

# B S R & Co. LLP

Chartered Accountants

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## Independent Auditor's Report

### To the Board of Director of Hexaware Technologies Canada Limited

#### Report on the Audit of the Special Purpose Financial Statements

##### Opinion

We have audited the accompanying special purpose financial statements of Hexaware Technologies Canada Limited ("the Company"), which comprise the Balance Sheet as at 31 December 2019, the Statement of Profit and Loss (including other comprehensive income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to special purpose financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as the "special purpose financial statements"). These special purpose financial statements have been prepared by the Company's management as described in Note 2.1 to the special purpose financial statements.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid special purpose financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 December 2019 and , its profit (including other comprehensive income), its changes in equity and its cash flows for the year ended on that date.

##### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) issued by the Institute of Chartered Accountants of India ("ICAI"). Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the special purpose financial statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the ICAI together with the ethical requirements that are relevant to our audit under the provisions of the Act and we have fulfilled our other ethical responsibilities in accordance with these requirements and the-Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Management's Responsibility for the special purpose Financial Statements

The Company's Management and Board of Directors are responsible for the preparation of these special purpose financial statements that give a true and fair view of the state of affairs, profit/loss (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards notified by the Ministry of Corporate Affairs, as described in Note 2.1 to the special purpose financial statements.

This responsibility also includes maintenance of adequate accounting records for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable

## **Independent Auditor's Report (Continued)**

### **Hexaware Technologies Canada Limited.**

#### **Management's Responsibility for the special purpose Financial Statements (Continued)**

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 special purpose financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the special purpose financial statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is also responsible for overseeing the Company's financial reporting process.

#### **Auditor's Responsibility for the audit of special purpose Financial Statements**

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management

## Independent Auditor's Report (*Continued*)

### Hexaware Technologies Canada Limited

#### Auditor's Responsibility for the special purpose Financial Statements (*Continued*)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the special purpose financial statements, including the disclosures, and whether the special purpose financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### Restriction on Use

This report is issued only for the purpose of consolidation of financial statement of the Company with the Holding Company, Hexaware Technologies Limited, and to comply with the provisions of Section 129 read with Section 136 of the Companies Act, 2013 and should not be used for any other purposes. These special purpose financial statements are not the statutory financial statements of the Company. Our report must not be copied, disclosed, quoted or circulated, or referred to, in correspondence or discussion, in whole or in part or distributed to anyone other than the purpose for which it has been issued without our prior written consent.

For **B S R & Co. LLP**  
*Chartered Accountants*

Firm's Registration No: 101248W/W-100022



**Rajesh Mehra**  
*Partner*

Membership No: 103145  
UDIN: 20103145AAAAAK5190

Mumbai  
11 February 2020

**HEXAWARE TECHNOLOGIES CANADA LIMITED**  
**BALANCE SHEET AS AT DECEMBER 31, 2019**

(Amount in CAD)

	Note	As at	
		December 31, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment (PPE)	4	3,467	2,440
Intangible assets	5	-	-
<b>Total non-current assets</b>		<b>3,467</b>	<b>2,440</b>
<b>Current assets</b>			
<b>Financial assets</b>			
- Trade receivables	6	2,488,728	1,909,783
- Cash and cash equivalents	7	1,047,150	423,046
- Loans - security deposit	8	-	2,330
- Other financial assets	9	239,871	102,016
Other current assets	10	-	1,195
<b>Total current assets</b>		<b>3,775,749</b>	<b>2,438,370</b>
<b>Total assets</b>		<b>3,779,216</b>	<b>2,440,810</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity share capital	11	23,385	23,385
Other equity		2,467,637	1,852,631
<b>Total equity</b>		<b>2,491,022</b>	<b>1,876,016</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
- Trade and other payables	12	138,326	66,749
- Other financial liabilities	13	602,061	281,125
Other current liabilities	14	208,347	89,276
<b>Provisions</b>			
Employee benefit obligations in respect of compensated absences		193,460	64,144
Current tax liabilities (net)		146,000	43,300
<b>Total current liabilities</b>		<b>1,288,194</b>	<b>564,594</b>
<b>Total liabilities</b>		<b>1,288,194</b>	<b>564,594</b>
<b>Total equity and liabilities</b>		<b>3,779,216</b>	<b>2,440,810</b>

The accompanying notes 1 to 28 form an integral part of the financial statement

As per our report of even date attached  
 For B S R & Co. LLP  
 Firm Registration Number : 101248W/W-100022  
 Chartered Accountants



Rajesh Mehra  
 Partner  
 Membership Number : 103145  
 Place : Mumbai  
 Date : February 11, 2020

For and on behalf of the Board of Directors



R. Srivastava  
 Director  
 Place : Mumbai  
 Date : February 11, 2020

**HEXAWARE TECHNOLOGIES CANADA LIMITED**  
**STATEMENT OF PROFIT AND LOSS**

(Amount in CAD)

	Notes	For year ended	
		December 31, 2019	December 31, 2018
<b>INCOME</b>			
Revenue from operations	15	10,160,480	4,017,968
Other income		3	-
<b>Total income</b>		<b>10,160,483</b>	<b>4,017,968</b>
<b>EXPENSES</b>			
Software and development expenses	16	130,137	128,822
Employee benefits expense	17	9,125,936	3,525,876
Operation and other expenses	18	72,118	27,449
Depreciation and amortisation expense	4.5	1,356	634
<b>Total expense</b>		<b>9,329,547</b>	<b>3,880,781</b>
<b>Profit before tax</b>		<b>650,945</b>	<b>337,187</b>
Tax expense - current		236,139	69,963
<b>Profit for the year</b>		<b>614,806</b>	<b>247,224</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>614,806</b>	<b>247,224</b>
<b>Earnings per share (Basic and diluted)</b>	19	<b>614,806</b>	<b>247,224</b>

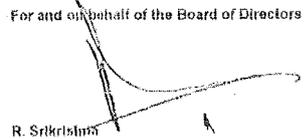
The accompanying notes 1 to 20 form an integral part of the financial statement

As per our report of even date attached  
 For B S R & Co. LLP  
 Firm Registration Number : 101246WAW-100022  
 Chartered Accountants



Rajesh Mehra  
 Partner  
 Membership Number : 103145  
 Place : Mumbai  
 Date : February 11, 2020

For and on behalf of the Board of Directors



R. Srikrishna  
 Director  
 Place : Mumbai  
 Date : February 11, 2020

**HEXAWARE TECHNOLOGIES CANADA LIMITED**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2019**

**A. Equity share capital**

	<u>As at</u> <u>December 31, 2019</u>	Amount in CAD <u>As at</u> <u>December 31, 2018</u>
Outstanding at the beginning of the year	23,385	23,385
Issued during the year	-	-
Outstanding at the end of the year	<u>23,385</u>	<u>23,385</u>

**B. Other equity**

	<u>Retained earnings</u>
Balances as at January 1, 2019	1,852,831
Profit for the year	614,806
As at December 31, 2019	<u>2,467,637</u>
Balances as at January 1, 2018	1,605,607
Profit for the year	247,224
As at December 31, 2018	<u>1,852,831</u>

**Description of component of other equity**

a) Retained earnings comprise of the accumulated undistributed earnings.

The accompanying notes 1 to 28 form an integral part of the financial statement

As per our report of even date attached  
**For B S R & Co. LLP**  
 Firm Registration Number : 101248WW-100022  
 Chartered Accountants



**Rajesh Mehra**  
 Partner  
 Membership Number : 103145  
 Place : Mumbai  
 Date : February 11, 2020

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



**R. Srikrishna**  
 Director  
 Place : Mumbai  
 Date : February 11, 2020

**HEXAWARE TECHNOLOGIES CANADA LIMITED**  
**STATEMENT OF CASH FLOW**

(Amount In CAD)

	For year ended	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Cash Flow from operating activities</b>		
Net Profit before tax	850,945	337,187
<b>Adjustments for:</b>		
Depreciation and amortisation expense	1,356	634
Interest Income	(3)	-
<b>Operating profit before working capital changes</b>	<u>852,298</u>	<u>337,821</u>
<b>Adjustments for:</b>		
Trade receivables and other assets	(713,275)	(506,817)
Trade payables / provisions and other liabilities	<u>620,900</u>	<u>242,118</u>
<b>Cash generated from operations</b>	<u>759,923</u>	<u>73,122</u>
Direct Taxes Paid / refund (net)	<u>(133,439)</u>	<u>(44,763)</u>
<b>Net cash from operating activities</b>	<u>626,484</u>	<u>28,359</u>
<b>Cash flow from investing activities</b>		
Purchase of fixed assets	(2,383)	(3,075)
Interest received	<u>3</u>	<u>-</u>
<b>Net cash used in investing activities</b>	<u>(2,380)</u>	<u>(3,075)</u>
Net increase/ (decrease) in cash and cash equivalents	624,104	25,284
Cash and cash equivalents at the beginning of the year	<u>423,046</u>	<u>397,762</u>
<b>Cash and cash equivalents at the end of the year (Refer Note 7)</b>	<u>1,047,150</u>	<u>423,046</u>

The accompanying notes 1 to 28 form an integral part of the financial statement

As per our report of even date attached

For B S R & Co. LLP

Firm Registration Number : 101248WW-100022

Chartered Accountants



**Rajesh Mehra**

Partner

Membership Number : 103145

Place : Mumbai

Date : February 11, 2020

For and on behalf of the Board of Directors



**R. Srikrishna**

Director

Place : Mumbai

Date : February 11, 2020

**HEXAVARA TECHNOLOGIES CANADA LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**

**1 Corporate Information**

Hexavara Technologies Canada Limited (the Company) is a wholly owned subsidiary of Hexavara Technologies Limited, a foreign corporation incorporated in India (the Holding Company).

The Company was incorporated in October 2001. The Company provides information technology (IT) services and solutions to its clients, primarily in the form of professional IT and consulting services.

**2 Significant Accounting Policies**

**2.1 Statement of Compliance**

The financial statements comply in all material aspects with Indian Accounting standards (referred to us "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. These special purpose Ind AS financial statements (here after referred to as "the financial statements") have been prepared for the purpose of consolidation with the holding company. These financial has been prepared to assist the Holding Company (Hexavara Technologies Limited) to comply with the requirements of section 129(3) of the Companies Act, 2013.

**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.

These financial statements have been prepared in Canadian Dollars (CAD \$) which is the functional currency of the Company. All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle. Based on the nature of services rendered to customers and time elapsed between deployment of resources and the realisation in cash and cash equivalents of the consideration for such services rendered, the Company has considered an operating cycle of 12 months.

**2.3 Critical accounting judgements and key source of estimation uncertainty**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expense, assets and liabilities and disclosures relating to contingent liabilities on the date of the financial statements. Actual results could differ from these 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 Company uses the percentage-of-completion method in accounting for its fixed price contracts. Use of the percentage-of-completion method requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended. Efforts expended have been used to measure progress towards completion as there is a direct relationship between input and productivity. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date and can be reliably estimated.

The Company uses judgement to determine an appropriate standalone selling price for a performance obligation. The Company allocates the transaction price to each performance obligation on the basis of the relative standalone selling price of each distinct product or service promised in the contract. Where standalone selling price is not observable, the Company uses the expected cost plus margin approach to allocate the transaction price to each distinct performance obligation.

Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount or variable consideration with elements such as volume discounts, service level credits, performance bonuses, price concessions and incentives. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct product or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the end of each reporting period.

Contract fulfilment costs/contract assets are generally expensed as incurred except for certain costs which meet the criteria for capitalisation. The assessment of this criteria requires the application of judgement, in particular, when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recovered.

**(ii) Income tax**

The major tax jurisdictions for the Company is Canada though the Company also files tax returns in other overseas jurisdiction. Judgments are involved in determining the provision for income taxes including judgment on whether tax positions are probable of being sustained in tax assessments and deferred tax asset or non-recognised tax benefits. A tax assessment can involve complex issues, which can only be resolved over extended time periods.

**(iii) Others**

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

**2.4 Revenue recognition**

Effective January 1, 2019, the Company has applied Ind AS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 Revenue and Ind AS 11 Construction Contracts. The Company has adopted Ind AS 115 using the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted and if continues to be reported under Ind AS 18 and Ind AS 11. Refer note 2.4 - Significant accounting policies - Revenue recognition in the financial statements of the Company for the year ended December 31, 2018, for revenue recognition policy as per Ind AS 18 and Ind AS 11. The impact of adoption of the standard on the financial statements of the Company is not material.

Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those products or services.

In case of contract on time and material basis, transaction-based or volume based contracts revenue is recognised when the related services are performed.

In case of fixed price contracts, revenue is recognised using percentage of completion method. The Company uses the efforts expended to date as a proportion to the total efforts to be expended as a basis to measure the degree of completion. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses on such engagements are made during the year in which a loss becomes probable and can be reasonably estimated. Amount received or billed in advance of services performed are recorded as unearned revenue (Contract liability). Unbilled receivables (Contract assets) represents revenue recognized based on services performed in advance of billing in accordance with contract terms.

Revenues related to fixed-price maintenance, testing and business process services are recognized based on our right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered. If our invoicing is not consistent with value delivered, revenues are recognized as the service is performed using the percentage of completion method.

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, service level credits, performance bonuses, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

Contracts are subject to modification to account for changes in contract specification and requirements. The Company reviews modification to contract in conjunction with the original contract, basis which the transaction price could be allocated to a new performance obligation, or transaction price of an existing obligation could undergo a change. In the event transaction price is revised for existing obligation, a cumulative adjustment is accounted for.



**HEXAWARE TECHNOLOGIES CANADA LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**

**2.5 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 expense on straight line basis over the lease term unless the payment to the lessor are structured to increase in line with expected general inflation.

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

**2.6 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 recognised in the Statement of Profit and 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 when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**2.7 Employee benefits**

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

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

**b) Short term employee 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 and short term medical insurance contribution plans.

**2.8 Taxes on Income**

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

Current tax is measured at the amount expected to be paid or recovered from the domestic and overseas tax authorities using enacted or substantively enacted tax rates.

Deferred taxes are recognised on temporary differences between the carrying amounts of assets and liabilities in the 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 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 utilized.

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

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

**2.9 Property, plant and equipment (PPE)**

PPE are stated at cost of acquisition less accumulated depreciation and impairment loss, if any.

**Depreciation**

Depreciation is provided on straight-line method based on the estimated useful lives of the assets as determined based on the expert technical advice / stipulation of Schedule II of the Act.

Asset Class	Estimated useful life
Computer Systems (included in Plant and Machinery)	3 years
Electrical Fittings (included in Plant and Machinery)	8 years

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

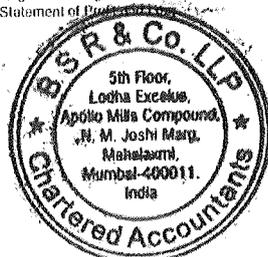
An item of PPE is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on derecognition is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in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

**2.10 Intangible assets**

Intangible assets with finite useful lives that are acquired are initially recognised at cost in case of separately acquired assets and at fair value in case of acquisition in business combination. Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and impairment loss, if any. Amortisation is recognised on a straight-line basis over their estimated useful lives. Software licenses are amortised over three years.

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

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



**HEXAWARE TECHNOLOGIES CANADA LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**

**2.11 Impairment of assets**

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

The Company assesses at each balance sheet date, whether a financial asset or a group of financial assets is impaired. Ind AS 109 "Financial Instrument" requires expected credit losses to be measured through a loss allowance. The Company recognises lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

**b) Non-Financial assets**

**Tangible and Intangible assets**

At the end of each reporting period, the Company assesses whether there is an indication that an asset may be impaired. An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs or allocated. Impairment loss is charged to the profit or loss in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

**2.12 Provisions**

Provisions are recognised when the Company has present obligation (legal or constructive) as a result of a past event for which reliable estimate can be made of the amount of obligation and it is probable that the Company will be required to settle the obligation. When a provision is measured using cash flows estimated to settle the present obligation its carrying amount is the present value of those cash flows; unless the effect of time value of money is immaterial.

**2.13 Non derivative financial Instruments**

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

**(A) Financial assets and financial liabilities -- Subsequent measurement**

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

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business 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 within 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 Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

**(v) Financial liabilities**

Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

**(B) Share capital**

**Equity shares**

Incremental costs directly attributable to the issue of equity shares, net of any tax effects, are recognised as a deduction from equity.

**2.14 Earnings per share ('EPS')**

Basic EPS is computed by dividing profit or loss attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the year. 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.

**3 Recent accounting pronouncements**

Certain new standards, amendments to standards are not yet effective for annual periods beginning after January 1, 2019, and have not been applied in preparing financial statements. New standards, amendments to standards and interpretations that could have potential impact on the financial statements of the Company are:

**a) Ind AS 116 - Leases**

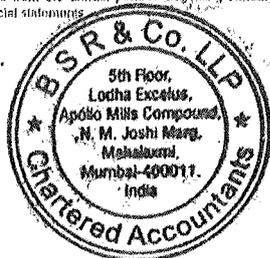
Ind AS 116 replaces the existing leases Standard, Ind AS 17 Leases, and related interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Standard also contains enhanced disclosure requirements for lessors. The effective date for adoption of Ind AS 116 is annual periods beginning January 1, 2020.

**b) Ind AS 12 – Income taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)**

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the entity has to use judgement to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability.

The above amendments are effective from the annual periods beginning January 1, 2020. The Company is currently assessing the impact of adopting the amendments on its financial statements.



**HEXAWARE TECHNOLOGIES CANADA LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**

(Amount in CAD)

**4 Property, Plant and Equipment (PPE)**

PPE consist of the following:

	<u>Plant and Machinery</u>
<b><u>COST</u></b>	
At January 1, 2019	6,621
Additions	2,383
Disposals	-
At December 31, 2019	<u>9,004</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>	
At January 1, 2019	4,181
Charge for the year	1,356
Disposals	-
At December 31, 2019	<u>5,537</u>
<b><u>NET CARRYING AMOUNT</u></b>	
At December 31, 2019	<u>3,467</u>
<b><u>COST</u></b>	
At January 1, 2018	3,547
Additions	3,074
Disposals	-
At December 31, 2018	<u>6,621</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>	
At January 1, 2018	3,547
Charge for the year	634
Disposals	-
At December 31, 2018	<u>4,181</u>
<b><u>NET CARRYING AMOUNT</u></b>	
At December 31, 2018	<u>2,440</u>

Note:

Plant and machinery includes computer systems.



**HEXAWARE TECHNOLOGIES CANADA LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**

(Amount in CAD)

**5 Intangible assets**

Intangible assets consist of the following:

	<b>Software licenses</b>
<b><u>COST</u></b>	
At January 1, 2019	657
Additions	-
Disposals	-
<b>At December 31, 2019</b>	<b>657</b>
<b><u>ACCUMULATED AMORTISATION</u></b>	
At January 1, 2019	657
Amortisation for the year	-
Disposals	-
<b>At December 31, 2019</b>	<b>657</b>
<b><u>NET CARRYING AMOUNT</u></b>	
<b>At December 31, 2019</b>	<b>-</b>
<b><u>COST</u></b>	
At January 1, 2018	657
Additions	-
Disposals	-
<b>At December 31, 2018</b>	<b>657</b>
<b><u>ACCUMULATED AMORTISATION</u></b>	
At January 1, 2018	657
Amortisation for the year	-
Disposals	-
<b>At December 31, 2018</b>	<b>657</b>
<b><u>NET CARRYING AMOUNT</u></b>	
<b>At December 31, 2018</b>	<b>-</b>

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



HEXAWARE TECHNOLOGIES CANADA LIMITED  
NOTES TO FINANCIAL STATEMENTS

(Amount in CAD)

<b>6 Trade receivables (Unsecured)</b>		<b>As at</b>	<b>As at</b>
		<b>December 31, 2019</b>	<b>December 31, 2018</b>
Considered good		2,468,728	1,909,783
Considered doubtful			
		<u>2,468,728</u>	<u>1,909,783</u>
The age wise breakup of trade receivables, net of impairment is given below:			
	<b>As at</b>	<b>As at</b>	
	<b>December 31, 2019</b>	<b>December 31, 2018</b>	
Not due	1,238,092	499,829	
Due less than 180 days	1,249,708	1,410,154	
Due greater than 180 days			
	<u>2,488,728</u>	<u>1,909,783</u>	
<b>7 Cash and cash equivalents</b>		<b>As at</b>	<b>As at</b>
		<b>December 31, 2019</b>	<b>December 31, 2018</b>
In current accounts with banks		1,547,153	423,046
		<u>1,547,153</u>	<u>423,046</u>
<b>8 Loans</b>		<b>As at</b>	<b>As at</b>
<b>Secured</b>		<b>December 31, 2019</b>	<b>December 31, 2018</b>
Security deposits for premises and others			2,330
			<u>2,330</u>
<b>9 Other financial assets (Secured) (considered good)</b>		<b>As at</b>	<b>As at</b>
<b>Current</b>		<b>December 31, 2019</b>	<b>December 31, 2018</b>
Advance to related parties (Refer note no.22)	168,161	84,799	
Employee advances	73,710	37,217	
	<u>239,871</u>	<u>162,016</u>	
<b>10 Other current assets (unsecured)</b>		<b>As at</b>	<b>As at</b>
		<b>December 31, 2019</b>	<b>December 31, 2018</b>
Prepaid expenses		1,195	
		<u>1,195</u>	
<b>11 Equity share capital</b>		<b>As at</b>	<b>As at</b>
<b>11.1 Authorized capital</b>		<b>December 31, 2019</b>	<b>December 31, 2018</b>
Unlimited Share Capital: Consisting of 9 Classes of shares (Series A)			
<b>11.2 Issued, subscribed and paid-up capital</b>		<b>As at</b>	<b>As at</b>
		<b>December 31, 2019</b>	<b>December 31, 2018</b>
1 Share in common stock of no par value of Class "A" shares		23,385	23,385
11.3 There is no movement in the share capital during the period ended December 31, 2019 and December 31, 2018			
11.4 Rights, preferences and restrictions attached to equity shares The Company has issued one class of common stock having no par value. Each shareholder is eligible for one vote per share held. In the event of liquidation the shareholders are eligible to receive the remaining assets of the Company.			
11.5 All shares are held by Hexaware Technologies Ltd, the holding Company, since Incorporation of the Company			
<b>12 Trade payables</b>		<b>As at</b>	<b>As at</b>
<b>Current</b>		<b>December 31, 2019</b>	<b>December 31, 2018</b>
Trade payable	80,783	60,202	
Accrued expenses	87,863	9,547	
	<u>138,326</u>	<u>69,749</u>	
<b>13 Other financial liabilities</b>		<b>As at</b>	<b>As at</b>
<b>Current</b>		<b>December 31, 2019</b>	<b>December 31, 2018</b>
Employee liabilities payable	602,061	281,125	
	<u>602,061</u>	<u>281,125</u>	
<b>14 Other current liabilities</b>		<b>As at</b>	<b>As at</b>
		<b>December 31, 2019</b>	<b>December 31, 2018</b>
Statutory liabilities	208,347	89,270	
	<u>208,347</u>	<u>89,270</u>	



**HEXWARE TECHNOLOGIES CANADA LIMITED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2019**  
**NOTES TO FINANCIAL STATEMENTS**

15 Revenue from operations (Amount in CAD)

15.1 The disaggregated revenue with the customers by contract type:

	For the year ended	
	December 31, 2019	December 31, 2018
Onsite	100%	100%
Offshore		
Total revenue from operations	100%	100%

15.2 The revenue from contracts as per geography is as under:

	For the year ended	
	December 31, 2019	December 31, 2018
North America	10,158,548	3,995,201
Rest of the world	21,942	22,787
Total revenue from operations	10,180,490	4,017,988

15.3 Reconciliation of revenue recognised with the contracted price is as follows:

	For the year ended	
	December 31, 2019	December 31, 2018
Contracted price	10,180,490	4,017,988
Reductions towards variable consideration components (discounts, rebates etc.)	-	-
Revenue recognised	10,180,490	4,017,988

15.4 Changes in unearned revenue are as follows:

	For the year ended	
	December 31, 2019	December 31, 2018
Balance as at 1 January 2018	-	-
Revenue recognised during the year	-	-
Addition during the year	-	-
Balance as at 31 December 2019	-	-

15.5 Transaction price allocated to the remaining performance obligations

Particulars	As at 31, December 2019
Within 1 Year	-
More than 1 Year	-

The Company has applied practical expedient and has not disclosed information about remaining performance obligations in contracts where the original contract duration is one year or less or where the entity has the right to consideration that corresponds directly with the value of entity's performance completed to date. The above revenue is subject to change in transaction price.



**HEXAWAKE TECHNOLOGIES CANADA LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**

(Amount in CAD)

	<u>For year ended</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
16 Software and development expenses		
Other expenses	130,137	126,822
	<u>130,137</u>	<u>126,822</u>

	<u>For year ended</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
17 Employee benefits expense		
Salary and allowances	8,110,441	3,163,782
Contribution to other funds	1,009,495	372,094
	<u>9,125,936</u>	<u>3,525,876</u>

	<u>For year ended</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
18 Operation and other expenses		
Rent	1,229	14,850
Rates and taxes	37,284	1,043
Payment to Auditor	1,733	(3,500)
Legal and professional fees	21,937	8,870
Bank and other charges	3,565	3,275
Insurance charges	4,519	2,103
Miscellaneous expenses	1,752	296
	<u>72,119</u>	<u>27,443</u>

19 Earnings per share

The issued, subscribed and paid up capital of the Company consists of one share in common stock of no par value and the earnings per share is computed on the basis of such one share. Accordingly the entire profit after tax is the earnings per share.

20 The reconciliation of estimated tax expenses in Statement of Profit and Loss is as follows

	<u>For year ended</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Profit before income tax	850,045	337,187
Expected tax expense at the enacted tax rate of 30% (Previous year 30%)	253,359	128,131
Adjustment to reconcile expected income tax expenses to reported income tax expenses		
Impact of tax abatement and general adjustment	(195,895)	(77,574)
Provincial taxes	98,314	39,204
Short provision of taxes of earlier years	39	163
Others	10,122	39
Income tax expense:	<u>238,130</u>	<u>89,663</u>



HEXAWARE TECHNOLOGIES CANADA LIMITED  
NOTES TO FINANCIAL STATEMENTS

21 21.1 Financial Instruments

A Category of financial instruments

All Financial instruments are measured at amortised cost. Amortised cost- Carrying amount of cash and cash equivalents, trade receivables, trade and other payables, other financial assets and liabilities approximate the fair value because of their short term nature.

B Fair value hierarchy

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

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

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

Level 3 inputs are unobservable inputs for the asset or liability.

21.2 The Company has identified the risks under verticals like client concentration risk, credit risk, liquidity risk and interest rate risk. The Company has formulated policies, procedures and strategies for managing risks which is also affirmed by global management.

Client concentration risk

99.78% of the revenue of 2019 is generated from Hexaware Technologies Inc USA, fellow subsidiary (99.43% as at December 31, 2018). Any loss or major downsizing by the fellow subsidiary may impact Company's profitability. Further, excessive exposure to particular client will limit Company's negotiating capacity and expose us to one customer.

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 CAD 2,488,728 and CAD 1,909,783 as at December 31, 2019 and December 31, 2018, respectively. Refer Note No. 6 for the age wise analysis of trade receivables that are not due as well as past due.

Hexaware Technologies Inc USA, fellow subsidiary contribute 100% of the total outstanding trade receivable as at December 31, 2019 and as at December 31, 2018.

Foreign currency fluctuations risk

The company's transaction are predominately in CAD and incurs foreign currency risk on transactions that are dominated by currency other than CAD such as USD. The company does not hedge any currency exposure since the net foreign exchange exposure is insignificant.

Liquidity risk

Cash and cash equivalents includes current account balances with banks.

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

As at December 31, 2019, the Company had total cash / bank balance CAD 1,047,150 which constitutes approximately 20% of total assets (17% as at December 31, 2018). The Company does not have any debt.

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

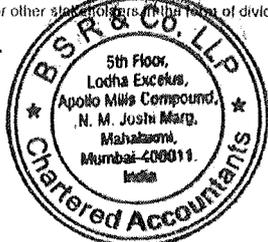
	(Amount In CAD)		
	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>Total</u>
<b>As at December 31, 2019</b>			
Trade payables	138,326	-	138,326
Others (Refer note 13)	602,061	-	602,061
<b>Total</b>	<b>740,387</b>	<b>-</b>	<b>740,387</b>
<b>As at December 31, 2018</b>			
Trade payables	66,749	-	66,749
Others (Refer note 13)	281,125	-	281,125
<b>Total</b>	<b>347,874</b>	<b>-</b>	<b>347,874</b>

Interest rate risk

The Company does not have any debt. The balances with banks and financial institution is in the form of fixed interest rate deposits. Hence, the Company is not exposed to significant interest rate risk.

Capital management

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



HEXAWARE TECHNOLOGIES CANADA LIMITED  
NOTES TO FINANCIAL STATEMENTS

22 Related party disclosures

Name of Related Parties and description of relationship:

Ultimate Holding Company and its subsidiaries  
Baring Private Equity Asia GP V LP, Cayman Island (Ultimate holding Company) (control exists)  
The Baring Asia Private Equity Fund V, LP, Cayman Island  
Baring Private Equity Asia V Mauritius Holding (S) Limited, Mauritius  
HT Global IT Solutions Holding Limited, Mauritius (control exists)  
Holding Company (control exists)  
Hexaware Technologies (Mumbai, India)  
Fellow Subsidiary  
Hexaware Technologies, Inc., USA  
Hexaware Technologies UK Limited, UK  
Key Management Personnel  
Mr. R. Sridharan, Director and Chief Executive Officer of Holding Company  
Mr. P. R. Chandrasekar, Director (resigned on 20th December 2018)  
Michael Bergman, Director.  
Vinod Chandran, Director.

Transactions during the year:

(Amount in CAD)

Sr No	Particulars	Nature of relationship	For year ended	
			December 31, 2019	December 31, 2018
1	Expenditure Reimbursed of costs	Fellow Subsidiary Hexaware Technologies Inc	363,033	136,445
2	Employee and other advances reimbursed to	Holding Company	164,313	160,440
3	Income from operations	Holding Company Fellow Subsidiary Hexaware Technologies Inc	21,042	22,767
4	Recovery of cost/advances from	Fellow Subsidiary Hexaware Technologies Inc	578,574	174,187

Outstanding balances:

(Amount in CAD)

Sr No	Particulars	Nature of relationship	As at	
			December 31, 2019	December 31, 2018
1	Trade receivable	Holding Company Fellow Subsidiary Hexaware Technologies Inc	2,468,728	1,887,016
2	Advances	Fellow Subsidiary Hexaware Technologies Inc	163,161	64,755
3	Trade payable	Holding Company	10,107	36,710

23 Employee benefits

The Company has recognised CAD 393,895 (Previous Year CAD 118,879) for pension fund contribution in Statement of Profit and Loss. The contributions payable to these plans by the Company are as per specified in the rules of the schemes.

24

The Company takes an lease office 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 is CAD 1229 (December 31, 2018 - CAD 14,850).

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

Particulars	December 31, 2019	December 31, 2018
Not later than one year	-	1,165
Later than one year and not later than five years	-	-
Total	-	1,165

25

Segment disclosures  
There is only one reportable operating segment viz software consultancy and geographic segment viz Canada, the results of which are disclosed in the financial statements. The Company has revenue only from 2 external customer (Holding Company & Fellow subsidiary)

26

There is no contingent liabilities and commitments as on 31st December 2019 and 31st December 2018

27

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

28

Approval of financial statements -  
The financial statements were approved for issue by the Board of Directors on February 11, 2019

As per our report of even date attached  
For B S R & Co. LLP  
Firm Registration Number : 101248/WV-100022  
Chartered Accountants

  
Rajesh Mehra  
Partner  
Membership Number : 103145  
Place : Mumbai  
Date : February 11, 2020

For and on behalf of the Board of Directors

  
R. Sridharan  
Director  
Place : Mumbai  
Date : February 11, 2020