INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HEXAWARE TECHNOLOGIES LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated 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, comprising of the Consolidated Balance Sheet as at 31st December, 2016, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated
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 and consolidated cash flows of the Group and its Associate, in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, as applicable. The respective Board of Directors of the companies included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments 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 have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 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 financial statements.

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 sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated 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 as at 31st December, 2016, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matters

a) We did not audit the financial statements of eleven subsidiaries, whose financial statements reflect total assets of Rs. 3,573.54 million as at 31st December, 2016, total revenues of Rs. 5180.14 million and net cash flows amounting to Rs. 67.05 million for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the other auditors.

b) The consolidated financial statements include the Group's share of net loss of Rs 0.00 million for the year ended 31st December, 2016, as considered in the consolidated financial statements, in respect of one associate company, which is yet to commence operations, whose financial statements have not been audited. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this associate, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements certified by the Management.

Report on Other Legal and Regulatory Requirements

1. 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 financial statements.

    b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

    c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

    d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, as applicable.

    e) On the basis of the written representations received from the directors of the Holding Company as on 31st December, 2016 taken on record by the Board of Directors of the Holding Company and the report of the statutory auditors of its subsidiary company incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on 31st December, 2016 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 and the operating effectiveness of such controls, refer to our Report in "Annexure A", which is based on the auditors' reports of the Holding company and the subsidiary company incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Holding company's and the subsidiary company's internal financial controls over financial reporting.

    g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

        i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group– Refer Note 23 to the consolidated financial statements;

        ii. The Group did not have any material foreseeable losses on long-term contracts including derivative contracts.

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary company incorporated in India.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Abhijit A. Damle
Partner
(Membership No. 102912)

MUMBAI, 7th February, 2017

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT
(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31st December, 2016, we have audited the internal financial controls over financial reporting of Hexaware Technologies Limited (hereinafter referred to as "the Holding Company") and its subsidiary company, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company and its subsidiary company, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls 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 (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 Companies Act, 2013.

Auditor's Responsibility

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 Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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.

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.

We believe that the audit evidence we have obtained and the audit evidence obtained by the auditors of the subsidiary company, which is a company incorporated in India, in terms of their report referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

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

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

In our opinion and to the best of our information and according to the explanations given to us, the Holding Company and its subsidiary company, which are companies 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 31st December, 2016, 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.

Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to the subsidiary company, which is company incorporated in India, is based on the corresponding report of the auditor of such company incorporated in India.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Abhijit A. Damle
Partner
(Membership No. 102912)

MUMBAI, 7th February, 2017

HEXAWARE TECHNOLOGIES LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31st DECEMBER 2016

(Rupees Million)

Particulars	Note No.	As at 31st December 2016		As at 31st December 2015	
I. EQUITY AND LIABILITIES					
Share holders' funds :					
a. Share capital	"4"	604.06		603.13	
b. Reserves and surplus	"5"	16,506.95		13,728.93	
			17,111.01		14,332.06
Non-current liabilities :					
a. Deferred tax liabilities (net)	"6"	29.14		91.95	
b. Other long-term liabilities	"7"	40.49		30.80	
c. Long-term provisions - Employee benefits		434.06		322.67	
			503.69		445.42
Current liabilities :					
a. Trade payables					
i) Dues of micro and small enterprises		2.48		-	
ii) Others		1,288.76		981.88	
b. Other current liabilities	'8"	3,235.83		2,985.02	
c. Short-term provisions	'9"	1,270.11		1,553.52	
			5,797.18		5,520.42
Total			23,411.88		20,297.90
II. ASSETS					
Non-current assets :					
a. Fixed Assets :	"10"				
i) Tangible assets		3,328.23		3,378.30	
ii) Intangible assets		1,995.63		1,949.85	
iii) Capital work-in-progress		3,233.19		1,160.35	
		8,557.05		6,488.50	
b. Non-current investments	"11"	21.53		4.58	
c. Deferred tax asset (Net)	"6"	404.74		348.05	
d. Long-term loans and advances	"12"	1,752.00		1,813.28	
e. Other non-current assets	"13"	296.04		196.06	
			11,031.36		8,850.47
Current Assets :					
a. Current investments	"14"	188.50		409.33	
b. Trade receivables	"15"	4,376.04		4,405.78	
c. Cash and cash equivalents	"16"	4,126.38		3,864.46	
d. Short-term loans and advances	"17"	819.98		769.35	
e. Other current assets	"18"	2,869.62		1,998.51	
			12,380.52		11,447.43
Total			23,411.88		20,297.90
III. NOTES FORMING PART OF FINANCIAL STATEMENTS	"1 to 34"				

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

For and on behalf of the Board of Directors

Abhijit A. Damle
(Partner)

Atul K. Nishar
(Chairman)

Jimmy Mahtani
(Vice Chairman)

Place : Mumbai
Date : 7th February, 2017.

HEXAWARE TECHNOLOGIES LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31st DECEMBER 2016

	R. Srikrishna (CEO and Executive Director)	**Dileep Choksi** (Director)
	Meera Shankar (Director)	**Bharat Shah** (Director)
	P. R. Chandrasekar (Director)	
	Basab Pradhan (Director)	**Christian Oecking** (Director)
Place : Mumbai Date : 7th February, 2017.	**Rajesh Kanani** (Chief Financial Officer)	**Gunjan Methi** (Company Secretary)

HEXAWARE TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st DECEMBER 2016

(Rupees Million)

Particulars	Note No.	For the year ended 31st December 2016		For the year ended 31st December 2015	
I. INCOME					
a. Revenue from operations		35,348.99		31,235.23	
b. Other income	'19'	38.41	35,387.40	90.17	31,325.40
II. EXPENSES					
a. Software and development expenses	'20'	6,300.81		5,325.95	
b. Employee benefits expenses	'21'	19,705.12		17,521.08	
c. Operation and other expenses	'22'	3,349.05		2,818.89	
d. Employee Stock option compensation cost		246.74		211.10	
e. Exchange rate difference (net)		(355.93)		(81.40)	
f. Interest - Others		1.41		1.19	
g. Depreciation and amortization expense	'10'	558.43	29,805.63	482.47	26,279.28
Profit before tax			5,581.77		5,046.12
Tax expense					
Income tax - Current		1,564.39		1,260.96	
Less: MAT Credit (entitlement) / adjustment (net)		(40.86)		(79.87)	
Net current tax expense		1,523.53		1,181.09	
Income tax - Deferred Taxes		(112.85)	1,410.68	(67.07)	1,114.02
Profit for the year			4,171.09		3,932.10
Earnings per share (in Rupees)	'28'				
Basic			13.82		13.05
Diluted			13.70		12.94
Face value of equity share (in Rupees)			2.00		2.00
III. NOTES FORMING PART OF FINANCIAL STATEMENTS	"1 to 34"				

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

For and on behalf of the Board of Directors

Abhijit A. Damle
(Partner)

Atul K. Nishar
(Chairman)

Jimmy Mahtani
(Vice Chairman)

Place : Mumbai
Date : 7th February, 2017.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st DECEMBER 2016

R. Srikrishna (CEO and Executive Director)	**Dileep Choksi** (Director)
Meera Shankar (Director)	**Bharat Shah** (Director)
P. R. Chandrasekar (Director)	
Basab Pradhan (Director)	**Christian Oecking** (Director)
Rajesh Kanani (Chief Financial Officer)	**Gunjan Methi** (Company Secretary)

Place : Mumbai
Date : 7th February, 2017.

Hexaware Technologies Limited

Consolidated Cash Flow Statement for year ended 31st December, 2016 (Rupees Million)

	Particulars	For the year ended 31st December 16	For the year ended 31st December 15
A	**Cash Flow from operating activities**		
	Net Profit before tax	5,581.77	5,046.12
	Adjustments for:		
	Depreciation and amortization expenses	558.43	482.47
	Employee Stock option compensation cost	246.74	211.10
	Interest income	(5.52)	(12.45)
	Provision for doubtful accounts (net of write back)	(27.55)	38.32
	Debts and advances written off	16.00	14.81
	Dividend from current investments	(12.44)	(45.39)
	Profit on sale of fixed assets	(0.84)	(1.40)
	Deferred settlement loss relating to roll-over cash flow hedges	-	184.36
	Exchange rate difference (net) unrealised	72.39	(11.59)
	Interest - Others	1.41	1.19
	Operating profit before working capital changes	**6,430.39**	**5,907.54**
	Adjustments for:		
	Trade and other receivables	(928.44)	(1,499.88)
	Trade and other payables	748.23	744.92
	Cash generated from operations	**6,250.18**	**5,152.58**
	Direct Taxes Paid (Net)	(1,447.11)	(1,220.62)
	Net cash from operating activities	**4,803.07**	**3,931.96**
B	**Cash flow from investing activities**		
	Purchase of fixed assets	(2,222.67)	(1,366.69)
	Proceeds from sale of fixed assets	2.13	2.85
	Interest received	5.65	18.35
	Purchase of current investments	(7,162.44)	(9,406.24)
	Investment in Associate	(16.95)	-
	Proceeds from sale of investments	7,383.27	10,847.87
	Dividend from current investments	12.44	45.39
	Net cash (used in) / from investing activities	**(1,998.57)**	**141.53**
C	**Cash flow from financing activities**		
	Proceeds from issue of share capital (Net)	13.06	31.27
	Interest and other finance charges paid	(1.41)	(1.19)
	Dividend paid (including corporate dividend tax)	(2,505.86)	(3,172.17)
	Net cash used in financing activities	**(2,494.21)**	**(3,142.09)**
	Net increase in cash and cash equivalents	310.29	931.40
	Cash and cash equivalents at the beginning of the year	3,791.16	2,859.76
	Cash and cash equivalents at the end of the year (Refer Note No. 1 below)	4,101.45	3,791.16

Notes:

1. Components of cash and cash equivalents comprise the following:
   (Refer Note no. 16 of notes forming part of financial statements)

Cash and Bank Balances	4,293.98	4,018.55
Less: Restricted Bank Balances	(167.60)	(154.09)
Cash and cash Equivalents	4,126.38	3,864.46
Effect of changes in Exchange rate in cash and cash equivalents	(24.93)	(73.30)
Total Cash and Cash equivalents	**4,101.45**	**3,791.16**

2. The previous year's figures have been regrouped wherever necessary.

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

For and on behalf of the Board of Directors

Abhijit A. Damle
(Partner)

Atul K. Nishar
(Chairman)

Jimmy Mahtani
(Vice Chairman)

Place: Mumbai
Date : 7th February, 2017.

Hexaware Technologies Limited

Consolidated Cash Flow Statement for year ended 31st December, 2016

R. Srikrishna (CEO and Executive Director)	**Dileep Choksi** (Director)
Meera Shankar (Director)	**Bharat Shah** (Director)
P. R. Chandrasekar (Director)	
Basab Pradhan (Director)	**Christian Oecking** (Director)
Rajesh Kanani (Chief Financial Officer)	**Gunjan Methi** (Company Secretary)

Place : Mumbai
Date : 7th February, 2017.

1 Background

Hexaware Technologies Limited (“Hexaware” or the “Holding Company”) is a public limited company incorporated in India. The Company 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

a) Basis of Preparation of Financial Statements

These consolidated financial statements of Hexaware Technologies Limited , its subsidiaries and associate (together the “Group”) are prepared in accordance with generally accepted accounting principles applicable in India under the historical cost convention except for certain financial instruments which are measured at fair value. These financial statements comply in all material aspects with the applicable provisions of the Companies Act, 2013 (the "Act") .

The financial statements of subsidiaries used in the consolidation are drawn upto the same reporting date as that of the holding company, viz 31st December 2016.

b) Principles of Consolidation

a. The financial statements of the holding company and its subsidiaries have been consolidated on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenses, after eliminating intra- group balances, intra-group transactions and any unrealised gain or losses on balances remaining within the group in accordance with the Accounting Standard (AS 21) “Consolidated Financial Statements”.

b. The financial statements of the Holding Company and its subsidiaries have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances.

c. The excess of the cost to the Holding Company of its investments in each of the subsidiaries over and above the share of equity in the respective subsidiary, on the acquisition date, is recognized in the financial statements as goodwill which is tested for impairment on an annual basis.

d. Minority interest in the net assets of consolidated subsidiaries consists of:

i. The amount of equity attributable to minorities at the date on which investment in the subsidiary is made and

ii. the minorities’ share of movements in equity since the date the parent-subsidiary relationship comes into existence.

Minority interests in share of net profit/loss for the year is identified and adjusted against the profit after tax of the Company. Excess of loss attributable to the minority over the minority interest in the equity of the subsidiary is absorbed by the Company.

e. 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 of the investee after the acquisition date.

c) Use of Estimates

The preparation of the financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amount of assets and liabilities and disclosures relating to contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Difference between actual results and estimates are recognized in the period in which the results are known/materialise. Example of such estimates include provision for doubtful debts, employee benefits, share based compensation, provision for income taxes, accounting for contract costs expected to be incurred, the useful lives of depreciable fixed assets and provisions for impairment.

d) Revenue Recognition

a) Revenues from software solutions and consulting services are recognized on specified terms of contract. In case of contract on time and material basis revenue is recognised when the related services are performed and in case of fixed price contracts revenue is recognized using percentage of completion method of accounting. 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 included in other current assets represents amount 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, cost based projects and engagement services. Such revenue is recognised on completion of the related services and is billed in accordance with the specific terms of the contract with the client.

Revenue is reported net of discount / incentive.

b. Dividend income is recognised when right to receive is established.

c. Interest Income is recognised on time proportion basis.

d. Profit on sale of investments is recorded on transfer of title from the Company and is determined as the difference between the sales price and the then carrying value of the investment.

e) Fixed Assets

Fixed assets are stated at cost of acquisition less accumulated depreciation / amortisation and impairment loss, if any. Cost includes all expenses incurred for acquisition of assets to bring these to working conditions for intended use.

f) Depreciation and Amortisation

Depreciation and amortisation on fixed assets is provided on straight-line method based on the estimated useful lives of the assets as determined by the management based on the expert technical advice/stipulations of schedule II to the Act.

Asset Class	Estimated Useful Life
Building	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
Leasehold Land	Over the lease period
Improvements to leased Premises	Over the lease period
Software	3 years
Customer Contracts/Relations	5 years

g) Investments

Long term investments are stated at cost. Provision is made for diminution in the value of long term investments, if such diminution is other than temporary. Current investments are carried at cost or fair value, whichever is lower.

h) Foreign Currency Transaction / Translation

Transactions in foreign currency are recorded at the original rate of exchange in force at the time transactions are effected. Exchange differences arising on settlement of foreign currency transactions are recognized in the Statement of Profit and Loss.

Monetary items denominated in foreign currency are restated using the exchange rate prevailing at the date of the Balance Sheet and the resulting net exchange difference is recognized in the Statement of Profit and Loss.

In respect of forward contracts entered into to hedge foreign currency exposure in respect of recognized monetary items, the premium or discount on such contracts is amortized over the life of the contract. The exchange difference measured by the change in exchange rate between the inception dates of the contract / last reporting date as the case may be and the balance sheet date is recognized in the Statement of Profit and Loss. Any gain / loss on cancellation of such forward contracts are recognised as income / expense of the year.

Foreign Branches

In respect of the foreign branches, being integral foreign operations, all revenues and expenses during the year are reported at average rate prevailing during the period. Monetary assets and liabilities are restated at the year-end exchange rate. Non-monetary assets and liabilities are stated at the rate prevailing on the date of the transaction. Balance in `head office' account whether debit or credit is translated at the amount of the balance in the `foreign branch' account in the books of the head office. Net gain / loss on foreign currency translation are recognised in the Statement of Profit and Loss.

i) Translation and Accounting of Financial Statements of Foreign Subsidiaries.

The local accounts of the overseas subsidiaries, being non integral foreign operations, are maintained in local currency of the country of incorporation. The financial statements are translated to Indian Rupees as follows.

a. All income and expenses are translated at the average rate of exchange prevailing during the year.

b. Assets and liabilities are translated at the closing rate on the Balance Sheet date.

c. Share Capital and share application money are translated at historical rate.

d. The resulting exchange differences are accumulated in currency translation reserve.

j) Derivative Instruments and Hedge Accounting

The Company enters into foreign currency forward contracts and currency options contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The Company designates these instruments as cash flow hedges applying the recognition and measurement principles set out in the Accounting Standard (AS) 30 "Financial Instruments: Recognition and Measurement". These instruments are initially measured at fair value and are re-measured at subsequent reporting dates. Accordingly, the Company records the cumulative gain or loss on effective cash flow hedges in the Hedging Reserve account until the forecasted transaction materializes. Gain or loss on ineffective cash flow hedges is recognized in the Statement of Profit and Loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in hedging reserve is transferred to the Statement of Profit and Loss.

k) Employee Benefits

a. Post-employment benefits and other long term benefit plans:

Payments to defined contribution schemes and other similar funds are expensed as incurred. 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 each balance sheet date. Actuarial gains and losses are recognized in full in the Statement of Profit and Loss for the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight line basis over the average period until the benefits become vested. The retirement benefit liability recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, 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.

b. Short term employee benefits:

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

l) Borrowing Costs

Borrowing costs attributable to the acquisition or construction of qualifying assets are 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 charged to revenue.

m) Leases

Finance Lease

Assets taken on finance lease are accounted for as fixed assets 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.

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.

n) Taxes on Income

Income Taxes are accounted for in accordance with Accounting Standard (AS 22) on “Accounting for Taxes on Income”. Tax expense comprises of current tax and deferred tax. Current tax is measured at the amount expected to be paid or recovered from the tax authorities using the applicable tax rates. Deferred taxes are recognised for future tax consequence attributable to timing difference between taxable income and accounting income, measured at relevant enacted/ substantively enacted tax rates.

In the event of unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available to realise such assets. In other situations, deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realise these assets.

Minimum Alternate Tax (MAT) credit entitlement is recognized in accordance with the Guidance Note on “Accounting for credit available in respect of Minimum Alternate Tax under the Income Tax Act, 1961” issued by The Institute of Chartered Accountants of India (“ICAI”). MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will be able to adjust against the normal income tax during the specified period. At each balance sheet date the Company reassesses MAT credit assets, and adjusts the same where required.

Advance taxes paid and provisions for current income taxes are presented net in the balance sheet if arising in the same tax jurisdiction and where the entity intends to settle the asset and liability on a net basis.

o) Impairment of Assets

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Statement of Profit and 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.

p) Share Based Compensation

The compensation cost of stock options / Restricted Stock Units (RSU) granted to employees of the Company and its subsidiaries is measured using intrinsic value method for the grants made before 1st April, 2015 and for the subsequent grants the same is measured using fair value method being the recommended method of valuation by the Guidance note on Accounting for Employee Share Based Payments issued by the Institute of Chartered Accountants of India. The Compensation cost is amortised over the vesting period of the options.

Hexaware Technologies Limited
Notes forming part of Consolidated Financial Statements

q) Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when as a result of past events there is a present obligation that can be estimated reliably and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised, but are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial statements.

r) Cash and Cash Equivalents

Cash and cash equivalents comprise of cash, current account balances and demand deposit with banks and financial institutions.

3 Entities to Consolidation

Following table presents entities consolidated along with proportion of net assets and profit or loss as required by schedule III of the Act.

Year 2016

Sr. No.	Name of the Entity	Country of Incorporation	Net Assets		Share in Profit or Loss	
			As % of consolidated net assets	Rs. Million	As % of consolidated profit or loss	Rs. Million
	Wholly Owned Subsidiaries					
1	Hexaware Technologies Limited	India	63.22%	10,816.01	83.96%	3,502.04
2	Hexaware Technologies Inc.	United States of America	23.25%	3,977.54	13.34%	556.33
3	Hexaware Technologies, Mexico S. De. R.L. De. C.V.	Mexico	0.39%	67.87	3.06%	127.46
4	Hexaware Technologies UK Ltd.	United Kingdom	2.70%	461.56	1.90%	79.12
5	Hexaware Technologies Asia Pacific Pte Limited	Singapore	1.03%	176.82	-1.48%	(61.59)
6	Hexaware Technologies GmbH.	Germany	1.48%	255.44	0.47%	19.50
7	Hexaware Technologies Canada Limited.	Canada	-0.01%	(2.03)	0.16%	6.49
8	Risk Technology International Limited	India	6.97%	1,192.25	-0.20%	(8.17)
9	Hexaware Technologies DO Brazil Ltd , Brazil (Subsidiary of Hexaware Technologies UK Ltd)	Brazil	-0.03%	(5.97)	0.04%	1.74
10	Guangzhou Hexaware Information Technologies Company Limited	China	0.01%	1.79	-0.09%	(3.65)
11	Hexaware Technologies LLC (formed on 14th October 2015)	Russia	0.69%	118.70	-1.04%	(43.39)
12	Hexaware Technologies Saudi LLC (Received investment license, registration is under process.)	Saudi Arabia	0.04%	7.06	-0.07%	(2.71)
13	Hexaware Technologies Romania SRL (Subsidiary of Hexaware Technologies UK Ltd, formed on 28th September 2016)	Romania	0.16%	27.02	-0.05%	(2.08)
	Investment in Associate					
14	Experis Technology Solutions Pte Ltd (20% ownership interest w.e.f 16th December 2016) (The Company is yet to start operation)	Singapore	0.10%	16.95	0.00%	-
		Total	**100.00%**	**17,111.01**	**100.00%**	**4,171.09**

Year 2015

Sr. No.	Name of the Entity	Country of Incorporation	Net Assets		Share in Profit or Loss	
			As % of consolidated net assets	Rs. Million	As % of consolidated profit or loss	Rs. Million
	Wholly Owned Subsidiaries					
1	Hexaware Technologies Limited	India	58.87%	8,439.51	84.10%	3,307.05
2	Hexaware Technologies Inc.	United States of America	29.83%	4,275.80	11.54%	453.83
3	Hexaware Technologies, Mexico S. De. R.L. De. C.V.	Mexico	0.64%	91.11	1.90%	74.55
4	Hexaware Technologies UK Ltd.	United Kingdom	4.25%	608.51	1.88%	74.09
5	FocusFrame Europe BV (Subsidiary of Hexaware Technologies Inc.)	Netherland	0.00%	-	0.55%	21.63
6	Hexaware Technologies Asia Pacific Pte Limited	Singapore	1.28%	182.83	-0.44%	(17.41)
7	Hexaware Technologies GmbH.	Germany	1.68%	240.36	0.53%	21.01
8	Hexaware Technologies Canada Limited.	Canada	-0.02%	(2.37)	0.20%	7.75
9	Risk Technology International Limited	India	3.02%	432.17	-0.13%	(5.29)
10	Hexaware Technologies DO Brazil Ltd , Brazil (Subsidiary of Hexaware Technologies UK Ltd)	Brazil	-0.02%	(3.41)	0.04%	1.64
11	Guangzhou Hexaware Information Technologies Company Limited (formed and commenced business on 21st May 2015)	China	0.00%	0.42	-0.03%	(1.22)
12	Hexaware Technologies LLC (formed on 14th October 2015)	Russia	0.47%	67.13	-0.14%	(5.53)
	Total		**100.00%**	**14,332.06**	**100.00%**	**3,932.10**

(Rupees Million)

Particulars	As at 31st December 2016	As at 31st December 2015
4 SHARE CAPITAL		
a. Authorised		
475,000,000 Equity Shares of Rs. 2/- each	950.00	950.00
1,100,000 Series "A" Preference Shares of Rs. 1,421/- each (Authorised Preference share capital can be either cumulative or non cumulative with a power to the Company to convert the same into equity shares at any time.)	1,563.10	1,563.10
Total	2,513.10	2,513.10
b. Issued, Subscribed and Paid-up Capital		
Equity Shares of Rs. 2/- each Fully Paid.	604.06	603.13
Total	604.06	603.13

c. Reconciliation of number of shares

Particulars	Numbers (2016)	Amount (2016)	Numbers (2015)	Amount (2015)
Shares outstanding at the beginning of the year	301,562,897	603.13	300,923,472	601.85
Shares issued during the year	465,298	0.93	639,425	1.28
Shares outstanding at the end of the year	302,028,195	604.06	301,562,897	603.13

d. Details of shares held by shareholders holding more than 5% shares

Name of Shareholder	No. of Shares held (2016)	% of holding (2016)	No. of Shares held (2015)	% of holding (2015)
HT Global IT Solutions Holdings Ltd. (Holding Company)	215,047,193	71.20	215,047,193	71.31

e. Shares alloted as fully paid up by way of bonus shares during five years preceding the year end

The Company alloted 145,545,781 equity shares as fully paid up bonus shares by utilisation of Securities premium account on 2nd March, 2011 pursuant to shareholder's resolution passed in Extra Ordinary General Meeting held on 15th February, 2011

f. 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.

g. Shares reserved for issue under options

The Company has granted employee stock options under ESOP 2002, 2007 and 2008 schemes and restricted stock units (RSU) under the ESOP 2008 and 2015 scheme. Each option / RSU entitles the holder to one equity share of Rs. 2 each. 9,264,407 (9,844,513) options were outstanding as on 31st December, 2016. (Refer Note no. 29)

h. The Board of Directors, at its meeting held on 7th February, 2017 has declared 50% interim dividend of Rs. 1 /- per equity share. Further during the year, the Company has also paid interim dividends aggregating to Rs. 4.50 per share (225%).

i. The Board of Directors, at its meeting held on 25th October, 2016, approved a buyback proposal, to which the shareholders accorded their consent on 22nd December 2016, for purchase by the Company of upto 5,694,835 shares of Rs. 2 each (representing 1.9% of total issued equity shares) from the shareholders of the Company on a proportionate basis by way of a tender offer route at a price of Rs. 240 per equity share for an aggregate amount not exceeding Rs. 1,366.76 Million in accordance with the provisions of the Companies Act, 2013 and SEBI (Buy Back of Securities) Regulations, 1998. The buy back offer opens on 2nd February 2017 and closes on 15th February 2017

HEXAWARE TECHNOLOGIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Rupees Million)

Particulars		As at 31st December 2016			As at 31st December 2015	
5 RESERVES AND SURPLUS						
a **Securities premium account**						
As per last Balance Sheet		4,772.37			4,741.93	
Add : Received during the year		12.13			30.44	
Add : Transfer from Employee Stock Option outstanding		24.23			-	
			4,808.73			4,772.37
b **Employee stock options outstanding**						
As per last Balance Sheet		232.66			-	
Add: Employee stock options compensation cost (includes Rs Nil (Rs. 21.56 Million) transferred from other payable for expenses, being accrual in an earlier year)		246.74			232.66	
Less : Transfer to Securities Premium Account on exercise of stock options		24.23			-	
			455.17			232.66
c **General reserve**						
As per last Balance Sheet		2,144.05			2,140.38	
Add : Transfer from Statement of Profit and Loss		-			3.67	
			2,144.05			2,144.05
d **Hedging reserve**						
As per last Balance Sheet		15.96			(253.01)	
Add: (Profit) / Losses transferred to Statement of Profit and Loss on occurrence of forecasted hedge transactions (Net)		(147.35)			109.97	
Add: Changes in the fair value of the effective portion of outstanding cash flow hedges		454.16			159.00	
			322.77			15.96
e **Amalgamation reserve**			2.88			2.88
f **Special Economic Zone Re-investment reserve**						
As per last Balance Sheet		329.52			281.39	
Add : Transfer from Balance in Statement of Profit and Loss		177.73			172.75	
Less : Transfer to Statement of Profit and Loss on utilisation for acquisition of plant and machinery.		174.30			124.62	
			332.95			329.52
g **Currency translation reserve**						
As per last Balance Sheet		1,109.70			1,011.72	
Addition during the year (Net)		39.89			97.98	
			1,149.59			1,109.70
h **Balance in Statement of Profit and Loss**						
As per last Balance Sheet		5,121.79			4,378.41	
Add : Profit for the year		4,171.09			3,932.10	
Add : Transfer from Special Economic Zone Re-investment reserve		174.30			124.62	
		9,467.18			8,435.13	
Less : Appropriations						
Interim Dividend - Equity	1,660.60			2,608.16		
Tax on Dividend	338.04			528.76		
Transfer to General Reserve	-			3.67		
Transfer to Special Economic Zone Re-investment Reserve	177.73			172.75		
		2,176.37			3,313.34	
			7,290.81			5,121.79
Total			16,506.95			13,728.93

HEXAWARE TECHNOLOGIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Rupees Million)

	PARTICULARS		As at 31st December 2016	As at 31st December 2015
6	**DEFERRED TAX ASSETS / LIABILITIES**			
	a. Deferred tax assets:			
	i. Provision for doubtful receivables		9.03	8.53
	ii. Depreciation		11.10	9.83
	iii. Employee benefits		339.24	288.60
	iv. Provision - others		45.04	40.82
	v. Others		0.33	0.27
		Total	404.74	348.05
	b. Deferred tax liabilities:			
	i. Depreciation		182.70	169.51
			182.70	169.51
	Less: Deferred tax assets:			
	i. Employee benefits		104.32	67.49
	ii. Provision others		30.00	-
	ii. Provision for doubtful debts and advances		19.24	10.07
			153.56	77.56
		Total	29.14	91.95
7	**OTHER LONG-TERM LIABILITIES**			
	a For expenses		11.46	3.53
	b Capital creditors		29.03	27.27
		Total	40.49	30.80
8	**OTHER CURRENT LIABILITIES**			
	a Unearned revenues		252.33	275.13
	b Unclaimed dividend *		137.66	119.92
	c Other payables			
	- Employee related		1,237.73	1,036.83
	- Statutory liabilities		343.14	367.31
	- Deposit received from customer / lessee		0.03	0.38
	- Capital creditors		397.49	389.57
	- For expenses		867.45	795.88
		Total	3,235.83	2,985.02
	* There is no amount due and outstanding to be credited to Investor Education and Protection Fund.			
9	**SHORT-TERM PROVISIONS**			
	a For employee benefits		548.22	488.18
	b Proposed dividend		302.03	723.75
	c Tax on proposed dividend		61.48	147.34
	d Provision for taxation (net of advance tax) (net of MAT credit availed Rs. 0.25 Million (Rs. 47.68 Million))		186.45	104.47
	e Others (Refer note no. 32)		171.93	89.78
		Total	1,270.11	1,553.52

HEXAWARE TECHNOLOGIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 - FIXED ASSETS

(Rupees Million)

SR. NO.	PARTICULARS	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
		As at 01.01.2016	Additions	Deductions/ Adjustments	As at 31.12.2016	As at 01.01.2016	For the year	Deductions/ Adjustments	As at 31.12.2016	As at 31.12.2016	As at 31.12.2015
A	TANGIBLE ASSETS										
1	Land - Freehold	0.15	-	-	0.15	-	-	-	-	0.15	0.15
	Land - Leasehold (Refer note no.1)	455.87	121.89	-	577.76	34.64	5.89	-	40.53	537.23	421.23
2	Buildings	2,250.89	1.01	-	2,251.90	223.72	40.54	-	264.26	1,987.64	2,027.17
3	Plant and Machinery	1,763.17	173.19	44.55	1,891.81	1,293.90	224.67	44.42	1,474.15	417.66	469.27
4	Office Equipments	834.51	41.94	9.50	866.95	617.70	97.64	8.74	706.60	160.35	216.81
5	Furniture and Fixtures	604.72	27.00	9.84	621.88	434.65	46.16	8.77	472.04	149.84	170.07
6	Leasehold Improvements	105.68	33.57	3.76	135.49	39.26	28.86	3.66	64.46	71.03	66.42
7	Vehicles	26.48	0.17	1.85	24.80	19.30	2.80	1.63	20.47	4.33	7.18
	Total - Tangible Assets	6,041.47	398.77	69.50	6,370.74	2,663.17	446.56	67.22	3,042.51	3,328.23	3,378.30
	Previous year	*5,718.38*	*402.50*	*79.41*	*6,041.47*	*2,338.51*	*402.75*	*78.09*	*2,663.17*	*3,378.30*	
B	INTANGIBLE ASSETS										
1	Softwares (Other than internally generated)	452.53	87.81	3.94	536.40	331.43	82.92	4.15	410.20	126.20	121.10
2	Customer Contracts/Relations (Other than internally generated)	115.55	-	(26.89)	142.44	2.14	28.95	(3.10)	34.19	108.25	113.41
3	Goodwill On Consolidation	1,715.34	-	(45.84)	1,761.18	-	-	-	-	1,761.18	1,715.34
	Total - Intangible Assets	2,283.42	87.81	(68.79)	2,440.02	333.57	111.87	1.05	444.39	1,995.63	1,949.85
	Previous year	*2,011.39*	*190.04*	*(81.99)*	*2,283.42*	*252.94*	*79.72*	*(0.91)*	*333.57*	*1,949.85*	
C	CAPITAL WORK IN PROGRESS									3,233.19	*1,160.35*
	(Mainly in respect of buildings under construction)										
	CURRENT YEAR	8,324.89	486.58	0.71	8,810.76	2,996.74	558.43	68.27	3,486.90	**8,557.05**	**6,488.50**
	PREVIOUS YEAR	*7,729.77*	*592.54*	*(2.58)*	*8,324.89*	*2,591.45*	*482.47*	*77.18*	*2,996.74*	*6,488.50*	

Notes:

1 Includes Rs. 90.00 Million and Rs. 8.31 Million (Previous Year Rs. 7.40 Million) being lease premium and accumulated amortisation respectively in respect of one parcel of leasehold land alloted to the Company at Nagpur for which final lease agreement is being executed.

2 Plant and machinery includes computer systems.

3 Exchange difference (net) on account of translation of fixed assets into INR included under deductions / adjustments is as follows:

(Rupees Million)

Particulars	Gross Block	Depreciation
Goodwill on consolidation	45.84	-
TANGIBLE ASSETS		
Plant and Machinery	5.21	5.25
Office Equipments	1.77	1.19
Furniture and Fixtures	2.88	2.53
Leasehold Improvements	3.18	3.08
Vehicles	0.05	0.05
Intangible Assets		
Computer Softwares	0.40	0.18
Customer Contracts/Relations	26.89	3.10
Current year	86.22	15.38
Previous year	*87.55*	*6.41*

HEXAWARE TECHNOLOGIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Rupees Million)

	Particulars	As at 31st December 2016	As at 31st December 2015
11	**NON CURRENT INVESTMENTS**		
	Investment in Associate (Unquoted) (at Cost)		
	250,000 shares of USD 1 /- each in Experis Technology Solutions Pte. Ltd.	16.95	-
	Trade Investments - Others - Unquoted (At cost)		
	240,958 equity shares of Rs. 10/- each fully paid up in Beta Wind Farm Pvt.Ltd.	4.58	4.58
	Total	21.53	4.58
12	**LONG TERM LOANS AND ADVANCES (UNSECURED, CONSIDERED GOOD)**		
a	Capital advances	25.16	353.35
b	Security deposits	211.89	136.85
c	Advance income tax and fringe benefit tax (net of provision for tax)	316.50	342.24
d	MAT credit entitlement	958.59	917.48
e	Other loans and advances (includes service tax receivable, prepaid expenses, etc.)	239.86	63.36
	Total	1,752.00	1,813.28
13	**OTHER NON CURRENT ASSETS**		
a	Interest accrued on deposits	0.94	0.51
b	Unbilled services	-	39.69
c	Receivable on account of mark to market gains on derivative contracts (Refer note no. 27)	127.50	1.77
d	Non current bank balances		
	Restricted bank balances (Refer note no. 16)	167.60	154.09
	Total	296.04	196.06
14	**CURRENT INVESTMENTS**		
	Investments in Mutual funds (Unquoted)	188.50	409.33
	Total	188.50	409.33

(Rupees Million)

	Particulars	As at 31st December 2016		As at 31st December 2015	
15	**TRADE RECEIVABLES (UNSECURED)**				
a	Over six months from the due date				
	Considered good	55.09		26.49	
	Considered doubtful	63.68		83.61	
		118.77		110.10	
	Less: Provision for doubtful receivables	63.68	55.09	83.61	26.49
b	Others				
	Considered good	4,320.95		4,379.29	
	Considered doubtful	11.13		19.68	
		4,332.08		4,398.97	
	Less: Provision for doubtful receivables	11.13	4,320.95	19.68	4,379.29
	Total		4,376.04		4,405.78
16	**CASH AND CASH EQUIVALENTS**				
a	Cash in hand		-		0.03
b	Balances with banks				
	In current accounts	2,704.04		3,858.72	
	Remittances in transit	-		2.06	
	Bank deposit accounts with less than 3 months maturity	26.91	2,730.95	3.65	3,864.43
c	Other bank balances:				
	Earmarked balances with banks (Refer note no. 4(i))	1,395.43		-	
	Unclaimed dividend accounts	137.66		120.28	
	Margin money	29.94	1,563.03	33.81	154.09
	Cash and bank balances		4,293.98		4,018.55
d	Bank balances reclassified as non current assets				
	Restricted bank balances (Refer note no. 13)		(167.60)		(154.09)
	Total		4,126.38		3,864.46
17	**SHORT TERM LOANS AND ADVANCES (UNSECURED)**				
a	Considered good				
	i. Security deposits	34.70		9.70	
	ii. Advance Income Tax (net of provision for tax)	21.49		25.67	
	iii. Other loans and advances (includes service tax receivable, prepaid expenses, employee travel advances etc.)	763.79	819.98	733.98	769.35
b	Considered doubtful				
	Security deposits	34.56		35.15	
	Less : Provision for doubtful deposits	34.56	-	35.15	-
	Total		819.98		769.35
18	**OTHER CURRENT ASSETS**				
a	Interest accrued on deposits		0.49		1.05
b	Unbilled services		2,638.51		1,978.38
c	Receivable on account of mark to market gains on derivative contracts (net) (Refer note no. 27)		230.62		19.08
	Total		2,869.62		1,998.51

HEXAWARE TECHNOLOGIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Rupees Million)

Particulars	For the year ended 31st December 2016	For the year ended 31st December 2015
19 OTHER INCOME		
Dividend from current investments	12.44	45.39
Interest income	5.52	12.45
Profit on sale of fixed assets (Net)	0.84	1.40
Miscellaneous income	19.61	30.93
Total	38.41	90.17
20 SOFTWARE AND DEVELOPMENT EXPENSES		
Consultant travel and related expenses	1,572.86	1,463.74
Software expenses (includes subcontracting charges Rs. 4,567.90 Million (Rs. 3732.45 Million))	4,727.95	3,862.21
Total	6,300.81	5,325.95
21 EMPLOYEE BENEFIT EXPENSES		
Salary and allowances	17,169.70	15,288.03
Contribution to provident and other funds	2,063.49	1,820.08
Staff welfare expenses	471.93	412.97
Total	19,705.12	17,521.08

(Rupees Million)

PARTICULARS	For the year ended 31st December 2016		For the year ended 31st December 2015	
22 OPERATIONS AND OTHER EXPENSES				
Rent (Refer note no 26)		391.58		272.68
Rates and taxes		40.32		48.52
Travelling and conveyance expenses		828.02		721.37
Electricity charges		213.71		195.21
Communication expenses		293.03		252.89
Repairs and maintenance				
Buildings	50.18		36.28	
Plant and machinery	218.38		172.36	
Others	111.57		111.80	
		380.13		320.44
Printing and stationery		36.01		33.12
Auditors remuneration				
Audit fees	24.21		22.94	
Tax audit fees	8.41		7.62	
Certification work, Taxation and other matters	6.41		5.74	
		39.03		36.30
Legal and professional fees		177.53		156.95
Advertisement and business promotion expenses		287.59		150.63
Bank and other charges		9.95		9.95
Directors' sitting fees		1.98		1.57
Insurance charges		52.91		50.84
Debts and advances written off		16.00		14.81
Provision for doubtful accounts (Net of write back Rs. 62.32 Million (Rs. 16.03 Million))		(27.55)		38.32
Staff recruitment expenses		187.69		159.26
Service charges		222.12		193.23
Miscellaneous expenses		199.00		162.80
Total		3,349.05		2,818.89

23 **Contingent liability in respect of :**

a) Claims not acknowledged as debt Rs. 28.14 million (Previous Year Rs 28.14 million), 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.

b) Claims for taxes on income:

Income taxes of Rs 9.59 million (Previous year Rs 9.74 million) 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 merits, expects favourable outcome. Hence, no provision is considered necessary.

24 Current income tax expense comprises of taxes on income from operations in India and foreign jurisdictions. In respect of certain entities in the group, 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. Tax expense relating to overseas operation is determined in accordance with the tax laws applicable in countries where such operations are domiciled.

25 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 280.93 million (Previous year Rs. 1,722.76 million).

26 The Group takes on lease offices space and accommodation for its employees under various operating leases. The lease rentals towards operating lease agreements recognised in the Statement of Profit and Loss for the year are Rs. 391.58 million (Previous year Rs. 272.68 million).

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

Rupees Million

Particulars	As at 31st December 2016	As at 31st December 2015
Not Later than one year	335.37	216.69
Later than one year and not later than five years	607.31	550.26
Total	**942.68**	**766.95**

27 **Derivative Instruments**

Forward exchange contracts to Sell US Dollar 141.82 million, Euro 4.20 million and GBP 4.20 million are outstanding as of 31st December, 2016 (Previous Year US Dollar 156.94 million ,Euro 5.60 million and GBP 4.20 million)

Fair value net gain on the derivative instruments identified as cash flow hedges is Rs. 358.12 million as at 31st December, 2016 (Previous Year Rs. 20.85 million).

Net gain of Rs. 322.77 million recognized in Hedging Reserve as at 31st December 2016 is expected to be recycled to Statement of Profit and Loss over two years.

28 **Earnings Per Share (EPS) - The components of basic and diluted earnings per share are as follows :**

Particulars	**For the Year ended 31st December**	
	2016	**2015**
Net profit after tax (Rs. million)	4,171.09	3,932.10
Weighted average outstanding equity shares considered for basic EPS (Nos)	301,814,066	301,313,790
Basic Earnings per share (in Rs.)	13.82	13.05
Weighted average outstanding equity shares considered for basic EPS (Nos)	301,814,066	301,313,790
Add : Dilutive impact of employee stock options (Nos)	2,630,374	2,459,825
Weighted average outstanding equity shares considered for diluted EPS (Nos)	304,444,440	303,773,615
Diluted Earnings per share: (in Rs.)	13.70	12.94

29 Share Based Compensation (ESOP)

a) 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. The Options / RSU's vest over a period of 1 to 4 years from the date of grant on the basis of service period and/or performance achievement. The maximum time available to exercise upon vesting is 6 years.

b) The particulars of number of options granted and lapsed under the aforementioned Schemes are tabulated below

	ESOP - 2002		ESOP - 2007		ESOP - 2008		ESOP - 2015		Total	
Particulars	**Options (nos.)**	**Weighted ex. Price per share (Rs.)**	**Options (nos.)**	**Weighted ex. Price per share (Rs.)**	**Options/ RSU's (nos.)**	**Weighted ex. Price per share (Rs.)**	**RSU's (nos.)**	**Weighted ex. Price per share (Rs.)**	**Options/ RSU's (nos.)**	**Weighted ex. Price per share (Rs.)**
Outstanding at the beginning of the year	23,000	12.45	839,575	48.69	4,124,814	2.00	4,857,124	2.00	9,844,513	6.01
	(51,000)	(12.45)	(1,525,500)	(50.23)	(-)	(-)	(-)	(-)	(1,576,500)	(49.01)
Granted during year	-	-	-	-	-	-	1,048,312	2.00	1,048,312	2.00
	(-)	(-)	(-)	(-)	(4,217,814)	(2.00)	(4,974,924)	(2.00)	(9,192,738)	(2.00)
Exercised during the year	23,000	12.45	334,325	37.55	69,843	2.00	38,130	2.00	465,298	28.06
	(28,000)	(12.45)	(611,425)	(51.31)	(-)	(-)	(-)	(-)	(639,425)	(49.60)
Lapsed during the year	-	-	77,500	18.97	422,220	2.00	663,400	2.00	1,163,120	3.13
	(-)	(-)	(74,500)	(58.74)	(93,000)	(2.00)	(117,800)	(2.00)	(285,300)	(16.82)
Outstanding at the year end	-	-	427,750	62.79	3,632,751	2.00	5,203,906	2.00	9,264,407	2.00
	(23,000)	(12.45)	(839,575)	(48.69)	(4,124,814)	(2.00)	(4,857,124)	(2.00)	(9,844,513)	(6.01)
Exercisable as at the year end	-	-	427,750	62.79	271,836	2.00	548,099	2.00	1,247,685	2.00
	(23,000)	(12.45)	(839,575)	(48.69)	(-)	(-)	(-)	(-)	(862,575)	(47.73)

Previous Year figures are given in brackets.

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

Range of exercise price	**As at 31st December 2016**		**As at 31st December, 2015**	
	Options/ RSU's (Nos)	**Life**	**Options (Nos)**	**Life**
2- 12.45	8,836,657	47	9,263,738	55
40.28	57,000	7	57,000	19
59.08 - 79.85	370,750	15	523,775	27
Total	**9,264,407**		**9,844,513**	

d) The Company has followed the Intrinsic Value-based method of accounting for grants made before April 1, 2015. For the grants made after 1st April, 2015, the Company has recognised compensation cost using fair value method. Had the compensation costs for the grants made before 1st April, 2015 been recognised using fair value method, the income would have been higher by NIL (Previous year higher Rs.7.51 million) and earnings per share (EPS) as reported would be as indicated below:

Particulars	**Year 2016**	**Year 2015**
Basic EPS		
As reported (in Rs.)	13.82	13.05
Adjusted (in Rs.)	13.82	13.07
Diluted EPS		
As reported (in Rs.)	13.70	12.94
Adjusted (in Rs.)	13.70	12.97

e) During the year, the Company granted 1,048,312 RSU's under ESOP 2015 plan with weighted average fair value of Rs. 189.47/- per share. The fair values of the RSU's are determined using Black Scholes Option pricing model using following assumptions:

Particulars	**Year 2016**
Weighted Average share price	213.63
Dividend Yield (%)	3.73- 4.14
Expected Life (years)	1.32-3.85
Risk free interest rate (%)	6.41- 7.42
Volatility (%)	37.03- 39.39

The expected volatility is determined based on historical volatility.

30 Related party disclosures

Names of related parties

Ultimate Holding Company and it's subsidiaries

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

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

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

Holding Company (control exists)

HT Global IT Solutions Holdings Limited, Mauritius

Key Management Personnel

Mr. R. Srikrishna - Executive Director and CEO

Mr Amrinder Singh - Whole Time Director of Hexaware Technologies UK Ltd

Mr Rajiv Pant – President, North America operations of Hexaware Technologies Inc. (upto 30th August 2015)

Particulars	**Remuneration (Rupees Million)**	
	Year - 2016	Year -2015
Mr. R Srikrishna (including share based payment)	123.10	135.82
Mr. Rajiv Pant	-	36.29
Mr. Amrinder Singh	26.21	29.97
	Closing Balances	
Payable to KMP (Rs Million)	35.39	36.35
Options / RSU's granted to KMP (Nos.)	845,830	607,238

31 Employee benefit plans

i) **Provident Fund, 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 Provided 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 2016.

Rupees Million

Particulars	**As at 31st December**	
	2016	**2015**
Present value of benefit obligation	2,529.28	2,178.84
Fair value of plan assets	2,529.28	2,178.84
Expected Investment return	8.68%	8.91%
Remaining term of maturities of plan assets	6.97 years	7.41 years
Expected guaranteed interest rates	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 Company has recognized expenses towards contributions to provident fund and other funds and superannuation funds of Rs. 280.85 million (Previous year Rs 261.42 million) and Rs 5.04 million (Previous year Rs. 6.03 million) respectively.

b) The Company contributed Rs 665.99 million (Previous year Rs. 554.98 million) towards various other defined contributions plans of subsidiaries located outside India during the year ended 31st December, 2016 as per laws of the respective country.

ii) **Gratuity Plan:**

The Company makes annual contribution to the Employee's Group Gratuity Assurance Scheme, administered by the Life Insurance Corporation of India ('LIC'), a funded defined benefit plan for qualifying employees. The scheme provides for lumpsum 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. Vesting occurs on completion of five years of service.

The following table sets out the status of the gratuity plan for the year ended 31st December, 2016:

Rupees Million

Particulars	**Year 2016**	**Year 2015**
Change in Defined Benefit Obligation		
Opening defined benefit obligation	**544.30**	**468.10**
Current service cost	107.73	91.14
Interest cost	50.71	44.30
Actuarial losses / (gains)	5.18	(21.26)
Benefits paid	(60.37)	(37.98)
Closing defined benefit obligation	***647.55***	***544.30***
Change in the Fair Value of Assets		
Opening fair value of plan assets	***415.27***	**319.35**
Expected return on plan assets	34.87	27.11
Actuarial (losses) / gains	(2.74)	0.31
Contribution by employer	53.86	106.48
Benefits paid	(60.37)	(37.98)
Closing fair value of plan assets	***440.89***	***415.27***
Net liability as per actuarial valuation	***206.66***	***129.03***
Expense for the year		
Current service cost	107.73	91.14
Interest on defined benefit obligation	50.71	44.30
Expected return on plan assets	(34.87)	(27.11)
Actuarial losses / (gains)	7.92	(21.57)
Total Included in Employment expenses	***131.49***	***86.76***
Actual return on plan assets	**32.13**	**27.42**
Category of assets -Insurer Managed Fund #	**440.89**	**415.27**

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. 100.00 million to gratuity funds for the year ending 31st December, 2017 (Rs 77.00 million for year ended 31st December 2016).

Financial assumptions at the valuation date	**Year 2016**	**Year 2015**
Discount rate	6.70%	8.00%
Rate of increase in compensation levels of covered employees *	6% to 10%	6% to 10%
Expected Rate of Return on Plan assets **	8.00%	8.00%

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

** Expected rate of return on plan assets is based on expectation of the average long term rate of return expected to prevail over the estimated term of the obligation on the type of the investments assumed to be held by LIC.

Rupees Million

Other details	**31-Dec-16**	**31-Dec-15**	**31-Dec-14**	**31-Dec-13**	**31-Dec-12**
Defined Benefit Obligation	647.55	544.30	468.10	363.33	344.26
Plan Assets	440.89	415.27	319.35	283.06	201.41
Surplus / (Deficit)	(206.66)	(129.03)	(148.75)	(83.30)	(142.85)
Experience Adjustment on Plan Liabilities	(83.37)	(43.21)	(33.10)	(35.11)	(18.49)
Experience Adjustment on Plan Assets	(2.74)	0.31	1.90	3.85	1.67

32 Provision Others' represents provisions towards expenditure relating to employee benefit obligations on contract acquisition and provision for loss on contract execution, the outflow for which is expected in the next year.

Rupees Million

Particulars	2016	2015
Provision at the beginning of the year	89.78	92.30
Provision made during the year	140.02	85.62
Paid /Adjusted during the year	(57.87)	(88.14)
Provision at the end of the year	**171.93**	**89.78**

33 Segments

(Rupees Million)

Primary Segment : Business Segments	Travel and Transportation	Banking and Financial Services	Insurance and Healthcare	Manufacturing, Consumer and Others	Total
Segment Revenue	5,064.84	14,413.78	5,920.47	9,949.90	35,348.99
	(5,240.08)	(11,660.84)	(5,095.93)	(9,238.38)	(31,235.23)
Segment Results	865.56	1,627.93	1,272.51	1,981.27	5,747.27
	(974.74)	(1,421.55)	(1,076.93)	(1,884.99)	(5,358.21)
Less: Unallocable expenses					202.50
					(401.07)
Add: Other Income					38.41
					(90.17)
Less: Interest					1.41
					(1.19)
Profit before tax					5,581.77
					(5,046.12)
Less: Provision for taxation					1,410.68
					(1,114.02)
Profit after tax					4,171.09
					(3,932.10)
Secondary Segment – Geographic Segment	**North America**	**Europe**	**India**	**Rest of the World**	**Total**
Revenue attributable to location of customers	29,290.24	4,071.58	762.40	1,224.77	35,348.99
	(25,416.85)	(3,994.20)	(571.07)	(1,253.11)	(31,235.23)
Segment assets based on their locations	6,795.60	1,394.78	9,735.67	243.46	18,169.51
	(6,665.38)	(1,275.47)	(8,076.17)	(363.50)	(16,380.52)
Additions to fixed assets (including capital work in progress)	108.58	33.33	2,415.97	1.54	2,559.42
	(148.87)	(3.53)	(1,126.74)	(123.29)	(1,402.43)
Goodwill	1,606.07	155.11	-	-	1,761.18
	(1,564.26)	(151.08)	(-)	(-)	(1,715.34)

Notes:

1. The Company has identified business segment as the primary segment. Business segments have been identified taking into account the services offered to customers globally operating in different industry segments, differing risks and returns, the organizational and the internal reporting systems.

2. 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.

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

4. Previous year figures are given in brackets.

34 Previous years figures have been regrouped / reclassified wherever necessary to correspond with the current years classification / disclosure.

For and on behalf of the board of directors

Atul K. Nishar
(Chairman)

Jimmy Mahtani
(Vice Chariman)

R. Srikrishna
(CEO & Executive Director)

Dileep Choksi
(Director)

Meera Shankar
(Director)

Bharat Shah
(Director)

Basab Pradhan
(Director)

Christian Oecking
(Director)

P. R. Chandrasekar
(Director)

Rajesh Kanani
(Chief Financial Officer)

Gunjan Methi
(Company Secretary)

Place : Mumbai
Date : 7th February, 2017