

Price Waterhouse Chartered Accountants LLP

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

Report on special purpose Ind AS financial statements

1. This report is issued in accordance with the terms of our agreement dated February 7, 2018.
2. We have audited the accompanying special purpose Ind AS financial statements of Hexaware Technologies Inc (the "Company") which comprise the Balance Sheet as at December 31, 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year ended on that date and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the special purpose Ind AS financial statements

3. The Company's Board of Directors is responsible for the preparation of these special purpose Ind AS financial statements to 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 Indian Accounting Standards ("Ind AS") 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, to the extent considered relevant by it for the purpose for which these special purpose Ind AS financial statements have been prepared. 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 special purpose Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

4. Our responsibility is to express an opinion on these special purpose Ind AS 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 special purpose Ind AS financial statements are free from material misstatement.



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Price Waterhouse (a Partnership Firm) converted into Price Waterhouse Chartered Accountants LLP (a Limited Liability Partnership with LLP identity no: LLPIN AAC-5001) with effect from July 25, 2014. Post its conversion to Price Waterhouse Chartered Accountants LLP, its ICAI registration number is 012754N/N500016 (ICAI registration number before conversion was 012754N)

Price Waterhouse Chartered Accountants LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Hexaware Technologies Limited

Report on the Special Purpose Ind AS Financial Statements

Page 2 of 2

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the special purpose Ind AS 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 special purpose Ind AS 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 special purpose Ind AS financial statements.
6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the special purpose Ind AS financial statements.

Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid special purpose Ind AS 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 December 31, 2017, and its total comprehensive income (comprising of profit and other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Other Matter

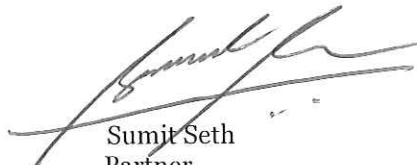
8. The comparative financial information of the Company as at and for the year ended December 31, 2016 and the transition date opening balance sheet as at January 1, 2016 prepared in accordance with Ind AS included in these special purpose Ind AS financial statements have been audited by the predecessor auditor who had audited the special purpose Ind AS 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 report dated February 6, 2018.

Our opinion is not qualified in respect of this matter.

Restriction on Use

9. This report is issued only for the purpose of consolidation of financial statement of the Company with the Holding Company, Hexaware Technologies Limited, and to comply with the provisions of Section 129 read with Section 136 of the Companies Act, 2013 and should not be used for any other purposes.

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



Sumit Seth
Partner
Membership No. 105869

Place: Mumbai
Date: February 7, 2018

HEXAWARE TECHNOLOGIES INC
BALANCE SHEET

	Notes	As at December 31, 2017	As at December 31, 2016	Amount in USD As at January 1, 2016
Assets				
Non-current assets				
Property, Plant and Equipment (PPE)	4	1,554,914	2,090,857	1,883,399
Intangible assets	5	272,140	347,870	205,367
Financial assets				
- Investments	6	274	274	274
- Unbilled revenue		-	-	600,000
- Other financial assets	7A	66,048	72,063	75,903
Deferred tax assets (net)	21	4,512,000	5,733,000	5,035,000
Other non-current assets	8A	3,418,323	2,196,762	110,000
Total non-current assets		9,823,699	10,440,826	7,909,943
Current assets				
Financial assets				
- Trade receivables	9	56,025,705	53,127,615	54,983,090
- Cash and cash equivalents	10	54,859,330	22,830,800	35,082,119
- Unbilled revenue		27,846,377	29,654,801	20,634,192
- Other financial assets	7B	289,964	488,151	2,022,712
Current Tax Assets (net)		549,296	234,460	237,500
Other current assets	8B	3,556,696	2,068,168	872,050
Total current assets		143,127,368	108,403,995	113,831,663
Total assets		152,951,067	118,844,821	121,741,606
Equity and liabilities				
Equity				
Equity Share capital	11	8,031,657	8,031,657	8,031,657
Other Equity		43,985,900	35,141,480	26,864,405
Total equity		52,017,557	43,173,137	34,896,062
Current liabilities				
Financial Liabilities				
- Trade and other payables	12	77,918,065	52,002,078	66,028,590
- Other financial liabilities	13	12,875,768	11,716,851	9,929,499
Other current liabilities	14	3,942,915	3,886,809	3,797,867
Provisions				
- Employee benefit obligations - compensated absences		6,167,758	5,704,524	5,040,204
- Others	15	29,004	1,255,120	1,357,142
Current tax liabilities (net)		-	1,106,302	692,242
Total current liabilities		100,933,510	75,671,684	86,845,544
Total equity and liabilities		152,951,067	118,844,821	121,741,606

The accompanying notes 1 to 30 form an integral part of the financial statement

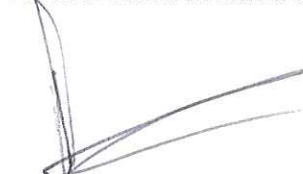
As per our report of even date

For Price Waterhouse Chartered Accounts LLP
Firm Registration Number : 012754N / N500016
Chartered Accountants



Sumit Seth
Partner
Membership Number : 105869
Date : February 7, 2018
Place : Mumbai

For and on behalf of the Board of Directors



R. Srikrishna
Director
Date : February 7, 2018
Place : Mumbai

HEXAWARE TECHNOLOGIES INC
STATEMENT OF PROFIT AND LOSS

Amount in USD

	<u>Notes</u>	<u>For year ended December 31, 2017</u>	<u>For year ended December 31, 2016</u>
INCOME			
Revenue from operations		444,612,361	371,697,051
Other Income	16	<u>42,980</u>	<u>40,078</u>
Total Income		444,655,341	371,737,129
EXPENSES			
Software and development expenses	17	227,857,525	184,184,111
Employee benefits expense	18	180,086,453	154,756,998
Operation and other expenses	19	19,975,107	17,896,627
Exchange Rate difference (net)		114,658	36,846
Interest - others		8,954	1,280
Depreciation and amortisation expense	4, 5	<u>946,464</u>	<u>899,287</u>
Total expenses		428,989,161	357,775,149
Profit before tax		15,666,180	13,961,980
Tax expense			
- Current		5,600,760	6,382,905
- Deferred (Credit)		<u>1,559,000</u>	<u>(698,000)</u>
		7,159,760	5,684,905
Profit for the year		8,506,420	8,277,075
Other comprehensive Income (OCI)		-	-
Total Comprehensive income for the year		8,506,420	8,277,075
Earnings per share (in USD)			
Basic and Diluted	22	<u>283.29</u>	<u>275.65</u>

The accompanying notes 1 to 30 form an integral part of the financial statement

As per our report of even date

For Price Waterhouse Chartered Accounts LLP
 Firm Registration Number : 012754N / N500016
 Chartered Accountants



Sumit Seth
 Partner
 Membership Number : 105869
 Date : February 7, 2018
 Place : Mumbai

For and on behalf of the Board of Directors



R. Srikrishna
 Director

Date : February 7, 2018
 Place : Mumbai

HEXAWARE TECHNOLOGIES INC
STATEMENT OF CHANGES IN EQUITY

A. Equity Share Capital

	As at January 1, 2017	Changes during the year	Amount in USD As at December 31, 2017
	8,031,657	-	8,031,657
	As at January 1, 2016	Changes during the year	As at December 31, 2016
	8,031,657	-	8,031,657

B. Other Equity

	Reserve on Merger	Additional Paid in Capital	Reserves and Surplus Contributed capital on account of share based payment	Retained Earnings	Total
Balances as at January 1, 2017	98,411	142,951	-	34,900,118	35,141,480
Profit for the year	-	-	-	8,506,420	8,506,420
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	8,506,420	8,506,420
Employee stock option compensation cost			2,006,638		2,006,638
Repayment to Holding Company			(2,006,638)		(2,006,638)
Tax benefit on share based compensation				338,000	338,000
As at December 31, 2017	98,411	142,951	-	43,744,538	43,985,900



HEXAWARE TECHNOLOGIES INC
STATEMENT OF CHANGES IN EQUITY

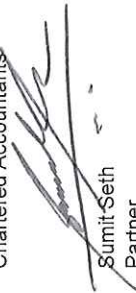
Other Equity (Cont'd)

	Amount in USD		
	Reserve on Merger	Reserves and Surplus Additional Paid in Capital	Retained Earnings Total
Balances as at January 1, 2016	98,411	142,951	26,623,043
Profit for the year	-	-	8,277,075
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	8,277,075
As at December 31, 2016	98,411	142,951	34,900,118
			26,864,405

The accompanying notes 1 to 30 form an integral part of the financial statement

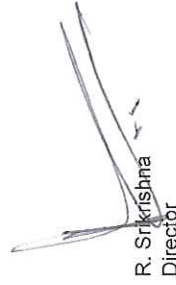
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Sumit Seth
Partner

Membership Number : 105869
Date : February 7, 2018
Place : Mumbai

For and on behalf of the Board of Directors


R. Srikrishna
Director

Date : February 7, 2018
Place : Mumbai

HEXAWARE TECHNOLOGIES INC
CASH FLOW STATEMENT

Amount in USD

<u>Particulars</u>	<u>For year ended</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash Flow from operating activities		
Net Profit before tax	15,666,180	13,961,980
Adjustments for:		
Depreciation and amortisation expense	946,464	899,287
Interest income	(612)	(1,035)
Provision for doubtful debts (net of write back)	(35,000)	10,000
Debts and advances written off	153,843	-
Loss on sale of PPE (net)	-	9,700
Exchange rate difference (net) - unrealised	(10,003)	108,774
Interest expense	8,954	1,280
Operating profit before working capital changes	16,729,826	14,989,986
Adjustments for:		
Trade receivable and other assets	(3,714,396)	(8,429,613)
Trade payable and other liabilities	26,368,129	(11,578,037)
Cash generated from / (used in) operations	39,383,559	(5,017,664)
Direct taxes paid (net)	(7,021,898)	(5,965,805)
Net cash generated / (used in) operating activities	32,361,661	(10,983,469)
Cash flow from investing activities		
Purchase of PPE and intangible assets	(334,791)	(1,158,831)
Interest received	612	1,035
Net cash (used in) investing activities	(334,179)	(1,157,796)
Cash flow from financing activities		
Interest paid	(8,954)	(1,280)
Net cash (used in) financing activities	(8,954)	(1,280)
Net increase / (decrease) in cash and cash equivalents	32,018,528	(12,142,545)
Cash and cash equivalents at the beginning of the year	22,830,800	35,000,659
Add: Unrealised (gain) / loss on foreign currency cash and cash equivalents	(10,003)	27,314
Cash and cash equivalents at the end of the year (Refer Note 10)	54,859,331	22,830,800

The accompanying notes 1 to 30 form an integral part of the financial statement

As per our report of even date

For Price Waterhouse Chartered Accounts LLP
 Firm Registration Number : 012754N / N500016
 Chartered Accountants

For and on behalf of the Board of Directors


 Sumit Seth
 Partner
 Membership Number : 105869
 Date : February 7, 2018
 Place : Mumbai


 R. Srikrishna
 Director
 Date : February 7, 2018
 Place : Mumbai

1 Company Overview

Hexaware Technologies Inc. ("HTI" or "the Company"), incorporated in March 1994 under the laws of the State of New Jersey, is a wholly owned subsidiary of Hexaware Technologies Limited, a foreign corporation incorporated in India ("Hexaware" or "the Holding Company"). These special purpose financial statements have been prepared for the purpose of consolidation with the holding company.

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

The Company has various regional sales offices in United States of America and also has operations in Canada.

2 Significant Accounting Policies

2.1 Statement of compliance

The financial statements comply in all material aspects with Indian Accounting standards (referred to as "Ind AS") notified under Section 133 of the Companies Act, 2013 (the "Act") [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

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.

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:

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.

b) Income-tax

The major tax jurisdictions for the Company is United States of America. Significant judgments are involved in determining the provision for state taxes including judgement on whether tax position are probable of being sustained in tax assessments.

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 on completion of the related service. 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.



HEXAWARE TECHNOLOGIES INC
NOTES TO THE FINANCIAL STATEMENTS

2.5 Lease

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 Property, plant and equipment (PPE)

PPE are stated at cost of acquisition less accumulated depreciation 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
Plant and Machinery (Computer Systems)	3 years
Office Equipment	5 years
Furniture and Fixtures	8 years
Leasehold Improvements	Over the period of lease or useful life, whichever is lesser
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 the Statement of Profit or Loss.

2.7 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 the Statement of Profit or Loss.

2.8 (a) Functional and presentation currency

Functional currency of the company is US Dollar (USD), the currency of primary economic environment in which it operates. These financial statements are presented in functional currency i.e. USD.

(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.

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.



2.9 Employee Benefits

a) Post employment benefits and other long term benefit plans:

Company's contribution to defined contribution retirement schemes viz. contribution to the State and Federal pension plans is charged to Statement of Profit and Loss as incurred.

b) Short term employee benefits:

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 plan.

2.10 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 with a business model 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 with a business model 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.

Investments in equity have been accounted for at fair value through other comprehensive income.

(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.

(iv) 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.

(v) 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 of equity shares, net of any tax effects, are recognised as a deduction from equity.

2.11 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.



2.12 Taxes on Income

- a) 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.
- b) 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.
- c) 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.
- d) 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.
- e) 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 utilized.
- f) 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.
- g) 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.

2.13 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 Instrument" 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 Statement of 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 Share based compensation

Equity settled share based payments to employees and directors are measured at the fair value of the equity instruments granted by the parent at the grant date which is recognised over the vesting period based on periodic estimate of the equity instruments that will eventually vest. 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. The amount recharged and payable to the parent is recognised in Equity.

3 First-time adoption of Ind AS

These are Company's first financial statements prepared in accordance with Ind AS. The accounting policies set out in note 2 have been applied in preparing financial statements for the year ended December 31, 2017, a comparative financial statements for the year ended 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). Upon transition to Ind AS, there were no material adjustments and therefore no reconciliation items in Balance sheet, Statement of Profit and Loss and Cash flows reported in previous GAAP in comparison with Ind AS.

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) On transition to Ind AS, the Company has elected to continue with the carrying value of all its property, plant and equipment and intangible assets 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 and intangible assets.
- 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.



HEXAWARE TECHNOLOGIES INC
NOTES TO THE FINANCIAL STATEMENTS

4 Property, Plant and Equipment (PPE)
PPE consist of the following:

Amount in USD

	<u>Plant and Machinery</u>	<u>Furniture and Fixtures</u>	<u>Vehicles</u>	<u>Office Equipment</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<u>COST</u>						
At January 1, 2017	1,869,334	996,952	27,912	197,546	1,418,390	4,510,134
Additions	194,127	3,357	-	-	-	197,484
Disposals	-	-	-	-	-	-
At December 31, 2017	<u>2,063,461</u>	<u>1,000,309</u>	<u>27,912</u>	<u>197,546</u>	<u>1,418,390</u>	<u>4,707,618</u>
<u>ACCUMULATED DEPRECIATION</u>						
At January 1, 2017	1,364,186	451,485	27,912	98,537	477,157	2,419,277
Charge for the year	330,504	91,838	-	35,894	275,191	733,427
Disposals	-	-	-	-	-	-
At December 31, 2017	<u>1,694,690</u>	<u>543,323</u>	<u>27,912</u>	<u>134,431</u>	<u>752,348</u>	<u>3,152,704</u>
<u>NET CARRYING AMOUNT</u>						
At December 31, 2017	<u>368,771</u>	<u>456,986</u>	<u>-</u>	<u>63,115</u>	<u>666,042</u>	<u>1,554,914</u>
<u>COST</u>						
At January 1, 2016	1,525,531	886,932	27,912	188,595	1,039,847	3,668,817
Additions	343,803	173,505	-	59,887	387,261	964,456
Disposals	-	63,485	-	50,936	8,718	123,139
At December 31, 2016	<u>1,869,334</u>	<u>996,952</u>	<u>27,912</u>	<u>197,546</u>	<u>1,418,390</u>	<u>4,510,134</u>
<u>ACCUMULATED DEPRECIATION</u>						
At January 1, 2016	1,031,095	404,284	27,912	116,235	205,892	1,785,418
Charge for the year	333,091	100,986	-	33,238	279,983	747,298
Disposals	-	53,785	-	50,936	8,718	113,439
At December 31, 2016	<u>1,364,186</u>	<u>451,485</u>	<u>27,912</u>	<u>98,537</u>	<u>477,157</u>	<u>2,419,277</u>
<u>NET CARRYING AMOUNT</u>						
At December 31, 2016	<u>505,148</u>	<u>545,467</u>	<u>-</u>	<u>99,009</u>	<u>941,233</u>	<u>2,090,857</u>
At January 1, 2016 (Deemed cost, refer note 3.1 (a))	<u>494,436</u>	<u>482,648</u>	<u>-</u>	<u>72,360</u>	<u>833,955</u>	<u>1,883,399</u>

Note:

Plant and machinery includes computer systems



HEXAWARE TECHNOLOGIES INC
NOTES TO THE FINANCIAL STATEMENTS

5 Intangible assets

Intangible assets consist of the following:

Amount in USD
Software
licenses

COST

At January 1, 2017	1,050,045
Additions	137,307
Disposals	-
At December 31, 2017	<u>1,187,352</u>

ACCUMULATED AMORTISATION

At January 1, 2017	702,175
Amortisation for the year	213,037
Disposals	-
At December 31, 2017	<u>915,212</u>

NET CARRYING AMOUNT

At December 31, 2017	<u>272,140</u>
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COST

At January 1, 2016	755,553
Additions	294,492
Disposals	-
At December 31, 2016	<u>1,050,045</u>

ACCUMULATED AMORTISATION

At January 1, 2016	550,186
Amortisation for the year	151,989
Disposals	-
At December 31, 2016	<u>702,175</u>

NET CARRYING AMOUNT

At December 31, 2016	<u>347,870</u>
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At January 1, 2016	<u>205,367</u>
(Deemed cost, refer note 3.1 (a))	

Amortisation is included in the Statement of Profit or Loss under the line item "Depreciation and Amortisation expenses".



HEXAWARE TECHNOLOGIES INC
NOTES TO THE FINANCIAL STATEMENTS

		Amount in USD		
		As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
6 Investments				
A Non Current Investments in Equity shares (unquoted)				
	<u>Investments in equity instruments of fellow subsidiaries - At fair value through Other Comprehensive Income</u>			
	1 Participation share in Hexaware Technologies, Mexico S De.RL.De.C.V. at par	274	274	274
		<u>274</u>	<u>274</u>	<u>274</u>
7 Other financial assets (unsecured) (considered good)				Amount in USD
A Non-current		As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
	Security deposits	66,048	72,063	75,903
		<u>66,048</u>	<u>72,063</u>	<u>75,903</u>
B Current		As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
	Security deposits	17,233	30,778	35,948
	Loans and advances to related parties (Refer Note 24)	181,384	231,200	1,653,209
	Employee advances	91,347	226,173	333,555
		<u>269,964</u>	<u>488,151</u>	<u>2,022,712</u>
8 Other assets (unsecured)				Amount in USD
A Non-current		As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
	Capital Advances	-	-	110,000
	Prepaid Expenses	3,418,323	2,196,762	-
		<u>3,418,323</u>	<u>2,196,762</u>	<u>110,000</u>
B Current		As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
	Prepaid Expenses	3,460,672	1,957,548	771,966
	Others	96,024	110,620	100,084
		<u>3,556,696</u>	<u>2,068,168</u>	<u>872,050</u>
9 Trade Receivables (unsecured)				Amount in USD
		As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
	Considered good	56,025,705	53,127,615	54,983,090
	Considered doubtful	305,000	340,000	330,000
	Less: Allowance for doubtful receivables basis the expected credit loss model	(305,000)	(340,000)	(330,000)
		<u>56,025,705</u>	<u>53,127,615</u>	<u>54,983,090</u>
	The age wise breakup of trade receivables, net of allowances is given below:			
		As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
	Not due	36,707,221	27,659,570	27,957,884
	Due less than 180 days	16,204,698	11,357,033	11,101,445
	Due greater than 180 days	3,113,787	14,111,012	15,923,761
		<u>56,025,705</u>	<u>53,127,615</u>	<u>54,983,090</u>
	Average age (days)	<u>45</u>	<u>49</u>	<u>59</u>
	Movement in allowance for doubtful receivables			
	Balance at the beginning of the year	340,000	330,000	
	Expense for the year	665,242	134,362	
	Amounts recovered during the year	(546,399)	(124,362)	
	Written-back during the year	(153,843)	-	
	Balance at the end of the year	<u>305,000</u>	<u>340,000</u>	
10 Cash and cash equivalents				Amount in USD
		As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
	In current accounts with banks	54,859,330	22,830,800	35,082,119
		<u>54,859,330</u>	<u>22,830,800</u>	<u>35,082,119</u>



HEXAWARE TECHNOLOGIES INC
NOTES TO THE FINANCIAL STATEMENTS

	As at December 31, 2017	As at December 31, 2016	Amount in USD As at January 1, 2016
11 Equity Share Capital			
11.1 <u>Authorised capital</u>			
100,000 shares in common stock of no par value	-	-	-
11.2 <u>Issued, subscribed and paid-up capital</u>			
30,027 shares in common stock of no par value	<u>8,031,657</u>	<u>8,031,657</u>	<u>8,031,657</u>
11.3 There is no movement in share capital during year ended December 31, 2017 and December 31, 2016.			
11.4 <u>Rights, preferences and restrictions attached to equity shares</u>			
The Company has one class of common stock having no par value. Each shareholder is eligible for one vote per share held. 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.			
11.5 All shares are held by Hexaware Technologies Limited, the holding company, since incorporation of the Company.			



HEXAWARE TECHNOLOGIES INC
NOTES TO THE FINANCIAL STATEMENTS

12 Trade and other payables

Amount in USD

	As at <u>December 31, 2017</u>	As at <u>December 31, 2016</u>	As at <u>January 1, 2016</u>
Trade payable	69,409,605	45,719,585	59,854,245
Accrued expenses	8,508,460	6,282,493	6,174,345
	<u>77,918,065</u>	<u>52,002,078</u>	<u>66,028,590</u>

13 Other financial liabilities

Amount in USD

Current

	As at <u>December 31, 2017</u>	As at <u>December 31, 2016</u>	As at <u>January 1, 2016</u>
Capital creditors	29,960	11,687	21,570
Employee liabilities payable	12,845,808	11,705,164	9,907,929
	<u>12,875,768</u>	<u>11,716,851</u>	<u>9,929,499</u>

14 Other current liabilities

Amount in USD

	As at <u>December 31, 2017</u>	As at <u>December 31, 2016</u>	As at <u>January 1, 2016</u>
Unearned revenues	2,637,912	2,757,240	2,802,290
Statutory liabilities	1,305,003	1,129,569	995,577
	<u>3,942,915</u>	<u>3,886,809</u>	<u>3,797,867</u>

15 Provisions - Others

Amount in USD

	As at <u>December 31, 2017</u>	As at <u>December 31, 2016</u>
Provision at the beginning of the year	1,255,120	917,565
Provision made during the year	-	1,845,965
Payment made during the year	(867,780)	(912,564)
Adjusted during the year	(358,336)	(595,846)
Provision at the end of the year	<u>29,004</u>	<u>1,255,120</u>

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



HEXAWARE TECHNOLOGIES INC
NOTES TO THE FINANCIAL STATEMENTS

	Amount in USD	
	For year ended <u>December 31, 2017</u>	For year ended <u>December 31, 2016</u>
16 Other income		
Interest income	612	1,035
Sundry balances written back	-	26,543
Miscellaneous income	42,368	12,500
	<u>42,980</u>	<u>40,078</u>
		Amount in USD
	For year ended <u>December 31, 2017</u>	For year ended <u>December 31, 2016</u>
17 Software and Development Expenses		
Consultant travel and related expenses	17,044,339	15,606,331
Software expenses *	210,813,186	168,577,780
	<u>227,857,525</u>	<u>184,184,111</u>
		Amount in USD
	For year ended <u>December 31, 2017</u>	For year ended <u>December 31, 2016</u>
18 Employee benefits expense		
Salary and allowances	154,336,885	133,278,750
Contribution to other funds and benefits	22,093,223	19,956,398
Staff welfare expenses	1,649,707	1,521,850
Employee stock option compensation cost (Refer Note 28)	2,006,638	-
	<u>180,086,453</u>	<u>154,756,998</u>
		Amount in USD
	For year ended <u>December 31, 2017</u>	For year ended <u>December 31, 2016</u>
19 Operation and Other Expenses		
Rent	1,741,693	2,074,074
Rates and taxes	54,454	62,059
Travelling and conveyance	5,303,660	5,709,028
Electricity charges	30,158	29,226
Communication expenses	1,206,294	1,126,142
Repairs and maintenance	1,861,720	1,163,985
Printing and stationery	79,685	88,070
Auditors remuneration	259,647	166,815
Legal and professional fees	1,353,920	545,862
Advertisement and business promotion	3,861	27,667
Seminar and conference expenses	2,664,378	2,652,483
Bank and other charges	38,946	19,549
Membership and Subscription charges	215,947	25,648
Insurance charges	418,631	478,758
Loss on sale of PPE (net)	-	9,700
Debts and advances written off *	153,843	-
Provision for doubtful accounts (net of write back)*	(35,000)	10,000
Staff recruitment expenses	1,282,075	1,680,936
Miscellaneous expenses	3,341,195	2,026,625
	<u>19,975,107</u>	<u>17,896,627</u>
		Amount in USD
	For year ended <u>December 31, 2017</u>	For year ended <u>December 31, 2016</u>
* net of write backs	92,732	124,362



20 Employee Benefits:

The Company recognized USD 8,638,683 (Previous Year USD 7,754,034) for pension fund contributions in Statement of Profit and Loss. The contributions payable to these plans by the company are at rates specified in the rules of the schemes and the company has no further obligations under such schemes.

21 The reconciliation of estimated income tax expense at the US statutory income tax rate to the income tax expenses reported in statement of profit and loss is as follows:

	Amount in USD	
	For year ended December 31, 2017	For year ended December 31, 2016
Profit before income-tax	15,666,180	13,961,980
Expected tax expense at the enacted tax rate in United States of America 39.28% for December 31, 2017 and 40% for December 31, 2016	6,153,676	5,584,792
Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense:		
Tax effect of non-deductible expenses	185,048	188,064
Tax benefit items	(413,558)	(81,095)
Taxes of earlier years	(474,753)	-
Impact of changes in rate of tax	1,745,921	-
Others	(36,574)	(6,856)
	<u>7,159,760</u>	<u>5,684,905</u>

22 Deferred taxes

Components of deferred taxes : Particulars	Amount in USD			
	January 1, 2017	Recognised in profit or loss	Recognised in equity	December 31, 2017
Deferred tax assets				
Provision for doubtful debts	133,000	(50,000)	-	83,000
Provision for employee benefits	4,890,000	(2,018,000)	-	2,872,000
Share based payments	-	549,000	338,000	887,000
Other provisions	663,000	(7,000)	-	656,000
Depreciation and amortisation	47,000	(33,000)	-	14,000
Net Deferred tax asset	<u>5,733,000</u>	<u>(1,559,000)</u>	<u>338,000</u>	<u>4,512,000</u>

Components of deferred taxes : Particulars	Amount in USD			
	January 1, 2016	Recognised in profit or loss	Recognised in equity	December 31, 2016
Deferred tax assets				
Provision for doubtful debts	129,000	4,000	-	133,000
Provision for employee benefits	4,245,000	645,000	-	4,890,000
Other provisions	617,000	46,000	-	663,000
Depreciation and amortisation	44,000	3,000	-	47,000
Net Deferred tax asset	<u>5,035,000</u>	<u>698,000</u>	<u>-</u>	<u>5,733,000</u>

Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.



HEXAWARE TECHNOLOGIES INC
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23 Earnings per share
The components of basic and diluted earnings per share (EPS) were as follows:

	Amount in USD	
	For year ended December 31, 2017	For year ended December 31, 2016
Net profit after tax (Amount in USD)	8,506,420	8,277,075
Weighted average outstanding equity shares considered for basic EPS (Nos.)	30,027	30,027
Basic and diluted earnings per share (USD)	283.29	275.65

24 Related party disclosures

Name of Related Parties and description of relationship:

Ultimate Holding Company and its 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, Mauritius (control exists)

Holding Company (control exists)

Hexaware Technologies Limited, India

Subsidiary

Hexaware Technology and Business Solutions, Inc. (Formed on March 23, 2017 and closed on August 17, 2017)

Fellow Subsidiaries

Hexaware Technologies Canada Limited

Hexaware Technologies Asia Pacific Pte Ltd., Singapore

Hexaware Technologies GmbH, Germany

Hexaware Technologies UK Limited., UK

Hexaware Technologies, Mexico S. De R.L. De C.V., Mexico

Hexaware Tecnologia Do Brasil Ltda, Brazil

Guangzhou Hexaware Information Technologies Company Limited, China

Key Management Personnel

Mr. R. Srikrishna, Chief Executive Officer of Holding Company

Mr. P. R. Chandrasekar, Director

Mr. Ravi Vaidyanathan, Director

	Particulars	Name of Related Party And Nature of relationship	Amount in USD	
			For year ended	For year ended
			December 31, 2017	December 31, 2016
1	Reimbursement of Cost to	Holding Company (including share based payments \$ 2,006,638 in 2017)	7,939,418	5,442,859
		Fellow Subsidiaries		
		Hexaware Technologies Mexico S.DE RL. DE C.V	5,594,212	3,596,755
		Hexaware Technologies Canada Ltd	63,470	32,312
		Hexaware Technologies Asia pacific Pte Ltd	202,621	414,618
		Hexaware Technologies UK Limited., UK	2,744,508	1,366,237
		Hexaware Technologies Limited -Netherlands Branch	2,219	-
Hexaware Technologies GmbH, Germany	9,911	67,858		
2	Employee advances reimbursed to	Holding Company	770,068	1,203,667
		Fellow Subsidiaries		
		Hexaware Technologies Canada Ltd	-	2,663
3	Receiving of services	Holding Company	124,753,499	94,641,351
		Fellow Subsidiaries		
		Hexaware Technologies Mexico S.DE RL. DE C.V	9,425,105	9,400,678
		Hexaware Technologies Canada Ltd	1,754,455	1,605,525
		Hexaware Tecnologia Do Brasil Ltda, Brazil	375,903	634,166
		Hexaware Technologies Ltd Hongkong	59,481	-
		Guangzhou Hexaware Information Technologies Company Limited, China	10,663	-
		KMP		
		Mr. R. Srikrishna	1,059,135	1,051,392
		Mr. Ravi Vaidyanathan	637,372	459,634
4	Revenue from operations	Holding Company	2,350,602	2,708,250
5	Recovery of Cost from	Holding Company	240,420	14,954
		Fellow Subsidiaries		
		Hexaware Technologies UK Limited., UK	491,526	649,664
		Hexaware Technologies Canada Ltd	73,106	65,678
		Hexaware Technologies Asia pacific Pte Ltd	31,941	68,718
		Hexaware technologies GmbH	46,640	97,179
		Hexaware Technologies Mexico S.DE RL. DE C.V	14,902	28,393

Closing balances :

Particulars	Nature of relationship	Amount in USD		
		Closing balances as at		
		December 31, 2017	December 31, 2016	January 1, 2016
Trade Receivable	Holding Company	4,291,653	15,116,529	16,920,308
Other Receivable	Holding Company	97,420	139,052	127,281
	Fellow Subsidiaries			
	Hexaware Technologies UK Limited., UK	27,093	36,222	210,305
	Hexaware Tecnologia Do Brasil Ltda, Brazil	52,030	52,030	52,030
	Others	4,840	3,696	1,283,593
Trade Payable	Holding Company	47,098,014	25,666,057	43,611,691
	Fellow Subsidiaries			
	Hexaware Technologies Mexico S.DE RL. DE C.V	4,085,581	3,548,594	3,199,017
	Hexaware Technologies UK Limited., UK	1,120,723	103,023	236,808
	Hexaware Technologies Canada Ltd	1,200,700	1,158,120	1,102,615
	Hexaware Technologies Asia pacific Pte Ltd	28,552	36,412	35,067
	Hexaware Tecnologia Do Brasil Ltda, Brazil	105,858	204,673	117,807
	Guangzhou Hexaware Information Technologies Company Limited, China	10,663	-	-
Hexaware technologies GmbH	-	15,719	7,297	
Payable to/ Provision for KMP/ director	KMP			
	Mr. R. Srikrishna	399,167	498,355	526,173
	Mr. Ravi Vaidyanathan	173,611	202,066	-



25 25.1 Financial instruments

A Category of financial instrument

1

All financial instruments (except investment in fellow subsidiary) are measured at amortised cost. Carrying amount of cash and cash equivalents, trade receivables, unbilled revenue, trade and other payables, other financial assets and liabilities approximate the fair value because of their short term nature. Difference between carrying amounts and fair values of, unbilled revenue and other financial assets subsequently measured at amortised cost is not significant in each of the years presented.

2 Investment in fellow subsidiary is measured at fair value through other comprehensive income.

B 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 observed and the significance of the inputs to the fair value measurements 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

Fair value of Investments in fellow subsidiary is categorised into Level 3

C Valuation technique

Cost of investment in fellow subsidiary is considered to be representative of fair value.

25.2 Financial risk management

The Company has identified the risks under verticals like client concentration risk, credit risk and liquidity risk. The Company has formulated policies, procedures and strategies for managing risks which is affirmed by global CEO and CFO, after consultation with all business units, functions and department heads.

Client concentration risk

Approximately 69% of the revenue of 2017 is generated from top 10 clients (year 2016 - 68%). Any loss or major downsizing by these clients may impact Company's profitability. Further, excessive exposure to particular clients will limit groups negotiating capacity and expose us to higher credit risk.

The Company is able to maintain a diversified high quality client roster that can be accessed through the depth of relationships with existing clients.

The Company's growth strategy involves a mix of new client addition and mining the accounts of existing clients. As we add more clients and grow our revenues from the existing clients, we naturally reduce our dependence on the large clients. Moreover, large clients allow quick scaling up of revenues and they come with much higher margins due to lower associated cost and higher cost predictability.



25 Financial Instruments (Cont'd)

25.2 Financial risk management (Cont'd)

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 USD 56,025,705, USD 53,127,615 and USD 54,983,090 as at December 31, 2017, December 31, 2016 and January 1, 2016 respectively and unbilled revenue of USD 27,846,378, USD 29,654,801 and USD 20,634,192 as at December 31, 2017, December 31, 2016 and January 1, 2016, respectively.

We have adopted an effective receivable management system to control the Days' Sales Outstanding (DSO). Our DSO including unbilled revenue is 68 days, 76 days and 81 days as on December 31, 2017, December 31, 2016 and January 1, 2016 respectively, placing us favourably when compared with other companies in the IT industry. Refer Note No.9 for the age wise analysis of trade receivables that are not due as well as past due and allowance for the doubtful receivables.

Top 10 customer dues contribute 60.52% of the total outstanding as at December 31, 2017 (68.51% as at December 31, 2016).

Cash and cash equivalents are neither past due nor impaired. Cash and cash equivalents include deposits with banks and financial institution with high credit-ratings assigned by credit-rating agencies.

Foreign Currency fluctuations risk

The company's transactions are predominantly in USD and incurs foreign currency risk on transactions that are denominated by currency other than USD such as CAD, GBP etc. The company does not hedge any currency exposures since the net foreign exchange exposure is insignificant.

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.

Over the years, the Company has increased its liquidity position by improving its DSO and maintaining high cash / bank balance.

As at December 31, 2017, the Company had cash and cash equivalents of USD 54,859,330 (as at December 31, 2016 USD 22,830,880) which constitutes approximately 36% of our total assets (2016 - 19%). The Company does not have any debt.

All financial liabilities will materialise within a period of one year.

Interest rate risk

The Company does not have any debt. The balances with banks are in the form of current accounts. The Company is not exposed to any significant interest rate risk.

Capital management

The company's objectives when managing capital is to maintain optimal capital structure to continue to provide for adequate capital in the business, returns for shareholders and benefits for other stakeholders in the form of dividends, return of capital or issue of new shares.



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26 Segment disclosures

The reportable business segments have been identified taking into account the services offered to customers globally operating in different industry segments based on management approach. The Chief Operating Decision Maker evaluates the Company's performance and allocates resources based on analysis of various performance indicators by below business segments. The Company's organization structure reflects the industry segmentation. Following are the business segments:

- (i) Travel and Transportation (T & T)
- (ii) Banking and financial services (BFS)
- (iii) Healthcare and Insurance (H & I)
- (iv) Manufacturing, Consumer and Others (MC&O)

Revenues and expenses directly attributable to segments are reported under each reportable business segment. Common expenses which are not directly identifiable to each reporting segment have been allocated to each reporting segment on the basis of associated revenues of the segment. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses.

Assets and liabilities contracted have not been identified to any of the reportable business segments as the assets are used interchangeably between segments and it is not practicable to reasonably allocate the liabilities to individual segments. Accordingly, no disclosure relating to segment assets and segment liabilities are made.

The Company operates mainly in local markets (United States of America).

<u>Year ended December 31, 2017</u>					Amount in USD
	<u>T & T</u>	<u>BFS</u>	<u>H & I</u>	<u>MC&O</u>	<u>Total</u>
Revenue	43,002,324	236,651,332	52,975,770	111,982,934	444,612,360
Expenses	(41,387,773)	(227,766,095)	(50,986,758)	(107,778,458)	(427,919,084)
Segment Profit	<u>1,614,551</u>	<u>8,885,237</u>	<u>1,989,012</u>	<u>4,204,476</u>	<u>16,693,276</u>
Less: Depreciation and amortisation expenses					946,464
Less: Exchange rate differences					114,658
Add: Other income					42,980
Less: Interest					<u>8,954</u>
Profit Before Tax					15,666,180
Tax expense					<u>7,159,760</u>
Profit after tax					<u>8,506,420</u>

<u>Year ended December 31, 2016</u>					Amount in USD
	<u>T & T</u>	<u>BFS</u>	<u>H & I</u>	<u>MC&O</u>	<u>Total</u>
Revenue	40,127,227	187,395,436	49,225,897	94,948,491	371,697,051
Expenses	(36,221,025)	(184,104,860)	(44,413,162)	(92,098,689)	(356,837,736)
Segment Profit	<u>3,906,202</u>	<u>3,290,576</u>	<u>4,812,735</u>	<u>2,849,802</u>	<u>14,859,315</u>
Less: Depreciation and amortisation expenses					899,287
Less: Exchange rate differences					36,846
Add: Other income					40,078
Less: Interest					<u>1,280</u>
Profit Before Tax					13,961,980
Tax expense					<u>5,684,905</u>
Profit after tax					<u>8,277,075</u>



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26 Segment disclosures (Cont'd)

26.1 Customer information

Customer accounting for the revenue in excess of 10% of the Group revenue:

Customer	Segment	Amount in USD	
		For the year ended December 31, 2017	December 31, 2016
Customer A	BFS	82,373,042	63,517,187
Customer B	BFS	61,706,309	50,337,265
Customer C	M&CS & O	60,359,302	50,192,849

27 Lease

Operating Lease:

The Company takes on lease offices space and accommodation for its employees under various operating leases. The lease term ranges between 1 year to 5 years with option to renew. The lease rentals towards operating lease agreements recognised in the Statement of Profit and Loss for the year are USD 1,741,693 (Previous Year USD 2,074,074).

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

Particulars	Amount in USD		
	Total Minimum Lease Payments Outstanding as on December 31, 2017	Total Minimum Lease Payments Outstanding as on December 31, 2016	Total Minimum Lease Payments Outstanding as on January 1, 2016
Not later than one year	1,355,916	1,609,002	1,609,933
Later than one year but not later than five years	2,670,585	3,301,048	4,661,438
	4,026,501	4,910,050	6,271,371

28 Employee share based compensation

The Company's employees participate in stock option plans administered by the Parent Company, which entitles key employees one equity share of Parent Company of INR 2 or approximately USD .03 each for each options/ Restricted stock options (RSU) granted. The options/ RSU's vest over the period of 1 to 5 years from the date of grant on the basis of service period and/ or achievement of performance conditions.

29 Material events after Balance Sheet date

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

30 Approval of the Financial statement

The financial statements were approved for issue by the Board of Directors on February 7, 2018.

