The Board of Directors
Hexaware Technologies Limited
152, Millennium Business Park,
Sector 3rd 'A' Block,
TTC Industrial Area Mahape,
Navi Mumbai - 400710.

Report on Condensed Interim Standalone Ind AS Financial Statements

1. This report is issued in accordance with the terms of our agreement dated July 29, 2017.

2. We have audited the accompanying Condensed Interim Standalone Ind AS financial statements of Hexaware Technologies Limited (the "Company") which comprise the Condensed Balance Sheet as at September 30, 2017, the Condensed Statement of Profit and Loss (including Other Comprehensive Income) for the quarter and nine months period ended on that date, and the Condensed Cash Flow Statement and Condensed Statement of Changes in Equity for the nine months period ended on that date and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the interim standalone financial statements").

Management's Responsibility for the Condensed Interim Standalone Ind AS Financial Statements

3. The Company's Board of Directors is responsible for the preparation of these interim standalone financial statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the Company in accordance with the recognition and measurement principles laid down in Ind AS 34 – "Interim Financial Reporting", Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Companies Act 2013 (the "Act") and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the interim standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

4. Further, as informed to us, the accounting policies used by the Management in the preparation of these interim standalone financial statements are consistent with those used in the preparation of its opening audited Ind AS Balance Sheet as at January 1, 2016.

Auditors' Responsibility

5. Our responsibility is to express an opinion on these interim standalone financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the interim standalone financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim standalone financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the interim standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the interim standalone financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's Board of Directors, as well as evaluating the overall presentation of the interim standalone financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on interim standalone financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid interim standalone financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at September 30, 2017, its profit (including other comprehensive income) for the quarter and nine months ended on that date, and its cash flows and the changes in equity for the nine months ended on that date.

Other Matter

9. The comparative financial information of the Company for the quarter and nine months ended September 30, 2016, as at December 31, 2016 and the transition date opening balance sheet as at January 1, 2016 prepared in accordance with Ind AS included in these interim standalone financial statements have been audited by the predecessor auditor who had audited the special purpose Ind AS condensed interim standalone financial statements for the quarter and nine months ended September 30, 2016 and the special purpose Ind AS standalone financial statements as at and for the year ended December 31, 2016. The predecessor auditor has expressed an unmodified opinion on such comparative financial information vide their separate reports dated July 17, 2017.

   Our opinion is not qualified in respect of this matter.

For Price Waterhouse Chartered Accountants LLP
Firm Registration No. 012754N/N-500016
Chartered Accountants

Sumit Seth
Partner
Membership No. 105869

Place: Chennai
Date: November 1, 2017

HEXAWARE TECHNOLOGIES LIMITED
CONDENSED INTERIM BALANCE SHEET

(Rupees Million)

	Notes	As at September 30, 2017	As at December 31, 2016	As at January 1, 2016
ASSETS				
Non-current assets				
Property, plant and equipment	4	3,252.47	2,579.39	2,759.18
Capital work-in-progress		2,699.22	3,236.10	1,182.19
Other intangible assets	5	91.76	100.86	104.66
Financial assets				
- Investments	6A	2,025.19	1,997.42	1,923.77
- Other financial assets	7A	346.71	336.85	164.37
Deferred tax assets (net)	8	979.64	847.46	821.68
Income tax asset (net)		297.80	316.51	341.50
Other non-current assets	9A	640.14	648.63	826.06
Total non-current assets		10,332.93	10,063.22	8,123.41
Current assets				
Financial assets				
- Investments	6B	178.30	188.50	409.33
- Trade receivables	10	4,010.30	2,733.56	3,970.97
- Cash and cash equivalents	11A	723.53	2,065.80	1,100.26
- Other bank balances	11B	146.81	137.66	120.28
- Unbilled revenue		376.65	495.77	351.66
- Other financial assets	7B	906.14	605.64	531.90
Other current assets	9B	231.21	285.68	280.53
Total current assets		6,572.94	6,512.61	6,764.93
Total assets		**16,905.87**	**16,575.83**	**14,888.34**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	12	593.46	604.06	603.13
Other equity		13,988.75	12,838.82	11,349.45
Total equity		14,582.21	13,442.88	11,952.58
Non-current liabilities				
Financial liabilities				
- Other financial liabilities	14A	17.03	4.00	28.74
Provisions - Employee benefit obligations		203.85	261.03	174.66
Total non-current liabilities		220.88	265.03	203.40
Current liabilities				
Financial liabilities				
- Trade payables		718.44	1,241.22	1,355.22
- Other financial liabilities	14B	920.08	1,111.24	982.32
Other current liabilities	15	147.75	146.24	172.68
Provisions				
- Employee benefit obligations		210.59	228.35	197.01
- Others	16	21.28	86.67	-
Current tax liabilities (net)		84.64	54.20	25.13
Total current liabilities		2,102.78	2,867.92	2,732.36
Total liabilities		2,323.66	3,132.95	2,935.76
Total equity and liabilities		**16,905.87**	**16,575.83**	**14,888.34**

The accompanying notes 1 to 28 form an integral part of the condensed financial statements

As per our report of even date

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number : 01254N / N500016
Chartered Accountants

For and on behalf of the Board of Directors

Sumit Seth
(Partner)
Membership Number : 105869

R. Srikrishna
(CEO and Executive Director)

Dileep Choksi
(Director)

Chennai, dated November 1, 2017

HEXAWARE TECHNOLOGIES LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS

(Rupees Million)

	Notes	For quarter ended September 30, 2017	For quarter ended September 30, 2016	For nine months ended September 30, 2017	For nine months ended September 30, 2016
INCOME					
Revenue from operations		4,051.07	3,714.56	11,522.26	10,242.03
Other Income	17	9.60	4.03	26.78	24.40
Exchange rate difference (net)		191.59	46.43	416.54	179.63
Total income		**4,252.26**	**3,765.02**	**11,965.58**	**10,446.06**
EXPENSES					
Software and development expenses	18	155.81	98.10	409.30	329.10
Employee benefits expense	19	1,926.43	1,793.91	5,515.53	5,200.04
Operation and other expenses	20	579.79	450.59	1,561.06	1,271.76
Employee stock option compensation cost		82.24	71.46	257.13	191.45
Interest - others		0.04	1.01	0.57	1.07
Depreciation and amortisation expense	4, 5	125.64	107.33	367.64	318.00
Total expenses		**2,869.95**	**2,522.40**	**8,111.23**	**7,311.42**
Profit before tax		**1,382.31**	**1,242.62**	**3,854.35**	**3,134.64**
Tax expense					
- Current		321.15	314.53	872.34	739.93
- Deferred (credit)		(90.33)	(30.57)	(144.54)	(73.90)
		230.82	283.96	727.80	666.03
Profit for the period		**1,151.49**	**958.66**	**3,126.55**	**2,468.61**
Other comprehensive income:					
i) Items that will not be reclassified to profit or loss					
- Remeasurement of defined benefit plan		9.69	(36.36)	78.22	(5.87)
- Income tax relating to items that will not be reclassified to profit or loss		(1.58)	7.71	(14.81)	1.33
ii) Items that will be reclassified to profit or loss					
- Net change in fair value of cash flow hedges		(168.38)	227.63	144.39	291.07
- Income tax relating to items that will be reclassified to profit or loss		34.95	(55.53)	(12.36)	(70.91)
Total other comprehensive income / (loss)		(125.32)	143.45	195.44	215.62
Total comprehensive income for the period		**1,026.17**	**1,102.11**	**3,321.99**	**2,684.23**
Earnings per share (in Rupees)	21				
Basic		3.88	3.18	10.50	8.18
Diluted		3.83	3.15	10.37	8.11

The accompanying notes 1 to 28 form an integral part of the condensed financial statements

As per our report of even date

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number : 01254N / N500016
Chartered Accountants

For and on behalf of the Board of Directors

Sumit Seth
(Partner)
Membership Number : 105869

R. Srikrishna
(CEO and Executive Director)

Dileep Choksi
(Director)

Chennai, dated November 1, 2017

HEXAWARE TECHNOLOGIES LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

A. Equity Share Capital

	As at September 30, 2017	As at September 30, 2016
Outstanding at the beginning of the period	604.06	603.13
Issued during the period	0.79	0.69
Bought back during the period	(11.39)	-
Outstanding at the end of the period	593.46	603.82

B. Other Equity

(Rupees Million)

		Reserves and Surplus				Other comprehensive income	
	Share application money pending allotment	Securities Premium Reserve	Other Reserves (Note No. 13)	General reserve	Retained Earnings	Cashflow Hedge Reserve (CFHR)	Total
Balances as at January 1, 2017	-	4,808.73	785.40	2,117.71	4,886.20	240.78	12,838.82
Profit for the period	-	-	-	-	3,126.55	-	3,126.55
Other comprehensive income	-	-	-	-	63.41	132.03	195.44
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**3,189.96**	**132.03**	**3,321.99**
Cash dividend paid (including dividend tax)	-	-	-	-	(1,070.87)	-	(1,070.87)
Buy-back of shares	-	(1,366.76)	11.39	-	(12.15)	-	(1,367.52)
Shares Issued on exercise of Options	-	9.20	-	-	-	-	9.20
Transfer to special economic zone reserve, net	-	-	67.51	-	(67.51)	-	-
Received / transferred on exercise of Stock Options	-	54.89	(54.89)	-	-	-	-
Compensation related to employee share based payments	-	-	257.13	-	-	-	257.13
As at September 30, 2017	-	3,506.06	1,066.54	2,117.71	6,925.63	372.81	13,988.75
Balances as at January 1, 2016	-	4,772.37	559.46	2,117.71	3,887.80	12.11	11,349.45
Profit for the period	-	-	-	-	2,468.61	-	2,468.61
Other comprehensive income	-	-	-	-	(4.54)	220.16	215.62
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**2,464.07**	**220.16**	**2,684.23**
Cash dividend paid (including dividend tax thereon)	-	-	-	-	(2,142.72)	-	(2,142.72)
Shares Issued on exercise of Options	-	11.61	-	-	-	-	11.61
Transfer to special economic zone reserve, net	-	-	10.12	-	(10.12)	-	-
Received / transferred on exercise of Stock Options	0.06	-	-	-	-	-	0.06
Compensation related to employee share based payments	-	-	191.45	-	-	-	191.45
As at September 30, 2016	0.06	4,783.98	761.03	2,117.71	4,199.03	232.27	12,094.08

The accompanying notes 1 to 28 form an integral part of the condensed financial statements

As per our report of even date

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number : 01254N / N500016
Chartered Accountants

For and on behalf of the Board of Directors

Sumit Seth
(Partner)
Membership Number : 105869

R. Srikrishna
(CEO and Executive Director)

Dileep Choksi
(Director)

Chennai, dated November 1, 2017

HEXAWARE TECHNOLOGIES LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT (Rupees Million)

	For nine months ended	
	September 30, 2017	September 30, 2016
Cash Flow from operating activities		
Net Profit before tax	3,854.35	3,134.64
Adjustments for:		
Depreciation and amortization expense	367.64	318.00
Employee Stock option compensation cost	257.13	191.45
Interest Income	(7.08)	(2.18)
Provision for doubtful accounts (net)	1.94	(12.77)
Debts and advances written off	-	1.47
Dividend from current investments	(6.95)	(10.29)
(Profit) on sale of Property, Plant and Equipments (PPE) and Intagible assets (net)	(1.93)	(0.79)
Exchange Rate Difference (net) - unrealised	12.66	1.50
Interest Expense	0.57	1.07
Operating profit before working capital changes	**4,478.33**	**3,622.10**
Adjustments for:		
Trade and other receivables	(1,241.47)	251.09
Trade and other payables	(515.06)	149.92
Cash generated from operations	**2,721.80**	**4,023.11**
Direct taxes paid (net)	(838.00)	(651.24)
Net cash from operating activities	**1,883.80**	**3,371.87**
Cash flow from investing activities		
Purchase of PPE and Intangible assets & CWIP including advances	(779.80)	(1,459.73)
Interest received	7.39	2.10
Purchase of current investments	(3,381.95)	(5,950.29)
Proceeds from sale/ redemption of current Investments	3,392.15	6,034.32
Investment in subsidiaries	(19.74)	(80.00)
Dividend from current investments	6.95	10.29
Proceeds from sale of PPE	1.95	1.33
Net cash (used in) investing activities	**(773.05)**	**(1,441.98)**
Cash flow from financing activities		
Proceeds from issue of shares / share application money (net)	9.99	12.36
Buy-back of shares (including expenses incurred on buy-back)	(1,378.91)	-
Interest paid	(0.57)	(1.07)
Dividend paid (including corporate dividend tax)	(1,070.87)	(2,142.72)
Net cash (used in) financing activities	**(2,440.36)**	**(2,131.43)**
Net (decrease) in cash and cash equivalents	(1,329.61)	(201.54)
Cash and cash equivalents at the beginning of the period	2,065.54	1,099.64
Impact of common control merger transaction (refer note 27)	0.26	0.62
Unrealised gain on foreign currency cash & cash equivalents	(12.66)	(1.50)
Cash and cash equivalents at the end of the period (Refer note 11)	723.53	897.22

The accompanying notes 1 to 28 form an integral part of the condensed financial statements

As per our report of even date

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number : 01254N / N500016
Chartered Accountants

For and on behalf of the Board of Directors

Sumit Seth
(Partner)
Membership Number : 105869

R. Srikrishna
(CEO and Executive Director)

Dileep Choksi
(Director)

Chennai, dated November 1, 2017

1 Corporate Information

Hexaware Technologies Limited (“Hexaware” or "The Company") is a public limited company incorporated in India. The Company is engaged in information technology consulting, software development and business process management. Hexaware provides multiple service offerings to its clients across various industries comprising travel, transportation, hospitality, logistics, banking, financial services, insurance, healthcare, manufacturing, consumer and services. The various service offerings comprise application development and management, enterprise package solutions, infrastructure management, business intelligence and analytics, business process, digital assurance and testing.

2 Significant Accounting Policies

2.1 Statement of compliance

In accordance with the notification issued by the Ministry of Corporate Affairs, the Company has adopted Indian Accounting Standards (referred to as “Ind AS”) notified under the Companies (Indian Accounting Standards) Rules, 2015 read with Section 133 of the Companies Act, 2013 ("the Act") with effect from January 1, 2017. The date of transition to Ind AS is January 1, 2016. Refer note 3.2 for the details of transition to Ind AS. In accordance with Ind AS 101 First-time Adoption of Indian Accounting Standards, the Company has presented a reconciliation under Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (“Previous GAAP”) to Ind AS.
These financial statements have been prepared in accordance Ind AS 34 Interim Financial Reporting.

2.2 Basis of Preparation

These financial statements are prepared on historical cost basis, except for certain financial instruments which are measured at fair values as explained in the accounting policies below.

2.3 Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expense, assets and liabilities and disclosures relating to contingent liabilities on the date of the financial statements. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognised in the period in which the estimate is revised and in any future period affected.

Key source of estimation uncertainty which may cause material adjustments:

2.3.1 Revenue recognition

The Company uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of completion method requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended. Efforts expended have been used to measure progress towards completion as there is a direct relationship between input and productivity. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date and can be reasonable estimated.

2.3.2 Income-tax

The major tax jurisdictions for the Company is India though the Company also files tax returns in overseas jurisdiction. Significant judgments are involved in determining the provision for income taxes including judgment on whether tax positions are probable of being sustained in tax assessments. A tax assessment can involve complex issues, which can only be resolved over extended time periods.

2.3.3 Others

Others areas involving estimates relates to provision for the doubtful debts, actuarial assumptions used to determine the carrying amount of defined benefit obligation, estimation of fair value of share based payment transactions and useful lives of Property Plant and Equipment.

2.4 Revenue Recognition

Revenue is measured at fair value of consideration received or receivable.

a) Revenues from software solutions and consulting services are recognized on specified terms of contract.

In case of contract on time and material basis, revenue is recognised when the related services are performed.

In case of fixed price contracts, revenue is recognized using percentage of completion method. The company uses the efforts expended to date as a proportion to the total efforts to be expended as a basis to measure the degree of completion. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. 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 revenue recognized based on services performed in advance of billing in accordance with contract terms.

Revenue from business process management arises from unit-priced contracts, time based contracts and cost based projects. Such revenue is recognised as services are performed. It is billed in accordance with the specific terms of the contract with the client.

b) Revenue is reported net of discount and indirect taxes.

c) Dividend income is recognised when the shareholders right to receive payment has been established.

d) Interest Income is recognised using effective interest rate method.

2.5 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a) **Finance Lease**

Assets taken on finance lease are capitalised at lower of present value of the minimum lease payments and the fair value and liability is recognised for an equivalent amount. Lease payments are apportioned between finance charge and reduction in outstanding liability so as to achieve a constant rate of interest on the remaining balance of liability.

b) **Operating Leases**

Assets taken on lease under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognised as expenses on straight line basis over the lease term unless the payments to the lessor are structured to increase in line with expected general inflation.

2.6

(a) **Functional and presentation currency**

These financial statements are presented in millions of Indian Rupees (Rs.), the currency of the primary economic environment in which the Company operates.

(b) **Foreign currency**

Transactions in foreign currency are recorded at the original rate of exchange in force at the time transactions are effected. Monetary items denominated in foreign currency are restated using the exchange rate prevailing on the date of Balance Sheet. The resulting exchange difference on such restatement and settlement is recognized in the profit or loss, except exchange differences on transactions entered into in order to hedge certain foreign currency risk.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the Balance Sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2.7 Borrowing Cost

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

2.8 Employee Benefits

a) Post-employment benefits and other long term benefit plan

Payments to defined contribution retirement schemes are recognised as an expense when the employees have rendered service entitling them to such benefits.

For defined benefit schemes and other long term benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at balance sheet date. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest) is reflected immediately in the balance sheet with a charge or credit recognized in the other comprehensive income in respect of defined benefit schmes and in the statement of profit and loss in respect of other long term benefit plans in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in the profit or loss in the period of plan amendment. The retirement benefit liability recognized in the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the lower of the amount determined as the defined benefit liability and the present value of available refunds and / or reduction in future contributions to the scheme.

The service cost (including past service cost as well as gains and losses on settlement and curtailments) and net interest expenses or income is recognised as employee benefits expense in the profit or loss.

b) Short term employee benefit

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognized as an expense during the period when the employee renders those services. These benefits include compensated absences such as leave expected to be availed within a year, statutory employee profit sharing and bonus payable.

2.9 Share based compensation

Equity settled share based payments to employees and directors are measured at the fair value of the equity instruments at the grant date which is recognised over the vesting period based on periodic estimate of the equity instruments that will eventually vest, with the corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest with the impact of revision recognised in the profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the share based compensation cost reserve.

2.10 Taxes on Income

Income tax expense comprises of current tax and deferred tax. Current and deferred tax are recognised in net income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Current tax is measured at the amount expected to be paid or recovered from the domestic and overseas tax authorities using enacted or substantively enacted tax rates after taking credit for tax relief available for export operations in Special Economic Zone (SEZ).

Deferred taxes are recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profits, except when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither the accounting nor taxable profit at the time of the transaction.

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

The carrying amount of deferred tax assets is reviewed at each reporting 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 asset to be utilised.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be received or settled.

For operations under tax holiday scheme, deferred tax assets or liabilities, if any, have been established for the tax consequences of those temporary differences between the carrying values of assets and liabilities and their respective tax bases that reverse after the tax holiday ends.

Deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which gives rise to future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognised as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realised.

Advance taxes and provisions for current income taxes as well as deferred tax assets and liabilities are presented in the Balance sheet after off-setting advance tax paid and income tax provision arising in the same tax jurisdiction and where the entity intends to settle the asset and liability on a net basis.

2.11 Property, plant and equipment (PPE)

PPE are stated at cost of acquisition less accumulated depreciation (other than freehold land) and impairment loss, if any.

Depreciation

Depreciation is provided on straight-line method based on the estimated useful lives of the assets as follows:

Asset Class	Estimated useful Life
Buildings	60 years
Computer Systems (included in Plant and Machinery)	3 years
Office Equipment	5 years
Electrical Fittings (included in Plant and Machinery)	8 years
Furniture and Fixtures	8 years
Vehicles	4 years

Improvement to Leasehold Premises are amortised over the lease period or useful life of an asset whichever is lesser.

Depreciation methods, estimated useful lives and residual values are reviewed at the end of each year and adjusted prospectively where appropriate.

An item of PPE is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on derecognition is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

2.12 Intangible assets

Intangible assets with finite useful lives that are acquired are initially recognised at cost in case of separately acquired assets and at fair value in case of acquisition in business combination. Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and impairment loss, if any. Amortisation is recognised on a straight-line basis over their estimated useful lives. Software licenses are amortised over three years.

Amortisation method, estimated useful lives and residual values are reviewed at the end of each year and adjusted prospectively where appropriate.

An intangible asset is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on derecognition is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

2.13 Impairment

a) Financial assets (other than at fair value)

The company assesses at each balance sheet date, whether a financial asset or a group of financial assets is impaired. Ind AS 109, "Financial Instruments" requires expected credit losses to be measured through a loss allowance. The company recognises lifetime expected losses for all contract assets and / or all trade receivables. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

b) Non-financial assets

Tangible and Intangible assets

At the end of each reporting period, the company assesses whether there is an indication that an asset may be impaired. An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. When it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs or allocated. Impairment loss is charged to the profit or loss in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

2.14 Provisions

Provisions are recognised when the company has present obligation (legal or constructive) as a result of a past event for which reliable estimate can be made of the amount of obligation and it is probable that the company will be required to settle the obligation. When a provision is measured using cash flows estimated to settle the present obligation its carrying amount is the present value of those cash flows; unless the effect of time value of money is immaterial.

2.15 Non derivative financial instruments

Financial assets and liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

A Financial assets and financial liabilities – subsequent measurement

(i) Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Financial assets at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(iii) Financial assets at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit and loss are immediately recognised in statement of profit and loss.

(iv) Investment in subsidiaries

Investment in subsidiaries is carried at cost in accordance with Ind AS 27 - Separate Financial Statements

(v) Cash and cash equivalents

The company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

(vi) Financial liabilities

Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

B Share capital

Equity shares

Incremental costs directly attributable to the issue or re-purchase of equity shares, net of any tax effects, are recognised as a deduction from equity.

2.16 Derivative financial instruments and hedge accounting

The company enters into foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. These instruments are initially measured at fair value and are re-measured at subsequent reporting dates. The company at the inception documents and designates these instruments as cash flow hedges. Accordingly, the company records the cumulative gain or loss arising from change in fair values on effective cash flow hedges in the Hedging Reserve within the other comprehensive income until the forecasted transaction occurs. Gain or loss arising from change in fair values of component excluded from the assessment of hedge effectiveness as well as the ineffective portion of the designated hedges and derivative instruments that do not qualify for hedge accounting are recognized immediately in the profit or loss.

Hedge accounting is discontinued when the hedging instrument expires, terminated or exercised without replacement or rollover as part of the hedging strategy or when the hedge no longer meets the criteria for hedge accounting, the net cumulative gain or loss recognised in hedging reserve at that time remains in equity and is recognised in profit or loss when the forecasted transaction affects profit or loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in hedging reserve is immediately transferred to the profit or loss for the period.

2.17 Earnings per share ('EPS')

Basic EPS are computed by dividing profit or loss attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. Diluted EPS is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares considered for deriving basic EPS and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value (i.e. the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

The number of equity shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for any share splits and bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

3 First-time adoption of Ind AS

The accounting policies set out in note 2 have been applied in preparing these financial statements for the quarter and nine months ended September 30, 2017 and comparative financial statement for the quarter and nine months ended September 30, 2016 and the balance sheet as at December 31, 2016 and in preparation of opening Ind AS balance sheet at January 1, 2016 (the date of transition). In preparing its opening balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting Standards) Rules, 2006 (as amended) and other relevant provisions of the Act (previous GAAP or Indian GAAP).

An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cashflows is set out in the following tables and notes.

3.1 Exemptions availed

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has availed the following material exemptions:

a) In respect of investment in subsidiaries, the Company has elected to adopt carrying values under previous GAAP as on the date of transition in its separate financial statements.

b) In case of Share-based payment transaction, the Company has elected to apply the share based payment exemption as available on application of Ind AS 102, Share Based Payment. Accordingly, the Company has applied Ind AS 102 only to grants which remained unvested as of transition date i.e January 1, 2016.

c) On transition to Ind AS, the Company has elected to continue with the carrying value of all its property, plant and equipment recognised as at January 1, 2016 measured as per the previous GAAP and use that carrying value as the deemed cost of property, plant and equipment.

3.2 Reconciliation between Previous GAAP and Ind AS :

(Rupees Million)

(i) **Equity Reconciliation:**

Particulars	Note	As at		
		December 31, 2016	September 30, 2016	January 1, 2016
Equity under Previous GAAP		**13,228.22**	**12,463.39**	**11,099.52**
Proposed dividend & tax thereon	(a)	363.51	363.37	871.09
Reversal of additional Rent on account of escalation	(b)	9.50	3.08	2.36
Deferred tax adjustment on CFHR	(g)	(81.99)	(74.76)	(3.85)
Impact of common control merger transaction	(j)	(83.48)	(57.17)	(16.54)
Buy-back related cost recognized as other asset to be adjusted against equity in 2017	(d)	7.12	-	-
Equity under Ind AS		**13,442.88**	**12,697.91**	**11,952.58**

(ii) **Comprehensive income Reconciliation:**

Particulars	Note	Quarter ended September 30, 2016	Nine months ended September 30, 2016
Net Income under Previous GAAP		**946.83**	**2,503.98**
Adjustment for remeasurement of defined benefit plan	(c)	28.65	4.54
Impact of common control merger transaction	(j)	(17.16)	(40.63)
Reversal of additional Rent on account of escalation	(b)	0.34	0.72
Net Income under Ind AS		**958.66**	**2,468.61**
Adjustment for remeasurement of defined benefit plan	(c)	(28.65)	(4.54)
Changes in Other Comprehensive Income (OCI) other than actuarial gain / (loss)		172.10	220.16
Comprehensive Income under Ind AS		**1,102.11**	**2,684.23**

(iii) **Cash flow Reconciliation:**

There are no material changes in cashflows reported in previous GAAP in comparison with Ind AS

Notes to reconciliation of transition to Ind AS from previous GAAP:

a) Under Previous GAAP, a liability is recognized in respect of proposed dividend on the Company's equity shares, even though the dividend is approved subsequent to the reporting date. Under Ind AS, liability for dividend is recognized only during the period such dividend is approved and the liability in respect thereof is crystallized. Consequently, there is an increase in equity under Ind AS by Rs. 363.51 million, Rs. 363.37 million and Rs. 871.09 million as at December 31, 2016, September 30, 2016 and January 1, 2016, respectively.

b) Under Ind AS, the Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. Accordingly, rent provision on account of consideration of future escalation in rent is reversed to the extent of Rs. 9.50 million, Rs. 3.08 million and Rs. 2.36 million as at December 31, 2016, September 30, 2016 and January 1, 2016, respectively. This has resulted in increase in net income by Rs. 0.34 million and Rs. 0.72 million for the quarter and nine months ended September 30, 2016 respectively.

c) Under Ind AS, the actuarial (gains)/ losses in respect of defined benefit plans are recognised in Other Comprehensive Income. Under previous GAAP, they were recognised in the Statement of Profit or Loss. This has resulted in increase in profit by Rs. 28.65 million and Rs. 4.54 million for the quarter and nine months ended September 30, 2016 respectively. However, this does not result in any change in net equity.

d) Under Ind AS, costs incurred for issuing or acquiring its own equity instruments are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Accordingly, buy-back related expenses amounting to Rs. 7.12 million are recognised as prepaid expenses under the head other assets and have been adjusted against equity on completion of buy-back of equity shares.

e) In respect of share based payments (ESOP), the Company had followed intrinsic valuation method for grants made upto March 31, 2015 which was permitted under the previous GAAP, subsequent to which the Company adopted fair value method for recognising shared based compensation cost. Under Ind AS, intrinsic value method is not permitted. Consequently, the unvested grants as at January 1, 2016 which were measured using intrinsic value method have been remeasured using fair values. This has resulted in a decrease in share options outstanding account in Other Equity by Rs. 7.10 million and corresponding increase in retained earnings by the same amount. Thus, there is no impact on net equity. There is no impact on the net income for the quarter and nine months ended September 30, 2016.

f) Under Ind AS, long term leases of land are classified as operating leases unless the title to the leasehold land is expected to be transferred to the Company at the end of the lease term. Premium paid relating to leasehold lands are recognized as other assets. Under Previous GAAP, the same were recognised in property, plant and equipment. Thus, Rs. 537.23 million and Rs. 421.23 million of such payments have been reclassified from property, plant and equipment to other assets as on December 31, 2016 and January 1, 2016 respectively.

g) Under Ind AS, tax consequences of transactions are recognised in the same manner as the recording of the related transactions. Accordingly, the tax consequences of items recognised in OCI (cash flow hedge reserve) of Rs. 81.99 million, Rs. 74.76 million and Rs. 3.85 million as at December 31, 2016, September 30, 2016 and January 1, 2016 respectively have been recognised in OCI. This was not recognised under previous GAAP which followed the timing difference approach for recognising deferred taxes.

h) The Company had measured Long-term investments at cost and current investments at lower of cost and fair value in the previous GAAP. Under Ind AS, the Company has elected to measure long-term equity investments at fair value through OCI, while short-term investments in mutual funds at fair value through profit or loss. This change of measurement, however, did not have any impact on the profit for the corresponding quarter and nine months of the previous year and equity as at December 31, 2016 and January 1, 2016.

i) Pursuant to the Guidance note on Division II -IndAS Schedule III to the Companies Act, 2013 issued by the Institute of Chartered Accountants of India, the Company has regrouped the provision for the employee benefits obligation towards compensated absences of Rs. 166.02 million and Rs. 140.61 million as at December 31, 2016 and January 1, 2016, respectively, under current liabilities from non-current liabilities.

j) Persuant to merger of Risk Technology International Limited (RTIL), the equity balance has decreased by Rs. 83.48 million, Rs. 57.17 million and Rs.16.54 million as on December 31, 2016, September 30, 2016 and January 1, 2016 respectively. Also, this has decreased the net income by Rs. 17.16 million and Rs. 40.63 million for the quarter and nine months ended September 30, 2016 respectively. (refer note 27)

4 Property, Plant and Equipment (PPE) **(Rupees Million)**

PPE consist of the following:

	Freehold Land	Buildings	Plant and Machinery	Furniture and Fixtures	Vehicles	Office Equipment	Leasehold Improvements	Total
COST								
At January 1, 2017	0.15	2,251.90	1,670.82	513.13	22.91	815.53	4.97	5,279.41
Additions	-	353.00	246.70	90.89	-	294.72	-	985.31
Disposals	-	-	(45.87)	(0.39)	-	(2.61)	-	(48.87)
At September 30, 2017	0.15	2,604.90	1,871.65	603.63	22.91	1,107.64	4.97	6,215.85
ACCUMULATED DEPRECIATION								
At January 1, 2017	-	264.26	1,316.97	414.43	18.57	681.70	4.09	2,700.02
Charge for the period	-	34.51	152.20	29.83	1.18	93.75	0.74	312.21
Disposals	-	-	(45.85)	(0.39)	-	(2.61)	-	(48.85)
At September 30, 2017	0.00	298.77	1,423.32	443.87	19.75	772.84	4.83	2,963.38
NET CARRYING AMOUNT								
At September 30, 2017	0.15	2,306.13	448.33	159.76	3.16	334.80	0.14	3,252.47
COST								
At January 1, 2016	0.15	2,250.89	1,574.19	508.94	24.64	784.39	4.97	5,148.17
Additions	-	1.01	133.58	4.61	0.17	33.62	-	172.99
Disposals	-	-	(36.95)	(0.42)	(1.90)	(2.48)	-	(41.75)
At December 31, 2016	0.15	2,251.90	1,670.82	513.13	22.91	815.53	4.97	5,279.41
ACCUMULATED DEPRECIATION								
At January 1, 2016	-	223.72	1,169.28	380.32	17.45	595.12	3.10	2,388.99
Charge for the year	-	40.54	184.45	34.52	2.80	88.90	0.99	352.20
Disposals	-	-	(36.76)	(0.41)	(1.68)	(2.32)	-	(41.17)
At December 31, 2016	-	264.26	1,316.97	414.43	18.57	681.70	4.09	2,700.02
NET CARRYING AMOUNT								
At December 31, 2016	0.15	1,987.64	353.85	98.70	4.34	133.83	0.88	2,579.39
At January 1, 2016	0.15	2,027.17	404.91	128.62	7.19	189.27	1.87	2,759.18

Note:

i) Plant and machinery includes computer systems

(Rupees Million)

5 Intangible assets

Intangible assets consist of the following:

	Software Licenses
COST	
At January 1, 2017	458.32
Additions	46.33
Disposals	-
At September 30, 2017	504.65
ACCUMULATED AMORTISATION	
At January 1, 2017	357.46
Amortisation for the period	55.43
Disposals	-
At September 30, 2017	412.89
NET CARRYING AMOUNT	
At September 30, 2017	91.76
COST	
At January 1, 2016	391.14
Additions	67.18
Disposals	-
At December 31, 2016	458.32
At January 1, 2016	286.48
Amortisation for the year	70.98
Disposals	-
At December 31, 2016	357.46
NET CARRYING AMOUNT	
At December 31, 2016	100.86
At January 1, 2016	104.66

Amortisation is included in statement of profit or loss under the line item “Depreciation and amortisation expense”.

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Rupees Million)

6 Investments

A Non Current Investments in Equity shares (unquoted) (at cost)

Investments in equity instruments of subsidiaries	As at September 30, 2017	As at December 31, 2016	As at January 1, 2016
30,026 common stock at no par value in Hexaware Technologies Inc., U.S.A.	1,632.68	1,632.68	1,632.68
2,167,000 shares of 1 GBP each fully paid up in Hexaware Technologies UK Ltd.	154.64	154.64	154.64
500,000 shares of Singapore $ 1/- each fully paid up in Hexaware Technologies Asia Pacific Pte. Ltd., Singapore	12.48	12.48	12.48
3,618 shares of face value 50 euro each fully paid up in Hexaware Technologies Gmbh., Germany	7.57	7.57	7.57
1 common stock at no par value in Hexaware Technologies Canada Limited, Canada	0.73	0.73	0.73
1 participation share of no par value in Hexaware Technologies Mexico S De R.L. De C.V.	29.42	29.42	29.42
30 (December 31, 2016 20, January 1, 2016 5) shares at no par value in Guangzhou Hexaware Information Technologies Company Limited	9.93	6.72	1.66
Entire Share Capital in Hexaware Technologies Limited Liability Company, Russia	148.60	148.60	80.01
45,000 shares of SAR 10/- each in Hexaware Technologies Saudi LLC	8.03	-	-
1,945,000 shares of HKD 1/- each in Hexaware Technologies Hong Kong Limited	16.13	-	-
500 shares of SEK 100/- each in Hexaware Technologies Nordic AB	0.40	-	-
	2,020.61	1,992.84	1,919.19
Other Investments			
At fair value through Other Comprehensive Income			
240,958 equity shares of Rs. 10/- each in Beta Wind Farm	4.58	4.58	4.58
	2,025.19	1,997.42	1,923.77

B Current Investments in Mutual Funds (unquoted)

At fair value through profit and loss account			
Mutual fund units	178.30	188.50	409.33

7 Other financial assets (unsecured) (considered good)

A Non-current

Interest accrued on bank deposits	0.56	0.94	0.51
Foreign currency derivative assets	125.53	127.69	25.58
Restricted bank balances (a)	7.37	7.41	10.22
Security deposits for premises and others	213.25	192.78	128.06
Share application in Subsidiary	-	8.03	-
	346.71	336.85	164.37

(a) Restriction on account of bank deposits held as margin money, earmarked for the non-fund based credit facility.

B Current

Interest accrued on bank deposits	0.56	0.49	1.05
Foreign currency derivative assets	485.54	232.42	34.42
Security deposits for premises and others (a)	3.23	31.47	6.27
Loans and advances to related parties (Refer note no. 22)	139.05	145.79	251.07
Employee advances	277.76	195.47	239.09
	906.14	605.64	531.90

(a) Exclude deposits aggregating Rs. 34.56 million, Rs. 34.56 million and Rs. 35.15 million provided as doubtful of recovery basis the expected credit loss model as of September 30, 2017, December 31, 2016 and January 1, 2016 respectively.

8 Components of deferred taxes:

(Rupees Million)

	September 30, 2017	December 31, 2016	January 1, 2016
Deferred tax assets			
Allowance for doubtful debts and advances	20.54	19.24	10.07
Employee benefit obligations	96.47	104.32	67.49
Provision for severance pay	7.37	30.00	-
Minimum alternate tax credit carry forward	1,149.91	958.59	917.48
Total	1,274.29	1,112.15	995.04
Deferred tax liabilities			
Unrealised gain on cash flow hedges	94.35	81.99	3.85
Depreciation	200.30	182.70	169.51
Total	294.65	264.69	173.36
Net deferred tax asset	979.64	847.46	821.68

(Rupees Million)

	As at September 30, 2017	As at December 31, 2016	As at January 1, 2016
9 Other assets (unsecured)			
A Non-current			
Capital Advances	8.75	25.16	345.13
Prepaid Expenses	536.59	543.48	424.78
Indirect taxes recoverable	94.80	79.99	56.15
	640.14	648.63	826.06
B Current			
Prepaid Expenses	106.21	150.37	128.64
Indirect taxes recoverable	111.73	134.19	150.42
Others	13.27	1.12	1.47
	231.21	285.68	280.53
10 Trade Receivables (unsecured)			
Considered good	4,010.30	2,733.56	3,970.97
Considered doubtful	29.80	28.36	66.67
Less: Allowance for doubtful receivables basis the expected credit loss model	(29.80)	(28.36)	(66.67)
	4,010.30	2,733.56	3,970.97
11			
A Cash and cash equivalents			
Remittance in transit	-	-	2.06
Cash in Hand	0.03	-	-
In current accounts with banks	706.47	643.46	1,094.55
Bank deposit Accounts with less than 3 months maturity	17.03	26.91	3.65
Earmarked balances with banks	-	1,395.43	-
Unclaimed dividend accounts	146.81	137.66	120.28
Margin money with banks	7.37	7.41	10.22
Less: Restricted bank balances	(154.18)	(145.07)	(130.50)
	723.53	2,065.80	1,100.26
B Other bank balances			
Restricted bank balances held in unclaimed dividend accounts.	146.81	137.66	120.28
	146.81	137.66	120.28

12 Equity Share Capital

(Rupees Million)

12.1 Authorised capital

	September 30, 2017 Amount	December 31, 2016 Amount	January 1, 2016 Amount
525,000,000 (475,000,000 as on December 31,2016 and January 1, 2016) Equity shares of Rs. 2 each	1,050.00	950.00	950.00
1,100,000 Series "A" Preference Shares of Rs.1,421 each	1,563.10	1,563.10	1,563.10

12.2 Issued, subscribed and paid-up capital

	September 30, 2017 Amount	December 31, 2016 Amount	January 1, 2016 Amount
Equity shares of Rs. 2 each	593.46	604.06	603.13

12.3 Reconciliation of number of shares

	September 30, 2017	December 31, 2016
Shares outstanding at the beginning of the period / year	302,028,195	301,562,897
Shares issued during the period / year	394,777	465,298
Shares bought back during the period / year	(5,694,835)	-
Shares outstanding at the end of the period / year	296,728,137	302,028,195

12.4 Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a par value of Rs. 2 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing annual general meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all liabilities, in proportion to their shareholding.

12.5 Details of shares held by shareholders holding more than 5% shares

Name of Shareholder		September 30, 2017	December 31, 2016	January 1, 2016
HT Global IT Solutions Holdings Ltd. (Holding Company)	No. of shares held	211,318,590	215,047,193	215,047,193
	% of holding	71.22%	71.20%	71.31%

12.6 During the period ended September 30, 2017, the Company bought back 5,694,835 shares at Rs.240/- per share aggregating Rs. 1,366.76 million by utilisation of Securities premium. The cost relating to buy-back is charged to other equity.

12.7 Shares reserved for issue under options

The Company has granted employee stock options under ESOP 2002, 2007 and 2008 schemes and restricted stock units (RSU's) under the ESOP 2008 and 2015 scheme. Each option / RSU entitles the holder to one equity share of Rs. 2 each. 9,833,451 options / RSU's were outstanding as on September 30, 2017 (9,264,407 options as on December 31, 2016 and 9,844,513 options as on January 1, 2016).

13 Other reserves

(Rupees Million)

	September 30, 2017	December 31, 2016	January 1, 2016
Share Options Outstanding Account	650.31	448.07	225.56
Capital reserve (Amalgamation reserve) (refer note 27)	4.38	4.38	4.38
Capital redemption reserve	11.39	-	-
Special Economic Zone Re-Investment Reserve	400.46	332.95	329.52
	1,066.54	785.40	559.46

Movement in Special Economic Zone Re-Investment Reserve		
Opening Balance	332.95	329.52
Add : Transfer from retained earnings	178.45	177.73
Less: Transfer to retained earnings on utilisation for acquisition of plant & machinery	(110.94)	(174.30)
Closing Balance	400.46	332.95

(Rupees Million)

14 Other financial liabilities

	As at September 30, 2017	As at December 31, 2016	As at January 1, 2016
A Non-current			
Capital creditors	-	1.86	3.39
Foreign currency derivative liabilities	14.08	0.19	23.81
Accrued expenses	2.95	1.95	1.54
	17.03	4.00	28.74
B Current			
Unclaimed dividend *	146.81	137.66	119.92
Capital creditors	92.75	392.34	340.63
Deposit received from customer	0.03	0.03	-
Employee liabilities Payable	265.07	294.92	265.51
Foreign currency derivative liabilities	33.76	1.80	15.34
Accrued expenses	381.66	284.49	240.92
	920.08	1,111.24	982.32

*There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

15 Other liabilities
Current

Unearned revenues	3.00	9.60	25.54
Statutory liabilities	144.75	136.64	147.14
	147.75	146.24	172.68

16 Provisions - Others

Provision at the beginning of the period / year	86.67	-	-
Provision made during the period / year	-	86.67	-
Paid /Adjusted during the period / year	(65.39)	-	-
Provision at the end of the period / year	21.28	86.67	-

Above represents provisions towards expenditure relating to employee benefit obligations on contract acquisition, the outflow for which is expected within the next year.

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Rupees Million)

17 Other income

	For quarter ended		For nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Dividend	1.62	2.53	6.95	10.29
Interest income	2.62	0.45	7.08	2.18
Profit on Sale of PPE (Net)	0.07	0.09	1.93	0.79
Miscellaneous income	5.29	0.96	10.82	11.14
	9.60	4.03	26.78	24.40

(Rupees Million)

18 Software and development expenses

	For quarter ended		For nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Consultant travel and related expenses	66.74	37.84	166.71	134.43
Software expenses *	89.07	60.26	242.59	194.67
	155.81	98.10	409.30	329.10
* includes sub- contracting charges	81.82	53.10	222.08	174.08

(Rupees Million)

19 Employee benefits expense

	For quarter ended		For nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Salary and allowances	1,726.44	1,612.08	4,921.36	4,652.42
Contribution to provident and other funds	115.61	102.16	337.78	301.05
Staff welfare expenses	84.38	79.67	256.39	246.57
	1,926.43	1,793.91	5,515.53	5,200.04

(Rupees Million)

20 Operation and other expenses

	For quarter ended		For nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Rent	50.65	54.09	157.43	136.70
Rates and taxes	9.87	6.93	21.43	18.30
Travelling and conveyance	96.84	83.06	276.81	248.77
Electricity charges	56.89	52.85	173.70	158.43
Communication expenses	47.53	46.04	127.27	125.61
Repairs and maintenance	79.85	81.21	228.61	207.64
Printing and stationery	6.12	8.28	24.68	22.71
Auditors remuneration	1.90	2.47	7.43	7.48
Legal and professional fees	84.64	29.13	156.12	78.27
Advertisement and business promotion	23.37	17.18	63.83	54.73
Bank and other charges	1.38	1.01	3.94	3.14
Directors' sitting fees	0.36	0.26	1.23	0.78
Insurance charges	3.45	3.73	10.81	11.10
Debts and advances written off *	-	-	-	1.47
Provision for doubtful accounts (net of write back)*	5.39	(5.33)	1.94	(12.77)
Staff recruitment expenses	25.54	14.75	85.95	52.28
Service charges	45.53	38.41	136.39	114.95
Miscellaneous expenses	40.48	16.52	83.49	42.17
	579.79	450.59	1,561.06	1,271.76
* net of write backs	2.48	16.79	9.51	36.98

21 Earnings per share

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

	For quarter ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Net profit after tax (Rupees Million)	1,151.49	958.66	3,126.55	2,468.61
Weighted average outstanding equity shares considered for basic EPS (Nos.)	296,705,297	301,837,467	297,651,649	301,752,841
Basic earnings per share (In Rupees)	3.88	3.18	10.50	8.18
Weighted average outstanding equity shares considered for basic EPS (Nos.)	296,705,297	301,837,467	297,651,649	301,752,841
Add : Effect of dilutive issue of stock options (Nos.)	3,607,968	2,444,653	3,729,687	2,519,247
Weighted average outstanding equity shares considered for diluted EPS (Nos.)	300,313,265	304,282,120	301,381,336	304,272,088
Diluted earnings per share (In Rupees)	3.83	3.15	10.37	8.11

22 Related party disclosures

Name of the Related Parties	Country
Ultimate Holding company and its Subsidiaries	
Baring Private Equity Asia GP V. LP (ultimate holding company) (control exists)	Cayman Island
The Baring Asia Private Equity Fund V, LP	Cayman Island
Baring Private Equity Asia V Mauritius Holding (4) Limited	Mauritius
Holding Company (control exists)	
HT Global IT Solutions Holdings Limited	Mauritius
Subsidiaries	
Hexaware Technologies Inc.	United States of America
Hexaware Technologies UK Ltd.	United Kingdom
Hexaware Technologies Asia Pacific Pte. Ltd.	Singapore
Hexaware Technologies GmbH.	Germany
Hexaware Technologies Canada Ltd.	Canada
Hexaware Technologies, Mexico S. De. R.L. De. C.V.	Mexico
Hexaware Technologies DO Brazil Ltd, Brazil (1)	Brazil
Guangzhou Hexaware Information Technologies Company Limited	China
Hexaware Technologies LLC	Russia
Hexaware Technologies Saudi LLC	Saudi Arabia
Hexaware Technologies Romania SRL (2)	Romania
Hexaware Technology and Business Solutions, Inc. (3)	USA
Hexaware Technologies Hong Kong Limited (4)	China
Hexaware Technologies Nordic AB (5)	Sweden
Associate	
Experis Technology Solutions Pte Ltd (6)	Singapore
Key Management Personnel (KMP)	
Executive Director and CEO	
Mr. R Srikrishna	
Non-executive directors	
Mr. Atul K Nishar	
Mr. Jimmy Mahtani	
Mr. Kosmas Kalliarekos	
Mr. Dileep Choksi	
Mr. Bharat Shah	
Mr. P R Chandrasekar	
Ms. Meera Shankar	
Mr. Chirstian Oecking	
Mr. Basab Pradhan	

Notes:

1. Subsidiary of Hexaware Technologies UK Ltd
2. Subsidiary of Hexaware Technologies UK Ltd, formed on 28th September 2016
3. Subsidiary of Hexaware Technoloiges Inc, formed on 23rd March 2017 and closed on 17th August 2017
4. Formed on 18th April 2017
5. Formed on 7th September 2017
6. Associate of Hexaware Technologies Asia Pacific Pte Ltd w.e.f. 16th December 2016.

HEXAWARE TECHNOLOGIES LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Details of transactions and balances with party wise details for transactions in excess of 10% of the total transactions

Rupees Million

Nature of transactions	Name of the Related party and Relationship	Quarter ended		Nine months ended	
		September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Investment made	**Subsidiaries**				
	Guangzhou Hexaware Information Technologies Company Limited	3.21	1.68	3.21	3.38
	Hexaware Technologies Saudi LLC	-	8.03	-	8.03
	Hexaware Technologies Nordic AB	0.40	-	0.40	-
	Hexaware Technologies Hong Kong Limited	-	-	16.13	-
	Hexaware Technologies LLC - Russia	-	-	-	68.59
		3.61	**9.71**	**19.74**	**80.00**
Software and consultancy income	**Subsidiaries**				
	Hexaware Technologies Inc.	2,313.37	1,674.07	6,158.21	4,561.54
	Hexaware Technologies UK Ltd.	238.69	287.39	753.56	759.14
	Others	107.00	129.67	336.47	407.38
		2,659.06	**2,091.13**	**7,248.24**	**5,728.06**
Associate					
Experis Technology Solutions Pte Ltd		28.84	-	76.56	-
Software and development expenses -	**Subsidiaries**				
subcontracting charges	Hexaware Technologies Inc.	36.79	39.17	119.68	136.35
Reimbursement of cost to	**Subsidiaries**				
	Hexaware Technologies UK Ltd.	9.07	3.39	18.76	10.63
	Hexaware Technologies Asia Pacific Pte Ltd	-	1.03	-	1.69
	Hexaware Technologies Inc.	9.24	0.67	9.45	0.79
	Others	-	-	0.05	-
		18.31	**5.09**	**28.26**	**13.11**
Recovery of cost from	**Subsidiaries**				
	Hexaware Technologies Inc.	54.93	88.88	292.21	319.06
	Hexaware Technologies UK Ltd.	51.44	60.35	172.72	190.19
	Hexaware Technologies Asia Pacific Pte Ltd	25.63	3.29	34.70	8.58
	Others	1.66	4.17	9.91	12.54
		133.66	**156.69**	**509.54**	**530.37**
	Holding Company				
	HT Global IT Solutions Holdings Limited	3.82	1.63	3.82	1.63
Remuneration to KMP's and Directors					
	Short term employee benefits	0.25	0.49	2.48	2.71
	Share based payment	12.16	12.39	37.43	35.71
	Commission and other benefits to non-executive directors	10.15	10.00	30.31	29.14
		22.56	**22.88**	**70.22**	**67.56**

Notes

Provision made, payment is subject to adequacy of profits to be computed annually

Outstanding Balances

Rupees Million

Name of the Related party and Relationship	As on 30th September 2017	As on 31st December 2016	As on 1st January 2016
Subsidiaries			
Investment in equity (Including share application money) (Refer note no 6A & 7A)	2,020.61	2,000.87	1,919.19
Trade receivable - towards software and consultancy income			
- Hexaware Technologies Inc	2,791.25	1,627.36	2,690.00
- Others	145.53	146.35	239.56
	2,936.78	**1,773.71**	**2,929.56**
Other financial assets			
- Hexaware Technologies Inc	86.21	115.99	195.15
- Hexaware Technologies UK Ltd	41.56	21.20	46.02
- Others	11.28	8.60	9.90
	139.05	**145.79**	**251.07**
Trade payable - towards services and reimbursement of cost			
- Hexaware Technologies Inc	483.24	1,036.23	1,127.76
- Others	24.83	5.37	62.56
	508.07	**1,041.60**	**1,190.32**
Other receivable from Holding Company	3.82	-	-
Trade receivable from Associate	78.98	-	-
Payable to / Provision for KMP's and Directors	29.22	38.10	31.98

23 Financial Instruments

The carrying value / fair value of financial instruments (excluding investments in subsidiaries) by categories is as follows:

(Rupees Million)

September 30, 2017	Amortised Cost	Fair value through profit and loss	Fair value through other comprehensive income	Derivative instrument in hedging relationship	Total carrying / fair value
Cash and cash equivalents	723.53	-	-	-	723.53
Other Bank Balances	146.81				146.81
Investments in mutual fund units	-	178.30	-	-	178.30
Trade receivables	4,010.30	-	-	-	4,010.30
Unbilled revenue	376.65	-	-	-	376.65
Other financial assets	641.78	-	-	611.07	1,252.85
Investments in equity shares	-	-	4.58	-	4.58
	5,899.07	178.30	4.58	611.07	6,693.02
Trade payables	718.44	-	-	-	718.44
Other financials liabilities	889.27	-	-	47.84	937.11
	1,607.71	-	-	47.84	1,655.55

(Rupees Million)

December 31, 2016	Amortised Cost	Fair value through profit and loss	Fair value through other comprehensive income	Derivative instrument in hedging relationship	Total carrying / fair value
Cash and cash equivalents	2,065.80	-	-	-	2,065.80
Other Bank Balances	137.66				137.66
Investments in mutual fund units	-	188.50	-	-	188.50
Trade receivables	2,733.56	-	-	-	2,733.56
Unbilled revenue	495.77	-	-	-	495.77
Other financial assets	582.38	-	-	360.11	942.49
Investments in equity shares	-	-	4.58	-	4.58
	6,015.17	188.50	4.58	360.11	6,568.36
Trade payables	1,241.22	-	-	-	1,241.22
Other financials liabilities	1,113.25	-	-	1.99	1,115.24
	2,354.47	-	-	1.99	2,356.46

(Rupees Million)

January 1, 2016	Amortised Cost	Fair value through profit and loss	Fair value through other comprehensive income	Derivative instrument in hedging relationship	Total carrying / fair value
Cash and cash equivalents	1,100.26	-	-	-	1,100.26
Other Bank Balances	120.28				120.28
Investments in mutual fund units	-	409.33	-	-	409.33
Trade receivables	3,970.97	-	-	-	3,970.97
Unbilled revenue	351.66	-	-	-	351.66
Other financial assets	636.27	-	-	60.00	696.27
Investments in equity shares	-	-	4.58	-	4.58
	6,179.44	409.33	4.58	60.00	6,653.35
Trade payables	1,355.22	-	-	-	1,355.22
Other financials liabilities	971.91	-	-	39.15	1,011.06
	2,327.13	-	-	39.15	2,366.28

23 Financial Instruments (contd…)

Fair value hierarchy

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability

The following table presents fair value hierarchy of financial assets and liabilities measured at fair value on a recurring basis:

(Rupees Million)

September 30, 2017	Level I	Level II	Level III	Total
Mutual fund units	178.30	-	-	178.30
Investments in equity shares	-	-	4.58	4.58
Derivative financial assets	-	611.07	-	611.07
	178.30	611.07	4.58	793.95
Derivative financial liabilities	-	47.84	-	47.84

December 31, 2016	Level I	Level II	Level III	Total
Mutual fund units	188.50	-	-	188.50
Investments in equity shares	-	-	4.58	4.58
Derivative financial assets	-	360.11	-	360.11
	188.50	360.11	4.58	553.19
Derivative financial liabilities	-	1.99	-	1.99

January 1, 2016	Level I	Level II	Level III	Total
Mutual fund units	409.33	-	-	409.33
Investments in equity shares	-	-	4.58	4.58
Derivative financial assets	-	60.00	-	60.00
	409.33	60.00	4.58	473.91
Derivative financial liabilities	-	39.15	-	39.15

Valuation Technique

Investment in mutual funds is measured at the redemption price declared by the mutual fund. Derivatives are measured basis the counterparty quotes obtained. Cost of investment in equity shares is considered to be representative of fair value.

Derivative Instruments

Forward exchange contracts to Sell US Dollar 152.88 million, Euro 3.90 million and GBP 7.50 million are outstanding as at September 30, 2017 (US Dollar 141.82 million, Euro 4.20 million and GBP 4.20 million and US Dollar 156.94 million, Euro 5.60 million and GBP 4.20 million as at December 31, 2016 and January 1, 2016 respectively).

24 Contingent liabilities

24.1 **Contingent liabilities & commitments**

Claims not acknowledged as debt Rs. 28.14 million (Rs 28.14 million as at December 31, 2016 and Rs 28.14 million as at January 1st, 2016), being a claim from landlord of a premise occupied by the Company in an earlier year. The Company is confident of successfully contesting the aforesaid matter and does not expect any outflow on this count.

24.2 **Claims for taxes on income**

Where Company is in appeal

Income tax demands of Rs. 9.59 million (Rs 9.59 million as on December 31, 2016 and Rs. 9.74 million as on January 1, 2016) have been raised in respect of assessments completed in earlier year, arising from certain disallowances by the Income tax authorities. The Company has appealed against the orders and based on merit, expects favourable outcome. Hence, no provision against such demand is considered necessary.

25 Material events after Balance Sheet date

There is no significant event after reporting date which requires amendments or disclosure to the condensed financial statements except the matter mentioned below:

The Board of Directors, at its meeting held on November 1, 2017 has declared interim dividend of Rs. 1/- per equity share (50%).

26 Information on segment has been disclosed on a consolidated basis in accordance with Ind AS 108 "operating Segment".

27

The shareholders at its extra ordinary general meeting held on April 24, 2017 approved the scheme of the merger of Risk Technology International Limited ("RTIL"), a wholly owned subsidiary with itself which was further approved by the National Company Law Tribunal ("NCLT") vide its order dated July 6, 2017. In accordance with the scheme and Appendix C to the Ind AS 103 Business Combination, the said merger has been accounted using the pooling of interest method.

a) All assets and liabilities have been recorded at their respective carrying values, after eliminating inter-company balances.

b) The share capital of RTIL of Rs. 95 million has been adjusted against the investment in the books of the Company of Rs. 93.50 million and the resultant difference of Rs. 1.50 million has been credited to the Capital Reserve.

c) Balance in Statement of Profit and Loss of RTIL is adjusted to the General Reserve amounting to Rs 18.04 million.

d) The financial statements and information in respect of prior periods are restated as if the said merger had ocurred from the beginning of the preceeding period i.e. January ,1 2016. Material restatement to assets and liabilities after eliminating inter company balances are stated below :

Rupees Million

Sr. No.	Particulars	As at December 31, 2016	As at Janaury 1, 2016
1	**Non current assets:**		
	Capital work-in-progress	1,070.54	76.76
	Capital advances	20.95	129.79
	Prepaid expenses	268.61	271.82
2	**Current other financial liabilities**		
	Capital Creditors	143.58	28.18

28 Appproval of financial statements

The financial statements were approved for issue by the Board of Directors on November 1, 2017.