: 20px; height: 20px;">5</td></tr></table>			2	2	2	4	1	5	Reserves and Surplus <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;">2</td><td style="width: 20px; height: 20px;">0</td><td style="width: 20px; height: 20px;">1</td><td style="width: 20px; height: 20px;">9</td><td style="width: 20px; height: 20px;">4</td><td style="width: 20px; height: 20px;">9</td><td style="width: 20px; height: 20px;">0</td></tr></table>			2	0	1	9	4	9	0
		2	2	2	4	1	5											
		2	0	1	9	4	9	0										

Secured Loans <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;">1</td><td style="width: 20px; height: 20px;">7</td><td style="width: 20px; height: 20px;">8</td><td style="width: 20px; height: 20px;">4</td><td style="width: 20px; height: 20px;">4</td><td style="width: 20px; height: 20px;">7</td></tr></table>			1	7	8	4	4	7	Unsecured Loans <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;">N</td><td style="width: 20px; height: 20px;">I</td><td style="width: 20px; height: 20px;">L</td></tr></table>						N	I	L
		1	7	8	4	4	7										
					N	I	L										

Application of Funds

Net Fixed Assets <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;">8</td><td style="width: 20px; height: 20px;">5</td><td style="width: 20px; height: 20px;">3</td><td style="width: 20px; height: 20px;">9</td><td style="width: 20px; height: 20px;">2</td><td style="width: 20px; height: 20px;">7</td></tr></table>			8	5	3	9	2	7	Investments <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;">3</td><td style="width: 20px; height: 20px;">4</td><td style="width: 20px; height: 20px;">8</td><td style="width: 20px; height: 20px;">5</td><td style="width: 20px; height: 20px;">4</td><td style="width: 20px; height: 20px;">3</td></tr></table>			3	4	8	5	4	3
		8	5	3	9	2	7										
		3	4	8	5	4	3										

Net Current Assets <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;">1</td><td style="width: 20px; height: 20px;">2</td><td style="width: 20px; height: 20px;">2</td><td style="width: 20px; height: 20px;">5</td><td style="width: 20px; height: 20px;">8</td><td style="width: 20px; height: 20px;">8</td><td style="width: 20px; height: 20px;">4</td></tr></table>			1	2	2	5	8	8	4	Misc. Expenditure <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;">N</td><td style="width: 20px; height: 20px;">I</td><td style="width: 20px; height: 20px;">L</td></tr></table>						N	I	L
		1	2	2	5	8	8	4										
					N	I	L											

Accumulated Losses <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;">N</td><td style="width: 20px; height: 20px;">I</td><td style="width: 20px; height: 20px;">L</td></tr></table>						N	I	L	Deferred Tax Liabilities/Assets <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;">(-)</td><td style="width: 20px; height: 20px;">8</td><td style="width: 20px; height: 20px;">0</td><td style="width: 20px; height: 20px;">0</td><td style="width: 20px; height: 20px;">1</td></tr></table>				(-)	8	0	0	1
					N	I	L										
			(-)	8	0	0	1										

Balance Sheet Abstract and Company's General Business Profile

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

Turnover

			9	9	8	9	1	8
--	--	--	---	---	---	---	---	---

Total Expenditure

			9	2	4	5	1	8
--	--	--	---	---	---	---	---	---

Profit Before Tax

			7	4	4	0	0
--	--	--	---	---	---	---	---

Profit After Tax

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

(Please tick Appropriate box + for Profit, - for Loss)

Earning per Share in Rs.

					3	.	7	4
--	--	--	--	--	---	---	---	---

Dividend

0	0
---	---

V. Generic Names of Three Principal Products/Services of Company

(as per monetary terms)

Item Code No. **
(ITC Code)

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

Product Description

		S	O	F	T	W	A	R	E		D	E	V	E	L	O	P	M	E	N	T
--	--	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	---	---	---

Item Code No. **
(ITC Code)

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

Product Description

		S	O	F	T	W	A	R	E		C	O	N	S	U	L	T	A	N	C	Y
--	--	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	---	---	---

Item Code No. **
(ITC Code)

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

Product Description

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

* Warrants Exercised under ESOP-1999 Scheme.

** Code No. for the services rendered by the Company is not available in the Publication of Indian Trade classification for ITC Code of Products by Ministry of Commerce, Directorate General of Commercial Intelligence & Statistics, Kolkata - 700 001.

Auditors' Report on the Consolidated Financial Statements

The Board of Directors

Hexaware Technologies Limited

Mumbai

We have examined the attached Consolidated Balance Sheet of Hexaware Technologies Limited and its subsidiaries as at 31 December 2002 and the Consolidated Profit and Loss Account and the consolidated cash flow statement for the year ended on that date.

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

Few of financial statements consolidated are on the basis of financial statements audited by the auditors of the respective companies. These financial statements reflects total assets of Rs. 30,04,94,597/- and Revenue of Rs. 74,65,47,975/- as at 31 December 2002.

We report that the consolidated financial statement have been prepared by the company in accordance with the requirements of Accounting Standards (AS) 21. Consolidated Financial Statements issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Hexaware Technologies Limited an its subsidiaries included in the consolidated financial statements.

On the Basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Hexaware Technologies Limited and its aforesaid subsidiaries, we are of the opinion that:

- a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Hexaware Technologies Limited and its subsidiaries as at 31 December, 2002; and
- b) the consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Hexaware Technologies Limited and its subsidiaries and consolidated cashflows for the year ended on that date in conformity with generally accepted accounting policies in India.

For Mahendra Kumbhat & Associates

Chartered Accountants

Manoj P. Shah

Partner

Place : Mumbai

Date : 17 February, 2003

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER, 2002

PARTICULARS	SCHEDULE	AS AT	
		31 DECEMBER, 2002 RUPEES	RUPEES
SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
A) Share Capital	"1"	222,415,198	
B) Reserves And Surplus	"2"	1,897,207,926	
			2,119,623,124
2. LOAN FUNDS			
Secured Loans	"3"		186,602,367
			<u>2,306,225,491</u>
APPLICATION OF FUNDS			
1. FIXED ASSETS	"4"		
A) Gross Block		1,267,864,525	
B) Less: Depreciation		375,586,949	
		<u>892,277,575</u>	
Add : Capital Work-in-progress		111,000	
			892,388,576
2. INVESTMENTS	"5"		191,957,689
3. A) CURRENT ASSETS, LOANS AND ADVANCES	"6"		
i) Sundry Debtors		546,662,927	
ii) Cash And Bank Balances		507,621,319	
iii) Loans And Advances		357,585,996	
		<u>1,411,870,242</u>	
Less:			
B) CURRENT LIABILITIES AND PROVISIONS	"7"		
i) Current Liabilities		294,036,896	
ii) Provisions		29,874,355	
		<u>323,911,251</u>	
4. NET CURRENT ASSETS (A-B)			1,087,958,991
4. DEFERRED TAX LIABILITY		(8,532,901)	
4. DEFERRED TAX ASSET		<u>141,976,273</u>	
			133,443,372
5. MISCELLANEOUS EXPENDITURE			476,863
(To the extent not written off or adjusted)			<u>2,306,225,491</u>
SIGNIFICANT ACCOUNTING POLICIES	"13"		
NOTES FORMING PART OF ACCOUNTS	"14"		

SCHEDULES 1 TO 14 FORM AN INTEGRAL PART OF THE ACCOUNTS.

THIS IS THE BALANCE SHEET REFERRED TO IN OUR REPORT OF EVEN DATE.

For **Mahendra Kumbhat & Associates**
Chartered Accountants

Manoj P. Shah
Partner

Atul K. Nishar
(Chairman)

Dr. K. K. Anand
(Director)

L. S. Sarma
(Director)

A. P. Kurian
(Director)

Dr. (Mrs.) Alka Nishar
(Director)

Rusi Brij
(Director)

P. K. Sridharan
(Executive Director)

Rajesh B. Ghonasgi
(Chief Financial Officer)

Naishadh Desai
(Company Secretary)

Place : Mumbai
Date : 17 February, 2003

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR YEAR ENDED 31 DECEMBER, 2002**

PARTICULARS	SCHEDULE	FOR THE YEAR ENDED 31 DECEMBER, 2002	
		RUPEES	RUPEES
INCOME AND EXPENDITURE			
INCOME			
Income from Operations	"8"	2,485,920,767	
Other Income	"9"	5,951,526	
			2,491,872,293
EXPENDITURE			
Software, Development Expenses	"10"	401,290,302	
Employment Expenses	"11"	1,479,367,284	
Administration And Other Expenses	"12"	462,212,734	
Depreciation		142,504,132	
			2,485,374,452
PROFIT BEFORE TAX			6,497,841
Less : Provision for Tax	- Current		5,061,510
	- Deferred		(20,885,372)
	- Earlier Years		86,210
PROFIT AFTER TAX			22,235,493
Share of Profit in Associate			35,264,807
PROFIT AFTER TAX AND SHARE OF PROFIT IN ASSOCIATE			57,500,300
Add : Balance brought forward from previous year			29,199,890
BALANCE CARRIED TO BALANCE SHEET			86,700,190
SIGNIFICANT ACCOUNTING POLICIES	"13"		
NOTES FORMING PART OF ACCOUNTS	"14"		

SCHEDULES 1 TO 14 FORM AN INTEGRAL PART OF THE ACCOUNTS.

THIS IS THE PROFIT AND LOSS ACCOUNTS REFERRED TO IN OUR REPORT OF EVEN DATE.

For **Mahendra Kumbhat & Associates**
Chartered Accountants

Manoj P. Shah
Partner

Atul K. Nishar
(Chairman)

Dr. K. K. Anand
(Director)

L. S. Sarma
(Director)

A. P. Kurian
(Director)

Dr. (Mrs.) Alka Nishar
(Director)

Rusi Brij
(Director)

P. K. Sridharan
(Executive Director)

Rajesh B. Ghonasgi
(Chief Financial Officer)

Naishadh Desai
(Company Secretary)

Place : Mumbai
Date : 17 February, 2003

SCHEDULES TO CONSOLIDATED BALANCE SHEET

PARTICULARS	AS AT 31 DECEMBER, 2002 RUPEES
SCHEDULE "1" - SHARE CAPITAL	
AUTHORISED	
3,50,00,000 Equity Shares of Rs. 10/- each.	350,000,000
30,00,000 Preference Shares of Rs. 100/- each.	300,000,000
	650,000,000
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	
EQUITY :	
2,21,12,828 Equity Shares of Rs. 10/- each fully paid	221,128,280
Of the above :-	
a) 22,26,925 Equity Shares has been allotted as fully paid up without receiving consideration in cash.	
b) 72,37,774 Equity Shares have been allotted as fully paid up by way of Bonus Share by capitalisation of General Reserve/ Share Premium Account	
c) 20,90,593 Equity Shares have been allotted to Global Depository Shareholders.	
d) 1,00,00,000 Equity Shares issued to the Shareholders of erstwhile Hexaware Technologies Limited pursuant to the composite scheme of reconstruction and arrangement.	
e) 14,536 Equity Shares have been allotted as fully paid up pursuant to the ESOP scheme issued by the erstwhile Hexaware Technologies Limited	
WARRANTS :	
a) 2,20,000 Warrants of Re. 1/- each allotted by Hexaware Technologies Limited, under Employee Stock Option Plan (ESOP) 1999: Each block of 5 warrants entitles the holder to get allotted simultaneously two equity shares of Rs.10/- each in the company and three equity shares of Rs. 10/- each in Aptech Limited at price of Rs. 490/- per share, within a period ten years from the date of allotment i.e. 29 December, 1999 together with proportionate Bonus entitlement.	220,000
b) 35,56,392 Warrants of Re. 0.30 each allotted under Employee Stock Option Scheme 1999 issued by Erstwhile Hexaware Technologies Limited: Each block of 3 warrants entitles the holder to get allotted one equity share of Rs.10/- each at a price of Rs. 45/- per share, within a period of ten years from the date of allotment i.e. 31 December, 1999.	1,066,918
	222,415,198

SCHEDULES TO CONSOLIDATED BALANCE SHEET

PARTICULARS	AS AT	
	31 DECEMBER, 2002	
	RUPEES	RUPEES
SCHEDULE "2" - RESERVES AND SURPLUS		
Security Premium Account As Per Last Balance Sheet	1,674,240,624	
Add : Received during the year	508,760	
		1,674,749,384
Esop Capital Suspense Reserve A/c. As Per Last Balance Sheet		2,200,000
General Reserve I As Per Last Balance Sheet		97,440,400
General Reserve II As Per Last Balance Sheet	30,859,034	
Less : Deferred Tax Liability	8,532,901	
		22,326,133
Amalgamation Reserve A/c. As Per Last Balance Sheet		2,879,812
Currency Translation Reserve		10,912,009
Profit And Loss Account As Per Annexed Account		86,700,190
		1,897,207,926
SCHEDULE "3" - SECURED LOANS		
1) NON-CONVERTIBLE DEBENTURES (Secured by hypothecation of immovable property, book debts and other movable assets) 7,50,000, 12% Secured, Redeemable Debentures of Rs. 100/- each with IDBI Bank To be redeemed at the end of 18 months with a call/put option after 6 months from the date of allotment i.e. 9 August, 2001.		75,000,000
2) FROM BANKS (Secured by hypothecation of immovable property) (Against Corporate Guarantee)		100,000,000 8,154,900
3) OTHER TERM LOANS (Secured by the specified assets acquired and financed by the Bank/Financier)		3,447,467
		186,602,367
SCHEDULE "4" - FIXED ASSETS		
GROSS BLOCK - PROPERTY PLANT & EQUIPMENT		
1. Land Freehold	153,699	
2. Office Premises	281,993,091	
3. Plant and Machinery	767,480,330	
4. Furniture and Fixtures	184,416,242	
5. Vehicles	33,821,163	
		1,267,864,525
Less : Accumulated Depreciation		375,586,949
NET BLOCK		892,277,576

SCHEDULES TO CONSOLIDATED BALANCE SHEET

PARTICULARS	AS AT	
	31 DECEMBER, 2002	
	RUPEES	RUPEES
SCHEDULE "5" - INVESTMENTS (AT LOWER OF COST OR BOOK VALUE)		
TRADE INVESTMENTS - UNQUOTED		
1,11,87,727 Common Stock of USD 0.30 each in Turbograd.com Inc., U.S.A.	156,672,882	
Share of Profit in Associate	35,264,807	
		191,937,689
2,000 Shares of Rs. 10/- each fully paid up in Aptech Limited		20,000
		191,957,689
SCHEDULE "6" - CURRENT ASSETS		
SUNDRY DEBTORS (UNSECURED - CONSIDERED GOOD) (Net of Provision)		
Due Over Six Months	84,193,536	
Others	462,469,391	
		546,662,927
CASH AND BANK BALANCES		
Cash in Hand	809,595	
Balances with Scheduled Banks (Including cheques in hand and remittance in transit)		
In Fixed Deposit Accounts	108,359,510	
In Exchange Earner's Foreign Currency Account	12,078,541	
In Current Accounts	155,274,351	
In Deposit Accounts in Foreign Currency	231,099,323	
		507,621,319
LOANS AND ADVANCES (UNSECURED - CONSIDERED GOOD)		
Advances recoverable in cash or in kind or for value to be received.	152,283,538	
Deposits	70,705,093	
Unbilled Services	114,526,843	
Income Tax	20,070,522	
		357,585,996
		1,411,870,242
SCHEDULE "7" - CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors	120,465,859	
Interest accrued but not due	1,511,314	
Other Liabilities	172,059,723	
		294,036,896
PROVISIONS		
- Provision for Expenses	24,812,845	
- Provision for Taxation	5,061,510	
		29,874,355
		323,911,251

SCHEDULES TO CONSOLIDATED PROFIT & LOSS ACCOUNT

PARTICULARS	FOR THE YEAR ENDED 31 DECEMBER, 2002	
	RUPEES	RUPEES
SCHEDULE "8" - INCOME FROM OPERATIONS		
Software and Consulting		2,485,920,767
		<u>2,485,920,767</u>
SCHEDULE "9" - OTHER INCOME		
Interest and Exchange Differences		5,512,565
Profit on Sale of Investment		399,999
Others		38,962
		<u>5,951,526</u>
SCHEDULE "10" - SOFTWARE, DEVELOPMENT EXPENSES		
Software and Consulting Expenses		383,829,972
Advertisement and Publicity		7,356,503
Seminar and Conference Expenses		5,723,908
Miscellaneous Expenses		4,379,919
		<u>401,290,302</u>
SCHEDULE "11" - EMPLOYMENT EXPENSES		
Salary and Other Allowances		1,319,673,812
Contribution to Provident and Other Funds		133,165,145
Welfare Expenses		26,528,327
		<u>1,479,367,284</u>
SCHEDULE "12" - ADMINISTRATION AND OTHER EXPENSES		
Rent		57,182,407
Rates & Taxes		5,764,239
Travelling And Conveyance Expenses		187,473,698
Electricity Charges		14,744,144
Communication Expenses		55,131,464
Repairs and Maintenance		
Buildings	1,657,872	
Plant & Machinery	2,518,693	
Others	4,941,591	
		<u>9,118,156</u>
Printing and Stationery		8,991,904
Auditors Remuneration		
Audit Fees	1,946,425	
Tax Audit Fees	210,000	
Out of Pocket Expenses	157,950	
		<u>2,314,375</u>
Legal and Professional Fees		29,641,087
Bank and Other Charges		2,446,493
Director's Sitting Fees		370,000
Stamp Duty and Filing Fees		804,123
Registrar and Share Transfer Expenses		1,721,589
Insurance Premium		16,091,061
Loss on Sale of Assets (Net)		15,537,031
Exchange Difference		452,906
Staff Recruitment Expenses		8,485,005
Service Charges		8,235,821
Membership and Subscription		2,738,743
Miscellaneous Expenses		34,968,483
		<u>462,212,734</u>

SCHEDULE 13 – SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements of Hexaware Technologies Limited and its wholly-owned foreign subsidiaries are prepared under the historical cost convention in accordance with Generally Accepted Accounting Principles applicable in India and the Accounting Standard 21 on consolidated Financial Statements issued by the Institute of Chartered Accountants of India to the extent possible in the same format as that adopted by the parent company (Hexaware Technologies Limited) for its separate financial statements.

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

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

(b) Use of Estimates

The preparation of the financial statements in conformity with the Generally Accepted Accounting Principles requires that the management makes estimate and assumptions that affect the reported amount of assets, liabilities and disclosure of contingent liabilities as at the date of reported financial statements and the amount of revenue and expenses during the reported period. Actual results could differ from these estimates.

(c) Fixed Assets and Depreciation

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

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

Owned / Leasehold Premises	58 Years
Computers and Software	3-5 Years
Furniture and Fixtures	15 Years
Other Plant and Machinery	20 Years
Vehicles	10 Years

(d) Investments

Investments are stated at cost of acquisition. All the Investments are held as long term investments and provisions are made for permanent diminution in the value of Investments.

(e) Foreign Currency Transaction and Translation

The consolidated financial statements are prepared in Indian Rupees. The Indian Rupee is the functional currency for Hexaware Technologies Limited. However, the US Dollar, Pound Sterling, Singapore Dollar, Euro, Australian Dollar, Canadian Dollar, Japanese Yen, Swiss Franc and Netherland Guilders are the functional currencies for its subsidiaries located in United States of America, United Kingdom, Singapore, Germany, Australia, Canada and foreign branch in Japan, Switzerland and Netherland respectively. The translation of the functional currencies into Indian Rupees (reporting currency) is performed for current assets and liabilities using the current exchange rates in effect at the Balance Sheet date, for revenue, cost and expense using average exchange rates prevailing during the reporting periods and for Share Capital and Reserves using the exchange rate at the date of transaction. The differences on translation are taken directly to reserves, under Currency Translation Reserve Account.

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

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

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

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

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

(f) Retirement Benefits

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

- i. The Company's contribution to Provident Fund, Superannuation Fund and other fund is charged to the Profit and Loss Account.
- ii. The amount of gratuity liability ascertained on the basis of actuarial valuation is paid and charged to the Profit and Loss Account.
- iii. Provision is made towards liability for leave encashment.

(g) Revenue Recognition

The company derives its revenues primarily from software development and consultancy.

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

Dividend income is recognized on right to receive basis.

Recovery of expenses is credited to the respective expenses head and such expenses incurred for acquisition of assets.

(h) Borrowings Costs

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

(i) Earning per Share

Basic earning per share (EPS) is calculated by dividing the net profit after tax for the year (including the post-tax effect of extraordinary items, if any) attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earning per share is computed adjusting the number of shares used for basic EPS with the weighted average number shares that could have been issued on the conversion of all dilutive potential equity shares.

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

(j) Income Taxes

Company has adopted the Accounting Standard 22 – Accounting for taxes on income during the year. It has recorded net cumulative deferred tax asset of Rs. 2,08,85,372/- for the year 2002. This is arrived at after considering the timing difference between accounting income and tax income.

SCHEDULE 14 – NOTES FORMING PART OF CONSOLIDATED ACCOUNTS

1. Description of Business

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

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

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

Name of the Subsidiary Company	Country of Incorporation	Extent of Holding (%) as on 31 December, 2002
Hexaware Technologies Inc.	USA	100%
Specsoft Consulting Inc.	USA	100%
HTI Europe Limited	UK	100%
Hexaware Technologies Europe Limited	UK	100%
Hexaware Technologies Asia Pacific Pte. Limited	Singapore	100%
Hexaware Technologies GmbH	Germany	100%
Hexaware Technologies Canada Limited	Canada	100%
Aptech Technologies Pty. Limited	Australia	100%

3. Contingent Liabilities:

	Particulars	Year ended Dec. 31, 2002 (Rs.)
A	Counter Guarantees outstanding in respect of guarantees given by bank on behalf of the company	2,70,000
B	Corporate Guarantees given to bank on behalf of its Subsidiary	12,70,21,671
C	Claims against the company not acknowledged as Debts	3,84,40,131

4. Commitments:

	Particulars	Amount (Rs.)
A	Estimated amount of contracts remaining to be executed on capital account not provided for	52,54,226
B	Future non-cancelable operating lease rental commitments	
	Due within one year	2,04,53,000
	Due later than 1 year but not later than 5 years	3,50,27,000
	Due later than 5 years	Nil
	Total minimum lease payments	5,54,80,000

5. Employees Stock Options:

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

	Employee Stock Option Plans		
	Hexaware Technologies Limited – 1999 (Warrants)	Erstwhile Hexaware Technologies Limited – 1999 (Warrants) *	Hexaware Technologies Limited – 2002 (Options) **
Opening Balance	220,000	1,416,850	–
Additions during the year	–	937,500	1,677,000
Exercised during the year	–	43,610	–
Cancelled during the year	93,570	25,675	16,250
Closing Balance	126,430	2,285,065	1,660,750

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

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

6. Related Parties:

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

Associate

Turbograd.com Inc. - USA

Sr. No.	Description of Nature of Transaction	Transaction for the year ended 31 December, 2002 (Rs.)	Closing Balance as at 31 December, 2002 (Rs.)
1.	Sales / Receivable	903,529	7,390,112
2.	Investments	–	156,672,882

7. Segments:

Hexaware has adopted AS17, "Segment Reporting" issued by the Institute of Chartered Accountants of India, which requires disclosure of financial and descriptive information about Hexaware's reportable operating segments. The operating segments reported are the segments of Hexaware for which separate financial information is available and for which operating profit / loss accounts are evaluated regularly by executive management on deciding how to allocate resources and in assessing performance. Certain expenses such as depreciation, which form a significant portion of total expenses are not specifically allocable to specific segment as underlying services are used interchangeably accordingly these expenses are separately disclosed as 'unallocated' and directly charged against total income.

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

Hexaware's operating segment information for the year ended December 31, 2002 is as follows.

Business Segment:

	Year Ended December 31, 2002				Consolidated Total
	Airlines Transport	Banking Finance	Insurance	Others	
Revenue	294,733,948	679,703,120	294,743,950	1,216,739,749	2,485,920,767
Segment result-Profit/(Loss)	40,947,948	162,229,120	(66,782,872)	6,656,251	143,050,447
Unallocable Expenses	–	–	–	–	142,504,132
Other Income	–	–	–	–	5,951,526
Income taxes	–	–	–	–	15,737,652
Profit from Ordinary Activities	–	–	–	–	22,235,493
Share of profit in Associates	–	–	–	–	35,264,807
Profit after Minority Interest					57,500,300

Geographic Segment

Revenue attributable to location of customers is as follows:

Geographic Locations	Revenue from external customers Year ended December 31, 2002 Rs.
Europe	457,631,073
USA	1,830,339,605
Rest of the World	197,950,089
Total	2,485,920,767

Segment assets based on their locations are as follows:

Geographic Locations	Segment Assets Year ended December 31, 2002 Rs.	Addition to fixed Assets Year ended December 31, 2002 Rs.
Europe	178,157,200	156,774
USA	752,011,832	17,724,004
India	1,687,751,450	279,568,573
Rest of the World	20,272,297	88,506
Total	2,638,192,779	297,537,857

8. Earning Per Share (EPS):

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

Particulars	As of December 31, 2002
A Net income available to equity shareholders	5,75,00,300
B Weighted average outstanding equity shares	2,21,12,828
Considered for basic EPS	2,21,12,828
Add: Effect of dilutive issue of stock options	38,35,293
Considered for diluted EPS	2,59,48,121
C Earning Per Share	
Basic	2.60
Diluted	2.22

9. Since it is the first year of presentation of Consolidated Financial Statements, previous year figures have not been given.

For **MAHENDRA KUMBHAT & ASSOCIATES**

Chartered Accountants

MANOJ P. SHAH
Partner

Atul K. Nishar
(Chairman)

Dr. K. K. Anand
(Director)

L. S. Sarma
(Director)

A. P. Kurian
(Director)

Dr. (Mrs.) Alka Nishar
(Director)

Rusi Brij
(Director)

Mr. P. K. Sridharan
(Director)

Rajesh B. Ghonasgi
(Chief Financial Officer)

Naishadh Desai
(Company Secretary)

Date : 17 February, 2003

Place : Mumbai

Consolidated Cash Flow Statement for the Financial Year 2002

	Year Ended 31 December, 2002	
	Rupees	Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax & Share of Associates		6,497,841
Adjustments		
Depreciation	142,504,132	
Interest Expenses	28,980,501	
Provision for Doubtful Debts	18,933,958	
Interest & Exchange Difference Income	(55,808,215)	
Loss on Sale of Assets / Investments (Net)	14,998,286	149,608,663
(Increase) / Decrease in Current Assets		
Sundry Debtors	(250,844,846)	
Loans & Advances	112,302,294	
	(138,542,552)	
Increase / (Decrease) in Current Liabilities and Other Provisions		
Liabilities	(32,945,541)	(171,488,093)
NET CASH FROM OPERATIONS		(15,381,589)
Less:		
Interest paid		28,660,841
Interest & Exchange Difference received		(55,564,177)
Direct tax paid		5,107,058
		6,414,688
B. CASH FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(291,396,555)	
Sales of Fixed Assets	38,812,387	
Sale of Investments	1,442,831	
NET CASH USED IN INVESTING ACTIVITIES		(251,141,337)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	641,038	
Proceeds from long term borrowings	8,254,639	
Repayment of long term borrowings	(243,186,819)	
		(234,291,142)
		(479,017,792)

Cash and Cash Equivalents
 as on 1 January, 2002
 Effect of exchange rate change on cash and
 Cash Equivalent
 Cash and Cash Equivalents
 as on 31 December, 2002

Year Ended 31 December, 2002
Rupees Rupees

976,988,874

9,650,236

507,621,319

(479,017,792)

Atul K. Nishar
 (Chairman)

A. P. Kurian
 (Director)

P. K. Sridharan
 (Executive Director)

Dr. K.K. Anand
 (Director)

Dr. (Mrs.) Alka Nishar
 (Director)

Rajesh B Ghonasgi
 (Chief Financial Officer)

L. S. Sarma
 (Director)

Rusi Brij
 (Director)

Naishadh Desai
 (Company Secretary)

Date : 17 February, 2003
 Place : Mumbai

AUDITORS' REPORT

To,
THE STAKEHOLDERS OF HEXAWARE TECHNOLOGIES INC.

We have audited the attached Balance Sheet of Hexaware Technologies Inc. ("the Company") as at 31 December, 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on the test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act') we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order to the extent applicable.

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

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act.
- e) On the basis of written representations received from the directors as on 31 December, 2002 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 December, 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.
- f) In our opinion and to the best of our information and according to the explanations given to us and read with the other notes thereon give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of the Balance Sheet of the state of affairs of the Company as at 31 December, 2002, and
 - b) In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **MAHENDRA KUMBHAT & ASSOCIATES**
Chartered Accountants

MANOJ P. SHAH
Partner

Place : Mumbai
Date : 10 February, 2003

ANNEXURE TO THE AUDITORS' REPORT

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

- i. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. The management has physically verified all the assets. We are informed that no material discrepancies have been noticed on the assets physically verified by the Company.
- ii. None of the fixed assets have been revalued during the year.
- iii. The Company has taken loan from companies, firms and other parties required to be listed in the register to be maintained under section 301 and/or from the Companies under the same management as defined under section 370(1-B) of the Companies Act, 1956. In our opinion, the terms and condition including the rate of interest are prima facie not prejudicial to the interest of the Company. In terms of sub section (6) of section 370 of the Act, provisions of the section 370 are not applicable to the company on or after the commencement of the Companies (Amendment) Act, 1999
- iv. The parties including the employees to whom loans or advances in the nature of loans have been given are repaying the principal amounts as stipulated and are paying interest, wherever, applicable.
- v. In our opinion and according to the information and explanations given to us, it appears that, there are in general, adequate internal control procedures, commensurate with the size of the Company and the nature of business, with regard to purchase and sale of assets and services.
- vi. According to the information and explanation given to us, the Company has entered into transactions for sale of goods, material and services with parties required to be listed in the register to be maintained under Section 301 and aggregating during the year to Rs.50,000/- or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices of such goods and services or at prices at which similar services are made available by other parties.
- vii. The Company is yet to introduce internal audit system.
- viii. According to the information and explanations given to us, no personal expenses have been charged to revenue account other than those payable under contractual obligations or in accordance with the generally accepted business practices.
- ix. In respect of services, consultancy and software solution rendered by the company:
 1. There are no materials used for the project.
 2. It has reasonable system of allocation of man-hours to the relevant consultancy contracts.
 3. It has a proper system of Internal Control for allocation of man-hours utilized and the same is commensurate with the size of the Company and nature of its business.

For **MAHENDRA KUMBHAT & ASSOCIATES**
Chartered Accountants

MANOJ P. SHAH
Partner

Place : Mumbai
Date : 10 February, 2003

Balance Sheet as at 31 December, 2002

Particulars	Schedule	As at		As at	
		31 December, 2002		31 December, 2001	
		Rupees	Rupees	Rupees	Rupees
Sources of Funds					
1. Share Holders' Funds					
Share Capital	"1"	295,275,970		168,726,120	
Currency Translation Reserve		35,752,247		20,895,421	
			331,028,217		189,621,541
2. Loan Funds					
Secured Loans	"2"		–	72,977,550	
Unsecured Loans	"3"		206,031,150		–
			537,059,367		262,599,091
Application Of Funds					
1. Fixed Assets	"4"				
A) Gross Block		98,489,330		86,627,238	
B) Less: Depreciation		70,595,940		44,123,286	
			27,893,390		42,503,952
2. A) Current Assets, Loans And Advances	"5"				
i) Sundry Debtors		339,335,319		220,570,351	
ii) Cash And Bank Balances		73,574,249		45,302,685	
iii) Loans And Advances		257,775,813		225,376,456	
		670,685,382		491,249,492	
LESS:					
B) Current Liabilities And Provisions	"6"				
i) Current Liabilities		273,187,937		254,589,573	
ii) Provisions		63,569,235		80,324,124	
		336,757,172		334,913,697	
Net Current Assets (A-B)			333,928,209		156,335,795
Miscellaneous Expenditure (To The Extent Not Written Off)			106,636		–
Profit And Loss Account			175,131,131		63,759,344
			537,059,367		262,599,091
Significant Accounting Policies & Notes Forming Part Of Accounts	"12"				

Schedules 1 to 12 Form an Integral Part of the Accounts.
This is the Balance Sheet referred to in our report of even date.

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner.

Atul K. Nishar
(Director)

Rusi Brij
(Director)

Place : Mumbai
Date : 10 February 2003

Profit And Loss Account for the Year Ended 31 December, 2002

Particulars	Schedule	For The Year Ended 31 December, 2002		For The Year Ended 31 December, 2001	
		Rupees	Rupees	Rupees	Rupees
Income					
Income From Operations	"7"	1,391,223,983		1,212,106,858	
Other Income	"8"	5,962,228		2,023,809	
			1,397,186,211		1,214,130,667
Expenditure					
Software, Development Expenses	"9"	526,875,504		531,250,220	
Employment Expenses	"10"	671,987,026		658,609,489	
Administration And Other Expenses	"11"	175,834,866		116,763,001	
Depreciation		22,167,988		21,319,685	
			1,396,865,383		1,327,942,395
Profit/(Loss) Before Tax			320,828		(113,811,728)
Less : Provision For Tax			2,524,947		(42,420,300)
Profit/(Loss) After Tax			(2,204,119)		(71,391,428)
Add : Balance Brought Forward From Previous Year			(63,759,344)		7,632,084
Add: Transferred On Merger Of Aptech Worldwide Inc. During The Year			(109,167,668)		—
Balance Carried to Balance Sheet			(175,131,131)		(63,759,344)
Significant Accounting Policies & Notes Forming Part of Accounts	"12"				

Schedules 1 To 12 Form An Integral Part Of The Accounts.
This is the Profit and Loss referred to in our Report of even date.

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner.

Atul K. Nishar
(Director)

Rusi Brij
(Director)

Place : Mumbai
Date : 10 February, 2003

SCHEDULES TO BALANCE SHEET

Particulars	As At		As At	
	31 December, 2002	31 December, 2002	31 December, 2001	31 December, 2001
	Rupees	Rupees	Rupees	Rupees
Schedule "1" - Stock Holders' Equity				
Authorised				
25,000 Common Stock Of No Par Value				
Issued, Subscribed And Paid-up Capital				
22,450 (19,450) Common Stock Of No Par Value (The Whole of the Common Stock is held by the Parent Company Hexaware Technologies Limited - India)		295,275,970		168,726,120
3,000 Common Stock of No Par value of Aptech Worldwide Inc. acquired during the year				
		<u>295,275,970</u>		<u>168,726,120</u>
Schedule "2" - Secured Loans				
From Banks		-		72,977,550
Secured by substantially all the Assets		-		72,977,550
		<u>-</u>		<u>72,977,550</u>
Schedule "3" - Unsecured Loans				
From Parent Company (Interest @ 5% above 3 months LIBOR)		206,031,150		-
		<u>206,031,150</u>		<u>-</u>
Schedule "4" - Fixed Assets				
Gross Block				
Computer	80,271,984		70,452,382	
Furniture And Fixtures	13,639,845		11,879,734	
Office Equipment	4,577,501		4,295,175	
		<u>98,489,330</u>		<u>86,627,291</u>
Less : Accumulated Depreciation		<u>70,595,940</u>		<u>43,463,773</u>
Net Block		<u>27,893,390</u>		<u>43,163,518</u>
(Includes Assets Acquired from Aptech Worldwide Inc. Net Value Rs. 3,548,841)				
Schedule "5" - Current Assets				
Sundry Debtors (Unsecured - Considered Good) (Net of Provision)				
Due Over Six Months	81,542,493		60,483,628	
Others	257,792,826		160,086,723	
		339,335,319		220,570,351
Cash And Bank Balances		73,574,249		45,302,685
Loans And Advances (Unsecured - Considered Good)				
Prepaid Expenses And Other Current Assets	73,972,833		28,455,334	
Unbilled Services	61,959,180		131,596,588	
Deferred Income Tax	121,843,800		65,324,534	
		<u>257,775,813</u>		<u>225,376,456</u>
		<u>670,685,382</u>		<u>491,249,492</u>

Hexaware Technologies Inc., USA

Particulars	As At 31 December, 2002 Rupees		As At 31 December, 2001 Rupees	
Schedule "6" - Current Liabilities And Provisions				
Current Liabilities				
Sundry Creditors	239,925,776		208,757,029	
Other Liabilities	33,262,161		45,832,544	
		273,187,937		254,589,573
Provisions				
Provision For Expenses	63,569,235		80,324,124	
		63,569,235		80,324,124
		336,757,172		334,913,697

SCHEDULES TO PROFIT AND LOSS ACCOUNT

Particulars	For The Year Ended 31 December, 2002 Rupees		For The Year Ended 31 December, 2001 Rupees	
Schedule "7" - Income From Operations				
Software And Consulting	1,391,223,983		1,212,106,858	
	1,391,223,983		1,212,106,858	
Schedule "8" - Other Income				
Interest And Exchange Differences	980,866		-	
Others	4,981,362		2,023,809	
	5,962,228		2,023,809	
Schedule "9" - Software, Development Expenses				
Software And Consulting Expenses	519,791,486		531,250,220	
Advertisement And Publicity	7,084,017		-	
	526,875,504		531,250,220	
Schedule "10" - Employment Expenses				
Salary And Other Allowances	578,894,487		574,160,956	
Contribution To Provident Fund And Other Funds	86,829,274		78,816,156	
Welfare Expenses	6,263,264		5,632,377	
	671,987,026		658,609,489	

Particulars	For The Year Ended 31 December, 2002		For The Year Ended 31 December, 2001	
	Rupees	Rupees	Rupees	Rupees
Schedule "11" - Administration And Other Expenses				
Rent		27,939,183		21,877,989
Travelling And Conveyance Expenses		69,898,336		44,437,578
Communication Expenses		15,969,523		20,527,306
Repairs And Maintenance				
- Others		1,344,569	636,228	
		1,344,569		636,228
Printing And Stationery		2,803,790		50,612
Auditors Remuneration				
Audit Fees		485,567	142,350	
		485,567		142,350
Legal And Professional Fees		11,308,229		6,466,263
Bank Interest And Other Charges		13,460,806		5,792,900
Insurance Premium		10,780,257		3,289,671
Provision For Bad Debts		17,559,161		6,500,650
Membership And Subscription		1,407,423		342,764
Miscellaneous Expenses		2,878,023		6,698,690
		175,834,866		116,763,001

SCHEDULE "12" SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS

Note 1 - Description of Business and Organization

Hexaware Technologies, Inc. (HTI or the Company) is a wholly owned subsidiary of Hexaware Technologies Limited, a foreign corporation incorporated in India. These accounts have been prepared to attach with the accounts of Hexaware Technologies Limited, the parent company (Hexaware or the Parent), to comply with the provisions of the Indian Companies Act.

The Company was organized in March 1994, under the laws of the State of New Jersey, and is a wholly owned subsidiary of a foreign corporation. The Company has authorized capital of 25,000 shares of no-par common stock, of which 22,450 shares have been issued in consideration of Rs. 295,275,970. During the year ended December 31, 2001, HTI's parent company invested an additional Rs. 20,796,960 in the Company for a cumulative total of Rs. 90,166,120, which was accounted for as additional paid-in capital.

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

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

Merger and amalgamation – During the year Aptech Worldwide, Inc (AWI), another subsidiary of the Parent got merged with HTI effective January 31, 2002.

The Assets and Liabilities of AWI have been taken at their book value and the cumulative debit balance in the Profit and Loss Account of Rs. 109,167,668 has been transferred.

Pursuant to merger, HTI has issued 3,000 common stocks of no par value for Rs. 126,549,850.

Hexaware Technologies Inc., USA

Note 2 – Summary of Significant Accounting Policies

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

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

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

Concentrations of Credit Risk – Financial instruments, which could subject the Company to a concentration of credit risk, include its free cash balances and trade accounts receivable. The Company maintains its cash balances in a major New Jersey financial institution. At times the balances may exceed federally insured limits of Rs.4,797,000.

HTI's clients range from large multi-national companies to small regional IT staffing firms located in North America. During the years ended December 31, 2002 and 2001, the Company had revenues from seven clients and five clients that accounted for approximately 52 % and 62% of revenues respectively. The aggregate accounts receivable balances for these customers at December 31, 2002 and 2001 were Rs.115,172,564 and Rs.86,649,641. No other client accounted for more than 3% of revenues.

Accounts Receivable – An allowance for doubtful accounts receivable is provided based on the Company's historical collection experience and factors specific to each client's account balance. As of December 31, 2002 and 2001 accounts receivable is recorded net of allowance for doubtful accounts receivable of Rs.43,173,000 and Rs.11,416,290.

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

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

Foreign Currency Translation – In operations in countries outside the U.S. and Canada, the local currencies are generally considered to be the functional currencies. Accordingly, where the U.S. dollar is used as the functional currency, foreign currency gains and losses are recorded in current earnings. Results of operations for the years ended December 31, 2002 and 2001 include a loss of Rs.456,510 and Rs.4,277,475 respectively resulting from Canadian currency fluctuations.

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

Note 3 – Related Party Transactions

During the year ended December 31, 2002 and 2001, the Company purchased software programming and development services and personnel recruiting services from its Parent and Affiliate Company. For the years ended December 31, 2002 and 2001, the total accrued or paid by HTI for such services to the Parent and Affiliate Company and included in cost of revenues are Rs.365,618,170 and Rs.281,671,694. As of December 31, 2002 and 2001, HTI has a net indebtedness to the parent company (net of receivables) in the amount of Rs.160,764,163

and Rs.144,721,852 and is reflected as a payable. As of December 31, 2002 and 2001, the total receivable from the affiliate is Rs.4,853,461 and Rs.13,047,567.

During the year the Company has given unsecured loan of Rs. 96,899,400 to an affiliate company. The note, bears interest at 5% over three months LIBOR, matures on November 24, 2005. Interest earned recorded for the year ended December 31, 2002 was Rs. 208,314.

During the year, the Company received an unsecured loan of Rs. 206,031,150 from the Parent. The note, bears interest at 5% over three months LIBOR. Interest expense recorded for the year ended December 31, 2002 was Rs. 13,139,724.

Note 4 – Income Taxes

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

	2002	2001
	Rs.	Rs.
Current Taxes :		
Federal	—	—
State and Local	485,567	237,250
Foreign	4,515,770	3,985,800
Total Current Taxes	5,001,337	4,223,050
Deferred Taxes :		
Federal	(1,942,267)	(36,109,450)
State and Local	(534,123)	(10,533,900)
Total Deferred Tax expense	(2,476,390)	(46,643,350)
Provision for Income Taxes	2,524,947	(42,420,300)

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

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

	2002	2001
	Rs.	Rs.
Provision For Doubtful Accounts	17,269,200	4,527,980
Accumulated Depreciation	1,103,310	674,380
Accrued Vacation	8,298,810	4,094,450
Accrued Taxes	1,055,340	867,060
Alternative Minimum Tax Credit ("AMT")	1,870,830	1,685,950
Accrued Interest	5,516,550	0
Contribution Carry over	0	289,020
Net Operating Losses carry forward	91,670,670	40,848,160
Net Deferred Tax Asset	126,784,710	52,987,000

As of December 31, 2002 And 2001 the Company recorded deferred tax assets. The utilization of foreign tax credits is calculated by a formula and limited by statute. For federal income tax reporting, an AMT credit of approximately Rs.1,870,830 is available to reduce future regular federal income taxes.

Hexaware Technologies Inc., USA

Note 5 – Note Payable – Bank

The Company has repaid its borrowing from its banking facility during the year. As of December 31, 2001, the maximum line of credit limitation was equal to the lesser of \$ 2,500,000 or 65% of the aggregate amount of eligible receivables outstanding at any given time. The unpaid balance as of December 31, 2001 was Rs.72,977,550 and was secured by substantially all the assets of the Company and a financing statement covering this collateral is filed pursuant to the uniform commercial code.

Note 6 – Retirement Plan

The Company maintains a defined contribution savings plan covering eligible employees which is governed by the regulations under IRC 401(k). The Company makes contributions up to a specific percentage of participants' contributions. For the years ended December 31, 2002 and 2001, the Company's contributions to the plan approximated Rs.360,435 and Rs.430,760.

Note 7 – Commitments

The Company leases space for its main office at Five Independence Way, Princeton, New Jersey. The lease on this space expires June 18, 2003, and contains an option for the Company to renew for an additional term to expire no later than June 30, 2006. The Company also leases space for its sales offices in Chicago, Pittsburgh, San Jose, and Toronto under leases with expiration dates ranging from August 2002 through December 2005. Certain leases are subject to annual escalations and operating expense increases, which are assessed on a pro-rata basis.

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

Year Ending	Amount (Rs.)
2003	16,517,030
2004	15,472,484
2005	13,671,690
Total	<u>45,661,204</u>

The Company also leases furnished space for short-term occupancy ranging from one month to one year. The aggregate monthly rental payments for these nine locations total approximately Rs.564,751.

The Company leases computer equipment and vehicle under 36-month operating leases expiring between April, 2002 and October 2004. Monthly minimum required rental payments are Rs.121,556.

The Company is obligated under nine capital leases for computer equipment, which leases expire between May 2002 and May 2004. Assets under capital leases are capitalized using interest rates determined at the inception of the lease.

The aggregate Maturities under these capital leases are as follows:

Year Ending	Amount (Rs.)
2003	1,130,317
2004	118,294
	<u>1,248,611</u>

One of the vendors of the Company, has filed a suit for recovery of charges in the amount of Rs. 462,431. The liability is disputed.

One of the client's customer, has filed a suit for copyright infringement. The liability is unascertained and disputed.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANT

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

We have audited the accompanying balance sheet of Specsoft Consulting, Inc. as of December 31, 2002 and 2001 and the related statements of income and retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Specsoft Consulting, Inc. as of December 31, 2002 and 2001, and the results of their operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

Naresh Arora, CPA, INC
Certified Public Accountant

Santa Clara, California
February 7, 2003

BALANCE SHEET

	AS AT DECEMBER 31	
	2002	2001
ASSETS		
Current Assets		
Cash and cash equivalents	\$160,870	\$440,144
Accounts receivable (including unbilled rev \$15000) (Note C)	875,576	886,534
Deferred tax asset (Note D)	298,000	114,000
Other current assets	82,566	78,849
Total current assets	<u>1,417,012</u>	<u>1,519,528</u>
Property and equipment, at cost (Note E)	206,389	91,687
Less : Accumulated depreciation	(64,150)	(45,096)
Net property and equipment	<u>142,239</u>	<u>46,591</u>
Other assets (Note F)	129,541	129,541
Total assets	<u>1,688,793</u>	<u>1,695,661</u>
LIABILITIES & SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	408,671	307,565
Accounts payable to related party (Note G)	267,207	760,841
Total current liabilities	<u>675,878</u>	<u>1,068,407</u>
Long term liability		
Note payable to bank (Note H)	170,000	—
Note payable - related party	950,000	350,000
Total long term liability	<u>1,120,000</u>	<u>350,000</u>
Shareholders' Equity		
Common stock, no par value		
Authorized shares - 1,000,000		
Issued and outstanding shares - 150,000	72,020	72,020
Retained earnings	(179,105)	205,234
Total Shareholders' Equity	<u>(107,085)</u>	<u>277,254</u>
Total liabilities and shareholders' equity	<u>1,688,793</u>	<u>1,695,661</u>

Accompanied notes are an integral part of these financial statements.

STATEMENT OF INCOME AND RETAINED EARNINGS

	AS AT DECEMBER 31	
	2002	2001
Revenue	\$4,810,490	\$7,278,836
Cost of revenue	3,943,975	5,157,020
Gross margin	866,515	2,121,816
Operating expenses:		
Research and development (Note K)	158,906	11,200
General and administrative expenses	1,420,286	2,390,168
Financial expenses	31,997	25,305
Total operating expenses	1,611,189	2,426,673
Other income/(expense)		
Gain/(loss) on disposal of asset	(11,175)	834
Income/(loss) before taxes	(755,849)	(304,023)
Income taxes		
Current year - income tax (expense)/benefit	184,000	114,000
Prior year income tax refunds	187,510	(31,084)
	371,510	82,916
Net income/(loss)	(384,339)	(221,107)
Retained earnings, beginning of year	205,234	426,341
Retained earnings, end of year	(179,105)	205,234

Accompanied notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	For the year ended December 31	
	2002	2001
Cash flows from operating activities :		
Net income/(loss)	(\$384,339)	(\$221,107)
Adjustments to reconcile net loss to net cash provided by operations:		
Depreciation	21,879	(3,277)
Loss on disposal of asset	11,175	—
(Increase) decrease in accounts receivable	10,958	656,696
(Increase) in deferred tax benefit	(184,000)	(114,000)
(Increase) decrease in other current assets	(3,717)	37,386
(Decrease) in accounts payable and accrued expenses	101,106	(439,141)
Increase in accounts payable to related party	(493,634)	560,841
Net cash provided by operating activities	<u>(920,572)</u>	<u>477,398</u>
Cash flows from investing activities :		
Purchase of equipment	(128,702)	(7,181)
Net cash used in investing activities	<u>(128,702)</u>	<u>(7,181)</u>
Cash flows from financing activities:		
Note payable to bank	170,000	—
Note payable - Related party	600,000	(150,000)
Net cash used in financing activities	<u>770,000</u>	<u>(150,000)</u>
Net increase in cash and cash equivalents	(279,274)	320,217
Cash and cash equivalents, beginning of year	440,144	119,927
Cash and cash equivalents, end of year	<u>160,870</u>	<u>440,144</u>

Accompanied notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2002

NOTE A: BUSINESS ORGANIZATION

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

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

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Concentration of credit risk

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

Allowance for bad debts

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

Property and equipment

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

Computer equipment	5 Years
Office equipment	21 Years
Furniture & fixtures	15 Years

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

Revenue recognition

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

Stock based compensation

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

Specsoft Consulting Inc., USA

Income Taxes

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

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles (GAAP) in United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C: ACCOUNTS RECEIVABLE

Accounts receivable aged by due dates consists of the following:

	Dec. 31, 2002	Dec. 31, 2001
Current	\$ 352,808	\$ 409,105
Past due 1 – 30 days	209,730	242,774
Past due 31 – 60 days	61,388	77,411
Past due 61 – 90 days	32,939	36,478
Past due 91 days and over	218,711	206,631
Total	875,576	972,400
Less: allowance for doubtful debts	-	85,866
Net accounts receivable	\$ 875,576	\$ 886,534

NOTE D: DEFERRED TAX ASSET

Components of the deferred tax assets as of December 31, 2002 and 2001:

	Dec. 31, 2002	Dec. 31, 2001
Deferred tax asset attributed to net operating loss carryover	\$ 298,000	\$ 114,000
	298,000	114,000

NOTE E: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Dec. 31, 2002	Dec. 31, 2001
Computer and office equipment	\$186,066	\$ 62,652
Furniture and fixtures	20,324	29,035
Total	206,389	91,687
Less: accumulated depreciation	64,150	45,096
Net property and equipment	\$ 142,239	\$46,591

Of the total computer and office equipment \$124,260 represents the value of equipment placed in service in the Design Service Center at the parent company's office in India. (Also see Note K below).

NOTE F: OTHER ASSETS

Other assets consists of the following:

	Dec. 31, 2002	Dec. 31, 2001
Certificate of deposit with bank	\$ 108,000	\$ 108,000
Security deposits	21,541	21,541
Total	\$ 129,541	\$ 129,541

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

NOTE G: RELATED PARTY TRANSACTIONS

The Company has two interest bearing promissory notes payable, to its parent company and its affiliate, which are due on October 5, 2003 and December 31, 2005 respectively. Interest is payable at 5% over 3 month LIBOR. At December 31, 2002 the related party notes payable outstanding balance was \$950,000 and the interest payable outstanding balance, included in accounts payable to related party, was \$19,776.

The Company rendered \$2,987,256 worth of software consulting services through its related parties. At December 31, 2002 total accounts receivable included \$390,800 outstanding and due from those related parties.

The Company obtains management consulting services from the parent company. For the year ended December 31, 2002 the Company has recorded management fee of \$150,000. At December 31, 2002 the accounts payable to related party included \$150,000 due towards management fee to the parent company.

NOTE H: NOTES PAYABLE - BANK

The Company has a credit facility with State Bank of India with a maximum borrowing limit of \$500,000. Interest on advances is charged at 6.50% per annum. Borrowing under the agreement is collateralized by substantially all the Company's assets and has a corporate guaranty of the parent company. As of December 31, 2002 the outstanding balance under the arrangement was \$170,000.

NOTE I: COMMITMENTS AND CONTINGENCIES

The Company is contingently liable under non-cancelable operating leases for its office expiring on October 31, 2005. The rent expense for office, inclusive of operating expenses payable under lease terms, for the year ended December 31, 2002 was \$171,164, of which a total of \$48,100 was recovered from companies sharing office space.

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

Twelve months ending

December 31, 2003	\$63,661
December 31, 2004	65,935
October 31, 2005	56,706
Total	\$186,302

NOTE J: PROFIT SHARING PLAN

The Company adopted 401(K) profit sharing plan covering all eligible employees. The employees become eligible to participate after completing one year of service and thousand hours of service. The employees become fully vested after three years of service. The Company has made no contribution to this plan for the year ended December 31, 2002.

Specsoft Consulting Inc., USA

NOTE K: RESEARCH AND DEVELOPMENT

Research and development expenses represent the cost incurred by the Company towards the development work undertaken in its Design Service Center located in India and comprise of the following:

Salaries, payroll taxes and employee benefits	\$123,678
General and administrative expense	35,228
Total	\$158,906

NOTE L: PREVIOUS YEAR FIGURES

Previous year figures are based on our audit of the financial statements for the stated period figures for the previous year have been regrouped/rearranged wherever necessary.

Accompanied notes are an integral part of these financial statements.

DIRECTORS' REPORT

To

The Members of Hexaware Technologies GmbH

Your Directors present their second Annual Report on the business and operations of your Company and the Audited Financial Results for the year ended December 31, 2002.

FINANCIAL RESULTS

The financial results for the current year are for the period from 01.01.2002 to 31.12.2002 and those of the previous year are for the period from 01.02.2001 to 31.12.2001. Thus the current year figures are not comparable with those of the previous year

	For the year ended on	
	31/12/02 (Rs.)	31/12/01 (Rs.)
Income from Operations	290,635,846	60,534,992
Profit (Loss) before Depreciation and Tax	1,501,389	(1,803,561)
Less: Depreciation	82,025	26,323
Profit (Loss) before Taxation	1,419,364	(1,829,884)
Less: Provision for taxation	-	-
Net profit (Loss) after Tax	1,419,364	(1,829,884)
Less: Brought forward losses	(1,829,884)	-
Balance carried forward to Balance Sheet	(410,520)	(1,829,884)

OPERATIONS AND FUTURE PROSPECTS

1. PRINCIPAL ACTIVITIES

The principal activities of the Company are to carry on the business of providing computer software development, Consultancy, Internet Enabled services, E-Business and related services.

2. NOTES ON OPERATIONS

Your directors are pleased to inform that your Company has been successful in entering into an agreement with a major German Leasing Company and some more German renowned Giants. We expect this business to grow substantially in the coming years.

3. TRANSFERS TO/FROM RESERVES

There were no material transfers to/from reserves during the financial year.

4. ISSUE OF SHARES AND DEBENTURES

The Company was incorporated with an Authorised, Issued and Paid up Share Capital of 25,000 Euros divided into 500 Equity shares of 50 Euro each. No Debentures were issued during the financial year.

5. DIVIDENDS

No dividend has been paid or declared or recommended by the Company since the date of incorporation. The directors of the Company do not recommend any dividend for the financial year just ended.

6. BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that action has been taken in relation to the writing off and providing for bad and doubtful debts of the Company and have satisfied themselves that there were no known bad or doubtful debts. At the date of this report, the directors of the Company are not aware of any circumstances which would render it necessary to write off or provide for any bad and doubtful debts.

7. CURRENT ASSETS

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that any current assets of the Company which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values and that adequate provisions have been made for diminution value of such current assets. At the date of this report, the Directors of the Company are not aware of any circumstances which would render the values attributable to current assets in the financial statements of the Company misleading.

8. CHARGES AND CONTINGENT LIABILITIES

At the date of this report:-

- a) There does not exist any charge on the assets of the Company which has arisen since the end of the financial period which secures the liability of any other person.
- b) There does not exist any contingent liability of the company, which has arisen since the end of the financial year.

9. OTHER CIRCUMSTANCES AFFECTING THE FINANCIAL STATEMENTS

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements of the Company misleading.

10. UNUSUAL ITEMS

In the opinion of the directors, the results of the operations of the Company have not been substantially affected by any item, transaction or event of a material and unusual nature during the financial period.

11. UNUSUAL ITEMS AFTER THE YEAR END DATE

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Company for the financial year for which the report is made.

Place : Frankfurt am Main

Date : 17.02.2003

S. Surya
(Director)

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements 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 and Loss of the Company for that period;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- (iv) that the Directors have prepared the Annual Accounts on a going concern basis.

ACKNOWLEDGEMENTS

Your Directors would like to thank Investors, Financial Institution, Banks, Government authorities, our esteemed Corporate clients and Customers. The service and Co-operation of employees, business/alliance partners and technology partners are also earnestly appreciated. Finally your Directors would like to take this opportunity to express their gratitude to one and all of you for your faith and whole hearted support which has always been a source of inspiration for us to keep us on the move towards success, to scale greater heights and achieve stiffer targets.

Place : Frankfurt am Main

Date : 17.02.2003

S. Surya
(Director)

AUDITORS' REPORT

To,

The Shareholders of Hexaware Technologies GmbH

We have audited the attached Balance Sheet of Hexaware Technologies GmbH (the "Company") as at 31 December, 2002 and the Profit and Loss account of the Company for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, (the Act) enclosed in the Annexure is the statement on matters specified in the said Order to the extent applicable thereon.
2. Further to our comments in the Annexure referred to in Paragraph (1) above:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) Proper books of account as required by law have been kept by the Company so far as it appears from our examination of these books.
 - c) The Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the Profit and Loss Account and Balance Sheet complies with the Accounting standards referred to in sub-section (3C) of Section 211 of the Act.
 - e) According to the information given to us, no director is disqualified from being appointed as director under clause (g) of sub-section 274 of the Act.
 - f) In our opinion and to best of our information and according to the explanation given to us, the said accounts read with the other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - i) in the case of the Balance Sheet of the state of affairs of the Company as at 31 December, 2002 and
 - ii) in the case of the Profit and Loss Account of the Profit of the Company for the year ended on that date.

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

Ashok K. Verma
Partner
(Membership No. 082084)

Place : Frankfurt am Main
Date : 17.02.2003

ANNEXURE TO THE AUDITORS' REPORT

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

1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. The management has physically verified all the fixed assets. We are informed that no discrepancies have been noticed on such physical verification.
2. None of the fixed assets have been revalued during the year.
3. The management during the year has at reasonable intervals physically verified the stocks. We are informed that no material discrepancies between physical stocks and book records were noticed on such verification.
4. The procedure for physical verification of stocks followed by the management is in our opinion reasonable and adequate having regard to the size of the Company and the nature of its business.
5. In our opinion the valuation of stocks is fair and is in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
6. The Company has not taken any loans from companies, firms and other parties required to be listed in the register to be maintained under Section 301 of the Act.
7. The Company has not granted any loans to the companies, firms and other parties required to be listed in the register to be maintained under Section 301 of the Act.
8. The parties including the employees to whom the loans or advances in the nature of loans have been given are repaying the principal amounts as stipulated and interest wherever applicable.
9. In our opinion and according to the information and explanations given to us, it appears that, there are in general, adequate internal control procedures, commensurate with the size of the Company and the nature of its business, with regard to purchase of assets, equipments, stores, materials and for sale of goods and services.
10. According to the information and explanations given to us, the Company has entered into transactions for purchase of goods and services with parties required to be listed in the register to be maintained under Section 301 and aggregating during the year to Rs. 50,000/- or more, in respect of each party have been made at prices which are reasonable having regards to the prevailing market prices of such services and goods or a price at which similar services are made available by other parties.
11. The Company has made provision for loss of unserviceable, damaged and obsolete stores and stocks in the accounts.
12. The Company has not accepted any deposits during the year and hence provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder are not applicable.
13. We have been informed that in the operations of the Company, no realisable by-products and/or scrap are generated.
14. Internal audit is carried out by Chartered Accountants and in our opinion, the scope of Internal audit is commensurate with the size of the Company and the nature of its business.
15. We have been informed that the Central Government has not prescribed the maintenance of Cost records under Section 209 (1) (d) of the Act.
16. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, custom duty and excise duty which remains outstanding at the year end for a period of six months from the date they became payable.
17. According to the information and explanations given to us, no personal expenses have been charged to revenue account other than those payable under contractual obligations or in accordance with the generally accepted business practices.
18. In our opinion, the Company is not a Sick Industrial Company within the meaning of clause (o) of sub-section (1) of Section 3 of Sick Industrial Companies (Special Provisions) Act, 1985.
19. In respect of services/consultancy rendered by the Company:
 - a) The Company has reasonable system of recording receipts, issues and consumption of materials and allocating materials consumed to each project.
 - b) It has reasonable system of allocation of man-hours to the relevant consultancy contracts.
 - c) It has a proper system of Internal Control for allocation of man-hours utilised and the same is commensurate with the size of the Company and the nature of its business.
20. In respect of trading activity, in our opinion the Company has a system of determining the damaged goods.
21. All the investments are held by the Company in its own name.

Balance Sheet as at 31 December, 2002

Particulars	Schedule	As at 31.12.2002 Rupees		As at 31.12.2001 Rupees	
SOURCE OF FUNDS					
1. Shareholders' Funds					
Share Capital	"1"	7,455,000		7,455,000	
Reserves and Surplus	"2"	1,640,250		227,846	
		9,095,250		7,682,846	
APPLICATION OF FUNDS					
1. FIXED ASSETS					
A) Gross Block	"3"	273,065		105,294	
B) Less Depreciation		108,348		26,323	
		164,717		78,971	
2. A) CURRENT ASSETS					
LOANS AND ADVANCES					
i) Sundry Debtors	"4"	79,345,407		10,881,809	
ii) Cash and Bank Balances		20,311,890		16,779,635	
iii) Loans and Advances		43,441,625		242,275	
Less:		143,098,922		27,903,719	
B) CURRENT LIABILITIES AND PROVISIONS:					
i) Current Liabilities	"5"	132,472,781		21,542,060	
ii) Provisions		2,106,128		587,668	
		134,578,909		22,129,728	
NET CURRENT ASSETS (A-B)					
		8,520,013		5,773,991	
3. PROFIT AND LOSS ACCOUNT					
		410,520		1,829,884	
TOTAL					
		9,095,250		7,682,846	
Significant Accounting Policies	"8"				
Notes forming Part of Accounts	"9"				

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

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

For A.K. Verma & Associates,
Chartered Accountants

Ashok K. Verma
Partner
(Membership No. 082084)

S. Surya
(Director)

Place : Frankfurt am Main
Date : 17.02.2003

Profit and Loss Account for the Year Ended 31 December, 2002

Particulars	Schedule	For the Year Ended 31 December, 2002 Rupees	Period from 22.01.01 to 31 December, 2001 Rupees
INCOME FROM OPERATIONS		290,635,846	60,534,992
OTHER INCOME			
Interest Income		81,682	20,734
Other Income		240,181	236,116
		321,863	256,850
EXPENDITURE			
Software Expenses	"6"	229,132,519	32,017,727
Employment Expenses	"7"	53,066,164	27,755,216
Administration and Other Expenses		7,257,637	2,822,460
Depreciation		82,025	26,323
		289,538,345	62,621,726
Profit (Loss) for the Period		1,419,364	(1,829,884)
Less: Provision for Taxes		-	-
Profit after Tax		1,419,364	(1,829,884)
Less: Balance brought forward		(1,829,884)	-
BALANCE CARRIED TO BALANCE SHEET		(410,520)	(1,829,884)
Significant Accounting Policies	"8"		
Notes forming Part of Accounts	"9"		

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

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

For A.K. Verma & Associates,
Chartered Accountants

Ashok K. Verma
Partner
(Membership No. 082084)

S. Surya
(Director)

Place : Frankfurt am Main
Date : 17.02.2003

Schedules to Balance Sheet

	As at 31 December, 2002 Rupees	As at 31 December, 2001 Rupees
Schedule "1"		
AUTHORISED SHARE CAPITAL		
500 (Previous year: 500) Equity Shares of £ 50/- (Rs. 2,512,50) each	1,256,250	1,256,250
	1,256,250	1,256,250
ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
500 (Previous year: 500) Equity Shares of £ 50/- (Rs. 2,512,50) each fully paid	1,256,250	1,256,250
(Whole of the common stock is held by the Parent Company - Hexaware Technologies Limited, India).		
ADVANCE AGAINST CAPITAL		
(3,118 Equity Shares of £ 50 Euro each issued to Hexaware Technologies Limited in calender year 2003)	6,198,750	6,198,750
	7,455,000	7,455,000
Schedule "2"		
RESERVES AND SURPLUS		
Currency Translation Reserve	1,640,250	227,846
	1,640,250	227,846

Schedule "3"

FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	1/1/02	Additions	Reductions	31/12/02	1/1/02	Provided during the Year	Reductions	31/12/02	31/12/01	31/12/02
Computers	105,294	167,771	–	273,065	26,323	82,025	–	108,348	78,971	164,717
Current Year	105,294	167,771	–	273,065	26,323	82,025	–	108,348	78,971	164,717
Previous Year	–	105,294	–	105,294	–	26,323	–	26,323	–	78,971

Schedules to Balance Sheet

	As at 31 December, 2002 Rupees	As at 31 December, 2001 Rupees
Schedule "4"		
CURRENT ASSETS		
Sundry Debtors (Unsecured - Considered Good)		
Outstanding for a period exceeding six months	—	—
Others	79,345,407	10,881,809
Cash and Bank Balance		
Balances with Non-scheduled banks		
In Deposit Account in Foreign Currency:-		
Dresdner Bank AG, Frankfurt		
(Maximum balance at any time during the year Rs. 15,075,000 - Previous year Rs. 10,500,000)	1,097,778	—
In Current Account in Foreign Currency:-		
Dresdner Bank AG, Frankfurt		
(Maximum balance at any time during the year Rs. 77,272,031 - Previous year Rs.16,795,884)	19,214,112	16,779,635
Loans & Advances (Unsecured -Considered Good)		
Advances recoverable in cash or in kind or for value to be received.		
Unbilled Jobs	42,963,750	—
Advances to staff	452,250	235,108
Income Tax deducted at source	25,625	7,167
	143,098,922	27,903,719
Schedule "5"		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors	1,276,813	58,220
Other Liabilities	131,195,968	21,483,840
Provisions		
Provision for Expenses	2,106,128	587,668
	134,578,909	22,129,728

Schedules to Profit and Loss Account

	For the year ended 31.12.2002 Rupees	For the period ended 31.12.2001 Rupees
Schedule "6"		
EMPLOYMENT EXPENSES		
Salary and Other Allowances	44,961,689	24,006,109
Contribution to German Social Security	8,104,475	3,749,107
	53,066,164	27,755,216
Schedule "7"		
ADMINISTRATIVE AND OTHER EXPENSES		
Rent	902,411	-
Travelling and Conveyance Expenses	954,106	287,795
Communications Expenses	400,790	44,781
Auditors Remuneration	115,075	-
Legal and Professional Fees	4,243,402	1,853,615
Bank and Other Charges	288,621	161,129
Insurance Premium	103,191	91,287
Membership and Subscription	9,884	8,803
Miscellaneous Expenses	240,157	375,050
	7,257,637	2,822,460

SIGNIFICANT ACCOUNTING POLICIES

SCHEDULE "8"

1. ACCOUNTING CONVENTION AND CONCEPTS

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

2. Revenue Recognition

In case of fixed price contracts, under which 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. Unbilled jobs represent recognised amount based on services performed in advance of billing in accordance with contract terms.

3. Fixed Assets

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

4. Depreciation

Depreciation on Fixed Assets is provided on Straight-line Method of depreciation on a pro rata basis at the rates specified in Schedule XIV of the Companies Act, 1956 except in respect of computers which are depreciated over a period of 5 years as per the Schedule of depreciation prescribed under German Law.

5. Foreign Currency Transactions

- i) Value of Fixed Assets is converted at the rate prevailing on the date of remittance and acquisition.
- ii) Monetary items denominated in foreign currency at the year-end are translated at the year end rates. Gain/loss on conversion is charged to Profit and Loss account.
- iii) Transactions done during the year are converted at the rate prevailing on the date of transaction.

Hexaware Technologies GmbH, Germany

NOTES FORMING PART OF THE ACCOUNTS

SCHEDULE "9"

- 1) Estimated amount of contracts remaining to be executed on capital account and not provided for: Nil (Previous year - Nil)
- 2) Contingent Liabilities in respect of :
Claims against the Company not acknowledged as debts: Nil (Previous year - Nil)
- 3) a) Remuneration to Wholetime Directors (including Managing Director) : Nil, (Previous year - Nil)
b) Since no commission is paid/payable to any director, the computation of profit under Section 349 of the Companies Act, 1956 has not been made.
- 4) In view of the carried forward losses of GmbH, no provision for taxation has been considered necessary under German Tax Laws.
- 5) Additional information pursuant to the provisions of Paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956:-
 - i) Quantitative Details:-
The Company is engaged in providing software solutions. The production, procurement and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details as required under paragraphs 3, 4C and 4D of part ii of Schedule VI of the Companies Act, 1956.
 - ii) CIF Value of Imports -Nil (Previous Year Nil)
 - iii) Expenditures in Foreign Currency:
Software Rs. 226,107,982 (Previous year Rs. 32,017,727)
 - iv) Earnings in Foreign Exchange:
Income from Software Development, Technical Services and Royalties Nil
(Previous Year Nil)
- 6) Figures for the previous year have been regrouped/rearranged wherever necessary. The previous year figures are only for the period from 22.01.2001 to 31.12.2001 and therefore the current year figures are not comparable to those of the previous period.

For A.K. Verma & Associates,
Chartered Accountants

Ashok K. Verma
Partner
(Membership No. 082084)

S. Surya
(Director)

Place : Frankfurt am Main
Date : 17.02.2003

DIRECTORS' REPORT

To
The Members of HTI Europe Limited

The directors submit their report and financial statements for the year ended 31 December, 2002. On 30 January, 2003 the name of the company was changed to HTI Europe Limited.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £ 297,914 (2001 £312,625).

The directors do not recommend the payment of a dividend.

REVIEW OF THE BUSINESS

The company's principal activities are software development and IT consultancy services.

FIXED ASSETS

The movements in the fixed assets of the company during the year are summarised in note 6 to the financial statements.

DIRECTORS AND THEIR INTEREST

The directors who served throughout the year, and their beneficial interest in the issued share capital of the company are as follows:

	Ordinary shares at 31.12.02	Ordinary shares at 31.12.01
Mr. A. Nishar	Nil	Nil
Mr. S. Surya	Nil	Nil

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

AUDITORS

A resolution to re-appoint Butler & Co. as auditors will be submitted at the Annual General Meeting.

By Order of the Board:

S. Surya
Company Secretary

Date : 2 February, 2003

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF HTI EUROPE LIMITED

We have audited the financial statements on pages 110 to 114 which have been prepared under the historical cost convention and the accounting policies set out on page 112.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

As described on page 108 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

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

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

UNCERTAINTY

The financial statements have been prepared on a going concern basis and assume that funds will continue to be made available by the shareholders to enable the company to continue trading and therefore do not include adjustments that would result from a failure to obtain continuing financial support. Details of the circumstances relating to this uncertainty are described in note 1. Our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December, 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Butler & Co.

*Chartered Accountants and
Registered Auditors*

Date: 2 February, 2003
Walmar House
288-292 Regent Street
London W1B 3AL

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER, 2002

	Notes	2002		2001	
		£	£	£	£
TURNOVER – Continuing operations	2		389,901		908,761
Cost of Sales			126,793		245,456
Gross Profit			263,108		663,305
Administrative Expenses		561,022		979,852	
Other Operating Income		—		(3,922)	
			561,022		975,930
(Loss) on Ordinary Activities before Taxation	3		(297,914)		(312,625)
Tax on Profit on Ordinary Activities	5		—		—
(Loss) on Ordinary Activities after Taxation			(297,914)		(312,625)
Dividends			—		—
			(297,914)		(312,625)
Accumulated (Loss) Brought Forward			(701,460)		(388,835)
Accumulated (Loss) Carried Forward			£(999,374)		£ (701,460)

The company had no recognised gains or losses other than the loss for the year as shown above. The notes on pages 112 to 114 form part of these accounts.

BALANCE SHEET AS AT 31 DECEMBER, 2002

	Notes	2002		2001	
		£	£	£	£
FIXED ASSETS					
Tangible Assets	6		15,659		17,132
CURRENT ASSETS					
Work in Progress	7	—		29,322	
Debtors	8		290,423	93,005	
Cash at bank & in hand			17,754	2,143	
			308,177	124,470	
CREDITORS: amounts falling due within one year	9		(192,124)	(187,878)	
Net current assets/(liabilities)			116,053	(63,408)	
Total assets less current liabilities			131,712	(46,276)	
CREDITORS: amounts falling due after more than one year	10		(721,086)	(245,184)	
			£(589,374)	£(291,460)	
CAPITAL AND RESERVES					
Called up share capital	11		410,000	410,000	
Profit & Loss account			(999,374)	(701,460)	
Shareholders' funds	12		£ (589,374)	£(291,460)	

The financial statements were approved by the Board on 2 February, 2003.

S. Surya
Director

The notes on Page 112 to 114 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2002

1. ACCOUNTING POLICIES

Basis of Preparation

The financial statements are prepared in accordance with applicable accounting standards, under the historical cost convention and on the going concern basis.

As at 31 December, 2002 the company's total liabilities exceeded total assets by £589,374. However, the directors of the company consider that the going concern basis is appropriate in view of the assurance of continuing financial support which the company have received from its shareholders

Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standards No. 1 from producing a cash flow statement on the grounds that it is a small company.

Depreciation

Depreciation is calculated to write off the cost or re-valued amount less estimated residual value of fixed assets on a straight line basis over their estimated useful lives as follows:

Office Equipment - 4.75% on cost

Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction.

All differences are taken to the profit and loss account.

2. TURNOVER

Turnover represents the invoiced amount of services rendered and is stated net of Value Added Tax.

The turnover and pre-tax loss is attributable to the principal activity of the company. The analysis of turnover by geographical markets is as follows:-

	2002	2001
	£	£
UK	284,391	707,320
Europe	105,510	201,441
	£389,901	£ 908,761

3. OPERATING PROFIT

This is stated after charging:

	2002	2001
	£	£
Directors' Remuneration	99,000	171,511
Auditors' Remuneration	2,500	2,000
Depreciation	1,473	14,499

4. STAFF COSTS

	2002	2001
	£	£
Wages and salaries	508,496	678,038
Social security costs	45,302	46,657
	£ 553,798	£ 724,695

The average weekly number of employees during the period was made up as follows:

	2002	2001
	No.	No.
Office management	4	2
Software consultants	4	9
	8	11

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

The company has tax losses of £ 971,280 (subject to Inland Revenue approval) to carry forward against future profits.

6. TANGIBLE FIXED ASSETS

COST

At 1 January, 2002
 Additions
 Disposals
 At 31 December, 2002

Office	Total
Equipment	£
£	£
31,009	31,009
—	—
—	—
31,009	31,009

DEPRECIATION

At 1 January, 2002
 Charge for the year
 On disposals
 At 31 December, 2002

13,877	13,877
1,473	1,473
—	—
15,350	15,350

NET BOOK VALUE

At 31 December, 2002
 At 31 December, 2001

15,659	15,659
£ 17,132	£ 17,132

7. WORK IN PROGRESS

Software development projects

2002	2001
£	£
£ —	£29,322

8. DEBTORS

Trade debtors
 Other debtors

2002	2001
£	£
287,012	66,099
3,411	26,906
£290,423	£93,005

Trade debtors include amounts due from a related undertaking.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£	£
Bank overdraft	—	755
Trade creditors	126,343	133,392
Other creditors	17,550	16,690
Accruals	37,488	9,733
Other taxes and social security	10,743	27,308
	£192,124	£ 187,878

Trade creditors include amounts due to the parent company and a related undertaking.

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002	2001
	£	£
Loans	721,086	245,184

The above amounts are due to the parent company and related undertaking.

11. SHARE CAPITAL

	2002	2001
	£	£
Authorised:		
2,000,000 Ordinary shares of £1 each	£ 2,000,000	£ 1,000,000
Allotted, called up and fully paid:		
410,000 Ordinary shares of £1 each	£410,000	£ 410,000

12. SHAREHOLDERS' FUNDS

	2002	2001
	£	£
Balance brought forward	(291,460)	21,165
(Loss) for the year	(297,914)	(312,625)
Balance carried forward	£(589,374)	£ (291,460)

13. ULTIMATE HOLDING COMPANY

The company is a wholly owned subsidiary of Hexaware Technologies Limited, a company incorporated in India.

DIRECTORS' REPORT

To
The Members of Hexaware Technologies Asia Pacific Pte. Ltd.

The directors present their report to the member together with the audited financial statements of the company for the year ended 31 October, 2002.

1. The directors in office at the date of this report are:
Uday Mahesh Tembulkar
Pennathur Kuppuswami Sridharan (appointed on 4.1.2002)
2. On 16 May 2002, the company's name was changed from Aptech Worldwide Pte Ltd. to Hexaware Technologies Asia Pacific Pte Ltd.
3. The principal activities of the company are developing, designing, licensing of software products and programs and providing information technology consultancy services. There have been no significant changes in the nature of these activities during the financial year.

4. Results

	S\$
Profit after taxation	4,954
Accumulated losses brought forward	(205,552)
Accumulated losses carried forward	<u>(200,598)</u>

5. During the financial year, the Company did not acquire or dispose of any interests in subsidiary companies.
6. There were no material transfers to or from provisions during the financial year except for normal amounts set aside for such items as depreciation as shown in the financial statements.
There were no material transfers to or from reserves during the financial year.
7. The company did not issue any shares or debentures during the financial year.
8. Neither at the end of nor at any time during the financial year was the company a party to any arrangement whose object is to enable the directors of the company to acquire benefits through the acquisition of shares or debentures of the company or any other body corporate.
9. None of the directors holding office at the end of the financial year had an interest in any shares or debentures of the company or any related corporation at the beginning and end of the financial year as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Companies Act, Cap. 50.
10. The directors do not recommend any dividend to be paid in respect of the financial year.
No dividends were declared or paid during the financial year in respect of the company's previous financial year.
11. Before the financial statements were made out, the directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and providing for doubtful debts. The directors have satisfied themselves that there were no known bad or doubtful debts.
At the date of this report, the directors are not aware of any circumstances which would require the writing off of bad debts or the setting up of a provision for doubtful debts.
12. Before the financial statements were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to realise their book values in the ordinary course of business were written down to their estimated realisable values or that adequate provisions have been made for the diminution in the values of such current assets.
At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report, which will render the values attributed to the current assets misleading.

Hexaware Technologies Asia Pacific Pte. Ltd.

(Formerly known as Aptech Worldwide Pte Ltd) (Incorporated in Singapore)

13. Before the financial statements were made out, the directors took reasonable steps to ensure that all non-current assets of the company are shown at amounts which, having regard to their values to the company as a going concern, do not exceed the amounts which would be recoverable over their useful lives or on their disposal.

At the date of this report, the directors are not aware of any circumstances, which will render the values attributable to non-current assets excessive in relation to their values to the company as a going concern.

14. At the date of this report, no charges have arisen since the end of the financial year on the assets of the company, which secure the liability of any other person, nor have any contingent liabilities arisen since the end of the financial year.

15. No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of this financial year which, in the opinion of the directors, will or may affect the ability of the company to meet its obligations as and when they fall due.

16. At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report, which would render any amount stated in the financial statements misleading.

17. In the opinion of the directors, the results of the operations of the company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

18. In the opinion of the directors, no items, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the company for the current financial year in which this report is made.

19. Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than as disclosed in the financial statements), by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the financial statements.

20. There were no options granted during the financial year to subscribe for unissued shares of the company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the company.

There were no unissued shares of the company under option at the end of the financial year.

21. Messrs Shanker Iyer & Co., Certified Public Accountants, Singapore, have expressed their willingness to accept re-appointment.

Uday Mahesh Tembulkar } Directors
Pennathur Kuppuswami Sridharan }

26 November, 2002

STATEMENT BY DIRECTORS

In the opinion of the directors of HEXAWARE TECHNOLOGIES ASIA PACIFIC PTE LTD,

- (a) the accompanying balance sheet, income statement and statement of changes in equity together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the company as at 31 October, 2002 and of its results and changes in equity for the year ended on that date; and
- (b) at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

The board of directors authorised these financial statements for issue on 26 November 2002.

Uday Mahesh Tembulkar } Directors
Pennathur Kuppuswami Sridharan }

26 November, 2002

AUDITORS' REPORT

To

THE MEMBERS OF HEXAWARE TECHNOLOGIES ASIA PACIFIC PTE LTD.

(Formerly known as Aptech Worldwide Pte Ltd.)

(Incorporated in Singapore)

We have audited the financial statements of Hexaware Technologies Asia Pacific Pte Ltd. for the financial year ended 31 October, 2002 set out on pages 128 to 135. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Singapore Companies Act ("Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of:
 - (i) the state of affairs of the company as at 31 October, 2002 and of its results and changes in equity for the financial year ended on that date; and
 - (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements.
- (b) the accounting and other records, and the registers required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.

SHANKER IYER & CO.

Certified Public Accountants

Singapore

26 November, 2002

BALANCE SHEET AS AT 31 OCTOBER, 2002

	Note	2002 S\$	2001 S\$
NON-CURRENT ASSETS			
Plant and equipment	4	65,434	99,063
CURRENT ASSETS			
Cash and cash equivalents	5	429,961	210,663
Trade receivables		201,642	471,060
Other receivables	6	34,090	51,195
Amounts owing by holding company	7	9,709	–
Deferred tax asset	13	13,178	9,505
		<u>688,580</u>	<u>742,423</u>
Less:			
CURRENT LIABILITIES			
Trade payables		8,937	19,801
Other payables	8	24,481	24,116
Amount owing to a related party	9	162,443	139,323
Amounts owing to holding company	7	247,380	363,798
Deferred revenue		11,371	–
		<u>454,612</u>	<u>547,038</u>
NET CURRENT ASSETS		<u>233,968</u>	<u>195,385</u>
NET ASSETS		<u>299,402</u>	<u>294,448</u>
SHAREHOLDER'S EQUITY			
Share capital	10	500,000	500,000
Accumulated losses		(200,598)	(205,552)
		<u>299,402</u>	<u>294,448</u>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

INCOME STATEMENT FOR THE YEAR ENDED 31 OCTOBER, 2002

	Note	2002 S\$	2001 S\$
REVENUES			
Software and consulting revenue		2,335,099	2,447,687
Other revenue	11	7,514	6,725
Total revenues		<u>2,342,613</u>	<u>2,454,412</u>
COSTS AND EXPENSES			
Software development and service costs		549,450	275,584
Depreciation	4	36,907	14,707
Exchange loss		–	8,702
Staff and related costs		1,607,141	1,956,029
Operating expenses		147,834	158,670
Total costs and expenses		<u>2,341,332</u>	<u>2,413,692</u>
PROFIT BEFORE TAXATION	12	1,281	40,720
TAXATION	13	3,673	9,505
PROFIT AFTER TAXATION		<u>4,954</u>	<u>50,225</u>

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED 31 OCTOBER, 2002

	Share capital S\$	Accumulated losses S\$	Total S\$
2002			
Balance as at 1 November, 2001	500,000	(205,552)	294,448
Profit after taxation	–	4,954	4,954
Balance as at 31 October, 2002	<u>500,000</u>	<u>(200,598)</u>	<u>299,402</u>
2001			
Balance as at 1 November, 2000	500,000	(255,777)	244,223
Profit after taxation	–	50,225	50,225
Balance as at 31 October, 2001	<u>500,000</u>	<u>(205,552)</u>	<u>294,448</u>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 OCTOBER, 2002

1. CORPORATE INFORMATION

The company's principal place of business is at:

180 Cecil Street #09-03
Bangkok Bank Building
Singapore 069546

The principal activities of the company are developing, designing, licensing of software products and programs and providing information technology consultancy services. There have been no significant changes in the nature of these activities during the financial year.

The number of staff employed as of 31 October, 2002 was 18 (2001:42).

2. IMPACT OF NEW SINGAPORE STATEMENTS OF ACCOUNTING STANDARD ("SAS")

In the current financial year, the company has adopted new or revised accounting standards as follows:

SAS 10 (Revised 2000): Events after the Balance Sheet Date;

SAS 12 (Revised 2001): Income Taxes;

SAS 17 (Revised 2000): Employee benefits;

SAS 31 (2000): Provisions, Contingent Liabilities and Contingent Assets;

SAS 32 (2000): Financial Instruments, Disclosure and Presentation; and

SAS 36 (2000): Impairment of Assets.

The adoption of the above SASs has resulted in some changes in the company's accounting policies. However, none of these amendments have given rise to any adjustments to the opening balances of accumulated losses of the prior years and loss of the current year.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The financial statements are prepared in accordance with and comply with Singapore Statements of Accounting Standard.

The financial statements expressed in Singapore dollars are prepared in accordance with the historical cost convention.

b) Depreciation of plant and equipment

Depreciation is calculated to write off the cost of plant and equipment by the straight-line method over their estimated useful lives. The annual rates used are as follows:-

Office equipment	4.75 %
Computer software and hardware	33.33 %
Furniture and fittings	6.33 %

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

c) Currency translation

Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at rates of exchange closely approximate to those ruling at the balance sheet date and transactions in foreign currencies during the year are translated at rates ruling on transaction dates. Translation differences are dealt with through the income statement.

d) Income tax

Income tax expense is calculated on the basis of tax effect accounting, using the liability method and is applied to all significant temporary differences.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable, that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or subsequently enacted at the balance sheet date.

e) Revenue recognition

Software and consulting revenue are recognised upon performance of services. Fixed price revenue are recognised on percentage completion method.

f) Related party

Related party in the context of these financial statements means entity with common shareholder.

g) Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date. If any indication of impairment exists, an impairment loss is recognised to the extent of the excess of the carrying amount over the estimated recoverable amount.

h) Trade and other receivables

Trade and other receivables are recognised and carried at original invoiced amount less any provision for uncollectible amounts. A provision for doubtful debts is made when collection of the full amount is no longer probable.

i) Other payables

Other payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

j) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4. PLANT AND EQUIPMENT

	Office equipment S\$	Computers S\$	Furniture & fittings S\$	Total S\$
2002				
Cost				
At 01.11.2001	2,319	118,193	8,229	128,741
Additions	30	3,248	-	3,278
At 31.10.2002	<u>2,349</u>	<u>121,441</u>	<u>8,229</u>	<u>132,019</u>
Accumulated Depreciation				
At 01.11.2001	1,076	24,184	4,418	29,678
Charge for the year	115	36,270	522	36,907
At 31.10.2002	<u>1,191</u>	<u>60,454</u>	<u>4,940</u>	<u>66,585</u>
Net Book Value	<u>1,158</u>	<u>60,987</u>	<u>3,289</u>	<u>65,434</u>
2001				
Cost				
At 01.11.2000	2,208	21,278	5,669	29,155
Additions	111	96,915	2,560	99,586
At 31.10.2001	<u>2,319</u>	<u>118,193</u>	<u>8,229</u>	<u>128,741</u>
Accumulated Depreciation				
At 01.11.2000	627	12,612	1,732	14,971
Charge for the year	449	11,572	2,686	14,707
At 31.10.2001	<u>1,076</u>	<u>24,184</u>	<u>4,418</u>	<u>29,678</u>
Net Book Value	<u>1,243</u>	<u>94,009</u>	<u>3,811</u>	<u>99,063</u>

5. CASH AND CASH EQUIVALENTS

	2002 S\$	2001 S\$
Cash in hand	198	1,262
Cash at bank	376,963	180,601
Fixed deposits	52,800	28,800
	<u>429,961</u>	<u>210,663</u>

Fixed deposits have been pledged to the bank as security for bank guarantees (Note 16).

6. OTHER RECEIVABLES

	2002 S\$	2001 S\$
Other debtors	3,701	3,709
Deposits	23,824	31,421
Prepayments	6,565	16,065
	<u>34,090</u>	<u>51,195</u>

7. AMOUNTS OWING BY/(TO) HOLDING COMPANY

The company's immediate and ultimate holding company is Hexaware Technologies Limited, a company incorporated in India. The amounts owing by holding company is non-trade in nature, unsecured, interest free and repayable within the next six months.

	<u>2002</u> S\$	<u>2001</u> S\$
Amounts owing to holding company:		
Trade in nature	–	45,473
Loan (non-trade in nature)	247,380	318,325
	<u>247,380</u>	<u>363,798</u>
8. OTHER PAYABLES		
	<u>2002</u> S\$	<u>2001</u> S\$
Other creditors	16,526	17,196
Accruals	7,955	6,920
	<u>24,481</u>	<u>24,116</u>
9. AMOUNT OWING TO A RELATED PARTY		
The amount owing to a related party is trade in nature, unsecured, interest free and repayable within the next six months.		
10. SHARE CAPITAL		
	<u>2002</u> S\$	<u>2001</u> S\$
<u>Authorised</u>		
500,000 ordinary shares of S\$1 each	<u>500,000</u>	<u>500,000</u>
<u>Issued and fully paid</u>		
500,000 ordinary shares of S\$1 each	<u>500,000</u>	<u>500,000</u>
11. OTHER REVENUE		
	<u>2002</u> S\$	<u>2001</u> S\$
Exchange gain	7,107	–
Rental income	–	3,500
Finance income	7	3,225
Others	400	–
	<u>7,514</u>	<u>6,725</u>
12. PROFIT BEFORE TAXATION		
Profit before taxation is arrived at after charging:		
	<u>2002</u> S\$	<u>2001</u> S\$
Auditors' remuneration	7,500	7,500
Bad debt written off	–	256
Directors' remuneration and CPF	127,520	130,640
Directors' benefits	24,000	21,900
	<u>24,000</u>	<u>21,900</u>

13. TAXATION

No provision for current year taxation is made on the profit for the year as the company has utilised unabsorbed losses brought forward of S\$27,000 (2001: S\$64,400). The company has further unabsorbed losses amounting to approximately S\$114,000 (2001: S\$146,000) available for offsetting against future taxable income of the company subject to there being no substantial change in the shareholders of the company and their shareholding within the meaning of Section 37 of the Singapore Income Tax Act and agreement by the Inland Revenue Authority of Singapore.

Future tax benefits of S\$13,178 (2001: S\$9,505) arising from temporary differences have been recognised since there is a reasonable expectation of realisation.

Future tax benefits arising from tax losses have not been recognised since there is no reasonable certainty of their recovery in future years.

14. OPERATING LEASE COMMITMENTS

At the balance sheet date, the commitments in respect of operating leases were as follows:

	<u>2002</u> S\$	<u>2001</u> S\$
Due within one year	31,540	64,342
Due within two to five years	–	19,262
	<u>31,540</u>	<u>83,604</u>

15. RELATED PARTY TRANSACTIONS

During the year, the company has the following significant related party transactions:

	<u>2002</u> S\$	<u>2001</u> S\$
Recruitment expenses and software development expenses payable to holding company	425,261	93,742
Training expenses payable to a related company	–	12,000
Software development expenses payable to a related party	78,400	141,200
Computer software purchased from a related company	–	83,610

The terms of the transactions are arranged between the parties concerned.

16. CONTINGENT LIABILITIES

	<u>2002</u> S\$	<u>2001</u> S\$
Bank guarantees	37,300	–

The above bank guarantees are fully secured by a charge over the company's fixed deposits (Note 5).

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The company has no significant liquidity risk.

Foreign currency risk

Foreign currency risk arises from potential changes in foreign exchange rates that have an adverse effect on the company in the current reporting year or in future years.

The majority of the company's trade transactions are denominated in Singapore dollars, therefore, no significant risk arises from changes in foreign exchange rates.

Credit risk

Credit risk arises when one party to a financial instrument fails to discharge an obligation and cause the other party to incur a financial loss.

The carrying amount of cash and cash equivalents and trade and other receivables represent the company's maximum exposure to credit risk. The company has no significant concentrations of credit risk.

Interest rate risk

Interest rate risk arises from potential changes in interest rates that may have adverse effect on the company in the current reporting year or in future years.

The company has no significant exposure to market risk for changes in interest rates because it has no material interest bearing borrowings.

Fair values

Fair value is the amount for which an asset could be exchange, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The carrying amounts of trade and other receivables, cash and cash equivalents and other payables approximate their fair values due to their short-term nature.

AUDITORS' REPORT

To,
The Stakeholders of Hexaware Technologies Canada Limited

We have audited the attached Balance Sheet of Hexaware Technologies Canada Ltd. ("the Company") as at 31 December, 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on the test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act') the matters specified in paragraphs 4 and 5 of the said order are not applicable to the Company for the period under audit.

Further we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.
- c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act.
- e) On the basis of written representations received from the directors as on 31 December, 2002 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 December, 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.
- f) In our opinion and to the best of our information and according to the explanations given to us and read with the other notes thereon give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet of the state of affairs of the Company as at 31 December, 2002, and
 - ii) In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **MAHENDRA KUMBHAT & ASSOCIATES**
Chartered Accountants

MANOJ P. SHAH
Partner

Place: Mumbai
Date : 10 February, 2003.

Balance Sheet As At 31 December, 2002

Particulars	As At 31 December, 2002 Rupees
Sources Of Funds	
Share Holders' Funds	
Share Capital (Held By Hexaware Technologies Limited)	710,263
Currency Translation Reserve	3,138
	<u>713,401</u>
Application Of Funds	
A) Current Assets, Loans And Advances	
Cash And Bank Balances	48,875
Less:	
B) Current Liabilities And Provisions	
	—
Net Current Assets (A-B)	<u>48,875</u>
Miscellaneous Expenditure (To The Extent Not Written Off)	370,227
Profit And Loss Account	294,299
	<u>713,401</u>
Significant Accounting Policies & Notes Forming Part of Accounts	"1"

Schedule 1 Forms an Integral Part of the Accounts.

This is the Balance Sheet Referred to In Our Report of Even Date.

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner

Rusi Brij
(Director)

Yogen Shah
(Director)

Place : Mumbai
Date : 10 February, 2003

Profit And Loss Account For The Year Ended 31 December, 2002

Particulars

**For The
Year Ended
31 December,
2002
Rupees**

Income

Income From Operations

—

Expenditure

Legal And Professional Fees

288,908

Bank And Other Charges

5,391

Loss For The Year Carried To Balance Sheet

294,299

Significant Accounting Policies & Notes Forming "1"

Part Of Accounts

Schedule 1 Forms An Integral Part Of The Accounts.

This Is The Profit And Loss Referred To In Our Report Of Even Date.

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner

Rusi Brij
(Director)

Yogen Shah
(Director)

Place : Mumbai
Date : 10 February, 2003

SCHEDULE 1 – NOTES FORMING PART OF ACCOUNTS

1. Hexaware Technologies Canada Limited is a wholly-owned subsidiary of Hexaware Technologies Limited, a foreign corporation incorporated in India. These accounts have been prepared to comply with the provision of Indian Companies Act, 1956.
2. **Commitments and Contingencies**
 - a) Unexpired Bank Guarantee as on December 31, 2002, is Nil.
 - b) Unexpired Letters of Credit given by Bank(s) on behalf of the Company for purchase of raw material is Nil.
 - c) Estimated amount of contracts to be executed on capital account and not provided for in books is Nil.
 - d) Claims against Company not acknowledged as debts is Nil.
3. **Quantitative Information**

Since the Company does not deal in Stocks, no quantitative details are being furnished.
4. **Income Tax**

No Provision for taxation has been made during the year, as the Company does not have any taxable income.
5. Previous year's figures have been regrouped wherever necessary.

For Mahendra Kumbhat & Associates

Chartered Accountants

Manoj P. Shah
Partner

Rusi Brij
(Director)

Yogen Shah
(Director)

Place : Mumbai
Date : 10 February, 2003

DIRECTORS' REPORT

To
The Members of Aptech Technologies Pty Limited

Your directors submit the financial accounts of the company for the year ended 30 June, 2002.

The names of the directors in office at the date of this report are:

Amit Bhoraskar
Rajesh Kanani

The principal activities of the company during the financial year were:

Investment and exploration of IT related areas.

No significant change in the nature of these activities occurred during the year.

The net profit after providing for income tax amounted to \$1,492.

No dividends were paid during the year and no recommendation is made as to dividends.

No options to shares in the company have been granted during the financial year and there were no options outstanding at the end of the financial year.

No director has received or become entitled to receive, during or since the end of financial year, a benefit because of a contract made by the company or a related body corporate with the director, a firm of which a director is a member or an entity in which a director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts or the fixed salary of a full time employee of the company, controlled entity or related body corporate.

Signed in accordance with a resolution of the Board of Directors:

AMIT BHORASKAR }
RAJESH KANANI } Directors

10 December, 2002

STATEMENT BY DIRECTORS

The directors have determined that the company is not a reporting entity. The directors have determined that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the accounts.

In the opinion of the directors of the company:

- (a) The Profit and Loss Account gives a true and fair view of the profit or loss of the company for the financial year; and
(b) The Balance Sheet gives a true and fair view of the state of affairs of the company as at the end of the financial year.
- At the date of this statement, there are reasonable grounds to believe that the company can meet its debts as and when they fall due.

This statement is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

AMIT BHORASKAR }
RAJESH KANANI } Directors

10 December, 2002

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF APTECH TECHNOLOGIES PTY LIMITED

Scope

We have audited the Financial Report being the Directors' Report, Statement by Directors, Profit & Loss Account, Balance Sheet and Notes to the Financial Statements of Aptech Technologies Pty Limited for the financial year ended 30 June, 2002. The company's directors are responsible for the Financial Report. We have conducted an independent audit of this Financial Report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the Financial Report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the Financial Report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the Financial Report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the Financial Report of Aptech Technologies Pty Limited is in accordance with :

- a. the Corporation Law, including
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June, 2002 and of their performance for the year ended on that date; and
 - ii. complying with Accounting Standards and the Corporations Regulations; and
- b. other mandatory professional reporting requirements.

Name of Firm: Laurence Varnay – DFK
Chartered Accountants

Name of Partner: Steven Heller

Address: Level 7, 131 York St, Sydney

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE, 2002

	Note	2002 A\$	2001 A\$
OPERATING PROFIT (LOSS) BEFORE ABNORMAL ITEMS AND INCOME TAX		1,492.09	(8,661.67)
Income tax expense		—	—
OPERATING PROFIT (LOSS) AFTER INCOME TAX		1,492.09	(8,661.67)
Retained Profits (Accumulated Losses) at the beginning of the Financial Year		(16,387.14)	(7,725.47)
TOTAL AVAILABLE FOR APPROPRIATION		(14,895.05)	(16,387.14)
RETAINED PROFITS (ACCUMULATED LOSSES) AT END OF FINANCIAL YEAR		(14,895.05)	(16,387.14)

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 30 JUNE, 2002

	Note	2002 A\$	2001 A\$
CURRENT ASSETS			
Cash	2	51,447.93	3,005.18
TOTAL CURRENT ASSETS		51,447.93	3,005.18
NON-CURRENT ASSETS			
Investments	3	—	43,230.00
TOTAL NON-CURRENT ASSETS		—	43,230.00
TOTAL ASSETS		51,447.93	46,235.18
CURRENT LIABILITIES			
Creditors & Borrowings	4	1,357.98	(2,362.68)
TOTAL CURRENT LIABILITIES		1,357.98	(2,362.68)
TOTAL LIABILITIES		1,357.98	(2,362.68)
NET ASSETS (LIABILITIES)		50,089.95	48,597.86
EQUITY			
Issued capital	5	64,985.00	64,985.00
Accumulated losses		14,895.05	16,387.14
TOTAL EQUITY		50,089.95	48,597.86

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2002

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are a special purpose financial report prepared for use by members of the company. The directors have determined that the company is not a reporting entity.

The statements have been prepared in accordance with the requirements of the following applicable Accounting Standards and other mandatory professional reporting requirements:

- AASB 1002 : Events Occurring after Reporting Date
- AASB 1018 : Profit and Loss Accounts
- AASB 1025 : Application of the Reporting Entity Concept and Other Amendments
- AASB 1031 : Materiality

The statements are also prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of these statements:

	2002	2001
	A\$	A\$
2. CASH		
Trust Account Funds	2,832.30	–
Cash at Bank	48,615.63	3,005.18
	51,447.93	3,005.18
3. INVESTMENTS		
NON-CURRENT		
Shares in Associated Companies	–	43,230.00
4. CREDITORS & BORROWINGS		
CURRENT		
Sundry Creditors	(2,362.68)	(2,362.68)
Trade Creditors	2,400.00	–
Tax clearing account	1,320.66	–
	1,357.98	(2,362.68)
5. ISSUED CAPITAL		
Paid Up Capital:		
40,000 Ordinary Shares of A\$1	64,985.00	64,985.00

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 30 JUNE, 2002

	2002	2001
	A\$	A\$
EXPENDITURE		
Accountancy Fees	6,535.00	825.00
Auditor's Remuneration	2,410.00	-
Bank Charges	6.00	32.40
Filing Fees	30.00	200.00
Fringe Benefits Tax	22.65	-
Legal Costs	-	7,604.27
Telephone	919.76	-
	<hr/> 9,923.41 <hr/>	<hr/> 8,661.67 <hr/>
OTHER INCOME		
Interest Received	15.00	-
Recoveries	1,424.26	-
Capital Gain(Loss) on Sale of Non-current Assets	9,976.24	-
	<hr/> 11,415.50 <hr/>	<hr/> - <hr/>
NET PROFIT	<hr/> 1,492.09 <hr/>	<hr/> (8,661.67) <hr/>

The accompanying notes form part of these financial statements