

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

### **Report on Condensed Interim Consolidated Ind AS Financial Statements**

1. This report is issued in accordance with the terms of our agreement dated July 29, 2017.
2. We have audited the accompanying Condensed Interim Consolidated Ind AS financial statements of Hexaware Technologies Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its associate company, which comprises the Condensed Balance Sheet as at September 30, 2017, the Condensed Statement of Profit and Loss (including Other Comprehensive Income) for the quarter and nine months period ended on that date, and the Condensed Cash Flow Statement and Condensed Statement of Changes in Equity for the nine months period ended on that date and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the interim consolidated financial statements").

### **Management's Responsibility for the Condensed Interim Consolidated Ind AS Financial Statements**

3. The Holding Company's Board of Directors is responsible for the preparation of these interim consolidated financial statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the Group and its associate company in accordance with the recognition and measurement principles laid down in Ind AS 34 – "Interim Financial Reporting", Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Companies Act 2013 (the "Act") and other accounting principles generally accepted in India. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of interim consolidated financial statements. The respective Board of Directors of the companies included in the Group and its associate company are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associate company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which has been used for the purpose of preparation of the interim consolidated financial statements by the Directors of the Holding Company, as aforesaid.
4. Further, as informed to us, the accounting policies used by the Management in the preparation of these interim consolidated financial statements are consistent with those used in the preparation of its opening audited Ind AS Balance Sheet as at January 1, 2016.

### **Auditors' Responsibility**

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

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of HEXAWARE TECHNOLOGIES LIMITED

Report on the Condensed Interim Consolidated Ind AS Financial Statements

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6. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the interim consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the interim consolidated 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 Holding Company's Board of Directors, as well as evaluating the overall presentation of the interim consolidated financial statements.
7. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 9 in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on interim consolidated financial statements.

### **Opinion**

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

### **Other Matters**

9. We did not audit the financial statements of eleven subsidiaries, whose financial statements reflect total assets of Rs. 2,619.86 Million and net assets of Rs. 1,557.92 Million as at September 30, 2017, total revenues of Rs. 1,424.05 Million and Rs. 4,209.63 Million and net profit of Rs. 130.05 Million and Rs. 224.36 Million for the quarter and nine months ended on that date, respectively and net cash inflows amounting to Rs. 148.14 Million for the nine months ended on that date, as considered in the interim consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the interim consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries is based solely on the reports of the other auditors.
10. The interim consolidated financial statements also include the Group's share of net profit of Rs. 3.16 Million and Rs. 2.67 Million for the quarter and nine months ended September 30, 2017, as considered in the interim consolidated financial information, in respect of one associate company, whose financial information have not been audited. These financial information are unaudited and have been furnished to us by the Management and our opinion on the interim consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this associate company, is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, these financial information are not material to the Group.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of HEXAWARE TECHNOLOGIES LIMITED

Report on the Condensed Interim Consolidated Ind AS Financial Statements

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

Our opinion is not qualified in respect of these matters.

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

Place: Chennai  
Date: November 1, 2017

Sumit Seth  
Partner  
Membership No. 105869

**HEXAWARE TECHNOLOGIES LIMITED**  
**CONSOLIDATED CONDENSED INTERIM BALANCE SHEET AS AT September 30, 2017**

		Rupees Million		
	<u>Note</u>	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>January 1, 2016</u>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	5	3,434.71	2,791.00	2,957.07
Capital work-in-progress		2,690.62	3,233.19	1,160.35
Goodwill		1,692.81	1,761.18	1,715.34
Other intangible assets	6	199.88	234.45	234.51
Financial assets				
- Investments	7A	24.20	21.53	4.58
- Unbilled revenue		-	-	39.69
- Other financial assets	8A	393.72	370.46	196.75
Deferred tax assets (net)	9	1,388.41	1,252.20	1,169.73
Income tax asset (net)		297.81	316.50	342.24
Other non-current assets	10A	856.30	796.36	832.98
<b>Total non-current assets</b>		<u>10,978.46</u>	<u>10,776.87</u>	<u>8,653.24</u>
<b>Current assets</b>				
Financial assets				
- Investments	7B	178.30	188.50	409.33
- Trade receivables	11	5,164.73	4,376.04	4,405.78
- Cash and cash equivalents	12A	4,257.47	4,126.38	3,864.46
- Other Bank Balances	12B	146.81	137.66	120.28
- Unbilled revenue		2,754.48	2,638.51	1,978.38
- Other financial assets	8B	602.81	331.09	185.84
Current Tax Assets (net)		48.78	21.49	25.67
Other current assets	10B	487.88	513.26	397.61
<b>Total current assets</b>		<u>13,641.26</u>	<u>12,332.93</u>	<u>11,387.35</u>
<b>Total assets</b>		<u><b>24,619.72</b></u>	<u><b>23,109.80</b></u>	<u><b>20,040.59</b></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity Share capital	13	593.46	604.06	603.13
Other Equity		18,553.06	16,805.09	14,598.53
<b>Total equity</b>		<u>19,146.52</u>	<u>17,409.15</u>	<u>15,201.66</u>
<b>Non-current liabilities</b>				
Financial Liabilities				
- Other financial liabilities	15A	43.14	31.17	52.25
Provisions - Employee benefit obligations		213.12	268.04	182.06
<b>Total non-current liabilities</b>		<u>256.26</u>	<u>299.21</u>	<u>234.31</u>
<b>Current liabilities</b>				
Financial Liabilities				
- Trade payables		1,301.62	1,291.24	981.88
- Other financial liabilities	15B	2,463.79	2,442.11	2,157.26
Other current liabilities	16	529.01	595.47	642.44
Provisions				
- Employee benefit obligations		778.04	714.24	628.79
- Others	17	27.36	171.93	89.78
Current tax liabilities (net)		117.12	186.45	104.47
<b>Total current liabilities</b>		<u>5,216.94</u>	<u>5,401.44</u>	<u>4,604.62</u>
<b>Total liabilities</b>		<u>5,473.20</u>	<u>5,700.65</u>	<u>4,838.93</u>
<b>Total equity and liabilities</b>		<u><b>24,619.72</b></u>	<u><b>23,109.80</b></u>	<u><b>20,040.59</b></u>

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

*As per our report of even date*

**For Price Waterhouse Chartered Accountants LLP**  
 Firm registration number: 01254N/N500016  
 Chartered Accountants

**For and on behalf of the Board of Directors**

Sumit Seth  
 Partner  
 Membership number: 105869  
 Chennai, dated November 01, 2017

R Srikrishna  
 CEO and Executive Director

Dileep Choksi  
 Director

**HEXAWARE TECHNOLOGIES LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS**

		For the quarter ended		For the nine months ended	
	Notes	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Rupees Million					
<b>INCOME</b>					
Revenue from operations		9,930.71	9,041.49	29,371.88	25,940.26
Exchange rate difference (net)		168.06	63.69	322.03	230.42
Other income	18	10.77	4.13	31.97	24.51
<b>Total income</b>		<b>10,109.54</b>	<b>9,109.31</b>	<b>29,725.88</b>	<b>26,195.19</b>
<b>EXPENSES</b>					
Software and development expenses	19	1,819.47	1,589.31	5,475.93	4,596.15
Employee benefits expense	20	5,248.21	4,930.88	15,837.38	14,592.61
Operation and other expenses	21	1,047.97	838.53	2,848.11	2,433.50
Employee stock option compensation cost		82.24	71.46	257.13	191.45
Interest - others		0.38	1.17	0.97	1.33
Depreciation and amortisation expense	5, 6	160.24	140.19	474.04	414.35
<b>Total expenses</b>		<b>8,358.51</b>	<b>7,571.54</b>	<b>24,893.56</b>	<b>22,229.39</b>
<b>Profit before tax and share in profit of associate</b>		<b>1,751.03</b>	<b>1,537.77</b>	<b>4,832.32</b>	<b>3,965.80</b>
Share in profit of associate		3.16	-	2.67	-
<b>Profit before tax</b>		<b>1,754.19</b>	<b>1,537.77</b>	<b>4,834.99</b>	<b>3,965.80</b>
Tax expense					
- Current		373.23	420.54	1,210.86	1,082.76
- Deferred (Credit)		(41.63)	(26.19)	(161.47)	(78.49)
		331.60	394.35	1,049.39	1,004.27
<b>Profit for the period</b>		<b>1,422.59</b>	<b>1,143.42</b>	<b>3,785.60</b>	<b>2,961.53</b>
<b>Other comprehensive income (OCI):</b>					
<i>i) Items that will not be reclassified to profit or loss</i>					
- Remeasurement of defined benefit plan		9.69	(36.36)	78.22	(5.87)
- Income tax relating to items that will not be reclassified to profit or loss		(1.58)	7.71	(14.81)	1.33
<i>ii) Items that will be reclassified to profit or loss</i>					
- Net change in fair value of cash flow hedges		(168.38)	227.63	144.39	291.07
- Exchange differences in translating the financial statements of foreign operations		136.25	(109.36)	(61.01)	(16.04)
- Income tax relating to items that will be reclassified to profit or loss		34.95	(55.53)	(12.36)	(70.91)
<b>Total other comprehensive income</b>		<b>10.93</b>	<b>34.09</b>	<b>134.43</b>	<b>199.58</b>
<b>Total comprehensive income for the period</b>		<b>1,433.52</b>	<b>1,177.51</b>	<b>3,920.03</b>	<b>3,161.11</b>
<b>Earnings per share (In Rupees)</b>					
Basic	23	4.79	3.79	12.72	9.81
Diluted		4.74	3.76	12.56	9.73

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

As per our report of even date

For Price Waterhouse Chartered Accountants LLP  
Firm registration number: 01254N/N500016  
Chartered Accountants

For and on behalf of the Board of Directors

Sumit Seth  
Partner  
Membership number: 105869  
Chennai, dated November 01, 2017

R Srikrishna  
CEO and Executive Director

Dileep Choksi  
Director

**HEXAWARE TECHNOLOGIES LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**

**A. Equity Share Capital**

	Rupees Million	
	September 30, 2017	September 30, 2016
Outstanding at the beginning of the period	604.06	603.13
Add: On issue of shares during the period	0.79	0.69
Less: On shares bought back during the period	(11.39)	-
Outstanding at the end of the period	<u>593.46</u>	<u>603.82</u>

**B. Other Equity**

	Reserves and Surplus					Rupees Million Other comprehensive income		Total
	Share application money pending allotment	Securities Premium Reserve	Other Reserves (Note No. 14)	General reserve	Retained Earnings	Currency Translation Reserve	Cashflow Hedge Reserve (CFHR)	
<b>Balances as at January 1, 2017</b>	-	4,808.73	783.90	2,144.05	7,678.04	1,149.59	240.78	16,805.09
Profit for the period	-	-	-	-	3,785.60	-	-	3,785.60
Other comprehensive income	-	-	-	-	63.41	(61.01)	132.03	134.43
<b>Total comprehensive income for the period</b>	-	-	-	-	<b>3,849.01</b>	<b>(61.01)</b>	<b>132.03</b>	<b>3,920.03</b>
Dividend paid (including dividend tax)	-	-	-	-	(1,070.87)	-	-	(1,070.87)
Buy-back of shares	-	(1,366.76)	11.39	-	(12.15)	-	-	(1,367.52)
Shares Issued on exercise of Options	-	9.20	-	-	-	-	-	9.20
Transfer to special economic zone reserve, net	-	-	67.51	-	(67.51)	-	-	-
Received / transferred on exercise of Stock Options	-	54.89	(54.89)	-	-	-	-	-
Compensation related to employee share based payments	-	-	257.13	-	-	-	-	257.13
<b>As at September 30, 2017</b>	-	<u>3,506.06</u>	<u>1,065.04</u>	<u>2,144.05</u>	<u>10,376.52</u>	<u>1,088.58</u>	<u>372.81</u>	<u>18,553.06</u>
<b>Balances as at January 1, 2016</b>	-	4,772.37	557.96	2,144.05	6,002.34	1,109.70	12.11	14,598.53
Profit for the period	-	-	-	-	2,961.53	-	-	2,961.53
Other comprehensive income	-	-	-	-	(4.54)	(16.04)	220.16	199.58
<b>Total comprehensive income for the period</b>	-	-	-	-	<b>2,956.99</b>	<b>(16.04)</b>	<b>220.16</b>	<b>3,161.11</b>
Dividend paid (including dividend tax thereon)	-	-	-	-	(2,142.72)	-	-	(2,142.72)
Shares Issued on exercise of options	-	11.61	-	-	-	-	-	11.61
Transfer to special economic zone reserve, net	-	-	10.12	-	(10.12)	-	-	-
Received / transferred on exercise of Stock Options	0.06	-	-	-	-	-	-	0.06
Compensation related to employee share based payments	-	-	191.45	-	-	-	-	191.45
<b>As at September 30, 2016</b>	<u>0.06</u>	<u>4,783.98</u>	<u>759.53</u>	<u>2,144.05</u>	<u>6,806.49</u>	<u>1,093.66</u>	<u>232.27</u>	<u>15,820.04</u>

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

As per our report of even date

**For Price Waterhouse Chartered Accountants LLP**  
Firm registration number: 01254N/N500016  
Chartered Accountants

**For and on behalf of the Board of Directors**

Sumit Seth  
Partner  
Membership number: 105869  
Chennai, dated November 01, 2017

R Srikrishna  
CEO and Executive Director

Dileep Choksi  
Director

**HEXAWARE TECHNOLOGIES LIMITED**  
**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT**

	Rupees Million	
	For the nine months ended	
	<u>September 30,</u>	<u>September 30,</u>
	<u>2017</u>	<u>2016</u>
<b>Cash Flow from operating activities</b>		
Net Profit before tax	4,834.99	3,965.80
<b>Adjustments for:</b>		
Depreciation and amortization expense	474.04	414.35
Employee Stock option compensation cost	257.13	191.45
Interest Income	(7.76)	(2.43)
Provision for doubtful accounts (net)	39.27	(4.26)
Debts and advances written off	10.04	1.47
Dividend from current investments	(6.95)	(10.29)
(Profit) on sale of property, plant and equipment (net)	(2.09)	(0.13)
Exchange Rate Difference (net) - unrealised	(0.67)	1.40
Interest Expense	0.97	1.33
Share in profit of associate	(2.67)	-
	<u>5,596.30</u>	<u>4,558.69</u>
<b>Operating profit before working capital changes</b>		
<b>Adjustments for:</b>		
Trade and other receivables	(1,185.48)	(1,059.97)
Trade and other payables	223.40	221.13
	<u>4,634.22</u>	<u>3,719.84</u>
<b>Cash generated from operations</b>		
Direct Taxes Paid (net)	(1,293.37)	(1,027.42)
	<u>3,340.85</u>	<u>2,692.43</u>
<b>Net cash from operating activities</b>		
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(831.15)	(1,600.28)
Proceeds from sale of property, plant and equipment	2.13	1.33
Purchase of Current Investments	(3,381.95)	(5,950.29)
Proceeds from Sale/ redemption of current Investments	3,392.15	6,034.32
Dividend from current investments	6.95	10.29
Interest received	7.89	2.35
	<u>(803.98)</u>	<u>(1,502.28)</u>
<b>Net cash (used in) investing activities</b>		
<b>Cash flow from financing activities</b>		
Proceeds from issue of shares / share application money (net)	9.99	12.36
Buy-back of shares (including expenses incurred on buy-back)	(1,378.91)	-
Interest paid	(0.97)	(1.33)
Dividend paid (including corporate dividend tax)	(1,070.87)	(2,142.72)
	<u>(2,440.76)</u>	<u>(2,131.69)</u>
<b>Net cash (used in) financing activities</b>		
Net Increase / (decrease) in cash and cash equivalents	96.11	(941.54)
Cash and cash equivalents at the beginning of the year	4,126.38	3,864.46
Add: Unrealised loss/ (gain) on foreign currency cash and cash equivalents	34.98	13.87
	<u>4,257.47</u>	<u>2,936.79</u>
Cash and cash equivalents at the end of the period (Refer Note 12)	<u>4,257.47</u>	<u>2,936.79</u>

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

As per our report of even date

**For Price Waterhouse Chartered Accountants LLP**  
Firm registration number: 01254N/N500016  
Chartered Accountants

**For and on behalf of the Board of Directors**

Sumit Seth  
Partner  
Membership number: 105869  
Chennai, dated November 01, 2017

R Srikrishna                      Dileep Choksi  
CEO and Executive              Director

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**1 Corporate Information**

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

**2 Significant Accounting Policies**

**2.1 Statement of compliance**

In accordance with the notification issued by the Ministry of Corporate Affairs, the Company has adopted Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 read with section 133 of the Companies Act, 2013 ("the Act") with effect from January 1, 2017. These are the Group's first condensed Ind AS financial statements. The date of transition to Ind AS is January 1, 2016. Refer note 3.2 for the details of transition to Ind AS. In accordance with Ind AS 101 First-time Adoption of Indian Accounting Standard, the Company has presented a reconciliation under Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 ("Previous GAAP") to Ind AS.

These financial statements have been prepared in accordance with Ind AS 34 Interim Financial Reporting.

**2.2 Basis of Preparation**

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

**2.3 Basis of consolidation**

**(i) Subsidiaries**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The financial statement of the Group are consolidated on line-by-line basis by adding together like items after eliminating intra group transactions and unrealised gain/loss from such transaction. These financial statements are prepared by applying uniform accounting policies used in Group.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the considering paid or received is recognised directly in equity and attributed to the owners of the Company.

**(ii) Associates**

Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting. The investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss and other comprehensive income of the investee after the acquisition date.

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**2.4 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:**

**(i) Revenue recognition**

the Group uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of completion method requires the Group 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.

**(ii) Income-tax**

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

**(iii) Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where actual future cash flows are less than expected, a material impairment loss may arise.

**(iv) Others**

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

**2.5 Business Combinations**

The Group accounts for its business acquisitions using the acquisition method of accounting. Acquisition-related costs are recognised in profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meets the condition of recognition are recognised at their fair values at the acquisition date.

Fair value of purchase consideration in excess of fair value of net assets acquired is recognised as goodwill. If the fair value of identifiable asset and liabilities exceed the cost of acquisition, after reassessing the fair values of the net assets and contingent liabilities, the excess is recognised as capital reserve.

The interest of non-controlling shareholders is initially measured either at fair value or at the non-controlling interests proportionate basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent change in equity of subsidiaries.

Business Combinations arising from transfer of interest in entities that are under common control are accounted on historical cost basis. The difference between any consideration given and the aggregate historical carrying amounts of assets and liabilities of the acquired entity is recorded in shareholders' equity.

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**2.6 Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of a business (see note 2.5 above) less accumulated impairment losses, if any.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**2.7 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 Group uses the efforts expended to date as a proportion to the total efforts to be expended as a basis to measure the degree of completion. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses on such engagements are made during the year in which a loss becomes probable and can be reasonably estimated.

Amount received or billed in advance of services performed are recorded as unearned revenue.

Unbilled services represents revenue recognized based on services performed in advance of billing in accordance with contract terms.

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

- b) Revenue is reported net of discount and indirect taxes.  
c) Dividend income is recognised when the shareholders right to receive payment has been established.  
d) Interest Income is recognised using effective interest rate method.

**2.8 Leases**

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

**a) Finance Lease**

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

**b) Operating Leases**

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

**2.9 (a) Functional and presentation currency**

Consolidated financial statements of the Group are measured using the currency of the primary economic environment in which each entity operates. The functional currency of the Company and its Indian subsidiaries is Indian Rupees whereas the functional currency of foreign subsidiaries and associate is the currency of their countries of incorporation. These consolidated financial statements are presented in millions of Indian Rupees (Rs.)

**(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 Balance Sheet. The resulting exchange difference on such restatement and settlement is recognized in the profit or loss, except exchange differences on transactions entered into in order to hedge certain foreign currency risk.

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

Assets and liabilities of entities with functional currency other than presentation currency have been translated to the presentation currency using exchange rates prevailing on the balance sheet date. Items in the statement of profit or loss have been translated using average exchange rates. Translation adjustments have been reported as foreign currency translation reserve in Other comprehensive income.

**2.10 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.

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**2.11 Employee Benefits**

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

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

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

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

**b) Short term employee benefit**

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

**2.12 Share based compensation**

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

**2.13 Taxes on Income**

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

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

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

Deferred tax 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 utilised.

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

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

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

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

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**2.14 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:

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

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

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

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

**2.15 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.

<b>Asset Class</b>	<b>Estimated useful Life</b>
Software licenses	3 years
Customer contracts / relations	5 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.

**2.16 Impairment**

**a) Financial assets (other than at fair value)**

The Group 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 Group 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**

**(i) Goodwill**

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

Cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

**(ii) Tangible and Intangible assets**

At the end of each reporting period, the Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs or allocated. Impairment loss is charged to the profit or loss in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**2.17 Provisions**

Provisions are recognised when the Group 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 group 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.

**2.18 Non derivative financial instruments**

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

**a) Financial assets and financial liabilities – subsequent measurement**

**(i) Financial assets at amortised cost**

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

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

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

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

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

**(iv) Cash and cash equivalents**

The Group 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 or re-purchase of equity shares, net of any tax effects, are recognised as a deduction from equity.

**2.19 Derivative financial instruments and hedge accounting**

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

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

**HEXAWARE TECHNOLOGIES LIMITED**  
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**2.20 Earnings per share ('EPS')**

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

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

**3 First-time adoption of Ind AS**

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

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

**3.1 Exemptions availed**

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

- a) Ind AS 103, Business Combinations has not been applied to acquisitions, which are considered businesses under Ind AS that occurred before January 1, 2016. Use of this exemption means that the Indian GAAP carrying amounts of assets and liabilities, that are required to be recognised under Ind AS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with respective Ind AS. The Group did not recognise or exclude any previously recognised amounts as a result of Ind AS recognition requirements.
- b) In case of Share-based payment transaction, the Group has elected to apply the share based payment exemption as available on application of Ind AS 102, Share Based Payment. Accordingly, the Group has applied Ind AS 102 only to grants which remained unvested as of transition date i.e January 1, 2016.
- c) On transition to Ind AS, the group has elected to continue with the carrying value of all its property, plant and equipment recognised as at January 1, 2016 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

**HEXAWARE TECHNOLOGIES LIMITED**
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**
**3.2 Reconciliation between Previous GAAP and Ind AS :**
**(i) Equity Reconciliation:**
**Rupees Million**

Particulars	Note	December 31, 2016	September 30, 2016	January 1, 2016
<b>Equity under Previous GAAP</b>		17,111.01	16,132.17	14,332.06
Proposed dividend and tax thereon	(a)	363.51	363.37	871.09
Reversal of additional rent on account of escalation	(b)	9.50	3.08	2.36
Deferred tax adjustment on CFHR	(g)	(81.99)	(74.76)	(3.85)
Buy-back related cost recognised as other asset to be adjusted against equity in year 2017	(d)	7.12	-	-
<b>Equity under Ind AS</b>		<b>17,409.15</b>	<b>16,423.86</b>	<b>15,201.66</b>

**(ii) Comprehensive income Reconciliation:**

Particulars	Note	Quarter ended	Nine months ended
		September 30, 2016	September 30, 2016
<b>Net Income under Previous GAAP</b>		<b>1,114.43</b>	<b>2,956.27</b>
Adjustment for remeasurement of defined benefit plan	(c)	28.65	4.54
Reversal of additional rent on account of escalation	(b)	0.34	0.72
<b>Net Income under Ind AS</b>		<b>1,143.42</b>	<b>2,961.53</b>
Adjustment for remeasurement of defined benefit plan	(c)	(28.65)	(4.54)
Changes in OCI other than actuarial gain/ (loss)		62.74	204.12
<b>Comprehensive Income under Ind AS</b>		<b>1,177.51</b>	<b>3,161.11</b>

**(iii) Cash flow Reconciliation:**

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

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

- Under Previous GAAP, a liability is recognized in respect of proposed dividend on the Company's equity shares, even though the dividend is approved subsequent to the reporting date. Under Ind AS, liability for dividend is recognized only during the period such dividend is approved and the liability in respect thereof is crystallized. Consequently, there is an increase in equity under Ind AS by Rs. 363.51 million, Rs 363.37 million and Rs. 871.09 million as at December 31, 2016, September 30, 2016 and January 1, 2016, respectively.
- Under Ind AS, the lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. Accordingly, rent provision on account of consideration of future escalation in rent is reversed to the extent of Rs. 9.50, Rs. 3.08 million and Rs. 2.36 million as at December 31, 2016, September 30, 2016 and January 1, 2016, respectively. This has resulted in increase in net income by Rs. 0.34 million and Rs. 0.72 million for the quarter and nine months ended September 30, 2016, respectively.
- Under Ind AS, the actuarial (gains)/ losses in respect of defined benefit plans are recognised in Other Comprehensive Income. Under previous GAAP, they were recognised in the Statement of Profit or Loss. This has resulted in increase in profit by Rs. 28.65 million and Rs. 4.54 million for the quarter and nine months ended September 30, 2016 respectively. However, this does not result in any change in net equity.
- Under Ind AS, costs incurred for issuing or acquiring its own equity instruments are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Accordingly, buy-back related expenses amounting to Rs. 7.12 million are recognised as prepaid expenses under the head other assets and have been adjusted against equity on completion of buy-back of equity shares.
- In respect of share based payments (ESOP), the Group had followed intrinsic valuation method for grants made upto March 31, 2015 which was permitted under the previous GAAP, subsequent to which the Group adopted fair value method for recognising shared based compensation cost. Under Ind AS, intrinsic value method is not permitted. Consequently, the unvested grants as at January 1, 2016 which were measured using intrinsic value method have been remeasured using fair values. This has resulted in a decrease in share options outstanding account in Other Equity by Rs. 7.10 million and corresponding increase in retained earnings by the same amount. Thus, there is no impact on net equity. There is no impact on the total comprehensive income for the quarter and nine months ended September 30, 2016.
- Under Ind AS, long term leases of land are classified as operating leases unless the title to the leasehold land is expected to be transferred to the Company at the end of the lease term. Premium paid relating to leasehold lands are recognized as other assets. Under Previous GAAP, the same were recognised in property, plant and equipment. Thus, Rs. 537.23 million and Rs. 421.23 million of such payments have been reclassified from property, plant and equipment to other assets as on December 31, 2016 and January 1, 2016 respectively.
- Under Ind AS, tax consequences of transactions are recognised in the same manner as the recording of the related transactions. Accordingly, the tax consequences of items recognised in OCI (primarily cash flow hedge reserve) of Rs. 81.99 million, Rs. 74.76 million and Rs. 3.85 million as at December 31, 2016, September, 2016 and January 1, 2016 respectively have been recognised in OCI. This was not recognised under previous GAAP which followed the timing difference approach for recognising deferred tax.
- The Company had measured long-term investments at cost and current investments at lower of cost and fair value in the previous GAAP. Under Ind AS, the Company has elected to measure long-term equity investments at fair value through OCI, while short-term investments in mutual funds at fair value through profit or loss. This change of measurement, however, did not have any impact on the profit for the corresponding quarter and nine months of the previous year and equity as at December 31, 2016 and January 1, 2016.
- Pursuant to the Guidance note on Division II -Ind AS Schedule III to the Companies Act, 2013 issued by the Institute of Chartered Accountants of India, the Company has regrouped the provision for the employee benefits obligation towards compensated absences of Rs. 166.02 million and Rs. 140.61 million as at December 31, 2016 and January 1, 2016, respectively, under current liabilities from non-current liabilities.

**HEXWARE TECHNOLOGIES LIMITED****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****4 Entities to consolidation**

The condensed consolidated financial statements present the consolidated accounts of Hexaware Technologies Limited with the following wholly owned subsidiaries and associate accounts drawn upto the same reporting date as that of the Company.

<b>Sr No.</b>	<b>Name of the Entity</b>	<b>Country of Incorporation</b>
<b>Subsidiaries</b>		
1	Hexaware Technologies Inc.	United States of America
2	Hexaware Technologies, Mexico S. De. R.L. De. C.V.	Mexico
3	Hexaware Technologies UK Ltd	United Kingdom
4	Hexaware Technologies Asia Pacific Pte Limited	Singapore
5	Hexaware Technologies GmbH	Germany
6	Hexaware Technologies Canada Limited	Canada
7	Risk Technology International Limited (Merged with Hexaware vide NCLT order dated July 06, 2017)	India
8	Hexaware Technologies DO Brazil Ltd , Brazil (Subsidiary of Hexaware Technologies UK Ltd)	Brazil
9	Guangzhou Hexaware Information Technologies Company Limited	China
10	Hexaware Technologies LLC	Russia
11	Hexaware Technologies Saudi LLC	Saudi Arabia
12	Hexaware Technologies Romania SRL (Formed on September 28, 2016) (Subsidiary of Hexaware Technologies UK Ltd.)	Romania
13	Hexaware Technology & Business Solutions, Inc. (Closed on August 17, 2017) (Subsidiary of Hexaware Technologies Inc.)	United States of America
14	Hexaware Technologies Hong Kong Limited (Formed on April 24, 2017)	Hong Kong
15	Hexaware Technologies Nordic AB (Formed on September 7, 2017)	Sweden
<b>Associate</b>		
1	Experis Technology Solutions Pte. Ltd.	Singapore

**HEXAWARE TECHNOLOGIES LIMITED**
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**5 Property, Plant and Equipment (PPE)**
**Rupees Million**

PPE consist of the following:

	<u>Freehold Land</u>	<u>Buildings</u>	<u>Plant and Machinery</u>	<u>Furniture and Fixtures</u>	<u>Vehicles</u>	<u>Office Equipment</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<b>COST</b>								
At January 1, 2017	0.15	2,251.90	1,891.81	621.88	24.80	866.95	135.49	5,792.98
Additions	-	347.08	274.34	100.83	-	296.25	6.69	1,025.19
Disposals	-	-	(45.87)	(0.39)	-	(3.00)	(0.40)	(49.66)
Translation exchange difference	-	-	3.26	1.73	(0.07)	2.29	(0.32)	6.89
At September 30, 2017	<u>0.15</u>	<u>2,598.98</u>	<u>2,123.54</u>	<u>724.05</u>	<u>24.73</u>	<u>1,162.49</u>	<u>141.46</u>	<u>6,775.40</u>
<b>ACCUMULATED DEPRECIATION</b>								
At January 1, 2017	-	264.26	1,474.15	472.04	20.47	706.60	64.46	3,001.98
Charge for the period	-	34.40	185.41	37.85	1.18	100.61	23.13	382.58
Disposals	-	-	(45.84)	(0.39)	-	(2.99)	(0.40)	(49.62)
Translation exchange difference	-	-	2.10	1.21	(0.07)	1.00	1.51	5.75
At September 30, 2017	<u>-</u>	<u>298.66</u>	<u>1,615.82</u>	<u>510.71</u>	<u>21.58</u>	<u>805.22</u>	<u>88.70</u>	<u>3,340.69</u>
<b>NET CARRYING AMOUNT</b>								
At September 30, 2017	<u>0.15</u>	<u>2,300.32</u>	<u>507.72</u>	<u>213.34</u>	<u>3.15</u>	<u>357.27</u>	<u>52.76</u>	<u>3,434.71</u>
<b>COST</b>								
At January 1, 2016	0.15	2,250.89	1,763.17	604.72	26.48	834.51	105.68	5,585.60
Additions	-	1.01	173.19	27.00	0.17	41.94	33.57	276.88
Disposals	-	-	(49.76)	(12.72)	(1.90)	(11.27)	(6.94)	(82.59)
Translation exchange difference	-	-	5.21	2.88	0.05	1.77	3.18	13.09
At December 31, 2016	<u>0.15</u>	<u>2,251.90</u>	<u>1,891.81</u>	<u>621.88</u>	<u>24.80</u>	<u>866.95</u>	<u>135.49</u>	<u>5,792.98</u>
<b>ACCUMULATED DEPRECIATION</b>								
At January 1, 2016	-	223.72	1,293.90	434.65	19.30	617.70	39.26	2,628.53
Charge for the year	-	40.54	224.67	46.16	2.80	97.64	28.86	440.67
Disposals	-	-	(49.67)	(11.30)	(1.68)	(9.93)	(6.74)	(79.32)
Translation exchange difference	-	-	5.25	2.53	0.05	1.19	3.08	12.10
At December 31, 2016	<u>-</u>	<u>264.26</u>	<u>1,474.15</u>	<u>472.04</u>	<u>20.47</u>	<u>706.60</u>	<u>64.46</u>	<u>3,001.98</u>
<b>NET CARRYING AMOUNT</b>								
At December 31, 2016	<u>0.15</u>	<u>1,987.64</u>	<u>417.66</u>	<u>149.84</u>	<u>4.33</u>	<u>160.35</u>	<u>71.03</u>	<u>2,791.00</u>
At January 1, 2016	<u>0.15</u>	<u>2,027.17</u>	<u>469.27</u>	<u>170.07</u>	<u>7.18</u>	<u>216.81</u>	<u>66.42</u>	<u>2,957.07</u>

Note:

i) Plant and machinery includes computer systems

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**6 Intangible assets**

Rupees Million

Intangible assets consist of the following:

	<b>Customer</b>	<b>Total</b>	
	<b>Software licenses</b>	<b>Contracts/Relations</b>	
<b><u>COST</u></b>			
<b>At January 1, 2017</b>	536.40	142.44	678.84
Additions	56.09	-	56.09
Disposals	-	-	-
Translation exchange difference	(2.50)	2.76	0.26
<b>At September 30, 2017</b>	<b>589.99</b>	<b>145.20</b>	<b>735.19</b>
<b><u>ACCUMULATED AMORTISATION</u></b>			
<b>At January 1, 2017</b>	410.20	34.19	444.39
Amortisation for the period	67.55	23.91	91.46
Disposals	-	-	-
Translation exchange difference	(1.43)	0.89	(0.54)
<b>At September 30, 2017</b>	<b>476.32</b>	<b>58.99</b>	<b>535.31</b>
<b><u>NET CARRYING AMOUNT</u></b>			
<b>At September 30, 2017</b>	<b>113.67</b>	<b>86.21</b>	<b>199.88</b>
<b><u>COST</u></b>			
<b>At January 1, 2016</b>	452.53	115.55	568.08
Additions	87.81	-	87.81
Disposals	(4.34)	-	(4.34)
Translation exchange difference	0.40	26.89	27.29
<b>At December 31, 2016</b>	<b>536.40</b>	<b>142.44</b>	<b>678.84</b>
<b><u>ACCUMULATED AMORTISATION</u></b>			
<b>At January 1, 2016</b>	331.43	2.14	333.57
Amortisation for the year	82.92	28.95	111.87
Disposals	(4.33)	-	(4.33)
Translation exchange difference	0.18	3.10	3.28
<b>At December 31, 2016</b>	<b>410.20</b>	<b>34.19</b>	<b>444.39</b>
<b><u>NET CARRYING AMOUNT</u></b>			
<b>At December 31, 2016</b>	<b>126.20</b>	<b>108.25</b>	<b>234.45</b>
<b>At January 1, 2016</b>	<b>121.10</b>	<b>113.41</b>	<b>234.51</b>

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

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7 Investments	Rupees Million		
A Non Current Investments in Equity shares (unquoted)	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>January 1, 2016</u>
<u>Investment in Associate</u>			
250,000 shares of USD 1/- each in Experis Technology Solutions Pte. Ltd.	19.62	16.95	-
<u>Other Investments</u>			
<u>At fair value through Other Comprehensive Income</u>			
240,958 equity shares of Rs. 10/- each in Beta Wind Farm Pvt. Ltd.	4.58	4.58	4.58
	<u>24.20</u>	<u>21.53</u>	<u>4.58</u>
<b>B Current Investments in Mutual Funds (unquoted)</b>			
<u>At fair value through profit or loss account</u>			
Mutual fund units	<u>178.30</u>	<u>188.50</u>	<u>409.33</u>

8 Other financial assets (unsecured) (considered good)	Rupees Million		
A <u>Non-current</u>	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>January 1, 2016</u>
Interest accrued on bank deposits	0.74	0.94	0.51
Foreign currency derivative assets	125.53	127.69	25.58
Restricted bank balances (a)	34.77	29.94	33.81
Security deposits for premises and others	232.68	211.89	136.85
	<u>393.72</u>	<u>370.46</u>	<u>196.75</u>

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

B <u>Current</u>	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>January 1, 2016</u>
Interest accrued on bank deposits	0.56	0.49	1.05
Foreign currency derivative assets	485.54	232.42	34.42
Security deposits for premises and others (a)	6.29	34.70	9.70
Employee advances	110.42	63.48	140.67
	<u>602.81</u>	<u>331.09</u>	<u>185.84</u>

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

**HEXAWARE TECHNOLOGIES LIMITED**  
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9	Components of deferred taxes:	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>Rupees Million</u> <u>January 1, 2016</u>
	<b>Deferred tax assets</b>			
	Allowance for doubtful debts and advances	35.68	28.27	18.60
	Employee benefit obligations	460.11	443.56	356.09
	Provision for severance pay	9.72	75.04	40.82
	Minimum alternate tax credit carry forward	1,149.91	958.59	917.48
	Others	11.10	0.33	0.27
	<b>Total</b>	<b>1,666.52</b>	<b>1,505.79</b>	<b>1,333.26</b>
	<b>Deferred tax liabilities</b>			
	Unrealised gain on cash flow hedges	94.35	81.99	3.85
	Depreciation	182.98	171.60	159.68
	Others	0.78	-	-
	<b>Total</b>	<b>278.11</b>	<b>253.59</b>	<b>163.53</b>
	<b>Net deferred tax asset</b>	<b>1,388.41</b>	<b>1,252.20</b>	<b>1,169.73</b>

Deferred tax liability on undistributed earnings of subsidiaries is not recognized, as the parent company generally reinvests earnings of subsidiaries in the future growth plans of subsidiaries and does not get these distributed by way of dividend or otherwise.

**HEXAWARE TECHNOLOGIES LIMITED**  
**CONSOLIDATED CONDENSED INTERIM BALANCE SHEET AS AT September 30, 2017**

<b>10 Other assets (unsecured)</b>	<b>Rupees Million</b>		
<b>A Non-current</b>	<b><u>September 30, 2017</u></b>	<b><u>December 31, 2016</u></b>	<b><u>January 1, 2016</u></b>
Capital Advances	8.75	25.16	353.35
Prepaid Expenses	752.75	692.26	424.44
Indirect taxes recoverable	94.80	78.94	55.19
	<u>856.30</u>	<u>796.36</u>	<u>832.98</u>
<b>B Current</b>	<b><u>September 30, 2017</u></b>	<b><u>December 31, 2016</u></b>	<b><u>January 1, 2016</u></b>
Prepaid Expenses	342.82	365.80	234.57
Indirect taxes recoverable	124.62	143.35	160.59
Others	20.44	4.11	2.45
	<u>487.88</u>	<u>513.26</u>	<u>397.61</u>
<b>11 Trade Receivables (unsecured)</b>	<b><u>September 30, 2017</u></b>	<b><u>December 31, 2016</u></b>	<b><u>January 1, 2016</u></b>
			<b>Rupees Million</b>
Considered good	5,164.73	4,376.04	4,405.78
Considered doubtful	114.06	74.81	103.29
Less: Allowance for doubtful receivables basis the expected credit loss model	(114.06)	(74.81)	(103.29)
	<u>5,164.73</u>	<u>4,376.04</u>	<u>4,405.78</u>
<b>12A Cash and cash equivalents</b>	<b><u>September 30, 2017</u></b>	<b><u>December 31, 2016</u></b>	<b><u>January 1, 2016</u></b>
			<b>Rupees Million</b>
Remittance in transit	-	-	2.06
Cash in Hand	0.05	-	0.03
In current accounts with banks	4,229.09	2,704.04	3,858.72
Bank deposit Accounts with less than 3 months maturity	28.33	26.91	3.65
Earmarked balances with banks for buy back	-	1,395.43	-
Unclaimed dividend accounts	146.81	137.66	120.28
Margin money with banks	34.77	29.94	33.81
Less: Restricted bank balances	(181.58)	(167.60)	(154.09)
	<u>4,257.47</u>	<u>4,126.38</u>	<u>3,864.46</u>
<b>12B Other Bank Balances</b>			
Restricted bank balances in respect of unclaimed dividend	146.81	137.66	120.28
	<u>146.81</u>	<u>137.66</u>	<u>120.28</u>

**HEXAWARE TECHNOLOGIES LIMITED****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

<b>13 Equity Share Capital</b>		<b>Rupees Million</b>		
13.1 <u>Authorised capital</u>	<b>September 30, 2017</b>	<b>December 31, 2016</b>	<b>January 1, 2016</b>	
525,000,000 Equity shares of Rs. 2 each	1,050.00	950.00	950.00	
1,100,000 Series "A" Preference Shares of Rs.1,421 each	1,563.10	1,563.10	1,563.10	
13.2 <u>Issued, subscribed and paid-up capital</u>	<b>September 30, 2017</b>	<b>December 31, 2016</b>	<b>January 1, 2016</b>	
Equity shares of Rs. 2 each	593.46	604.06	603.13	
13.3 <u>Reconciliation of number of shares</u>	<b>September 30, 2017</b>	<b>December 31, 2016</b>		
Shares outstanding at the beginning of the period / year	302,028,195	301,562,897		
Shares issued during the period / year	394,777	465,298		
Shares bought back during the period / year	(5,694,835)	-		
Shares outstanding at the end of the period / year	296,728,137	302,028,195		
13.4 <u>Rights, preferences and restrictions attached to equity shares</u>				
The Company has one class of equity shares having a par value of Rs. 2 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing annual general meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all liabilities, in proportion to their shareholding.				
13.5 <u>Details of shares held by shareholders holding more than 5% shares</u>				
<u>Name of Shareholder</u>	<b>September 30, 2017</b>	<b>December 31, 2016</b>	<b>January 1, 2016</b>	
HT Global IT Solutions Holdings Ltd. (Holding Company)	211,318,590	215,047,193	215,047,193	
No. of shares held				
% of holding	71.22%	71.20%	71.31%	
13.6	During the period ended September 30, 2017, the Company bought back 5,694,835 shares at Rs. 240 per share aggregating Rs. 1,366.76 million by utilisation of Securities premium. The cost relating to buy-back is charged to other equity.			
13.7 <u>Shares reserved for issue under options</u>				
The Company has granted employee stock options under ESOP 2002, 2007 and 2008 schemes and restricted stock units under the ESOP 2008 and 2015 scheme. Each option entitles the holder to one equity share of Rs. 2 each. 9,833,451 options were outstanding as on September 30, 2017 (9,264,407 options as on December 31, 2016 and 9,844,513 options as on January 1, 2016).				
<b>14 <u>Other reserves</u></b>	<b>Rupees Million</b>			
	<b>September 30, 2017</b>	<b>December 31, 2016</b>	<b>January 1, 2016</b>	
Share Options Outstanding Account	650.31	448.07	225.56	
Capital reserve (amalgamation reserve)	2.88	2.88	2.88	
Capital redemption reserve	11.39	-	-	
Special Economic Zone (SEZ) Re-Investment reserve	400.46	332.95	329.52	
	<u>1,065.04</u>	<u>783.90</u>	<u>557.96</u>	
Movement in SEZ Re-Investment reserve				
Opening balance	332.95	329.52		
Add: Transfer from retained earnings	178.45	177.73		
Less: Transfer to retained earnings on utilization for acquisition of plant and machinery	110.94	174.30		
Closing balance	<u>400.46</u>	<u>332.95</u>		

**HEXAWARE TECHNOLOGIES LIMITED**  
**CONSOLIDATED CONDENSED INTERIM BALANCE SHEET AS AT September 30, 2017**

**15 Other financial liabilities** **Rupees Million**  
**A Non-current**

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>January 1, 2016</u>
Capital creditors	26.11	29.03	27.27
Foreign currency derivative liabilities	14.08	0.19	23.81
Accrued expenses	2.95	1.95	1.17
	<u>43.14</u>	<u>31.17</u>	<u>52.25</u>

**B Current**

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>January 1, 2016</u>
Unclaimed dividend *	146.81	137.66	119.92
Capital creditors	93.98	397.49	389.57
Deposit received from customer	0.03	0.03	0.38
Employee liabilities	1,198.54	1,237.73	1,036.83
Foreign currency derivative liabilities	33.76	1.80	15.34
Accrued expenses	990.67	667.40	595.22
	<u>2,463.79</u>	<u>2,442.11</u>	<u>2,157.26</u>

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

**16 Other liabilities** **Rupees Million**  
**Current**

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>January 1, 2016</u>
Unearned revenues	179.91	252.33	275.13
Statutory liabilities	349.10	343.14	367.31
	<u>529.01</u>	<u>595.47</u>	<u>642.44</u>

**17 Provisions - Others**

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Provision at the beginning of the period	171.93	89.78
Provision made during the period	-	140.02
Paid / adjusted during the period	(144.57)	(57.87)
Provision at the end of the period	<u>27.36</u>	<u>171.93</u>

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

**HEXAWARE TECHNOLOGIES LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS**

18 Other income	Rupees Million		Rupees Million	
	For the quarter ended		For the nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2017	2016	2017	2016
Dividend	1.62	2.53	6.95	10.29
Interest income	3.01	0.54	7.76	2.43
Profit on sale of property, plant and equipment (net)	0.07	0.08	2.09	0.13
Miscellaneous income	6.07	0.98	15.17	11.66
	<u>10.77</u>	<u>4.13</u>	<u>31.97</u>	<u>24.51</u>

19 Software and development expenses	Rupees Million		Rupees Million	
	For the quarter ended		For the nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2017	2016	2017	2016
Consultant travel and related expenses	389.49	352.57	1,296.27	1,171.85
Software expenses *	1,429.98	1,236.74	4,179.66	3,424.30
	<u>1,819.47</u>	<u>1,589.31</u>	<u>5,475.93</u>	<u>4,596.15</u>

\* includes sub- contracting charges

20 Employee benefits expense	Rupees Million		Rupees Million	
	For the quarter ended		For the nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2017	2016	2017	2016
Salary and allowances	4,623.29	4,332.32	13,860.92	12,731.23
Contribution to provident and other funds	507.13	490.70	1,620.45	1,522.69
Staff welfare expenses	117.79	107.86	356.01	338.69
	<u>5,248.21</u>	<u>4,930.88</u>	<u>15,837.38</u>	<u>14,592.61</u>

21 Operation and Other Expenses	Rupees Million		Rupees Million	
	For the quarter ended		For the nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2017	2016	2017	2016
Rent	101.56	102.93	308.92	275.73
Rates and taxes	14.09	11.86	33.03	30.50
Travelling and conveyance	207.53	194.52	589.91	585.63
Electricity charges	58.41	54.21	179.33	162.18
Communication expenses	72.03	75.62	200.44	212.95
Repairs and maintenance	115.94	111.59	330.43	271.15
Printing and stationery	8.45	10.54	30.99	31.19
Auditors remuneration	7.80	8.63	26.31	26.20
Legal and professional fees	109.27	49.12	207.54	117.18
Advertisement and business promotion	98.38	65.36	247.86	229.32
Bank and other charges	3.47	2.48	9.60	7.54
Directors' sitting fees	0.51	0.44	1.74	1.36
Insurance charges	12.52	16.50	38.13	41.68
Debts and advances written off	10.04	-	10.04	1.47
Provision for doubtful accounts (net of write back)*	18.97	(14.77)	39.27	(4.26)
Staff recruitment expenses	37.28	44.96	167.49	137.40
Service charges	92.66	49.64	228.55	164.86
Miscellaneous expenses	79.06	54.90	198.53	141.42
	<u>1,047.97</u>	<u>838.53</u>	<u>2,848.11</u>	<u>2,433.50</u>

\* net of write backs

**HEXAWARE TECHNOLOGIES LIMITED****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****22. Financial Instruments**

The carrying value / fair value of financial instruments (other than investment in associate) by categories is as follows:

	Rupees Million				
	Amortised Cost	Fair value through other profit and loss	Fair value through other comprehensive income	Derivative instrument in hedging relationship	Total carrying / fair value
<b>September 30, 2017</b>					
Cash and cash equivalents	4,257.47	-	-	-	4,257.47
Other bank balances	146.81	-	-	-	146.81
Investments in mutual fund units	-	178.30	-	-	178.30
Trade receivables	5,164.73	-	-	-	5,164.73
Unbilled revenue	2,754.48	-	-	-	2,754.48
Other financial assets	385.46	-	-	611.07	996.53
Investments in equity shares	-	-	4.58	-	4.58
	<b>12,708.95</b>	<b>178.30</b>	<b>4.58</b>	<b>611.07</b>	<b>13,502.90</b>
Trade payables	1,301.62	-	-	-	1,301.62
Other financial liabilities	2,459.09	-	-	47.84	2,506.93
	<b>3,760.71</b>	<b>-</b>	<b>-</b>	<b>47.84</b>	<b>3,808.55</b>

	Rupees Million				
	Amortised Cost	Fair value through other profit and loss	Fair value through other comprehensive income	Derivative instrument in hedging relationship	Total carrying / fair value
<b>December 31, 2016</b>					
Cash and cash equivalents	4,126.38	-	-	-	4,126.38
Other bank balances	137.66	-	-	-	137.66
Investments in mutual fund units	-	188.50	-	-	188.50
Trade receivables	4,376.04	-	-	-	4,376.04
Unbilled revenue	2,638.51	-	-	-	2,638.51
Other financial assets	341.44	-	-	360.11	701.55
Investments in equity shares	-	-	4.58	-	4.58
	<b>11,620.03</b>	<b>188.50</b>	<b>4.58</b>	<b>360.11</b>	<b>12,173.22</b>
Trade payables	1,291.24	-	-	-	1,291.24
Other financial liabilities	2,471.29	-	-	1.99	2,473.28
	<b>3,762.53</b>	<b>-</b>	<b>-</b>	<b>1.99</b>	<b>3,764.52</b>

	Rupees Million				
	Amortised Cost	Fair value through other profit and loss	Fair value through other comprehensive income	Derivative instrument in hedging relationship	Total carrying / fair value
<b>January 1, 2016</b>					
Cash and cash equivalents	3,864.46	-	-	-	3,864.46
Other bank balances	120.28	-	-	-	120.28
Investments in mutual fund units	-	409.33	-	-	409.33
Trade receivables	4,405.78	-	-	-	4,405.78
Unbilled revenue	2,018.07	-	-	-	2,018.07
Other financial assets	322.59	-	-	60.00	382.59
Investments in equity shares	-	-	4.58	-	4.58
	<b>10,731.18</b>	<b>409.33</b>	<b>4.58</b>	<b>60.00</b>	<b>11,205.09</b>
Trade payables	981.88	-	-	-	981.88
Other financial liabilities	2,170.36	-	-	39.15	2,209.51
	<b>3,152.24</b>	<b>-</b>	<b>-</b>	<b>39.15</b>	<b>3,191.39</b>

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**22. Financial Instruments (Cont'd)**

**Fair value hierarchy**

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

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

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

Level 3 inputs are unobservable inputs for the asset or liability

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

	<b>Rupees Million</b>			
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
<b>September 30, 2017</b>				
Mutual fund units	178.30	-	-	178.30
Investments in equity shares	-	-	4.58	4.58
Derivative financial assets	-	611.07	-	611.07
	<u>178.30</u>	<u>611.07</u>	<u>4.58</u>	<u>793.95</u>
Derivative financial liabilities	-	47.84	-	47.84
<b>December 31, 2016</b>				
Mutual fund units	188.50	-	-	188.50
Investments in equity shares	-	-	4.58	4.58
Derivative financial assets	-	360.11	-	360.11
	<u>188.50</u>	<u>360.11</u>	<u>4.58</u>	<u>553.19</u>
Derivative financial liabilities	-	1.99	-	1.99
<b>January 1, 2016</b>				
Mutual fund units	409.33	-	-	409.33
Investments in equity shares	-	-	4.58	4.58
Derivative financial assets	-	60.00	-	60.00
	<u>409.33</u>	<u>60.00</u>	<u>4.58</u>	<u>473.91</u>
Derivative financial liabilities	-	39.15	-	39.15

**Valuation Technique**

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

**Derivative Instruments**

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

**HEXAWARE TECHNOLOGIES LIMITED****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****23. Earnings per share**

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

	For the quarter ended		For the nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Net profit after tax ( Rupees Million )	1,422.59	1,143.42	3,785.60	2,961.53
Weighted average outstanding equity shares considered for basic EPS (Nos.)	296,705,297	301,837,467	297,651,649	301,752,841
Basic earnings per share (In Rupees)	4.79	3.79	12.72	9.81
Weighted average outstanding equity shares considered for basic EPS (Nos.)	296,705,297	301,837,467	297,651,649	301,752,841
Add : Effect of dilutive issue of stock options (Nos.)	3,607,968	2,444,653	3,729,687	2,519,247
Weighted average outstanding equity shares considered for diluted EPS (Nos.)	300,313,265	304,282,120	301,381,336	304,272,088
Diluted earnings per share (In Rupees)	4.74	3.76	12.56	9.73

**24. 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

**Holding Company (control exists)**

HT Global IT Solutions Holdings Limited, Mauritius

**Associate**

Experis Technology Solutions Pte Ltd., Singapore

**Key Management Personnel****Executive Director and CEO**

R. Srikrishna

**Non-executive directors**

Atul K Nishar

Kosmas Kalliarekos

Jimmy Mehtani

Dileep Choksi

Bharat Shah

P R Chandrasekar

Meera Shankar

Christian Oecking

Basab Pradhan

(Rs. Million)

Transactions	For the quarter ended		For the nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<b>Associate</b>				
Software and consultancy income	28.84	-	76.56	-
<b>Remuneration to KMP's and directors</b>				
Short term employee benefits	4.49	18.42	48.76	51.46
Share based payment	12.16	12.39	37.43	35.71
Commission and other benefits to non-executive directors	10.15	10.00	30.31	29.14
<b>Notes</b>				
Commission provision made, payment is subject to adequacy of profits to be determined annually				

Closing balances	September 30, 2017	December 31, 2016	January 1, 2016
Receivables from associate	78.98	-	-
Payable / provision to KMP and directors	55.15	71.95	66.79

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**25 Segment disclosures**

25.1 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 Group's performance and allocates resources based on analysis of various performance indicators by below business. The Group'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 used in the Group's business are 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.

<b>Quarter ended September 30, 2017</b>					<b>Rupees Million</b>
	<b><u>T &amp; T</u></b>	<b><u>BFS</u></b>	<b><u>H &amp; I</u></b>	<b><u>MC&amp;O</u></b>	<b><u>Total</u></b>
Revenue	1,308.27	4,305.51	1,648.43	2,668.50	9,930.71
Expenses	(843.12)	(3,735.31)	(1,354.62)	(2,264.84)	(8,197.89)
Segment Profit	<u>465.15</u>	<u>570.20</u>	<u>293.81</u>	<u>403.66</u>	<u>1,732.82</u>
Less: Depreciation					160.24
Add: Exchange rate differences					168.06
Add: Other income					10.77
Less: Interest					0.38
Add: Share in net profit of associate					3.16
<b>Profit Before Tax</b>					<b><u>1,754.19</u></b>
Tax expense					<u>331.60</u>
<b>Profit after tax</b>					<b><u>1,422.59</u></b>

<b>Quarter ended September 30, 2016</b>					<b>Rupees Million</b>
	<b><u>T &amp; T</u></b>	<b><u>BFS</u></b>	<b><u>H &amp; I</u></b>	<b><u>MC&amp;O</u></b>	<b><u>Total</u></b>
Revenue	1,309.48	3,761.40	1,450.49	2,520.12	9,041.49
Expenses	(1,064.89)	(3,275.38)	(1,119.89)	(1,970.02)	(7,430.18)
Segment Profit	<u>244.59</u>	<u>486.02</u>	<u>330.60</u>	<u>550.10</u>	<u>1,611.31</u>
Less: Depreciation					140.19
Add: Exchange rate differences					63.69
Add: Other income					4.13
Less: Interest					1.17
Add: Share in net profit of associate					-
<b>Profit Before Tax</b>					<b><u>1,537.77</u></b>
Tax expense					<u>394.35</u>
<b>Profit after tax</b>					<b><u>1,143.42</u></b>

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**25.1 Segment disclosures (Cont'd)**

<b>Nine months ended September 30, 2017</b>					<b>Rupees Million</b>
	<b><u>T &amp; T</u></b>	<b><u>BFS</u></b>	<b><u>H &amp; I</u></b>	<b><u>MC&amp;O</u></b>	<b><u>Total</u></b>
Revenue	3,933.64	12,667.50	4,688.70	8,082.04	29,371.88
Expenses	(2,888.02)	(11,113.20)	(3,799.83)	(6,617.50)	(24,418.55)
Segment Profit	<u>1,045.62</u>	<u>1,554.30</u>	<u>888.87</u>	<u>1,464.54</u>	<u>4,953.33</u>
Less: Depreciation					474.04
Add: Exchange rate differences					322.03
Add: Other income					31.97
Less: Interest					0.97
Add: Share in net profit of associate					2.67
<b>Profit Before Tax</b>					<b><u>4,834.99</u></b>
Tax expense					<u>1,049.39</u>
<b>Profit after tax</b>					<b><u>3,785.60</u></b>

<b>Nine months ended September 30, 2016</b>					<b>Rupees Million</b>
	<b><u>T &amp; T</u></b>	<b><u>BFS</u></b>	<b><u>H &amp; I</u></b>	<b><u>MC&amp;O</u></b>	<b><u>Total</u></b>
Revenue	3,822.81	10,454.33	4,371.03	7,292.09	25,940.26
Expenses	(3,145.87)	(9,311.78)	(3,473.92)	(5,882.14)	(21,813.71)
Segment Profit	<u>676.94</u>	<u>1,142.55</u>	<u>897.11</u>	<u>1,409.95</u>	<u>4,126.55</u>
Less: Depreciation					414.35
Add: Exchange rate differences					230.42
Add: Other income					24.51
Less: Interest					1.33
Add: Share in net profit of associate					-
<b>Profit Before Tax</b>					<b><u>3,965.80</u></b>
Tax expense					<u>1,004.27</u>
<b>Profit after tax</b>					<b><u>2,961.53</u></b>

**HEXAWARE TECHNOLOGIES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**25 Segment disclosures (Cont'd)**

**25.2 Geographic disclosures**

The Group's primary source of revenue is from customers in Americas region (primarily USA) and Europe region.

Revenue	Rupees Million			
	For the quarter ended		For the nine months ended	
	<u>September 30,</u> <u>2017</u>	<u>September 30,</u> <u>2016</u>	<u>September 30,</u> <u>2017</u>	<u>September 30,</u> <u>2016</u>
Americas	7,969.04	7,496.87	24,052.49	21,422.74
Europe	1,056.01	1,024.79	3,044.73	3,047.40
India	305.25	214.39	769.83	547.01
Rest of the world	600.41	305.44	1,504.83	923.11
<b>Total</b>	<b>9,930.71</b>	<b>9,041.49</b>	<b>29,371.88</b>	<b>25,940.26</b>

**26 Contingent liabilities**

**26.1 Contingent liabilities**

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

**26.2 Claims for taxes on income**

*Where Company is in appeal*

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

**27 Material events after Balance Sheet date**

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

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

**28 Approval of the financial statements**

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