

INDEPENDENT AUDITORS' REPORT

To the Members of Hexaware Technologies Limited

Report on the Consolidated Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying 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 (refer Note 4 to the attached consolidated Ind AS financial statements), comprising of the Consolidated Balance Sheet as at December 31, 2017, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information prepared based on the relevant records (hereinafter referred to as "the Consolidated Ind AS Financial Statements").

Management's Responsibility for the Consolidated Ind AS Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated cash flows and changes in equity of the Group including its associate company in accordance with accounting principles generally accepted in India including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of Consolidated Ind AS Financial Statements. The respective Board of Directors of the companies included in the Group and of 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, respectively 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 Consolidated Ind AS Financial Statements by the Directors of the Holding Company, as aforesaid.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these Consolidated Ind AS Financial Statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.

INDEPENDENT AUDITORS' REPORT

To the Members of Hexaware Technologies Limited
Report on the Consolidated Ind AS Financial Statements
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4. We conducted our audit of the Consolidated Ind AS Financial Statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Ind AS Financial Statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Ind AS Financial Statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the Consolidated Ind AS Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the Consolidated Ind AS Financial Statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the Consolidated Ind AS Financial Statements.
6. 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 8 in the Other Matters paragraph below, other than the unaudited financial information as certified by the management and referred to in paragraph 9 in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Ind AS Financial Statements.

Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated Ind AS Financial Statements give the information required by the Act in the manner so required and 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 December 31, 2017, and their consolidated total comprehensive income (comprising of consolidated profit and consolidated other comprehensive income), their consolidated cash flows and consolidated changes in equity for the year ended on that date.

Other Matters

8. We did not audit the financial statements of eleven subsidiaries whose financial statements reflect total assets of Rs. 2,860.63 million and net assets of Rs. 1,638.79 million as at December 31, 2017, total revenue of Rs. 5,811.16 million, total comprehensive income (comprising of profit and other comprehensive income) of Rs. 348.45 million and net cash flows amounting to Rs. 242.95 million for the year ended on that date, as considered in the Consolidated Ind AS 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 Consolidated Ind AS Financial Statements insofar as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-section (3) of Section 143 of the Act insofar as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.

9. The Consolidated Ind AS Financial Statements also includes the Group's share of total comprehensive income (comprising of profit) of Rs. 2.7 million for the year ended December 31, 2017 as considered in the Consolidated Ind AS Financial Statements, in respect of one associate company whose financial information have not been audited by us. This financial information is unaudited and have been furnished to us by the Management, and our opinion on the Consolidated Ind AS Financial Statements insofar as it relates to the amounts and disclosures included in respect of this associate company and our report in terms of sub-section (3) of Section 143 of the Act insofar as it relates to the aforesaid 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, this financial information is not material to the Group.

Our opinion on the Consolidated Ind AS Financial Statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters noted in paragraphs 8 and 9 above with respect to our reliance on the work done and the reports of the other auditors and the financial information certified by the Management.

10. The comparative financial information of the Group as of and for the year ended December 31, 2016 and the transition date opening balance sheet as at January 1, 2016 prepared in accordance with Ind AS included in these Consolidated Ind AS Financial Statements have been audited by the predecessor auditor who had audited the statutory consolidated financial statements for the years ended December 31, 2016 and December 31, 2015. The predecessor auditor has expressed an unmodified opinion on the comparative financial information and the opening balance sheet vide report dated July 17, 2017.

Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

11. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid Consolidated Ind AS Financial Statements.
 - (b) In our opinion, proper books of account as required by law maintained by the Holding Company incorporated in India including relevant records relating to preparation of the aforesaid Consolidated Ind AS Financial Statements have been kept so far as it appears from our examination of those books and records of the Holding Company.

- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained by the Holding Company incorporated in India including relevant records relating to the preparation of the Consolidated Ind AS Financial Statements.
- (d) In our opinion, the aforesaid Consolidated Ind AS Financial Statements comply with the Indian Accounting Standards specified under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors of the Holding Company as on December 31, 2017 taken on record by the Board of Directors of the Holding Company, none of the directors of the Holding Company incorporated in India is disqualified as on December 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.
- (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Consolidated Ind AS Financial Statements disclose the impact, if any, of pending litigations as at December 31, 2017 on the consolidated financial position of the Group, and its associate company – Refer Note 30 to the Consolidated Ind AS Financial Statements.
 - ii. The Group and its associate company had long-term contracts including derivative contracts as at December 31, 2017 for which there were no material foreseeable losses.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company incorporated in India during the year ended December 31, 2017.

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

Place: Mumbai
Date: February 7, 2018

Sumit Seth
Partner
Membership No. 105869

Annexure A to Independent Auditors' Report

Referred to in paragraph 11(f) of the Independent Auditors' Report of even date to the members of Hexaware Technologies Limited on the consolidated Ind AS financial statements as of and for the year ended December 31, 2017

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Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. In conjunction with our audit of the Consolidated Ind AS Financial Statements of the Company as of and for the year ended December 31, 2017, we have audited the internal financial controls over financial reporting of Hexaware Technologies Limited (hereinafter referred to as "the Holding Company") as of that date.

Management's Responsibility for Internal Financial Controls

2. The Board of Directors of the Holding Company, which is a company incorporated in India, are responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Annexure A to Independent Auditors' Report

Referred to in paragraph 11(f) of the Independent Auditors' Report of even date to the members of Hexaware Technologies Limited on the consolidated Ind AS financial statements as of and for the year ended December 31, 2017

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Meaning of Internal Financial Controls Over Financial Reporting

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Holding Company, which is a company incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at December 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

Place: Mumbai
Date: February 7, 2018

Sumit Seth
Partner
Membership No. 105869

HEXAWARE TECHNOLOGIES LIMITED
CONSOLIDATED BALANCE SHEET AS AT December 31, 2017

		Rupees Million		
	Note	December 31, 2017	December 31, 2016	January 1, 2016
ASSETS				
Non-current assets				
Property, plant and equipment	5	3,580.32	2,791.00	2,957.07
Capital work-in-progress		2,563.06	3,233.19	1,160.35
Goodwill	6	1,656.29	1,761.18	1,715.34
Other intangible assets	7	177.06	234.45	234.51
Financial assets				
- Investments	8A	24.23	21.53	4.58
- Unbilled revenue		-	-	39.69
- Other financial assets	9A	399.38	370.46	196.75
Deferred tax assets (net)	10	1,335.54	1,252.20	1,169.73
Income tax asset (net)		348.44	316.50	342.24
Other non-current assets	11A	833.76	796.36	832.98
Total non-current assets		10,918.08	10,776.87	8,653.24
Current assets				
Financial assets				
- Investments	8B	189.19	188.50	409.33
- Trade receivables	12	5,360.31	4,376.04	4,405.78
- Cash and cash equivalents	13A	5,147.41	4,126.38	3,864.46
- Other Bank Balances	13B	150.26	137.66	120.28
- Unbilled revenue		2,368.50	2,638.51	1,978.38
- Other financial assets	9B	641.55	331.09	185.84
Current Tax Assets (net)		72.63	21.49	25.67
Other current assets	11B	605.22	513.26	397.61
Total current assets		14,535.07	12,332.93	11,387.35
Total assets		25,453.15	23,109.80	20,040.59
EQUITY AND LIABILITIES				
Equity				
Equity Share capital	14	593.61	604.06	603.13
Other Equity		19,479.14	16,805.09	14,598.53
Total equity		20,072.75	17,409.15	15,201.66
Non-current liabilities				
Financial Liabilities				
- Other financial liabilities	16A	31.16	31.17	52.25
Provisions - Employee benefit obligations in respect of Gratuity		179.35	268.04	182.06
Total non-current liabilities		210.51	299.21	234.31
Current liabilities				
Financial Liabilities				
- Trade and other payables	17	2,204.23	1,958.64	1,577.10
- Other financial liabilities	16B	1,603.43	1,774.71	1,562.04
Other current liabilities	18	589.67	595.47	642.44
Provisions				
- Employee benefit obligations in respect of compensated absences and others		699.61	714.24	628.79
- Others	19	7.67	171.93	89.78
Current tax liabilities (net)		65.28	186.45	104.47
Total current liabilities		5,169.89	5,401.44	4,604.62
Total liabilities		5,380.40	5,700.65	4,838.93
Total equity and liabilities		25,453.15	23,109.80	20,040.59

The accompanying notes 1 to 32 form an integral part of the consolidated financial statements

As per our report of even date

For Price Waterhouse Chartered Accountants LLP
Firm registration number: 012754N/N500016
Chartered Accountants

For and on behalf of the Board of Directors

Sumit Seth
Partner
Membership number: 105869
Mumbai, dated February 07, 2018

Atul K. Nishar
(Chairman)
(DIN-00307229)

Jimmy Mahtani
(Vice Chairman)
(DIN-00996110)

HEXAWARE TECHNOLOGIES LIMITED
CONSOLIDATED BALANCE SHEET AS AT December 31, 2017

R. Srikrishna
(CEO & Executive Director)
(DIN-03160121)

Dileep Choksi
(Director)
(DIN-00016322)

Meera Shankar
(Director)
(DIN-06374957)

Bharat Shah
(Director)
(DIN-00136969)

Basab Pradhan
(Director)
(DIN-00892181)

Christian Oecking
(Director)
(DIN-03090264)

P. R. Chandrasekar
(Director)
(DIN-02251080)

Mumbai, dated 7th February, 2018

Rajesh Kanani
(Chief Financial Officer)

Gunjan Methi
(Company Secretary)

HEXAWARE TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS

		Rupees Million	
		For the year ended	
	Notes	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
INCOME			
Revenue from operations		39,420.14	35,348.99
Exchange rate difference (net)		449.62	355.93
Other income	20	<u>35.82</u>	<u>38.41</u>
Total income		39,905.58	35,743.33
EXPENSES			
Software and development expenses	21	7,391.93	6,300.81
Employee benefits expense	22	21,686.54	19,943.93
Operation and other expenses	23	3,790.03	3,340.69
Interest - others		1.19	1.41
Depreciation and amortisation expense	5, 7	<u>632.77</u>	<u>552.53</u>
Total expenses		33,502.46	30,139.37
Profit before tax and share in profit of associate		6,403.12	5,603.96
Share in profit of associate		2.70	-
Profit before tax		6,405.82	5,603.96
Tax expense	10		
- Current		1,530.47	1,566.06
- Deferred (Credit)		<u>(119.91)</u>	<u>(153.72)</u>
		1,410.56	1,412.34
Profit for the year		<u>4,995.26</u>	<u>4,191.62</u>
Other comprehensive income (OCI):			
<i>i) Items that will not be reclassified to profit or loss</i>			
- Remeasurement of defined benefit plan		103.24	(7.93)
- Income tax relating to items that will not be reclassified to profit or loss		(18.71)	1.66
<i>ii) Items that will be reclassified to profit or loss</i>			
- Net change in fair value of cash flow hedges		259.65	306.81
- Exchange differences in translating the financial statements of foreign operations		(217.72)	39.89
- Income tax relating to items that will be reclassified to profit or loss		<u>(34.60)</u>	<u>(78.14)</u>
Total other comprehensive income		91.86	262.29
Total comprehensive income for the year		<u>5,087.12</u>	<u>4,453.91</u>
Earnings per share (In Rupees)			
Basic	26	16.79	13.89
Diluted		<u>16.56</u>	<u>13.77</u>

The accompanying notes 1 to 32 form an integral part of the consolidated financial statements

As per our report of even date

For Price Waterhouse Chartered Accountants LLP
 Firm registration number: 012754N/N500016
 Chartered Accountants

For and on behalf of the Board of Directors

Sumit Seth
 Partner
 Membership number: 105869
 Mumbai, dated February 07, 2018

Atul K. Nishar
 (Chairman)
 (DIN-00307229)

Jimmy Mahtani
 (Vice Chairman)
 (DIN-00996110)

HEXAWARE TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS

R. Srikrishna
(CEO & Executive Director)
(DIN-03160121)

Dileep Choksi
(Director)
(DIN-00016322)

Meera Shankar
(Director)
(DIN-06374957)

Bharat Shah
(Director)
(DIN-00136969)

Basab Pradhan
(Director)
(DIN-00892181)

Christian Oecking
(Director)
(DIN-03090264)

P. R. Chandrasekar
(Director)
(DIN-02251080)

Mumbai, dated 7th February, 2018

Rajesh Kanani
(Chief Financial Officer)

Gunjan Methi
(Company Secretary)

HEXAWARE TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

A. Equity Share Capital

	Rupees Million	
	December 31, 2017	December 31, 2016
Outstanding at the beginning of the year	604.06	603.13
Add: On issue of shares during the year	0.94	0.93
Less: On shares bought back during the year	(11.39)	-
Outstanding at the end of the year	593.61	604.06

B. Other Equity

	Reserves and Surplus					Rupees Million Other comprehensive income		Total
	Share application money pending allotment	Securities premium reserve	Other reserves (Note 15)	General reserve	Retained earnings	Foreign currency translation reserve	Cashflow hedge reserve (CFHR)	
Balances as at January 1, 2017	-	4,808.73	783.90	2,144.05	7,678.04	1,149.59	240.78	16,805.09
Profit for the year	-	-	-	-	4,995.26	-	-	4,995.26
Other comprehensive income	-	-	-	-	84.53	(217.72)	225.05	91.86
Total comprehensive income for the year	-	-	-	-	5,079.79	(217.72)	225.05	5,087.12
Dividend paid (including dividend tax)	-	-	-	-	(1,428.09)	-	-	(1,428.09)
Buy-back of shares	-	(1,366.76)	11.39	-	(12.15)	-	-	(1,367.52)
Shares Issued on exercise of options	-	10.84	-	-	-	-	-	10.84
Tax benefit on Share based compensation	-	-	-	-	21.59	-	-	21.59
Transfer to special economic zone reserve, net	-	-	(308.87)	-	308.87	-	-	-
Received / transferred on exercise of Stock Options	0.61	65.13	(65.13)	-	-	-	-	0.61
Compensation related to employee share based payments	-	-	349.50	-	-	-	-	349.50
As at December 31, 2017	0.61	3,517.94	770.79	2,144.05	11,648.05	931.87	465.83	19,479.14
Balances as at January 1, 2016	-	4,772.37	557.96	2,144.05	6,002.34	1,109.70	12.11	14,598.53
Profit for the year	-	-	-	-	4,191.62	-	-	4,191.62
Other comprehensive income	-	-	-	-	(6.27)	39.89	228.67	262.29
Total comprehensive income for the year	-	-	-	-	4,185.35	39.89	228.67	4,453.91
Dividend paid (including dividend tax thereon)	-	-	-	-	(2,506.22)	-	-	(2,506.22)
Shares Issued on exercise of options	-	12.13	-	-	-	-	-	12.13
Transfer to special economic zone reserve, net	-	-	3.43	-	(3.43)	-	-	-
Received / transferred on exercise of Stock Options	-	24.23	(24.23)	-	-	-	-	-
Compensation related to employee share based payments	-	-	246.74	-	-	-	-	246.74
As at December 31, 2016	-	4,808.73	783.90	2,144.05	7,678.04	1,149.59	240.78	16,805.09

The accompanying notes 1 to 32 form an integral part of the consolidated financial statements

As per our report of even date

For Price Waterhouse Chartered Accountants LLP
Firm registration number: 012754N/N500016
Chartered Accountants

For and on behalf of the Board of Directors

Sumit Seth
Partner
Membership number: 105869
Mumbai, dated February 07, 2018

Atul K. Nishar
(Chairman)
(DIN-00307229)

Jimmy Mahtani
(Vice Chairman)
(DIN-00996110)

HEXAWARE TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R. Srikrishna
(CEO & Executive Director)
(DIN-03160121)

Dileep Choksi
(Director)
(DIN-00016322)

Meera Shankar
(Director)
(DIN-06374957)

Bharat Shah
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Basab Pradhan
(Director)
(DIN-00892181)

Christian Oecking
(Director)
(DIN-03090264)

P. R. Chandrasekar
(Director)
(DIN-02251080)

Mumbai, dated 7th February, 2018

Rajesh Kanani
(Chief Financial Officer)

Gunjan Methi
(Company Secretary)

HEXAWARE TECHNOLOGIES LIMITED
CONSOLIDATED CASH FLOW STATEMENT

	Rupees Million	
	For the year ended	
	<u>December 31,</u> <u>2017</u>	<u>December 31, 2016</u>
Cash Flow from operating activities		
Net Profit before tax	6,405.82	5,603.96
Adjustments for:		
Depreciation and amortization expense	632.77	552.53
Employee stock option compensation cost	349.50	246.74
Interest income	(8.79)	(5.52)
Provision for doubtful accounts (net of write back)	29.26	(27.55)
Debts and advances written off	13.89	16.00
Dividend from investments	(8.45)	(12.44)
(Profit) on sale of property, plant and equipment (net)	(2.61)	(0.84)
Exchange rate difference (net) - unrealised	0.90	(0.91)
Interest expense	1.19	1.41
Share in profit of associate	(2.70)	-
	7,410.78	6,373.38
Operating profit before working capital changes		
Adjustments for:		
Trade receivables and other assets	(1,268.83)	(929.67)
Trade payables and other liabilities	368.08	733.17
Cash generated from operations	6,510.03	6,176.88
Direct taxes paid (net)	(1,747.63)	(1,447.11)
Net cash from operating activities	4,762.40	4,729.77
Cash flow from investing activities		
Purchase of property, plant and equipment	(956.78)	(2,222.67)
Proceeds from sale of property, plant and equipment	2.65	5.65
Purchase of investments	(3,768.45)	(7,162.44)
Proceeds from sale/ redemption of investments	3,767.75	7,383.27
Investment in associate	-	(16.95)
Dividend from investments	8.45	12.44
Interest received	8.38	2.13
Net cash (used in) investing activities	(938.00)	(1,998.57)
Cash flow from financing activities		
Proceeds from issue of shares / share application money (net)	12.39	13.06
Buy-back of shares (including expenses incurred on buy-back)	(1,378.91)	-
Interest paid	(1.19)	(1.41)
Dividend paid (including corporate dividend tax)	(1,428.09)	(2,505.86)
Net cash (used in) financing activities	(2,795.80)	(2,494.21)
Net Increase / (decrease) in cash and cash equivalents	1,028.60	236.99
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	(7.57)	24.93
Cash and cash equivalents at the end of the year (Refer Note 13A)	5,147.41	4,126.38

The accompanying notes 1 to 32 form an integral part of the consolidated financial statements

As per our report of even date

For Price Waterhouse Chartered Accountants LLP
 Firm registration number: 012754N/N500016
 Chartered Accountants

For and on behalf of the Board of Directors

Sumit Seth
 Partner
 Membership number: 105869
 Mumbai, dated February 07, 2018

Atul K. Nishar
 (Chairman)
 (DIN-00307229)

Jimmy Mahtani
 (Vice Chairman)
 (DIN-00996110)

HEXAWARE TECHNOLOGIES LIMITED
CONSOLIDATED CASH FLOW STATEMENT

R. Srikrishna
(CEO & Executive Director)
(DIN-03160121)

Dileep Choksi
(Director)
(DIN-00016322)

Meera Shankar
(Director)
(DIN-06374957)

Bharat Shah
(Director)
(DIN-00136969)

Basab Pradhan
(Director)
(DIN-00892181)

Christian Oecking
(Director)
(DIN-03090264)

P. R. Chandrasekar
(Director)
(DIN-02251080)

Mumbai, dated 7th February, 2018

Rajesh Kanani
(Chief Financial Officer)

Gunjan Methi
(Company Secretary)

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED 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

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

In accordance with the notification issued by the Ministry of Corporate Affairs, the Group has adopted Ind AS with effect from January 1, 2017. These are the Group's first 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 Group has presented a reconciliation under Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 ("Previous GAAP" or "Indian GAAP") to Ind AS.

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 consideration 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 CONSOLIDATED 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 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.

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 based 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 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.

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 option outstanding account.

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.

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

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

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

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

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

2.15 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.

Asset Class	Estimated useful Life
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 CONSOLIDATED 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 with a business model whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

(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 cash flow hedge 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 and is grouped under exchange rate difference.

HEXWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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 year ended December 31, 2017, comparative financial statements for the year ended December 31, 2016 and 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 Previous 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 Previous 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 and intangible assets recognised as at January 1, 2016 measured as per the Previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment and intangible assets.

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.2 Reconciliation between Previous GAAP and Ind AS :

(i) Equity Reconciliation:

Rupees Million

Particulars	Note	December 31, 2016	January 1, 2016
Equity under Previous GAAP		17,111.01	14,332.06
Proposed dividend and tax thereon	(a)	363.51	871.09
Deferred tax adjustment on CFHR	(f)	(81.99)	(3.85)
Buy-back related cost recognised as other asset to be adjusted against equity in year 2017	(c)	7.12	-
Others	(g)	9.50	2.36
Equity under Ind AS		17,409.15	15,201.66

(ii) Comprehensive income Reconciliation:

Particulars	Note	Year ended
		December 31, 2016
Net Income under Previous GAAP		4,171.09
Adjustment for remeasurement of defined benefit plan	(b)	6.27
Buy-back related cost recognised as other asset to be adjusted against equity in year 2017	(c)	7.12
Others	(g)	7.14
Net Income under Ind AS		4,191.62
Adjustment for remeasurement of defined benefit plan	(b)	(6.27)
Changes in OCI other than actuarial gain/ (loss)		268.56
Comprehensive Income under Ind AS		4,453.91

(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 and Rs. 871.09 million as at December 31, 2016 and January 1, 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. 6.27 million for the year ended December 31, 2016. 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. Consequently equity as at and profit for the year ended December 31, 2016 has increased by Rs. 7.12 million.
- 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 year ended December 31, 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 and Rs. 3.85 million as at December 31, 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.
- Others - relates to adjustment on account of operating leases to the extent of Rs. 9.50 million and Rs. 2.36 million as at December 31, 2016 and January 1, 2016, respectively. This has resulted in increase in net income by Rs. 7.14 million for the year ended December 31, 2016.
- 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 previous year ended December 31, 2016 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.

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Entities to consolidation

The 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.

For the year ended December 31, 2017

	Name of the Entity	Country of Incorporation	Net Assets		Share in profit or loss		Share in OCI		Share in total comprehensive income	
			% of Consolidated	Rupees Million	% of Consolidated	Rupees Million	% of Consolidated	Rupees Million	% of Consolidated	Rupees Million
1	Hexaware Technologies Limited (Parent)		59.76%	11,995.22	82.30%	4,111.05	100.00%	91.86	82.62%	4,202.91
	Wholly owned subsidiaries									
1	Hexaware Technologies Inc.	USA	32.21%	6,464.90	10.54%	526.64	-	-	10.35%	526.64
2	Hexaware Technologies, Mexico S. De. R.L. De. C.V.	Mexico	0.40%	80.58	0.63%	31.53	-	-	0.62%	31.53
3	Hexaware Technologies UK Ltd	UK	2.59%	520.53	1.46%	73.07	-	-	1.44%	73.07
4	Hexaware Technologies Asia Pacific Pte Limited	Singapore	2.75%	552.23	6.24%	311.89	-	-	6.13%	311.89
5	Hexaware Technologies GmbH	Germany	1.47%	295.36	0.28%	13.90	-	-	0.27%	13.90
6	Hexaware Technologies Canada Limited	Canada	0.03%	6.33	0.13%	6.42	-	-	0.13%	6.42
7	Hexaware Technologies DO Brazil Ltd , Brazil (Subsidiary of Hexaware Technologies UK Ltd)	Brazil	0.01%	1.20	0.01%	0.53	-	-	0.01%	0.53
8	Guangzhou Hexaware Information Technologies Company Limited	China	0.02%	4.25	-0.06%	(3.24)	-	-	-0.06%	(3.24)
9	Hexaware Technologies LLC	Russia	0.41%	81.71	-0.74%	(36.79)	-	-	-0.72%	(36.79)
10	Hexaware Technologies Saudi LLC	Saudi Arabia	0.04%	8.30	-0.07%	(3.29)	-	-	-0.06%	(3.29)
11	Hexaware Technologies Romania SRL (Formed on September 28, 2016) (Subsidiary of Hexaware Technologies UK Ltd.)	Romania	0.18%	36.14	-0.83%	(41.37)	-	-	-0.81%	(41.37)
12	Hexaware Technology & Business Solutions, Inc. (Closed on August 17, 2017) (Subsidiary of Hexaware Technologies Inc.)	USA	0.00%	-	0.00%	-	-	-	0.00%	-
13	Hexaware Technologies Hong Kong Limited (Formed on April 24, 2017)	Hong Kong	0.03%	5.97	0.04%	2.22	-	-	0.04%	2.22
14	Hexaware Technologies Nordic AB (Formed on September 7, 2017)	Sweden	0.00%	0.39	0.00%	-	-	-	0.00%	-
15	Digitech Technologies Inc. (Formed on November 23, 2017) (Subsidiary of Hexaware Technologies Inc.)	USA	0.00%	-	0.00%	-	-	-	0.00%	-
16	Shanghai Hexaware Information Technologies Company Limited (Formed on December 15, 2017)	China	0.00%	-	0.00%	-	-	-	0.00%	-
	Associate									
1	Experis Technology Solutions Pte. Ltd. (20% ownership interest by Hexaware Technologies Asia Pacific Pte Limited)	Singapore	0.10%	19.64	0.05%	2.70	-	-	0.05%	2.70
	Total		100.00%	20,072.75	100.00%	4,995.26	100.00%	91.86	100.00%	5,087.12

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note - Risk Technology International Limited (Merged with Parent vide NCLT order dated July 06, 2017)

4 Entities to consolidation (Cont'd)

For the year ended December 31, 2016

	Name of the Entity	Country of Incorporation	Net Assets		Share in profit or loss		Share in OCI		Share in total comprehensive income	
			% of Consolidated	Rupees Million	% of Consolidated	Rupees Million	% of Consolidated	Rupees Million	% of Consolidated	Rupees Million
1	Hexaware Technologies Limited (Parent)		70.69%	12,306.40	83.84%	3,514.40	100.00%	262.29	84.79%	3,776.69
	Wholly owned subsidiaries									
1	Hexaware Technologies Inc.	USA	22.85%	3,977.54	13.27%	556.33	-	-	12.49%	556.33
2	Hexaware Technologies, Mexico S. De. R.L. De. C.V.	Mexico	0.39%	67.87	3.04%	127.46	-	-	2.86%	127.46
3	Hexaware Technologies UK Ltd	UK	2.65%	461.56	1.89%	79.20	-	-	1.78%	79.20
4	Hexaware Technologies Asia Pacific Pte Limited	Singapore	1.02%	176.82	-1.47%	(61.59)	-	-	-1.38%	(61.59)
5	Hexaware Technologies GmbH	Germany	1.47%	255.44	0.47%	19.50	-	-	0.44%	19.50
6	Hexaware Technologies Canada Limited	Canada	-0.01%	(2.03)	0.15%	6.49	-	-	0.15%	6.49
8	Hexaware Technologies DO Brazil Ltd , Brazil (Subsidiary of Hexaware Technologies UK Ltd)	Brazil	-0.03%	(5.97)	0.04%	1.66	-	-	0.04%	1.66
9	Guangzhou Hexaware Information Technologies Company Limited	China	0.01%	1.79	-0.09%	(3.65)	-	-	-0.08%	(3.65)
10	Hexaware Technologies LLC	Russia	0.68%	118.70	-1.04%	(43.39)	-	-	-0.97%	(43.39)
11	Hexaware Technologies Saudi LLC	Saudi Arabia	0.04%	7.06	-0.06%	(2.71)	-	-	-0.06%	(2.71)
12	Hexaware Technologies Romania SRL (Formed on September 28, 2016) (Subsidiary of Hexaware Technologies UK Ltd.)	Romania	0.16%	27.02	-0.05%	(2.08)	-	-	-0.05%	(2.08)
	Associate									
1	Experis Technology Solutions Pte. Ltd. (20% ownership interest by Hexaware Technologies Asia Pacific Pte Limited w.e.f. December 16, 2016)	Singapore	0.10%	16.95	-	-	-	-	-	-
	Total		100.00%	17,409.15	100.00%	4,191.62	100%	262.29	100.00%	4,453.91

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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>
COST								
At January 1, 2017	0.15	2,251.90	1,891.81	621.88	24.80	866.95	135.49	5,792.98
Additions	-	476.67	319.40	124.35	4.96	376.38	6.69	1,308.45
Disposals	-	-	(76.51)	(0.39)	(10.02)	(3.04)	(0.40)	(90.36)
Translation exchange difference	-	-	(7.28)	(3.17)	(0.11)	(0.34)	(5.78)	(16.68)
At December 31, 2017	<u>0.15</u>	<u>2,728.57</u>	<u>2,127.42</u>	<u>742.67</u>	<u>19.63</u>	<u>1,239.95</u>	<u>136.00</u>	<u>6,994.39</u>
ACCUMULATED DEPRECIATION								
At January 1, 2017	-	264.26	1,474.15	472.04	20.47	706.60	64.46	3,001.98
Charge for the year	-	46.59	251.01	50.83	1.75	134.53	29.39	514.10
Disposals	-	-	(76.47)	(0.39)	(10.02)	(3.04)	(0.40)	(90.32)
Translation exchange difference	-	-	(6.41)	(1.95)	(0.11)	(0.47)	(2.75)	(11.69)
At December 31, 2017	<u>-</u>	<u>310.85</u>	<u>1,642.28</u>	<u>520.53</u>	<u>12.09</u>	<u>837.62</u>	<u>90.70</u>	<u>3,414.07</u>
NET CARRYING AMOUNT								
At December 31, 2017	<u>0.15</u>	<u>2,417.72</u>	<u>485.14</u>	<u>222.14</u>	<u>7.54</u>	<u>402.33</u>	<u>45.30</u>	<u>3,580.32</u>
COST								
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>
ACCUMULATED DEPRECIATION								
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>
NET CARRYING AMOUNT								
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>
(Deemed cost, refer note 3.1(c))								

Note:

i) Plant and machinery includes computer systems

ii) Buildings includes office premises taken on long term finance lease of gross value amounting to Rs. 345.47 million and Rs. 345.47 million as at December 31, 2017 and December 31, 2016 and net carrying value amounting to Rs. 261.81 million and Rs. 268.66 million as at December 31, 2017 and December 31, 2016 respectively.

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Goodwill

Goodwill recognised of Rs. 1,656.29 Million is in respect of acquisition of FocusFrame Inc. in the year 2006. The said goodwill is towards the Quality Assurance and Testing Services (QATS) business.

Goodwill is tested for impairment on an annual basis. The recoverable amount is determined based on its fair value less cost of disposal. Considering the assumptions below, there was no impairment as of December 31, 2017, December 31, 2016 and January 1, 2016, respectively.

The assumptions used in determining the recoverable amount for the annual testing as at December 31, 2017 and 2016 is summarized below:

- Discount rate is based on the Weighted Average Cost of Capital (WACC) of the Company which is 13.37% (previous year 13.05%)
- Gross margin of 38.5% (Previous year 38.5%), EBITDA margin of 19.5% (Previous year 19.5%) and growth rate of 5% - 10% (Previous year 5% - 10%).

These estimates are likely to differ from future actual results of operations and cash flows.

An analysis of the sensitivity of the computation to a combined change in key parameters (gross margin, discount rates and growth rate), based on reasonably probable assumptions, did not identify any probable scenario in which the recoverable amount of the CGU would decrease below its carrying amount.

Following is a summary of changes in the carrying amount of goodwill:

	Rupees Million
As at January 1, 2016	1,715.34
Translation exchange rate difference	<u>45.84</u>
As at December 31, 2016	<u><u>1,761.18</u></u>
Translation exchange rate difference	<u>(104.89)</u>
As at December 31, 2017	<u><u>1,656.29</u></u>

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Intangible assets

Rupees Million

Intangible assets consist of the following:

	Software licenses	Customer Contracts/Relations	Total
<u>COST</u>			
At January 1, 2017	536.40	142.44	678.84
Additions	62.88	-	62.88
Disposals	-	-	-
Translation exchange difference	(4.53)	(0.57)	(5.10)
At December 31, 2017	594.75	141.87	736.62
<u>ACCUMULATED AMORTISATION</u>			
At January 1, 2017	410.20	34.19	444.39
Amortisation for the year	86.89	31.78	118.67
Disposals	-	-	-
Translation exchange difference	(3.02)	(0.48)	(3.50)
At December 31, 2017	494.07	65.49	559.56
<u>NET CARRYING AMOUNT</u>			
At December 31, 2017	100.68	76.38	177.06
<u>COST</u>			
At January 1, 2016	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
At December 31, 2016	536.40	142.44	678.84
<u>ACCUMULATED AMORTISATION</u>			
At January 1, 2016	331.43	2.14	333.57
Amortisation for the year	82.91	28.95	111.86
Disposals	(4.32)	-	(4.32)
Translation exchange difference	0.18	3.10	3.28
At December 31, 2016	410.20	34.19	444.39
<u>NET CARRYING AMOUNT</u>			
At December 31, 2016	126.20	108.25	234.45
At January 1, 2016	121.10	113.41	234.51
<i>(Deemed cost, refer note 3.1(c))</i>			

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

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Investments	<u>As at</u>	<u>As at</u>	<u>Rupees Million</u> <u>As at</u>
A Non Current Investments in Equity shares (unquoted)	<u>December 31, 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.	19.65	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>24.23</u>	<u>21.53</u>	<u>4.58</u>
B Current Investments in Mutual Funds (unquoted)			
<u>At fair value through profit or loss account</u>			
Mutual fund units	<u>189.19</u>	<u>188.50</u>	<u>409.33</u>

9 Other financial assets (unsecured) (considered good)	<u>Rupees Million</u>		
A Non-current	<u>As at</u>	<u>As at</u>	<u>As at</u>
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>January 1, 2016</u>
Interest accrued on bank deposits	0.78	0.94	0.51
Foreign currency derivative assets	136.10	127.69	25.58
Restricted bank balances (a)	34.55	29.94	33.81
Security deposits for premises and others	227.95	211.89	136.85
	<u>399.38</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 Current	<u>As at</u>	<u>As at</u>	<u>As at</u>
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>January 1, 2016</u>
Interest accrued on bank deposits	1.06	0.49	1.05
Foreign currency derivative assets	586.24	232.42	34.42
Security deposits for premises and others (a)	6.28	34.70	9.70
Employee advances (Net)	47.97	63.48	140.67
	<u>641.55</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 December 31, 2017, December 31, 2016 and January 1, 2016 respectively.

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

10	Income taxes	Rupees Million	
		For year ended December 31, 2017	For year ended December 31, 2016
10.1 Income tax expense is allocated as follows:			
	Income tax expense as per the Statement of Profit and Loss	1,410.56	1,412.34
	Income tax included in Other Comprehensive Income on:		
	a) Net change in fair value of cash flow hedges	(34.60)	(78.14)
	b) Remeasurement of defined benefit plan	(18.71)	1.66
		<u>1,357.25</u>	<u>1,335.86</u>

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

	Rupees Million	
	For year ended December 31, 2017	For year ended December 31, 2016
Profit before income-tax	6,405.82	5,603.96
Expected tax expense at the enacted tax rate of 34.608% in India	2,216.93	1,939.42
<i><u>Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense:</u></i>		
Income exempt from tax	(923.72)	(607.87)
Tax effect of non-deductible expenses	6.06	23.92
Taxes of earlier years	(11.11)	5.60
Impact of change in tax rate	110.65	-
Tax rate differential at different jurisdictions	(4.58)	60.51
Others	16.33	(9.24)
	<u>1,410.56</u>	<u>1,412.34</u>
Income tax expense recognised in the Statement of Profit and Loss	<u>1,410.56</u>	<u>1,412.34</u>

Current income tax expense comprises of taxes on income from operations in India and foreign jurisdictions. In India, substantial part of operations is carried from units in Special Economic Zones notified by the Government which also benefit from the tax exemptions. These units are eligible for the deduction of 100 percent of profits or gains derived from the export of services for the first five years from commencement of provision of services and 50 percent of such profits or gains for a further five years. 50 percent tax benefit is also available for a further period of five years subject to the unit meeting defined conditions of further investments. In respect of certain jurisdictions, where the income tax year is different from the accounting year, provision for current tax is made on the basis of income for the respective accounting year, which will be adjusted considering the total assessable income for the tax year.

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Income taxes (Contd')

10.3 Components of deferred taxes as at:

Rupees Million

	<u>January 1,</u> <u>2016</u>	<u>Recognised</u> <u>in profit or</u> <u>loss</u>	<u>Recognised</u> <u>in OCI *</u>	<u>December 31,</u> <u>2016</u>	<u>Recognised</u> <u>in profit or</u> <u>loss</u>	<u>Recognise</u> <u>d in OCI *</u>	<u>Recognise</u> <u>d in equity</u>	<u>December 31,</u> <u>2017</u>
Deferred tax assets								
Allowance for doubtful debts and advances	18.60	9.44	0.23	28.27	(2.81)	(0.54)	-	24.92
Employee benefit obligations	356.09	80.81	6.66	443.56	(102.42)	(19.97)	-	321.17
Provision for severance pay	40.82	33.09	1.13	75.04	(69.86)	(2.64)	-	2.54
Minimum alternate tax credit carry forward	917.48	41.11	-	958.59	275.18	-	-	1,233.77
Share based payment	-	-	-	-	35.07	-	21.59	56.66
Others	0.27	0.11	(0.05)	0.33	6.48	(0.02)	-	6.79
Total	1,333.26	164.56	7.97	1,505.79	141.64	(23.17)	21.59	1,645.85
Deferred tax liabilities								
Unrealised gain on cash flow hedges	3.85	-	78.14	81.99	-	34.60	-	116.59
Depreciation	159.68	10.84	1.08	171.60	21.73	0.39	-	193.72
Total	163.53	10.84	79.22	253.59	21.73	34.99	-	310.31
Net deferred tax asset	1,169.73	153.72	(71.25)	1,252.20	119.91	(58.16)	21.59	1,335.54

* Including in foreign currency translation reserve

Deferred tax liability on undistributed earnings of subsidiaries amounting to Rs. 188.13 million as at December 31, 2017 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. Accordingly the group has concluded that it is not probable that such temporary difference will reverse in the foreseeable future.

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Other assets (unsecured)

	Rupees Million		
	<u>As at</u> <u>December 31, 2017</u>	<u>As at</u> <u>December 31, 2016</u>	<u>As at</u> <u>January 1, 2016</u>
A Non-current			
Capital Advances	1.37	25.16	353.35
Prepaid Expenses relating to leasehold land *	525.04	531.76	416.59
Other Prepaid Expenses	226.25	160.50	7.85
Indirect taxes recoverable	81.10	78.94	55.19
	<u>833.76</u>	<u>796.36</u>	<u>832.98</u>

* includes unamortized lease premium in respect of one parcel of leasehold land allotted to the company at Nagpur for which the final lease agreement is being executed amounting to Rs. 80.78 million and Rs. 81.69 million and Rs. 82.60 million as at December 31, 2017, December 31, 2016 and January 1, 2016 respectively

B Current

	Rupees Million		
	<u>As at</u> <u>December 31, 2017</u>	<u>As at</u> <u>December 31, 2016</u>	<u>As at</u> <u>January 1, 2016</u>
Prepaid Expenses	448.81	365.80	234.57
Indirect taxes recoverable	143.85	143.35	160.59
Others	12.56	4.11	2.45
	<u>605.22</u>	<u>513.26</u>	<u>397.61</u>

12 Trade Receivables (unsecured)

	Rupees Million		
	<u>As at</u> <u>December 31, 2017</u>	<u>As at</u> <u>December 31, 2016</u>	<u>As at</u> <u>January 1, 2016</u>
Considered good	5,360.31	4,376.04	4,405.78
Considered doubtful	102.71	74.81	103.29
Less: Allowance for doubtful receivables	(102.71)	(74.81)	(103.29)
	<u>5,360.31</u>	<u>4,376.04</u>	<u>4,405.78</u>

The age wise breakup of trade receivables, net of allowances is given below:

	Rupees Million		
	<u>As at</u> <u>December 31, 2017</u>	<u>As at</u> <u>December 31, 2016</u>	<u>As at</u> <u>January 1, 2016</u>
Not due	3,450.46	2,976.86	2,890.92
Due less than 180 days	1,899.85	1,344.09	1,488.38
Due greater than 180 days	10.00	55.09	26.48
	<u>5,360.31</u>	<u>4,376.04</u>	<u>4,405.78</u>
Average age (days)	50	45	49

Movement in allowance for doubtful receivables

Balance at the beginning of the year	74.81	103.29
Expense for the year	44.43	18.72
Amounts recovered during the year	(30.42)	(61.73)
Written-off during the year	13.89	14.53
Balance at the end of the year	<u>102.71</u>	<u>74.81</u>

13 Cash and bank balances

A Cash and cash equivalents

	Rupees Million		
	<u>As at</u> <u>December 31, 2017</u>	<u>As at</u> <u>December 31, 2016</u>	<u>As at</u> <u>January 1, 2016</u>
Remittance in transit	-	-	2.06
Cash in hand	0.01	-	0.03
In current accounts with banks	5,098.66	2,704.04	3,858.72
Bank deposit accounts with less than 3 months maturity	48.74	26.91	3.65
Earmarked balances with banks for buy back	-	1,395.43	-
Unclaimed dividend accounts	150.26	137.66	120.28
Margin money with banks	34.55	29.94	33.81
	<u>5,332.22</u>	<u>4,293.98</u>	<u>4,018.55</u>
Less: Restricted bank balances	(184.81)	(167.60)	(154.09)
	<u>5,147.41</u>	<u>4,126.38</u>	<u>3,864.46</u>

B Other Bank Balances

Restricted bank balances in respect of unclaimed dividend	150.26	137.66	120.28
	<u>150.26</u>	<u>137.66</u>	<u>120.28</u>

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Equity Share Capital

	December 31, 2017	December 31, 2016	Rupees Million January 1, 2016
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14.1 <u>Authorised capital</u>			
525,000,000 (475,000,000 as at December 31, 2016 and January 1, 2016) Equity shares of Rs. 2 each	1,050.00	950.00	950.00
1,100,000 Series "A" Preference Shares of Rs.1,421 each	1,563.10	1,563.10	1,563.10

14.2 Issued, subscribed and paid-up capital

	December 31, 2017	December 31, 2016	January 1, 2016
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Equity shares of Rs. 2 each	<u>593.61</u>	<u>604.06</u>	<u>603.13</u>
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Reconciliation of number of shares

	December 31, 2017	December 31, 2016
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Shares outstanding at the beginning of the year	302,028,195	301,562,897
Shares issued during the year	470,397	465,298
Shares bought back during the year	<u>(5,694,835)</u>	<u>-</u>
Shares outstanding at the end of the year	296,803,757	302,028,195

14.3 Rights, preferences and restrictions attached to equity shares

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

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

<u>Name of Shareholder</u>		December 31, 2017	December 31, 2016	January 1, 2016
HT Global IT Solutions Holdings Ltd. (Holding Company)	No. of shares held	211,318,590	215,047,193	215,047,193
	% of holding	71.20%	71.20%	71.31%
HDFC Trustee Company Ltd.	No. of shares held	18,885,481		
	% of holding	6.36%		

14.5 During the year, 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.

14.6 Shares reserved for issue under options

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. 9,667,235 options were outstanding as on December 31, 2017 (9,264,407 options as on December 31, 2016 and 9,844,513 options as on January 1, 2016). (Refer note 25).

14.7 The dividend per share recognised as distribution to equity shareholders during the year ended December 31, 2017 was Rs. 4.00 per share (year ended December 31, 2016 Rs. 6.90 per share)

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Rupees Million

15 15.1 Other reserves	<u>As at</u> <u>December 31, 2017</u>	<u>As at</u> <u>December 31, 2016</u>
(a) Share option outstanding account		
Opening balance	448.07	225.56
Add: Compensation related to employee share based payments	349.50	246.74
(Less): Transferred on exercise of stock options	(65.13)	(24.23)
Closing Balance	732.44	448.07
(b) Capital reserve (amalgamation reserve)		
Balance as per last balance sheet	2.88	2.88
(c) Capital redemption reserve		
Opening balance	-	-
Add: On buyback of shares during the year	11.39	-
Closing Balance	11.39	-
(d) Special Economic Zone (SEZ) Re-Investment reserve		
Opening balance	332.95	329.52
Add: Transfer from retained earnings	178.35	177.73
(Less): Transfer to retained earnings on utilization for acquisition of plant and machinery	(487.22)	(174.30)
Closing balance	24.08	332.95
Total other reserves	770.79	783.90

15.2 Description of component of other equity

- (a) Securities premium reserve is used to record the premium received on issue of shares to be utilized in accordance with the provisions of the Act.
- (b) General reserve represents appropriation of profits by the Company.
- (c) Retained earnings comprise of the accumulated undistributed earnings.
- (d) Share option outstanding account is used to record the value of equity-settled share based payment transactions with employees. The amounts recorded in this account are transferred to securities premium upon exercise of stock options by employees.
- (e) Capital redemption reserve is created on buy-back of the equity shares in accordance with the provisions of the Act.
- (f) The Special Economic Zone Re-Investment Reserve has been created out of profit of eligible SEZ units as per provisions of section 10AA (1)(ii) of the Income-tax Act, 1961 for acquiring new plant and machinery.

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Other financial liabilities	Rupees Million		
	<u>As at</u> <u>December 31, 2017</u>	<u>As at</u> <u>December 31, 2016</u>	<u>As at</u> <u>January 1, 2016</u>
A Non-current			
Capital creditors	25.55	29.03	27.27
Foreign currency derivative liabilities	3.40	0.19	23.81
Others	2.21	1.95	1.17
	<u>31.16</u>	<u>31.17</u>	<u>52.25</u>

B Current	Rupees Million		
	<u>As at</u> <u>December 31, 2017</u>	<u>As at</u> <u>December 31, 2016</u>	<u>As at</u> <u>January 1, 2016</u>
Unclaimed dividend *	150.25	137.66	119.92
Capital creditors	125.54	397.49	389.57
Deposit received from customer	0.03	0.03	0.38
Employee liabilities	1,323.12	1,237.73	1,036.83
Foreign currency derivative liabilities	4.49	1.80	15.34
	<u>1,603.43</u>	<u>1,774.71</u>	<u>1,562.04</u>

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

17 Trade and other payables	Rupees Million		
	<u>As at</u> <u>December 31, 2017</u>	<u>As at</u> <u>December 31, 2016</u>	<u>As at</u> <u>January 1, 2016</u>
Trade payables	1,292.02	1,291.24	981.88
Accrued expenses	912.21	667.40	595.22
	<u>2,204.23</u>	<u>1,958.64</u>	<u>1,577.10</u>

18 Other liabilities	Rupees Million		
	<u>As at</u> <u>December 31, 2017</u>	<u>As at</u> <u>December 31, 2016</u>	<u>As at</u> <u>January 1, 2016</u>
Current			
Unearned revenues	217.99	252.33	275.13
Statutory liabilities	371.68	343.14	367.31
	<u>589.67</u>	<u>595.47</u>	<u>642.44</u>

19 Provisions - Others	Rupees Million	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Provision at the beginning of the year	171.93	89.78
Provision made during the year	-	140.02
Paid during the year	(111.89)	(16.49)
Adjusted during the year	(52.37)	(41.38)
Provision at the end of the year	<u>7.67</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 STATEMENT OF PROFIT AND LOSS

20 Other income	Rupees Million	
	For the year ended	
	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Dividend	8.45	12.44
Interest income	8.79	5.52
Profit on sale of property, plant and equipment (net)	2.61	0.84
Miscellaneous income	15.97	19.61
	<u>35.82</u>	<u>38.41</u>

21 Software and development expenses	Rupees Million	
	For the year ended	
	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Consultant travel and related expenses	1,686.34	1,572.86
Software expenses *	5,705.59	4,727.95
	<u>7,391.93</u>	<u>6,300.81</u>

* includes sub- contracting charges

	5,564.97	4,567.90
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22 Employee benefits expense	Rupees Million	
	For the year ended	
	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Salary and allowances	18,690.41	17,169.70
Contribution to provident, other funds and benefits	2,163.10	2,055.56
Staff welfare expenses	483.53	471.93
Employee stock option compensation cost (Refer note no 25)	349.50	246.74
	<u>21,686.54</u>	<u>19,943.93</u>

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Employee benefit expenses (cont'd)

22.1 Employee benefit plans

i) Provident Fund and Superannuation Fund and other similar funds

a) In respect of employees in India

Both the employees and the Company make monthly contributions to the Provident Fund Plan equal to a specified percentage of the covered employee's salary. In respect of the Company's employees enrolled with the Hexaware Technologies Limited Employees Provident Fund Trust (the 'Trust'), the Company pays a part of the contributions to the Trust. The remaining portion of Company's contribution in respect of such employees and entire contribution in respect of other employees is contributed to the Government administered employee Provident and Pension Fund.

The interest rate payable by the Trust to the beneficiaries every year is being notified by the Government. The Company has an obligation to make good the short fall, if any, between the return from the investments of the trust and the notified interest rate. The actuary has accordingly provided a valuation and based on the fund position and assumptions mentioned below, there is no shortfall as at 31st December 2017.

Rupees Million

Particulars	December 31, 2017	December 31, 2016	January 1, 2016
Present value of benefit obligation	2,934.93	2,529.28	2,178.84
Fair value of plan assets	2,934.93	2,529.28	2,178.84
Expected Investment Return	8.75%	8.68%	8.91%
Remaining term of maturities of plan assets	6.89 years%	6.97 years	7.41 years
Expected guaranteed interest rates	8.65%	8.65%	8.75%

Certain employees of the Company are entitled to benefits under the superannuation plan, a defined contribution plan. The Company makes quarterly voluntary contributions under the superannuation plan to LIC based on a specified percentage of each covered employees salary and recognises such contributions as an expense when incurred and has no further obligation to the plan beyond such contributions.

During the year, the Group has recognized expenses towards contributions to provident fund and other funds and superannuation funds of Rs. 317.03 million (Previous year Rs. 280.85 million) and Rs. 8.33 million (Previous year Rs 5.04 million), respectively.

b) The Group, during the year ended December 31, 2017 contributed Rs. 696.93 million (Previous year Rs 665.99 million) towards various other defined contributions plans and benefits of subsidiaries located outside India as per laws of the respective country.

22.1 Employee benefit plans (contd.)

ii) Gratuity Plan

The Company makes annual contribution to the Employee's Company Gratuity Assurance Scheme, administered by the Life Insurance Corporation of India ('LIC'), a funded defined benefit plan for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment based on completed years of service or part thereof in excess of six months based on the employee's service and last drawn salary at the time of leaving. The employees do not contribute towards this plan and the full cost of providing these benefits are met by the Company. Vesting occurs on completion of specified years of service.

The following table sets out the status of the gratuity plan for the year ended December 31:

Rupees Million

Particulars	2017	2016
Change in Defined Benefit Obligation		
Opening defined benefit obligation	647.55	544.30
Current service cost	133.19	116.35
Interest cost	41.70	42.08
Adjustment for remeasurement of defined benefit plan		
- Actuarial loss/(gains) arising from change in financial assumptions	(30.83)	91.50
- Actuarial loss/(gains) arising from change in demographical assumptions	(20.31)	(2.94)
- Actuarial loss/(gains) arising on account of experience changes	(52.09)	(83.37)
Benefits paid	(60.16)	(60.37)
Closing defined benefit obligation	659.05	647.55
Change in the Fair Value of Assets		
Opening fair value of plan assets	440.89	415.27
Interest on plan assets	31.21	34.87
Remeasurement due to actual return on plan assets less interest on plan assets	-	(2.74)
Contribution by employer	137.84	53.86
Benefits paid	(60.16)	(60.37)
Closing fair value of plan assets	549.78	440.89
Net liability as per actuarial valuation	109.27	206.66
Expense charged to statement of profit and loss:		
Current service cost	133.19	116.35
Net interest on defined benefit plan	10.49	7.24
Total Included in Employment expenses	143.68	123.59
Amount recognised in other comprehensive income:		
Remeasurement of defined benefit plan due to -		
- changes in financial assumptions	(30.83)	91.50
- changes in demographical assumptions	(20.31)	(2.94)
- Experience adjustments	(52.09)	(83.37)
- Actual return on plan assets less interest on plan assets	-	2.74
Total amount recognised in other comprehensive income	(103.23)	7.93
Actual return on plan assets	31.21	32.13
Category of assets -Insurer Managed Fund #	549.78	440.89

Since the investments are held in the form of deposit with the LIC, these are not volatile, the market value of assets is the cost value of assets and has been accordingly considered for the above disclosures.

The Company is expected to contribute Rs. 100 million to gratuity funds in the year ending 31st December, 2018.

Financial assumptions at the valuation date	2017	2016
Discount rate	7.45%	6.70%
Rate of increase in compensation levels of covered employees *	6% to 10%	6% to 10%
Rate of Return on Plan assets	7.45%	6.70%

* The estimates of future salary increases considered in actuarial valuation takes into account the inflation, seniority, promotions and other relevant factors.

The following table summarises the impact in percentage terms on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the reported assumption by 50 basis points:

Impact on defined benefit obligation	December 31, 2017		December 31, 2016	
	Discount Rate	Salary Escalation Rate	Discount Rate	Salary Escalation Rate
Increase in 50 bps	-4.21%	4.49%	-5.02%	5.36%
Decrease in 50 bps	4.52%	-4.22%	5.44%	-5.00%

These sensitivities have been calculated to show the movement in defined benefit obligation in isolation and assuming there are no other changes in market conditions at the accounting date. There have been no changes from the previous periods in the methods and assumptions used in preparing the sensitivity analyses.

Projected plan cash flow

The table below shows the expected cash flow profile of the benefits to be paid to the current membership of the plan based on past service of the employees as at the valuation date.

Maturity profile	Rupees Million
Year 1	62.85
Year 2	57.42
Year 3	54.69
Year 4	55.20
Year 5	55.13
Thereafter	1,183.20

The weighted average duration to the payment of these cash flows is 8.72 years.

HEXAWARE TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS

23 Operation and Other Expenses	Rupees Million	
	For the year ended	
	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Rent	409.58	390.34
Rates and taxes	42.41	40.32
Travelling and conveyance	815.92	828.02
Electricity charges	236.91	213.71
Communication expenses	271.53	293.03
Repairs and maintenance	451.53	380.13
Printing and stationery	40.74	36.01
Auditors remuneration	33.65	39.03
Legal and professional fees	270.58	174.03
Advertisement and business promotion	304.44	287.59
Bank and other charges	13.76	9.95
Directors' sitting fees	2.49	1.98
Insurance charges	51.88	52.91
Debts and advances written off	13.89	16.00
Provision for doubtful accounts (net of write back)*	29.26	(27.55)
Staff recruitment expenses	213.73	187.69
Service charges	326.17	222.12
Miscellaneous expenses	261.56	195.38
	<hr/>	<hr/>
	<u>3,790.03</u>	<u>3,340.69</u>

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- 24 The Group takes on lease offices space and accommodation for its employees under various operating leases. The lease term ranges between 1 year to 5 year with option to renew. The lease rentals towards operating lease agreements recognised in the Statement of Profit and Loss for the year are Rs. 409.58 million (Previous year Rs. 390.34 million). The future minimum lease payments and payment profile of the non-cancellable operating leases as at December 31:

Rupees Million		
Particulars	2017	2016
Not later than one year	466.92	335.37
Later than one year and not later than five years	434.82	607.31
Total	901.74	942.68

25 Employee share based compensation

- The Remuneration and Compensation Committee ('Committee') of the Company administers the stock options plans viz. ESOP 2002, 2007, 2008 and 2015 plan. Under the plans, the employees of the Company as well as its subsidiaries are granted options/ Restricted Stock Options (RSU) entitling them to one equity share of Rs 2/- each for each option granted. Exercise price is the market price of the shares of the Company at the grant date or the price determined by the Committee. During the year, the Company extended the vesting period (at an option of the RSU holder) by one year for the certain RSU's holders, The modification did not have material impact. The Options / RSU's vest over a period of 1 to 5 years from the date of grant on the basis of service period and/or achievement of performance conditions. The maximum time available to exercise upon vesting is 6 years.

25.2 The particulars of number of options granted and lapsed under the aforementioned:

	ESOP - 2002		ESOP - 2007		ESOP - 2008		ESOP - 2015		Total	
	Options (nos.)	Weighted avg. ex. price per option (Rs)	Options (nos.)	Weighted avg. ex. price per option (Rs)	Options (nos.)	Weighted avg. ex. price per option (Rs)	Options (nos.)	Weighted avg. ex. price per option (Rs)	Options (nos.)	Weighted avg. ex. price per option (Rs)
Outstanding as at the beginning of the year	- (23,000)	- (12.45)	427,750 (839,575)	62.79 (48.69)	3,632,751 (4,124,814)	2.00 (2.00)	5,203,906 (4,857,124)	2.00 (2.00)	9,264,407 (9,844,513)	4.81 (6.01)
Granted during the year	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	2,295,605 (1,048,312)	2.00 (2.00)	2,295,605 (1,048,312)	2.00 (2.00)
Exercised during the year	- (23,000)	- (12.45)	181,750 (334,325)	61.62 (37.55)	25,742 (69,843)	2.00 (2.00)	262,905 (38,130)	2.00 (2.00)	470,397 (465,298)	25.04 (28.06)
Lapsed during the year	- (-)	- (-)	66,750 (77,500)	57.14 (18.97)	684,170 (422,220)	2.00 (2.00)	671,460 (663,400)	2.00 (2.00)	1,422,380 (1,163,120)	4.59 (3.13)
Outstanding as at the end of the year	- (-)	- (-)	179,250 (427,750)	66.07 (62.79)	2,922,839 (3,632,751)	2.00 (2.00)	6,565,146 (5,203,906)	2.00 (2.00)	9,667,235 (9,264,407)	3.19 (4.81)
Exercisable as at the end of the year	- (-)	- (-)	179,250 (427,750)	66.07 (62.79)	246,094 (271,836)	2.00 (2.00)	428,988 (548,099)	2.00 (2.00)	854,332 (1,247,685)	15.44 (22.84)

The weighted average share price on the date of exercise of options / RSU during the year was Rs. 215.29 and Rs. 220.80 for the year ended December 31, 2017 and December 31, 2016 respectively.

* Previous year figures are given in brackets

25.3 Range of exercise price and weighted average remaining contractual life (in months) for the options outstanding:

Range of exercise price	December 31, 2017		December 31, 2016		January 1, 2016	
	Options/RSU's (Nos)	Life	Options/RSU's (Nos)	Life	Options (Nos)	Life
2- 12.45	9,487,985	38	8,836,657	47	9,263,738	55
40.28	-	-	57,000	7	57,000	19
59.08 - 79.85	179,250	3	370,750	15	523,775	27
Total	9,667,235		9,264,407		9,844,513	

25.4 The fair values of RSU's granted in year 2017 and 2016 are determined using Black Scholes Option pricing model using following principal assumptions:

Particulars	2017	2016
Weighted Average share price (Rs.)	247.04	213.63
Dividend Yield (%)	1.40 - 2.82	3.73 - 4.14
Expected Life (years)	1.25 - 4.35	1.32 - 3.85
Risk free interest rate (%)	6.26 - 6.73	6.41 - 7.42
Volatility (%)	28.97 - 37.13	37.03 - 39.39
Weighted Average fair value (Rs.)	232.32	189.47

The expected volatility is determined based on historical volatility.

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Earnings per share (EPS)

The components of basic and diluted EPS were as follows:

	For the year ended	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Net profit after tax (Rupees Million)	4,995.26	4,191.62
Weighted average outstanding equity shares considered for basic EPS (Nos.)	297,430,061	301,814,066
Basic earnings per share (In Rupees)	<u>16.79</u>	<u>13.89</u>
Weighted average outstanding equity shares considered for basic EPS (Nos.)	297,430,061	301,814,066
Add : Effect of dilutive issue of stock options (Nos.)	4,272,786	2,630,374
Weighted average outstanding equity shares considered for diluted EPS (Nos.)	<u>301,702,847</u>	<u>304,444,440</u>
Diluted earnings per share (In Rupees)	<u>16.56</u>	<u>13.77</u>

27 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 entity) (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 (KMP)

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

Rupees Million

Transactions	For the year ended	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Holding company		
Reimbursement of cost	3.82	-
Associate		
Software and consultancy income	110.79	-
Remuneration to KMP and directors		
Short term employee benefits	72.61	74.55
Share based payment	49.87	48.55
Commission and other benefits to non-executive directors	40.41	40.33

Closing balances as at	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>January 1, 2016</u>
	Receivables from associate	18.85	-
Payable to / provision for KMP and directors	64.05	71.95	66.79

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Financial Instruments

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

	Rupees Million				
	Amortised <u>Cost</u>	Fair value through profit and <u>loss</u>	Fair value through other comprehensive <u>income</u>	Derivative instrument in hedging <u>relationship</u>	Total carrying / <u>fair value</u>
December 31, 2017					
Cash and cash equivalents	5,147.41	-	-	-	5,147.41
Other bank balances	150.26	-	-	-	150.26
Investments in mutual fund units	-	189.19	-	-	189.19
Trade receivables	5,360.31	-	-	-	5,360.31
Unbilled revenue	2,368.50	-	-	-	2,368.50
Other financial assets	318.59	-	-	722.34	1,040.93
Investments in equity shares	-	-	4.58	-	4.58
	<u>13,345.07</u>	<u>189.19</u>	<u>4.58</u>	<u>722.34</u>	<u>14,261.18</u>
Trade payables	2,204.23	-	-	-	2,204.23
Other financial liabilities	1,626.70	-	-	7.89	1,634.59
	<u>3,830.93</u>	<u>-</u>	<u>-</u>	<u>7.89</u>	<u>3,838.82</u>

	Rupees Million				
	Amortised <u>Cost</u>	Fair value through profit and <u>loss</u>	Fair value through other comprehensive <u>income</u>	Derivative instrument in hedging <u>relationship</u>	Total carrying / <u>fair value</u>
December 31, 2016					
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
	<u>11,620.03</u>	<u>188.50</u>	<u>4.58</u>	<u>360.11</u>	<u>12,173.22</u>
Trade payables	1,958.64	-	-	-	1,958.64
Other financial liabilities	1,803.89	-	-	1.99	1,805.88
	<u>3,762.53</u>	<u>-</u>	<u>-</u>	<u>1.99</u>	<u>3,764.52</u>

	Rupees Million				
	Amortised <u>Cost</u>	Fair value through profit and <u>loss</u>	Fair value through other comprehensive <u>income</u>	Derivative instrument in hedging <u>relationship</u>	Total carrying / <u>fair value</u>
January 1, 2016					
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
	<u>10,731.18</u>	<u>409.33</u>	<u>4.58</u>	<u>60.00</u>	<u>11,205.09</u>
Trade payables	1,577.10	-	-	-	1,577.10
Other financial liabilities	1,575.14	-	-	39.15	1,614.29
	<u>3,152.24</u>	<u>-</u>	<u>-</u>	<u>39.15</u>	<u>3,191.39</u>

Carrying amount of cash and cash equivalents, other bank balances, trade receivables, unbilled revenue, trade payables, other financial assets and liabilities approximate the fair value because of their short term nature. Difference between carrying amounts and fair values of, other financial assets and liabilities subsequently measured at amortised cost is not significant in each of the years presented

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Financial Instruments (Cont'd)

28.2 Fair value hierarchy

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

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

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

Level 3 inputs are unobservable inputs for the asset or liability

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

	Rupees Million			
December 31, 2017	Level I	Level II	Level III	Total
Mutual fund units	189.19	-	-	189.19
Investments in equity shares	-	-	4.58	4.58
Derivative financial assets	-	722.34	-	722.34
	189.19	722.34	4.58	916.11
Derivative financial liabilities	-	7.89	-	7.89
December 31, 2016	Level I	Level II	Level III	Total
Mutual fund units	188.50	-	-	188.50
Investments in equity shares	-	-	4.58	4.58
Derivative financial assets	-	360.11	-	360.11
	188.50	360.11	4.58	553.19
Derivative financial liabilities	-	1.99	-	1.99
January 1, 2016	Level I	Level II	Level III	Total
Mutual fund units	409.33	-	-	409.33
Investments in equity shares	-	-	4.58	4.58
Derivative financial assets	-	60.00	-	60.00
	409.33	60.00	4.58	473.91
Derivative financial liabilities	-	39.15	-	39.15

Valuation Technique

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

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Financial Instruments (Cont'd)

28.3 Financial risk management

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

Geographic and client concentration risk

In year 2017, Americas contributed 81.12% (year 2016 - 82.86%) of the Group's total revenue. The Group continues to expand its global footprint to diversify geographic concentration though Americas remains largest market for the IT industry. The Group's exposure to the US regions is in line with the global industry practices. The Group will continue to invest in the region. There are a number of other growth factors in Americas such as favour for capitalism, highest per capita income, innovation driven culture and focus to retain high end work that allow us to identify and address the pockets of inefficiencies in the most optimum way.

55.00% of the revenue of the year 2017 is generated from top 10 clients (year 2016 - 56%). Any loss or major downsizing by these clients may impact Group's profitability. Further, excessive exposure to particular clients will limit Group's negotiating capacity and expose us to higher credit risk.

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

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

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 Rs. 5,360.31 million, Rs. 4,376.04 million and Rs. 4,405.78 million as at December 31, 2017, December 31, 2016 and January 1, 2016 respectively and unbilled revenue of Rs. 2,368.50 million, Rs. 2,638.51 million and Rs. 2,018.07 million as at December 31, 2017, December 31, 2016 and January 1, 2016 respectively.

We have adopted an effective receivable management system to control the Days' Sales Outstanding (DSO). Our DSO including unbilled revenue is 73 days, 68 days and 72 days as on December 31, 2017, December 31, 2016 and January 1, 2016 respectively, placing us favourably when compared with other companies in the IT industry. Refer Note No 12 for the age wise analysis of trade receivables that are not due as well as past due and allowance for the doubtful receivables.

Top 10 customer dues (including unbilled revenue) contribute 43.9% of the total outstanding as at December 31, 2017 (47.5% as at December 31, 2016).

Cash and cash equivalents and mutual funds are neither past due nor impaired. Cash and cash equivalents include deposits with banks and financial institution with high credit-ratings assigned by credit-rating agencies. The investment in liquid mutual fund units are measured at fair value through profit and loss.

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Financial Instruments (Cont'd)

28.3 Financial risk management (Cont'd)

Foreign Currency fluctuations Risk

Foreign exchange fluctuations is one of the key risks impacting our business. The offshore part of the revenue remains exposed to the risk of Rupee appreciation which is functional currency of the Company vis-a-vis the US Dollar, the Euro and other foreign currencies, as largely, the costs incurred are in Indian Rupees and the revenue/ inflows are in foreign currencies. The contracts we enter into with our customers tend to run across several years and many of these contracts are at fixed rates, therefore any appreciation in the Indian rupee vis-à-vis foreign currencies will affect our margins.

The Foreign Exchange Risk Management Policy authorized by the Forex Committee of the Board takes these circumstances into account and authorizes hedging on a systematic basis. These risks have been effectively addressed by the processes and controls laid out in the Foreign Exchange Risk Management Policy. The hedge ratio assigned to the exposures depends on the time horizon in which they fall, the near term exposures get a higher ratio whereas the farther exposures get a lower ratio. This graded approach ensures that hedges are spread across the hedge horizon in a tapered down manner. The exposure as indicated below is net of derivative contracts entered into by the Company.

Rupees Million

The following table analyses foreign currency risk from financial instruments as at December 31, 2017:

	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	<u>Others*</u>
Net financial assets	3,891.70	459.78	194.61	644.42
Net financial liabilities	365.90	85.32	69.68	58.53
Net assets/(liabilities)	<u>3,525.80</u>	<u>374.46</u>	<u>124.93</u>	<u>585.89</u>

Rupees Million

The following table analyses foreign currency risk from financial instruments as at December 31, 2016:

	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	<u>Others*</u>
Net financial assets	3,925.13	211.82	58.69	208.79
Net financial liabilities	1,076.23	20.83	13.03	13.05
Net assets/(liabilities)	<u>2,848.90</u>	<u>190.99</u>	<u>45.66</u>	<u>195.74</u>

Rupees Million

The following table analyses foreign currency risk from financial instruments as at January 1, 2016:

	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	<u>Others*</u>
Net financial assets	3,695.16	228.48	219.29	298.23
Net financial liabilities	1,247.91	0.59	55.32	42.62
Net assets/(liabilities)	<u>2,447.25</u>	<u>227.89</u>	<u>163.97</u>	<u>255.61</u>

10% depreciation/appreciation of the respective foreign currencies vis-a-vis functional currency of the Company and its subsidiaries would result in the increase/ decrease in Group's profit before tax approximately by Rs. 461.11 million, Rs. 328.13 million for the year ended December 31, 2017 and December 31, 2016, respectively.

*Others include currencies such as Singapore Dollars, Canadian Dollars, United Arab Emirates Dirhams, Philippine Pesos, Japanese Yen, Australian Dollars etc.

The Group uses derivative financial instruments such as foreign exchange forward contracts to mitigate the risk of changes in foreign exchange rates on trade receivables and forecasted cash flows denominated in certain foreign currencies.

The Group had outstanding hedging instrument in the form of foreign currency forward contracts as at:

Currency hedged (Sell contracts)	in Million		
	December 31 2017	December 31 2016	January 1 2016
USD	152.88	141.82	156.94
Euro	3.90	4.20	5.60
GBP	7.50	4.20	4.20

The weighted average forward rate for the hedges outstanding as at December 31, 2017 is Rs. 70.98, Rs. 82.16 and Rs. 91.87 (As at December 31, 2016 Rs. 72.57, Rs. 81.26 and Rs. 101.71) for USD, Euro and GBP, respectively. The hedges mature over the eight quarters.

10% depreciation/appreciation of the respective foreign currencies with respect to closing exchange rate would result in the increase/ decrease in Group's other comprehensive income approximate by Rs. 948.12 million and Rs. 900.56 million for the year ended December 31, 2017 and December 31, 2016 respectively.

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Financial Instruments (Cont'd)

28.3 Financial risk management (Cont'd)

Foreign Currency fluctuations Risk (Cont'd)

The movement in accumulated other comprehensive income on account of derivatives designated as cash flow hedges is as under:

	<u>For year ended</u> <u>December 31, 2017</u>	<u>Rupees Million</u> <u>For year ended</u> <u>December 31, 2016</u>
Balance at the beginning of the year	240.78	12.11
Less: Net gains transferred to statement of profit or loss on occurrence of forecasted hedge transaction	(595.35)	(147.35)
Add: Changes in the fair value of the effective portion of outstanding cash flow hedges	855.00	454.16
Less : Deferred tax on CFHR	(34.60)	(78.14)
Balance at the end of the year	<u>465.83</u>	<u>240.78</u>

There were no material hedge ineffectiveness for the year ended December 31, 2017 and December 31, 2016.

Liquidity risk

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

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

As at December 31, 2017, the Group had total cash, bank balance and investments of Rs. 5,521.41 million (as at December 31, 2016 Rs. 4,482.48 million) which constitutes approximately 21.76% of total assets (2016 - 19.40%). The Group does not have any debt.

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

	Rupees Million		
<u>As at December 31, 2017</u>	<u>Less than</u> <u>1 year</u>	<u>1-5 years</u>	<u>Total</u>
Trade payables	2,204.23	-	2,204.23
Derivative financial liabilities	4.49	3.40	7.89
Others (Refer note 16)	1,598.94	27.76	1,626.70
Total	<u>3,807.66</u>	<u>31.16</u>	<u>3,838.82</u>

	Rupees Million		
<u>As at December 31, 2016</u>	<u>Less than</u> <u>1 year</u>	<u>1-5 years</u>	<u>Total</u>
Trade payables	1,958.64	-	1,958.64
Derivative financial liabilities	1.80	0.19	1.99
Others (Refer note 16)	1,772.91	30.98	1,803.89
Total	<u>3,733.35</u>	<u>31.17</u>	<u>3,764.52</u>

	Rupees Million		
<u>As at January 1, 2016</u>	<u>Less than</u> <u>1 year</u>	<u>1-5 years</u>	<u>Total</u>
Trade payables	1,577.10	-	1,577.10
Derivative financial liabilities	15.34	23.81	39.15
Others (Refer note 16)	1,546.70	28.44	1,575.14
Total	<u>3,139.14</u>	<u>52.25</u>	<u>3,191.39</u>

Interest rate risk

The Group does not have any debt. The balances with banks is in the form of fixed interest rate deposits. Accordingly, the Group is not exposed to significant interest rate risk.

Capital management

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

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 Segment disclosures

29.1 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.

<u>Year ended December 31, 2017</u>	Rupees Million				
	<u>T & T</u>	<u>BFS</u>	<u>H & I</u>	<u>MC&O</u>	<u>Total</u>
Revenue	5,141.89	17,132.14	6,371.06	10,775.05	39,420.14
Expenses	(3,771.69)	(15,002.33)	(5,164.80)	(8,929.68)	(32,868.50)
Segment Profit	<u>1,370.20</u>	<u>2,129.81</u>	<u>1,206.26</u>	<u>1,845.37</u>	<u>6,551.64</u>
Less: Depreciation					(632.77)
Add: Exchange rate differences					449.62
Add: Other income					35.82
Less: Interest					(1.19)
Add: Share in net profit of associate					2.70
Profit Before Tax					<u>6,405.82</u>
Tax expense					<u>1,410.56</u>
Profit after tax					<u>4,995.26</u>

<u>Year ended December 31, 2016</u>	Rupees Million				
	<u>T & T</u>	<u>BFS</u>	<u>H & I</u>	<u>MC&O</u>	<u>Total</u>
Revenue	5,064.84	14,413.78	5,920.47	9,949.90	35,348.99
Expenses	(4,196.94)	(12,779.20)	(4,645.23)	(7,964.06)	(29,585.43)
Segment Profit	<u>867.90</u>	<u>1,634.58</u>	<u>1,275.24</u>	<u>1,985.84</u>	<u>5,763.56</u>
Less: Depreciation					(552.53)
Add: Exchange rate differences					355.93
Add: Other income					38.41
Less: Interest					(1.41)
Add: Share in net profit of associate					-
Profit Before Tax					<u>5,603.96</u>
Tax expense					<u>1,412.34</u>
Profit after tax					<u>4,191.62</u>

HEXAWARE TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 Segment disclosures (Cont'd)

29.2 Geographic disclosures

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

	Rupees Million	
	For the year ended	
	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Americas	31,976.72	29,290.24
Europe	4,185.02	4,071.58
India	1,083.90	762.40
Rest of the world	2,174.50	1,224.77
Total	<u>39,420.14</u>	<u>35,348.99</u>

- (b) The information regarding geographical non-current assets is as follows:

	Rupees Million		
	As at		
	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>January 1, 2016</u>
Americas	1,919.39	1,957.69	1,755.28
Europe	184.43	182.70	162.55
India	6,956.59	6,858.18	5,191.20
Rest of the world	98.52	134.11	133.46
Total	<u>9,158.93</u>	<u>9,132.68</u>	<u>7,242.49</u>

29.3 Customer information

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

Customer	Segment	Rupees Million	
		For the year ended	
		<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Customer A	BFS	5,344.42	4,922.08
Customer B	MC&O	5,093.42	4,272.69
Customer C	BFS	4,002.49	

All of above are categorised in Americas geography.

HEXAWARE TECHNOLOGIES LIMITED
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30 Contingent liabilities and commitment

30.1 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.

30.2 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. Accordingly, no provision against such demand is considered necessary.

30.3 Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) as at December 31, 2017 is Rs. 56.90 million (As at December 31, 2016 Rs. 280.93 million, January 1, 2016 Rs. 1,722.76 million)

31 Material events after Balance Sheet date

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

The Board of Directors, at its meeting held on February 7, 2018 has declared interim dividend of Rs 1/- per equity share (50%). This would result in cash outflow of Rs. 357.23 Million including corporate dividend tax of Rs. 60.42 million.

32 Approval of the financial statements

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