

The Directors

Hexaware Technologies México, S. De R.L de C.V.

Av. San Angel #240 Piso 3 D-A

Col. Valle San Agustin, C.P.25215

Saltillo, Coahuila, México

January 23th, 2019

Dear Sirs,

We have audited the attached accounts and notes of Hexaware Technologies Mexico, S. de R.L. de C.V. for the year ended 31st December 2018 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 Technologies, S. de R.L. de C.V. as audited by us according to NIF'S (Mexican Gaap)

Javier Fuentes Zambrano y Asociados, SC
Member of International Association of Practicing Accountants and also,
Member of Leading Edge Alliance



C.P.C. Javier Fuentes Zambrano
Monterrey, México
January 23th, 2019



HEXAWARE TECHNOLOGIES MEXICO, S. DE R.L. DE C.V.
BALANCE SHEET AS AT December 31, 2018

Currency ; MXN

	Note	AS AT	
		December 31, 2018	December 31, 2017
Assets			
Non-current assets			
Property, plant and equipment	4	10,273,269	8,528,295
Other intangible assets	5	-	-
Financial Assets			
- Other financial assets	6A	1,429,579	1,038,379
Deferred tax assets	7	2,987,260	6,260,243
Total non-current assets		14,690,108	15,826,917
Current assets			
Financial Assets			
- Trade receivables	9	120,303,736	90,469,483
- Cash and cash equivalents	10	1,549,877	4,650,027
- Unbilled revenue		9,596,927	3,376,500
- Other financial assets	6B	703,069	440,592
Current Tax Assets (net)		-	8,388,071
Other assets	8	9,839,567	7,292,378
Total current assets		141,993,176	114,617,051
Total assets		156,683,284	130,443,968
Equity and liabilities			
Equity			
Equity Share capital	17	8,087,502	8,087,502
Other Equity		107,564,773	95,748,061
Total equity		115,652,275	103,835,563
Non-current liabilities			
Provisions - Employee benefit obligations		3,263,504	2,673,531
Total non-current liabilities		3,263,504	2,673,531
Current liabilities			
Financial Liabilities			
- Trade payables		10,616,179	5,317,715
- Other financial liabilities	11	10,764,813	8,910,690
Other current liabilities	12	7,680,149	5,744,658
Provisions			
- Employee benefit obligations		4,971,080	3,961,811
Current Tax Liabilities		3,735,284	-
Total current liabilities		37,767,505	23,934,874
Total liabilities		41,031,009	26,608,405
Total equity and liabilities		156,683,284	130,443,968

The notes 1 to 24 form an integral part of the financial statements

For Javier Fuentes Zambrano y Asoc.. S.C
Chartered Accountants

C.P.C. Javier Fuentes Zambrano
Partner

For and on behalf of the Board

Kalpesh Bhatt
(Director)

Place : Monterrey, México
Date : January 23, 2019

Place : Mumbai 5 de Mayo #1416 Pte.
Date : Jan 23, 2019 Monterrey, N.L C.P 64000

HEXAWARE TECHNOLOGIES MEXICO, S. DE R.L. DE C.V.
STATEMENT OF PROFIT AND LOSS

Currency: MXN

	Notes	For Year ended	
		December 31, 2018	December 31, 2017
INCOME			
Revenue from information technology and consultancy services		273,600,118	232,591,123
Other Income	13	821,867	111,191
Total Income		274,421,985	232,702,314
EXPENSES			
Software and Development Expenses	14	70,167,347	34,552,365
Employee benefits expense	15	153,345,606	148,513,600
Operation and Other Expenses	16	21,467,941	21,126,197
Exchange Rate difference (net)		3,746,430	7,604,093
Depreciation and amortization expense	4,5	4,789,633	7,524,987
Total Expenses		253,516,957	219,321,242
Profit Before Tax		20,905,028	13,381,072
Tax Expense			
- Current		5,815,333	5,395,182
- Deferred (Credit)		3,272,983	(1,587,398)
		9,088,316	3,807,784
Profit for the year		11,816,712	9,573,288
Other comprehensive income:		-	-
Total Comprehensive Income for the year		11,816,712	9,573,288
Basic Earnings per share (In MXN)			
Basic & Diluted Earning Per share	18	5,908,356	4,786,644


The notes 1 to 24 form an integral part of the financial statements

For Javier Fuentes Zambrano y Asoc. S.C
Chartered Accountants

C.P.C. Javier Fuentes Zambrano
Partner

Place : Monterrey, México
Date : January 23, 2019

For and on behalf of the Board


Kalpesh Bhatt
(Director)

Place : Mumbai
Date :
Jan 23, 2019

HEXAWARE TECHNOLOGIES MEXICO, S. DE R.L. DE C.V.
STATEMENT OF CHANGES IN EQUITY

Currency: MXN

A. Equity Share Capital

As at January 1, 2018	Changes during the year	As at December 31, 2018
8,087,502	-	8,087,502

As at Januarv 1. 2017	Changes during the year	As at December 31. 2017
8,087,502	-	8,087,502

B. Other Equity

	<u>Reserves and Surplus</u>		Total
	General reserve	Retained Earnings	
Balances as at January 1, 2018	2,574,705	93,173,356	95,748,061
Profit for the year	-	11,816,712	11,816,712
Other comprehensive income	-	-	-
Total comprehensive income for the year		11,816,712	11,816,712
As at December 31, 2018	2,574,705	104,990,068	107,564,773
Balances as at January 1, 2017	2,574,705	83,600,068	86,174,773
Profit for the year	-	9,573,288	9,573,288
As at December 31, 2017	2,574,705	93,173,356	95,748,061


The notes 1 to 24 form an integral part of the financial statements

For Javier Fuentes Zambrano y Asoc.. S.C
Chartered Accountants

C.P.C. Javier Fuentes Zambrano
Partner



For and on behalf of the Board



Kalpesh Bhatt
(Director)

Place : Monterrey, México
Date : January 23, 2019

Place : Mumbai
Date : Jan 23, 2019



HEXAWARE TECHNOLOGIES MEXICO, S. DE R.L. DE C.V.
CASH FLOW STATEMENT

Currency: MXN

	For Year ended	
	December 31, 2018	December 31, 2017
Cash Flow from operating activities		
Net Profit before tax	20,905,028	13,381,072
Adjustments for:		
Depreciation and amortization expense	4,789,633	7,524,987
(Profit) on sale of property, plant & equipment (net)	-	(50,560)
Exchange Rate Difference (net) - unrealised	183,682	(154,999)
Operating profit before working capital changes	25,878,343	20,700,500
Adjustments for:		
Trade and other receivables	(39,255,546)	5,787,531
Trade and other payables	11,658,907	(437,591)
Cash generated from operations	(1,718,296)	26,050,440
Direct Taxes Paid (net)	6,308,022	(20,160,931)
Net cash from operating activities	4,589,726	5,889,509
Cash flow from investing activities		
Purchase of property, plant & equipment	(7,506,194)	(3,880,605)
Proceeds from sale of property, plant & equipment	-	50,560
Net cash (used in) investing activities	(7,506,194)	(3,830,045)
Net Increase/ (decrease) in cash and cash equivalents	(2,916,468)	2,059,464
Cash and cash equivalents at the beginning of the year	4,464,930	2,405,466
Cash and cash equivalents at the end of the year	1,548,462	4,464,930

Notes:

Components of cash and cash equivalents comprise the following

	December 31, 2018	December 31, 2017
Cash and cash equivalents (Refer Note 10)	1,549,877	4,650,027
Add: Unrealised loss/ (gain) on foreign currency cash & cash equivalents	(1,415)	-185,097
Total Cash and Cash equivalents	1,548,462	4,464,930

The notes 1 to 24 form an integral part of the financial statements

For Javier Fuentes Zambian y Asoc.. S.C
Chartered Accountants

C.P.C. Javier Fuentes Zambrano
Partner

For and on behalf of the Board

Kalpesh Bhatt
(Director)

Place : Monterrey, México
Date : January 23, 2019

Place : Mumbai
Date : Jan 23, 2019

HEXAWARE TECHNOLOGIES MEXICO, S. DE R.L. DE C.V.
NOTES TO THE FINANCIAL STATEMENTS

1 Company Overview

Hexaware Technologies Mexico S de RL de CV (the Company), incorporated in Mexico on 8th May 2007, is a 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 the holding company.

The Company is in the business of automated testing of enterprise resource planning and customized software applications. Their business involves systems verification, quality strategy, information technology governance solutions and various functional, performance and system stress verification exercises and Business Processing Services. The Company is also a provider of business technology optimization consulting services.

2 Significant Accounting Policies

Basis of Preparation

2.1

The 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.

2.2.1 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:

2.2.2 Revenue recognition

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

2.2.3 Others

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

2.3 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 services. 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 on time proportion basis taking into account the amount outstanding and the rate applicable.

HEXAWARE TECHNOLOGIES MEXICO, S. DE R.L. DE C.V.
NOTES TO THE 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

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

2.5 (a) Functional and presentation currency

The Local accounts are maintained in local and functional currency, which is the Mexican Peso ('MXN')

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

2.6 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 plans

In accordance with Mexican Labour law, the Company provides seniority premium benefits to its employees under certain circumstances. These benefits consist of a one-time payment equivalent to 12 days wages for each year of service (at the employees most recent salary but not to exceed twice the legal minimum wage) payable to all employee's with 15 or more years of services, as well as to certain employees terminated involuntary prior to the vesting of their seniority premium benefit. The Company also provides statutorily mandated severance benefits to its employees terminated under certain circumstances. Such benefits consist of a one-time payment of three months wages plus 20 days' wages for each year of service payable upon involuntary termination without just cause. Provisions for such benefits are charged to Statement of Profit and Loss.

b) Short term employee benefit

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

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 domestic and overseas tax authorities using enacted or substantively enacted tax rates.

Deferred taxes are recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax assets and liabilities are not recognised when the deferred income tax 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.

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HEXAWARE TECHNOLOGIES MEXICO, S. DE R.L. DE C.V.
NOTES TO THE FINANCIAL STATEMENTS

Deferred tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Deferred tax assets and liabilities are measured using 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.

Advance taxes and provisions for current income taxes as well as deferred tax assets and liabilities are presented in the statement of financial position 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.

2.9 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 (included in Plant and Machinery)	3 years
Office Equipment	5 years
Furniture and Fixtures	8 years

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

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

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

2.10 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. Following table summarises the nature of intangibles and the estimated useful lives.

Asset Class	Estimated useful Life
Software Licences	3 years

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

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

2.11 Impairment of assets other than goodwill

The Company assesses at each balance sheet date, whether a financial asset or a group 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.

2.12 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.

HEXAWARE TECHNOLOGIES MEXICO, S. DE R.L. DE C.V.
NOTES TO THE FINANCIAL STATEMENTS

2.13 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. 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 of equity shares, net of any tax effects, are recognised as a deduction from equity.

2.14 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.

3 Recent accounting pronouncements

IFRS 15 Revenue from the contracts with customers replaces the current revenue recognition standard, IAS 18 Revenue and IAS 11 Construction Contracts. This standard provides a single principle based five step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, cost to fulfill a contract and obtaining a contract and various other related matters.

The standard is applicable to the Company with effect from January 1, 2019, to be applied retrospectively in accordance with the transition guidance. The Company is evaluating the impact of its adoption on its financial statements.

HEXAWARE TECHNOLOGIES MEXICO, S. DE R.L. DE C.V.
NOTES TO THE FINANCIAL STATEMENTS

Currency: MXN

4 Property, Plant and Equipment (PPE)

PPE consist of the following:

	<u>Plant and Machinery</u>	<u>Furniture and Fixtures</u>	<u>Office Equipment</u>	<u>Leasehold Improvements</u>	<u>Total</u>
COST					
At January 1, 2018	21,140,452	9,023,213	5,800,343	9,662,647	45,626,655
Additions	5,385,624	272,806	73,914	802,263	6,534,607
Disposals					-
Translation exchange difference				-	-
At December 31, 2018	<u>26,526,076</u>	<u>9,296,019</u>	<u>5,874,257</u>	<u>10,464,910</u>	<u>52,161,262</u>
ACCUMULATED DEPRECIATION					
At January 1, 2018	17,252,730	6,835,289	3,480,344	9,529,997	37,098,360
Charge for the year	2,958,782	673,351	655,769	501,731	4,789,633
Disposals					-
Translation exchange difference					-
At December 31, 2018	<u>20,211,512</u>	<u>7,508,640</u>	<u>4,136,113</u>	<u>10,031,728</u>	<u>41,887,993</u>
NET CARRYING AMOUNT					
At December 31, 2018	<u>6,314,564</u>	<u>1,787,379</u>	<u>1,738,144</u>	<u>433,182</u>	<u>10,273,269</u>
COST					
At January 1, 2017	18,457,894	8,944,793	5,743,508	7,765,127	40,911,322
Additions	2,682,558	78,420	56,835	2,013,899	4,831,712
Disposals				116,380	116,380
Translation exchange difference					-
At December 31, 2017	<u>21,140,452</u>	<u>9,023,213</u>	<u>5,800,343</u>	<u>9,662,646</u>	<u>45,626,654</u>
ACCUMULATED DEPRECIATION					
At January 1, 2017	14,011,765	6,090,549	2,661,168	6,964,285	29,727,767
Charge for the year	3,240,965	744,740	819,176	2,682,092	7,486,973
Disposals				116,380	116,380
Translation exchange difference					-
At December 31, 2017	<u>17,252,730</u>	<u>6,835,289</u>	<u>3,480,344</u>	<u>9,529,997</u>	<u>37,098,360</u>
NET CARRYING AMOUNT					
At December 31, 2017	<u>3,887,722</u>	<u>2,187,924</u>	<u>2,319,999</u>	<u>132,649</u>	<u>8,528,295</u>

Note:

i) Plant and machinery includes computer systems

HEXAWARE TECHNOLOGIES MEXICO, S. DE R.L. DE C.V.
NOTES TO THE FINANCIAL STATEMENTS

Currency: MXN

5 Intangible assets

Intangible assets consist of the following:

COST

At January 1, 2018

Additions

Disposals

At December 31, 2018

ACCUMULATED AMORTISATION

At January 1, 2018

Amortisation for the year

Disposals

At DECEMBER 31, 2018

NET CARRYING AMOUNT

At DECEMBER 31, 2018

COST

At January 1, 2017

Additions

Disposals

Translation exchange difference

At December 31, 2017

ACCUMULATED AMORTISATION

At January 1, 2017

Amortisation for the year

Disposals

At December 31, 2017

NET CARRYING AMOUNT

At December 31, 2017

Software licenses
863,702
-
-
863,702
863,702
-
-
863,702
-
-
843,222
20,480
-
-
863,702
825,688
38,014
-
863,702
-
-

Amortisation is included in statement of profit or loss under the line item "Depreciation and Amortisation".



HEXAWARE TECHNOLOGIES MEXICO, S. DE R.L. DE C.V.
NOTES TO THE FINANCIAL STATEMENTS

6 Other financial assets (unsecured) (considered good)
A Non-current

Security deposits for premises and others

As at	
<u>DECEMBER 31, 2018</u>	<u>December 31, 2017</u>
1,429,579	1,038,379
<u>1,429,579</u>	<u>1,038,379</u>

B Current

Employee advances

As at	
<u>DECEMBER 31, 2018</u>	<u>December 31, 2017</u>
703,069	440,592
<u>703,069</u>	<u>440,592</u>

8 Other assets (unsecured)
Current

Prepaid Expenses
Indirect taxes recoverable

As at	
<u>DECEMBER 31, 2018</u>	<u>December 31, 2017</u>
5,715,816	6,199,711
4,123,751	1,092,667
<u>9,839,567</u>	<u>7,292,378</u>

9 Trade Receivables (unsecured)

Considered good

As at	
<u>DECEMBER 31, 2018</u>	<u>December 31, 2017</u>
120,303,736	90,469,483
<u>120,303,736</u>	<u>90,469,483</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, 2018</u>	<u>December 31, 2017</u>
Not due	51,389,224	86,265,520
Due less than 180 days	68,827,478	4,159,570
Due greater than 180 days	87,034	44,393
	<u>120,303,736</u>	<u>90,469,483</u>
Average days	135	132

10 Cash and cash equivalents

Remittance in transit
Cash in Hand
In current accounts with banks

As at	
<u>DECEMBER 31, 2018</u>	<u>December 31, 2017</u>
904,269	-
1,016	2,847
644,592	4,647,180
<u>1,549,877</u>	<u>4,650,027</u>

11 Other financial liabilities
Current

Capital creditors
Employee liabilities Payable
Accrued expenses

As at	
<u>DECEMBER 31, 2018</u>	<u>December 31, 2017</u>
-	971,587
9,380,885	7,117,576
1,383,928	821,527
<u>10,764,813</u>	<u>8,910,690</u>

12 Other liabilities
Current

Unearned revenues
Statutory liabilities

As at	
<u>DECEMBER 31, 2018</u>	<u>December 31, 2017</u>
1,563,977	-
6,116,172	5,744,658
<u>7,680,149</u>	<u>5,744,658</u>

HEXAWARE TECHNOLOGIES MEXICO, S. DE R.L. DE C.V.
NOTES TO THE FINANCIAL STATEMENTS

Currency: MXN

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

	<u>For year ended</u> <u>DECEMBER 31, 2018</u>	<u>For year ended</u> <u>December 31, 2017</u>
Profit before income-tax	20,905,028	13,381,072
Expected tax expense at the enacted tax rate of 30% in Mexico	6,271,509	4,014,322
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	719,655	1,021,251
Short provision of taxes of earlier years	867,893	134,621
Others	1,229,259	(1,362,410)
	<u>9,088,316</u>	<u>3,807,784</u>

7.2 Components of deferred taxes:

	<u>January 1, 2017</u>	<u>Recognised in</u> <u>Profit or Loss</u>	<u>December 31, 2017</u>	<u>Recognised in profit</u> <u>or loss</u>	<u>December 31, 2018</u>
Deferred tax assets					
Employee benefit obligations	3,601,638	523,826	3,077,812	(500,978)	3,578,790
Depreciation And Amortization	2,411,217	(624,180)	3,035,397	2,413,067	622,330
Others	102,126	(44,908)	147,034	46,244	100,790
Total	<u>6,114,981</u>	<u>(145,262)</u>	<u>6,260,243</u>	<u>1,958,333</u>	<u>4,301,910</u>
Deferred tax liabilities					
Others	1,442,135	1,442,135	-	(1,314,650)	1,314,650
Total	<u>1,442,135</u>	<u>1,442,135</u>	<u>-</u>	<u>(1,314,650)</u>	<u>1,314,650</u>
Net deferred tax asset	<u>4,672,846</u>	<u>(1,587,397)</u>	<u>6,260,243</u>	<u>3,272,983</u>	<u>2,987,260</u>

HEXAWARE TECHNOLOGIES MEXICO, S. DE R.L. DE C.V.
NOTES TO THE STATEMENT OF PROFIT AND LOSS

Currency: MXN

13 Other income

	For Year ended	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Profit on sale of property, plant and equipment (net)	-	50,560
Miscellaneous income	821,867	60,631
	<u>821,867</u>	<u>111,191</u>

14 Software and Development Expenses

	For Year ended	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Consultant travel and related expenses	27,681,563	19,974,783
Software expenses *	42,485,784	14,577,582
	<u>70,167,347</u>	<u>34,552,365</u>
* includes sub- contracting charges	41,393,791	8,111,151

15 Employee benefits expense

	For Year ended	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Salary and allowances	114,446,078	109,230,535
Contribution to provident and other funds	33,317,851	33,666,739
Staff welfare expenses	5,581,677	5,616,326
	<u>153,345,606</u>	<u>148,513,600</u>

16 Operation and Other Expenses

	For Year ended	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Rent	7,896,528	7,588,673
Rates and taxes	-	97,798
Travelling and conveyance	3,679,253	2,470,530
Electricity charges	888,902	746,855
Communication expenses	3,335,438	4,503,026
Repairs and maintenance	2,172,258	1,879,693
Printing and stationery	951,914	720,478
Auditors remuneration	496,784	448,104
Legal and professional fees	426,456	540,806
Bank and other charges	144,699	162,396
Insurance charges	111,102	215,861
Staff recruitment expenses	-	273,230
Service charges	1,287,275	1,283,792
Miscellaneous expenses	77,332	194,955
	<u>21,467,941</u>	<u>21,126,197</u>

HEXAWARE TECHNOLOGIES MEXICO, S. DE R.L. DE C.V.
NOTES TO THE STATEMENT OF PROFIT AND LOSS

17 Equity Share Capital

Currency: MXN

16.1 Authorised capital

As AT

2(2) Participation share of MXN 8087502

<u>December 31, 2018</u>	<u>December 31, 2017</u>
Amount	Amount
8,087,502	8,087,502

16.2 Issued, subscribed and paid-up capital

As AT

2(2) participation share fully paid up

<u>December 31, 2018</u>	<u>December 31, 2017</u>
Amount	Amount
<u>8,087,502</u>	<u>8,087,502</u>

16.3 There is no movement in the share capital during year ended December 31,2018 and December 31,2017.

16.4 Rights, preferences and restrictions attached to equity shares

The Company's share capital consist of capital contribution of MXN 8,085,329 by the holding company Hexaware Technologies Limited and MXN 2,173 by fellow subsidiary Hexaware Technologies Inc. out of which MXN 2,172 issued to Hexaware Technologies Inc. without receiving consideration in cash in view of merger of FocusFrame Mexico S de RL de CV with the company

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

As AT

Name of Shareholder

Hexaware Technologies Ltd. (Holding Company)

No. of shares held
% of holding

<u>December 31, 2018</u>	<u>December 31, 2017</u>
8,085,329	8,085,329
99.97%	99.97%



HEXAWARE TECHNOLOGIES MEXICO, S. DE R.L. DE C.V.
NOTES TO THE STATEMENT OF PROFIT AND LOSS

Currency: MXN

18 Earnings per share

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

	For Year ended	
	December 31, 2017	December 31, 2016
Net profit after tax (MXN)	11,816,712	9,573,288
Weighted average outstanding equity shares considered for basic EPS (Nos.)	2	2
Basic and diluted earnings per share (In MXN)	5,908,356	4,786,644

19 Related party disclosures

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 (control exists)

Hexaware Technologies Limited

Fellow Subsidiaries

Hexaware Technologies Inc

Hexaware Technologies UK Limited

Key Management Personnel

Mr. R. Srikrishna - Executive Director and CEO

Mr. Kalpesh Bhatt

(B) Related party Transactions :

Currency: MXN

Sr. No	Nature of Transaction	Name of Related party and Nature of Relationship	For Year ended December 31, 2018	For Year ended December 31, 2017
1	Software Consulting Income	<u>Fellow Subsidiaries</u>		
		Hexaware Technologies Inc.	195,473,730	177,650,606
2	Reimbursement of Costs	Hexaware Technologies Germany	987,197	97,045
		Holding Company	-	209,909
3	Recovery of Costs	<u>Fellow Subsidiaries</u>		
		Hexaware Technologies Inc.	289,695	158,059
		Hexaware Technologies Inc.	108,168,608	79,618,711

(C) Closing Balance :

Currency: MXN

Sr.No	Particulars	Nature of Relationship	AS at	
			December 31, 2018	December 31, 2017
1	Trade Receivables	Holding Company	-	44,393
		<u>Fellow Subsidiaries:</u>		
		Hexaware Technologies Inc.	83,916,914	80,335,921
		Hexaware Technologies Germany	202,070	97,045
2	Trade payables	Holding Company	1,180,902	1,477,868

HEXAWARE TECHNOLOGIES MEXICO, S. DE R.L. DE C.V.
NOTES TO THE STATEMENT OF PROFIT AND LOSS

20 Financial Instruments

20.1 Financial Instruments by category

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

December 31, 2018	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	1,549,877	-	-	1,549,877
Trade receivables	120,303,736	-	-	120,303,736
Unbilled revenue	9,596,927	-	-	9,596,927
Other financial assets	2,132,648	-	-	2,132,648
	<u>133,583,188</u>	-	-	<u>133,583,188</u>
Trade payables	10,616,179	-	-	10,616,179
Other financial liabilities	10,764,813	-	-	10,764,813
	<u>21,380,992</u>	-	-	<u>21,380,992</u>
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	4,650,027	-	-	4,650,027
Trade receivables	90,469,483	-	-	90,469,483
Unbilled revenue	3,376,500	-	-	3,376,500
Other financial assets	1,478,971	-	-	1,478,971
	<u>99,974,981</u>	-	-	<u>99,974,981</u>
Trade payables	5,317,715	-	-	5,317,715
Other financial liabilities	8,910,690	-	-	8,910,690
	<u>14,228,405</u>	-	-	<u>14,228,405</u>

HEXAWARE TECHNOLOGIES MEXICO, S. DE R.L. DE C.V.
NOTES TO THE STATEMENT OF PROFIT AND LOSS

20 Financial Instruments (Cont'd)

20.2 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

85% of the revenue of 2018 is generated from top 2 clients. 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 MXN 121,208,005 and MXN 90,469,483 as at December 31, 2018 and 2017 respectively and unbilled revenue of MXN 645,608 and MXN 33,76,500 as at December 31, 2018 and 2017 .

Refer Note No.9 for the age wise analysis of trade receivables that are not due as well as past due.

Top 3 customer dues contribute 89% of the total outstanding as at December 31, 2018.

Cash and cash equivalents include balance in current accounts only.

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 MXN appreciation which is functional currency of the Company vs. the US Dollar, as largely, the costs incurred are in Mexican MXNs 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 MXN vis-à-vis foreign currencies will affect our margins.

The following table analyses foreign currency risk from financial instruments

	2018		2017	
	USD	EUR	USD	EUR
Net financial assets	107,068,242	2,524,859	92,246,610	1,599,373
Net financial liabilities	1,180,902		1,477,868	-
Net assets/(liabilities)	105,887,340	2,524,859	90,768,742	1,599,373

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 MXN 10,841,220 and MXN 9,236,812 for the year ended December 31, 2018 and December 31, 2017 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.

20.3 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, 2018, the Company had total cash / bank balance of MXN 1,550,099 which constitutes approximately 1% of total assets.

**HEXAWARE TECHNOLOGIES MEXICO, S. DE R.L. DE C.V.
NOTES TO THE STATEMENT OF PROFIT AND LOSS**

20 Financial Instruments (Cont'd)

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

	MXN		
<u>As at December 31, 2018</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>Total</u>
Trade payables	10,616,179	-	10,616,179
Others	10,764,813	-	10,764,813
Total	21,380,992	-	21,380,992

<u>As at December 31, 2017</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>Total</u>
Trade payables	5,317,715	-	5,317,715
Others	8,910,690	-	8,910,690
Total	14,228,405	-	14,228,405

21 Employee benefits

In 2018, the Company recorded expenses in employee benefits of seniority premium and severance benefits of MXN 3,144,513 (Previous year MXN 4,522,200) in the Statement of Profit and Loss. The Company believes any differences between its calculation of employee benefits of seniority premium and severance benefits and a calculation provided by an independent actuary would not be material.

22 Operating Lease

The Company takes on lease office space under various operating leases. The lease rental towards non-cancellable agreement recognized in Statement of Profit and Loss for the year is MXN 7,896,528 (Previous year MXN 7,588,673)
The future minimum lease payments and payment profile of operating leases are as follows:

Particulars	December 31, 2018	December 31, 2017
Not later than one year	13,099,941	7,588,673
Later than one year and not later than five years	44,089,200	-
TOTAL	57,189,141	7,588,673

23 Segment

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

24 Material events after Balance Sheet date

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