

January, 22, 2018

**Hexaware Tecnologia Do Brasil LTDA,
Brazil.**

Dear Sirs,

We have reviewed the attached accounts and notes of Hexaware Tecnologia Do Brasil LTDA, for the the year ended at 31st December 2017 which have been prepared by the company for the purpose of attachment to the accounts of its Holding company.

We confirm the attached accounts have been prepared from by the company taking as a reference the information from the books and records of the same and are in accordance with the statutory accounts of Hexaware Tecnologia Do Brasil LTDA., Brazil as audited by us in accordance with Brazilian GAAP.

For Chartered Accountants


Ariane Erthal

Partner

HEXAWARE TECNOLOGIA DO BRASIL LTDA
CONDENSED BALANCE SHEET AS AT December 31, 2017

Currency : BRL

	<u>Note</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>January 1, 2016</u>
Assets				
Non-current assets				
Property, plant and equipment	3	566	1,002	1,472
Total non-current assets		566	1,002	1,472
Current assets				
Financial Assets				
- Trade receivables	5	350,970	666,470	477,761
- Cash and cash equivalents	6	93,335	169,916	221,783
- Other financial assets	4	23,316	7,805	13,646
Current Tax Assets (net)		-	-	5,216
Total current assets		467,621	844,191	718,406
Total assets		468,187	845,193	719,878
Equity and liabilities				
Equity				
Equity Share capital	9	17,600	17,600	1,800
Other Equity		179,218	152,984	68,674
Total equity		196,818	170,584	70,474
Non-current liabilities				
Financial Liabilities				
- Borrowings		44,493	40,364	57,856
Total non-current liabilities		44,493	40,364	57,856
Current liabilities				
Financial Liabilities				
- Trade payables		178,316	200,672	225,017
- Other financial liabilities	7	4,161	205,802	139,538
Other current liabilities	8	44,399	82,697	82,942
Provisions				
- Employee benefit obligations		-	140,335	144,051
Current Tax Liabilities		-	4,739	-
Total current liabilities		226,876	634,245	591,548
Total liabilities		271,369	674,609	649,404
Total equity and liabilities		468,187	845,193	719,878

The notes 1 to 18 form an integral part of the condensed financial statements

For AE Company
Chartered Accountants


Ariane Erthal
Partner

Place :
Date : **Brazil, January 22 2018**

For and on behalf of the Board



Ramesh Viswanathan
Authorized Signatory

Place : London, UK
Date :

HEXAWARE TECNOLOGIA DO BRASIL LTDA
CONDENSED STATEMENT OF PROFIT & LOSS AS AT December 31, 2017

Currency : BRL

	Notes	For Year ended	
		December 31, 2017	December 31, 2016
INCOME			
Revenue from information technology and consultancy services		1,203,482	2,156,728
Total Income		1,203,482	2,156,728
EXPENSES			
Software and Development Expenses		-	1,271
Employee benefits expense	10	973,198	1,821,186
Operation and Other Expenses	11	193,212	250,126
Exchange Rate difference (net)		6,655	(59,317)
Interest - Others		3,747	5,645
Depreciation and amortization expense		436	470
Total Expenses		1,177,248	2,019,381
Profit Before Tax		26,234	137,347
Tax Expense	12	-	53,037
- Current		-	53,037
Profit for the year		26,234	84,310
Total Comprehensive income for the year		26,234	84,310
Basic Earnings per share (In BRL)			
Basic	14	1.49	27.05
Diluted		1.49	27.05

The notes 1 to 18 form an integral part of the condensed financial statements

For AE Company
Chartered Accountants


Ariane Erthal
Partner

Place : **Brazil, January 22 2018**
Date :

For and on behalf of the Board


Ramesh Viswanathan
Authorized Signatory

Place : London , UK
Date :

HEXAWARE TECNOLOGIA DO BRASIL LTDA
CONDENSED STATEMENT OF CHANGES IN EQUITY

Currency : BRL

A. Equity Share Capital

	As at January 1, 2017	Changes during the Year	As at December 31, 2017
	17,600	-	17,600
	As at January 1, 2016	Changes during the Year	As at December 31, 2016
	1,800	15,800	17,600

B. Other Equity

Reserves and Surplus

	Retained Earnings	Total
Balances as at January 1, 2017	152,984	152,984
Profit for the Year	26,234	26,234
Other comprehensive income	-	-
Total comprehensive income for the year	26,234	26,234
As at December 31, 2017	179,218	179,218
Balances as at January 1, 2016	68,674	68,674
Profit for the Year	84,310	84,310
Other comprehensive income	-	-
Total comprehensive income for the year	84,310	84,310
As at December 31, 2016	152,984	152,984

The notes 1 to 18 form an integral part of the condensed financial statements


For AE Company

Chartered Accountants


Ariane Erthal
 Partner

Place :
 Date : **Brazil, January 22 2018**

For and on behalf of the Board


Ramesh Vsyathan
 Authorized Signatory

Place : London, UK
 Date :

HEXAWARE TECHNOLOGIA DO BRASIL LTDA
CONDENSED CASHFLOWS FOR THE PERIOD ENDED December 31, 2017

Currency : BRL

	<u>For Year ended</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash Flow from operating activities		
Net Profit before tax	26,234	137,347
Adjustments for:		
Depreciation and amortization expense	436	470
Exchange Rate Difference (net) - unrealised	4,542	(17,492)
Interest Expense	3,747	5,645
Operating profit before working capital changes	34,959	125,970
Adjustments for:		
Trade and other receivables	299,989	(182,868)
Trade and other payables	(402,019)	34,494
Cash generated from operations	(67,070)	(22,404)
Direct Taxes Paid (net)	(4,739)	(43,082)
Net cash from operating activities	(71,809)	(65,486)
Cash flow from financing activities		
Proceeds from issue of share capital		15,800
Interest paid	4,772	(2,181)
Net cash (used in) financing activities	4,772	13,619
Net Increase in cash and cash equivalents	- 76,581	- 51,867
Cash and cash equivalents at the beginning of the year	169,916	221,783
Cash and cash equivalents at the end of the year	93,335	169,916


The notes 1 to 18 form an integral part of the condensed financial statements

For AE Company
Chartered Accountants


Ariane Erthal
Partner

Place : **Brazil, January 22 2018**
Date :

For and on behalf of the Board


Ramesh Viswanathan
Authorized Signatory

Place : London, UK
Date :

HEXAWARE TECNOLOGIA DO BRASIL LTDA
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1 Corporate Information

Hexaware Tecnologia Do Brasil LTDA (the Company), incorporated in Brazil, is a ultimate wholly owned subsidiary of Hexaware Technologies Limited a foreign corporation incorporated in India. These accounts have been prepared and audited for the purpose of consolidation with holding company.

Hexaware Tecnologia Do Brasil LTDA is in the business of providing software services. The Company was incorporated on 14th May 2010.

2 Significant Accounting Policies

2.1 Basis of Preparation

The condensed financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

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.

2.2 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 Revenue Recognition

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

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 on completion of the related services. It is billed in accordance with the specific terms of the contract with the client. Revenue is reported net of discount and indirect taxes.

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

Interest Income is recognised on time proportion basis taking into account the amount outstanding and the rate applicable.

HEXAWARE TECNOLOGIA DO BRASIL LTDA
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

2.4 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 payment to the lessor are structured to increase in line with expected general inflation

2.5 (a) Functional and presentation currency

The Local accounts are maintained in local and functional currency, which is the Brazilian Real ('BRL')

(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 the reporting. 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 date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2.6 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.

2.7 Employee Benefits

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

Entity's contribution to defined contribution retirement schemes viz. contribution to the Social Security is charged to Profit and Loss account.

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 / encashed within a year and short term medical insurance contribution plans.

2.8 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 tax authorities using enacted or substantively enacted tax rates.

HEXAWARE TECNOLOGIA DO BRASIL LTDA
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

2.9 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
Computer Systems (include in Plant and Machinery)	3 years
Software	3 years
Office Equipment	5 years
Vehicles	4 years

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.

2.10 Impairment

a) Financial assets (other than at fair value)

The Company assesses at each balance sheet date, whether a financial asset or a Company of financial assets is impaired. Ind AS 109 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 that do not constitute a financing transaction. 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 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.

2.11 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.

2.12 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.

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 on initial recognition. 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.

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.

Financial liabilities

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

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.

2.13 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.

2.14(a) 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 reasonably estimated.

2.14(b) Others

Others areas involving estimates relates to provision for the doubtful debts and useful lives of Property, plant & equipment.

HEXAWARE TECHNOLOGIA DO BRASIL LTDA
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Currency : BRL

3 Property, Plant and Equipment (PPE)

PPE consist of the following:

	<u>Plant and Machinery</u>	<u>Total</u>
<u>COST</u>		
At January 1, 2017	2,350	2,350
Additions	-	-
Disposals	-	-
Translation exchange difference	-	-
At December 31, 2017	<u>2,350</u>	<u>2,350</u>
<u>ACCUMULATED DEPRECIATION</u>		
At January 1, 2017	1,348	1,348
Charge for the year	436	436
Disposals	-	-
Translation exchange difference	-	-
At December 31, 2017	<u>1,784</u>	<u>1,784</u>
<u>NET CARRYING AMOUNT</u>		
At December 31, 2017	<u>566</u>	<u>566</u>
<u>COST</u>		
At January 1, 2016	2,350	2,350
Additions	-	-
Disposals	-	-
Translation exchange difference	-	-
At December 31, 2016	<u>2,350</u>	<u>2,350</u>
<u>ACCUMULATED DEPRECIATION</u>		
At January 1, 2016	878	878
Charge for the Year	470	470
Disposals	-	-
Translation exchange difference	-	-
At December 31, 2016	<u>1,348</u>	<u>1,348</u>
<u>NET CARRYING AMOUNT</u>		
At December 31, 2016	<u>1,002</u>	<u>1,002</u>
At January 1, 2016	<u>1,472</u>	<u>1,472</u>

Note:

i) Plant and machinery includes computer systems

HEXAWARE TECNOLOGIA DO BRASIL LTDA
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Currency : BRL

4 Other financial assets (unsecured) (considered good)			
Current	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>January 1, 2016</u>
Employee advances	23,316	7,805	13,646
	<u>23,316</u>	<u>7,805</u>	<u>13,646</u>

5 Trade Receivables (unsecured)			
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>January 1, 2016</u>
Considered good	350,970	666,470	477,761
Considered doubtful	-	-	-
	<u>350,970</u>	<u>666,470</u>	<u>477,761</u>

The Company's credit period generally ranges from 30-60 days. Allowance for the doubtful debts is made for the debts outstanding for over 180 days unless confirmed by the customer and/ or recoverability is considered reasonable. The age wise breakup of trade receivables, net of allowances is given below:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>January 1, 2016</u>
Not due	-	286640	196042
Due less than 180 days	22,137	215380	281719
Due greater than 180 days	328,833	164450	-
	<u>350,970</u>	<u>666,470</u>	<u>477,761</u>

6 Cash and cash equivalents			
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>January 1, 2016</u>
In current accounts with banks	93,335	169,916	221,783
	<u>93,335</u>	<u>169,916</u>	<u>221,783</u>

7 Other financial liabilities			
Current	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>January 1, 2016</u>
Employee liabilities Payable	-	201,030	138,230
Accrued expenses	4,161	4,772	1,308
	<u>4,161</u>	<u>205,802</u>	<u>139,538</u>

8 Other current liabilities			
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>January 1, 2016</u>
Statutory liabilities	44,399	82,697	82,942
	<u>44,399</u>	<u>82,697</u>	<u>82,942</u>

HEXAWARE TECHNOLOGIA DO BRASIL LTDA
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

12 Income taxes

	For year ended	For year ended
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Profit before income-tax	26,234	137,347
Expected tax expense at the enacted tax rate of 37.00% in Brazil	9,707	50,819
Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense:		
Income exempt from tax		
Tax effect of non-deductible expenses	25,890	2,218.44
Short provision of taxes of earlier years		
Others	<u>(35,597)</u>	<u> </u>
Total	-	53,037

HEXAWARE TECHNOLOGIA DO BRASIL LTDA
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Currency: BRL

9 Equity Share Capital

9.1 Authorised capital

17,600 SHARES OF BRL 1 EACH 17,600

9.2 Issued, subscribed and paid-up capital

	December 31, 2017	December 31, 2016	January 1, 2016
	Amount	Amount	Amount
17,600 SHARES OF BRL 1 EACH	17,600	17,600	1,800

9.3 Reconciliation of number of shares

	December 31, 2017	December 31, 2016	January 1, 2016
Shares outstanding at the beginning of the year	17,600	1,800	1,800
Shares issued during the Year	-	15,800	-
Shares outstanding at the end of the Year	17,600	17,600	1,800

9.4 Rights, preferences and restrictions attached to equity shares

The Company has one Class of equity Shares having a par value of BRL 1 each having a right to one vote for each share

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

<u>Name of Shareholder</u>	December 31, 2017	December 31, 2016	January 1, 2016
Hexaware Technologies UK Limited	17,424	17,424	1,800
No. of shares held			
% of holding	99.00%	99.00%	100.00%

10 Employee benefits expense

	For Year ended	
	December 31, 2017	December 31, 2016
Salary and allowances	670,142	1,357,822
Contribution to provident and other funds	284,287	428,087
Staff welfare expenses	18,769	35,277
	<u>973,198</u>	<u>1,821,186</u>

11 Operation and Other Expenses

	For Year ended	
	December 31, 2017	December 31, 2016
Rent	8,700	4,662
Rates and taxes	60,407	109,779
Travelling and conveyance	15,765	6,040
Communication expenses	1,178	658
Printing and stationery	205	
Legal and professional fees	103,520	124,035
Bank and other charges	3,296	4,952
Miscellaneous expenses	141	
	<u>193,212</u>	<u>250,126</u>

13 Earnings per share

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

	For Year ended	
	December 31, 2017	December 31, 2016
Net profit after tax (BRL)	26,234	84,310
Weighted average outstanding equity shares considered for basic EPS (Nos.)	17,600	3,117
Basic earnings per share (In BRL)	<u>1.49</u>	<u>27.05</u>
Weighted average outstanding equity shares considered for basic EPS (Nos.)	17,600	3,117
Add: Effect of dilutive issue of stock options (Nos.)	-	-
Weighted average outstanding equity shares considered for diluted EPS (Nos.)	17,600	3,117
Diluted earnings per share (In BRL)	<u>1.49</u>	<u>27.05</u>

14 Related party disclosures

(A) Names of related parties

Ultimate Holding Company and it's subsidiaries

Baring Private Equity Asia GP V. LP, Cayman Island (Ultimate holding company) (control exists)

The Baring Asia Private Equity Fund V, LP, Cayman Island

Baring Private Equity Asia V Mauritius Holding (4) Limited, Mauritius

HT Global IT solutions Holding Limited

Holding Company

Hexaware Technologies UK Limited

Fellow Subsidiaries

Hexaware Technologies, Inc., USA

(B) Related party Transactions :

Sr.No	Nature Of Transaction	Nature of relationship	For Year ended December 31, 2017	For Year ended December 31, 2016
1	Software Consulting Income	Fellow Subsidiaries Hexaware Technologies, Inc	1,203,482	2,156,728
2	Interest Expenses	Holding Company	3,901	4,437

(C) Closing Balance :

Sr.No	Particulars	Nature of relationship	AS at		
			31st December 2017	31st December 2016	1st January 2016
1	Trade Receivables	Fellow Subsidiaries Hexaware Technologies, Inc	350,970	666,470	477,761
2	Trade Payables	Fellow Subsidiaries Hexaware Technologies, Inc	172,115	169,571	203,135
3	Interest Payable	Holding Company Hexaware Technologies UK LTD	4,161	4,772	1,308
4	Unsecured Loans Taken *	Holding Company Hexaware Technologies UK LTD			
	Opening Balance		40,364	57,856	41,390
	Exchange rate difference		4,129	(17,492)	16,466
	Closing balance		44,493	40,364	57,856

* The principal loan is in GBP 10,000 originally repayable after 721 days from the date of receipt, which is further extended to 48 months bearing interest at the rate of 3 months Libor plus 200 basis points.

15. Financial Instruments

15.1 Financial Instruments by category

The carrying value / fair value of financial instruments by categories is as follows:

December 31, 2017	Amortised <u>Cost</u>	Fair value through other comprehensive <u>income</u>	Fair value through <u>P & L</u>	Total carrying / <u>fair value</u>
Cash and cash equivalents	93,335	-	-	93,335
Trade receivables	350,970	-	-	350,970
Other financial assets	23,316	-	-	23,316
	467,621	-	-	467,621
Trade payables	178,316	-	-	178,316
Other financial liabilities	48,654	-	-	48,654
	226,970	-	-	226,970
December 31, 2016	Amortised <u>Cost</u>	Fair value through other comprehensive <u>income</u>	Fair value through <u>P & L</u>	Total carrying / <u>fair value</u>
Cash and cash equivalents	169,916	-	-	169,916
Trade receivables	666,470	-	-	666,470
Other financial assets	7,805	-	-	7,805
	844,191	-	-	844,191
Trade payables	200,672	-	-	200,672
Other financial liabilities	246,166	-	-	246,166
	446,838	-	-	446,838
January 1, 2016	Amortised <u>Cost</u>	Fair value through other comprehensive <u>income</u>	Fair value through <u>P & L</u>	Total carrying / <u>fair value</u>
Cash and cash equivalents	221,783	-	-	221,783
Trade receivables	477,761	-	-	477,761
Other financial assets	13,646	-	-	13,646
	713,190	-	-	713,190
Trade payables	225,017	-	-	225,017
Other financial liabilities	197,394	-	-	197,394
	422,411	-	-	422,411

HEXAWARE TECHNOLOGIA DO BRASIL LTDA
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

15 Financial Instruments (Cont'd)

15.2 Financial risk management

The Company has identified the risks under verticals like client concentration risk, credit risk, foreign currency fluctuation risk and liquidity risk. The Company has formulated policies, procedures and strategies for managing risks which is affirmed by management.

Client concentration risk

100% of the revenue of 2017 is generated from Hexaware Technologies Inc., fellow subsidiaries. Any loss or major downsizing of subsidiary may impact Company's profitability. Further, excessive exposure to one customer will limit Company's negotiating capacity and expose us to higher credit risk.

Credit risk

Since most of our transactions are done on credit, we are exposed to credit risk on accounts receivable. Any delay, default or inability on the part of the client to pay on time will expose us to credit risk and can impact our profitability. Our maximum credit exposure is in respect of trade receivables of BRL 350,970, BRL 666,470 and ERL 477,761 as at December 31, 2017, 2016 and January 1, 2016 respectively.

Refer Note No.5 for the age wise analysis of trade receivables that are not due as well as past due.

Hexaware Technologies Inc contribute 100% of the total outstanding as at December 31, 2017.

Cash and cash equivalents include balance in current accounts.

Foreign Currency fluctuations Risk

Foreign exchange fluctuations are one of the key risks impacting our business. The offshore part of the revenue remains exposed to the risk of BRL appreciation which is functional currency of the Company vs. the US Dollar, as largely, the costs incurred are in Brazilian BRLs and the Revenue/ Inflows are in foreign currencies. The contracts we enter into with our customers tend to run across several years and most of these contracts are at fixed rates, any appreciation in the Brazil BRL vis-à-vis foreign currencies will affect our margins.

The following table analyses foreign currency risk from financial instruments

	Currency : BRL			
	December 31, 2017		December 31, 2016	
	USD	GBP	USD	GBP
Financial liabilities	172,328	44,493	169,264	40,364
Total	172,328	44,493	169,264	40,364

10% depreciation/appreciation of the respective foreign currencies with respect to functional currency of the Company and its subsidiaries would result in the decrease/ increase in Company's profit before tax approximately by BRL 21,682 and BRL 20,963 for the year ended December 31, 2017 and December 31, 2016 respectively.

Sensitivity analysis is computed based on the changes in the income and expenses in foreign currency upon conversion into functional currency, due to exchange rate fluctuations between the previous reporting period and the current reporting period.

15.3 Liquidity risk

The Company needs continuous access to funds to meet short and long term strategic investment requirements. The Company's inability to meet such requirements in stipulated period may hamper growth plan and even ongoing operations. Further, the Company's inability to quickly convert assets into cash without incurring any appreciable loss will expose it to liquidity risks.

As at December 31, 2017, the Company had total cash / bank balance of BRL. 93,335 which constitutes approximately 20% of total assets.

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15 Financial Instruments (Cont'd)

The tables below provide details of the contractual maturities of significant financial liabilities as at:

	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>Total</u>	BRL
As at December 31, 2017				
Trade payables	178,316	-		178,316
Others	4,161	-		4,161
Total	182,477	-		182,477
As at December 31, 2016				
Trade payables	200,672	-		200,672
Others	205,802	-		205,802
Total	406,474	-		406,474
As at January 1, 2016				
Trade payables	225,017	-		225,017
Others	139,538	-		139,538
Total	364,555	-		364,555

15.4 Interest rate risk

I can include loan from Hexaware Technologies UK Limited, parent company, for the purpose of business operation. The principal loan is in GBP 10,000 originally repayable after 721 days from the date of receipt, which is further extended to 48 months bearing interest at the rate of 3 months Libor plus 200 basis points. As of December 31, 2017 the outstanding payable is BRL 44,493. If the interest rate or the exchange rate appreciates/ depreciates by 10% with all other variables held constant; the company's profit before tax will increase/ decrease by BRL 387 and BRL 401 for the year ended December 31, 2017 and December 31, 2016 respectively.

16 Employee benefit plans

During the year, the Company has recognized expenses towards contributions to with Social Expense Fund BRL 174,125 for 31st December 2017 & respectively BRL 106,423 for 31st December 2016

17 Segment

There is only one reportable business segment viz software consultancy, the results of which are disclosed in the financial statements

The company operates mainly in local markets; Brazil and in the opinion of management has only one reportable geographical segment, the results of which are disclosed in the financial statements.

18 Material events after Balance Sheet date

There is no significant event after reporting date which requires amendments or disclosure to the condensed financial statements.