

To the Directors of
Hexaware Technologies México, S. De R.L de C.V.
Av. San Angel #240 Piso 3 D-A
Col. Valle San Agustin, C.P.25215
Saltillo, Coahuila, México

January 28th, 2020

Dear Sirs,

We have audited the attached accounts and notes of Hexaware Technologies México, S. de R.L. de C.V. for the quarter ended December 31st, 2019 which have been prepared by the company for the purpose of attachment to the accounts of its Holding company.

We confirm that the attached accounts have been prepared by the company taking as a reference the information from the books and records of the same and are in accordance with the statutory accounts of Hexaware Technologies México, S. de R.L. de C.V. as audited by us according to IAS (International Audited Standards).

JFZ Consulting Firm, S.C.
Member of International Association of Practicing Accountants
Member of Leading Edge Alliance



C.P.C. Javier Fuentes Zambrano
Monterrey, México
January 28th, 2020



HEXAWARE TECHNOLOGIES MEXICO, S. DE R.L. DE C.V.
BALANCE SHEET AS AT December 31, 2019

Currency ; MXN

	Note	AS AT December 31, 2019	December 31, 2018
Assets			
Non-current assets			
Property, plant and equipment	4	20,221,592	10,273,269
Other intangible assets	5	-	-
Financial Assets			
- Other financial assets	6A	2,509,831	1,429,579
Deferred tax assets	7	4,985,240	2,987,260
Total non-current assets		27,716,663	14,690,108
Current assets			
Financial Assets			
- Trade receivables	9	103,989,223	120,303,736
- Cash and cash equivalents	10	11,221,267	1,549,877
- Unbilled revenue		5,615,911	9,596,927
- Other financial assets	6B	507,401	703,069
Other assets	8	29,318,025	9,839,567
Total current assets		150,651,827	141,993,176
Total assets		178,368,490	156,683,284
Equity and liabilities			
Equity			
Equity Share capital	17	8,087,502	8,087,502
Other Equity		121,933,084	107,564,773
Total equity		130,020,586	115,652,275
Non-current liabilities			
Provisions - Employee benefit obligations		4,638,317	3,263,504
Total non-current liabilities		4,638,317	3,263,504
Current liabilities			
Financial Liabilities			
- Trade payables		17,581,252	10,616,179
- Other financial liabilities	11	12,645,981	10,764,813
Other current liabilities	12	7,758,206	7,680,149
- Employee benefit obligations		4,576,507	4,971,080
Current Tax Liabilities		1,147,641	3,735,284
Total current liabilities		43,709,587	37,767,505
Total liabilities		48,347,904	41,031,009
Total equity and liabilities		178,368,490	156,683,284

The notes 1 to 25 form an integral part of the condensed interim financial statements

For JFZ Consulting Firm, S.C
Chartered Accountants

For and on behalf of the Board

C.P.C. Javier Fuentes Zambrano
Partner

Kalpesh Bhatt
(Director)

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

Currency: MXN

	Notes	For Year ended	
		December 31, 2019	December 31, 2018
INCOME			
Revenue from information technology and consultancy services	13	369,529,558	273,600,118
Other Income	14	65,734	821,867
Total Income		369,595,292	274,421,985
EXPENSES			
Software and Development Expenses	15	124,086,604	70,167,347
Employee benefits expense	16	175,559,674	153,345,606
Operation and Other Expenses	17	31,916,716	21,467,941
Exchange Rate difference (net)		8,103,251	3,746,430
Depreciation and amortization expense	4,5	9,238,747	4,789,633
Total Expenses		348,904,992	253,516,957
Profit/(loss) Before Tax		20,690,300	20,905,028
Tax Expense			
- Current		8,319,969	5,815,333
- Deferred (Credit)		(1,997,980)	3,272,983
		6,321,989	9,088,316
Profit/(loss) for the Year		14,368,311	11,816,712
Other comprehensive income:		-	-
Total Comprehensive Income for the Year		14,368,311	11,816,712
Basic Earnings per share (In MXN)			
Basic & Diluted Earning Per share	19	7,184,155	5,908,356

The notes 1 to 25 form an integral part of the condensed interim financial statements

For JFZ Consulting Firm, S.C
Chartered Accountants



C.P.C. Javier Fuentes Zambrano
Partner

For and on behalf of the Board



Kalpesh Bhatt
(Director)



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

Currency: MXN

A. Equity Share Capital

As at January 1, 2019	Changes during the Period	As at December 31, 2019
8,087,502	-	8,087,502

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

B. Other Equity

	Reserves and Surplus		Total
	General reserve	Retained Earnings	
Balances as at January 1, 2019	2,574,705	104,990,068	107,564,773
Profit/Loss for the Year		14,368,311	14,368,311
Other comprehensive income		-	
Total comprehensive income for the year		14,368,311	14,368,311
As at December 31, 2019	2,574,705	119,358,379	121,933,084
Balances as at January 1, 2018	2,574,705	93,173,356	95,748,061
Profit/Loss for the Year		11,816,712	11,816,712
Other comprehensive income			
Total comprehensive income for the year		11,816,712	11,816,712
As at December 31, 2018	2,574,705	104,990,068	107,564,773

The notes 1 to 25 form an integral part of the condensed interim financial statements

For JFZ Consulting Firm, S.C
Chartered Accountants

C.P.C. Javier Fuentes Zambrano
Partner

For and on behalf of the Board

Kalpesh Bhatt
(Director)

Place : Monterrey, México
Date : January 28, 2020

Place : New Jersey
Date : January 28, 2020

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

Currency: MXN

	For Year ended	
	December 31, 2019	December 31, 2018
Cash Flow from operating activities		
Net Profit before tax	20,690,300	20,905,028
Adjustments for:		
Depreciation and amortization expense	9,238,747	4,789,633
Exchange Rate Difference (net) - unrealised	126,932	183,682
Operating profit before working capital changes	30,055,979	25,878,343
Adjustments for:		
Trade and other receivables	(67,513)	(39,255,546)
Trade and other payables	8,445,338	11,658,907
Cash generated from operations	38,433,804	(1,718,296)
Direct Taxes Paid (net)	(10,907,612)	6,308,022
Net cash from operating activities	27,526,192	4,589,726
Cash flow from investing activities		
Purchase of property, plant & equipment	(17,727,870)	(7,506,194)
Net cash (used in) investing activities	(17,727,870)	(7,506,194)
Net Increase in cash and cash equivalents	9,798,322	(2,916,468)
Cash and cash equivalents at the beginning of the year	1,549,877	4,464,930
Add: Unrealised loss/ (gain) on foreign currency cash & cash equivalents	(126,932)	1,415
Cash and cash equivalents at the end of the Year (Refer note 10)	11,221,267	1,549,877

The notes 1 to 25 form an integral part of the condensed interim financial statements

For JFZ Consulting Firm, S.C
Chartered Accountants



C.P.C. Javier Fuentes Zambrano
Partner

For and on behalf of the Board



Kalpesh Bhatt
(Director)

Place : Monterrey, México
Date : January 28, 2020

Place : New Jersey
Date : January 28, 2020

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

1 Company Overview

Hexaware Technologies Mexico S de RL de CV (the Company), incorporated in Mexico on 8th May 2007, is a wholly owned subsidiary of Hexaware Technologies Limited a foreign corporation incorporated in India. These accounts have been prepared and audited for the purpose of consolidation, with the holding company.

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

2 Significant Accounting Policies

2.1 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 Mexican Dollar (MXN) 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.

2.2.1 Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expense, assets and liabilities and disclosures relating to contingent liabilities on the date of the financial statements. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognised in the period in which the estimate is revised and in any future period affected.

Key source of estimation uncertainty which may cause material adjustments:

2.2.2 Revenue recognition

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

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

Contract fulfilment costs 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.

2.2.3 Others

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

2.3 Revenue Recognition

Effective January 1, 2019, the company has applied IFRS 15 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. The company has adopted IFRS 15 using the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted and it continues to be reported under IFRS 15 and IFRS 15. Refer note 2.7 – Significant accounting policies – Revenue recognition in the Annual report of the Company for the year ended December 31, 2018, for revenue recognition policy as per IFRS 15. 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 recognized using percentage of completion method. The company uses the efforts expended to date as a proportion to the total efforts to be expended as a basis to measure the degree of completion. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses on such engagements are made during the year in which a loss becomes probable and can be reasonably estimated. Amount received or billed in advance of services performed are recorded as unearned revenue (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 MEXICO, S. DE R.L. DE C.V.
NOTES TO THE FINANCIAL STATEMENTS

2.4 Leases

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

a) **Finance Lease**

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

b) **Operating Leases**

Assets taken on lease under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognised as expenses on straight line basis over the lease term unless the payment to the lessor are structured to increase in line with expected general inflation. Furnished and equipped premises leased out under operating lease are capitalised in the books of the Company. Lease income is recognised over the lease term on a straight line basis.

2.5 Functional and presentation currency

Foreign currency

Transactions in foreign currency are recorded at the original rate of exchange in force at the time transactions are effected. Monetary items denominated in foreign currency are restated using the exchange rate prevailing on the date of the Balance Sheet. The resulting exchange difference on such restatement and settlement is recognized in the profit or loss, except exchange differences on transactions entered into in order to hedge certain foreign currency risk.

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

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

2.6 Borrowing Cost

Borrowing cost directly attributable to the acquisition or construction of qualifying assets is capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised in the profit or loss.

2.7 Employee Benefits

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

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

b) **Short term employee benefit**

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

2.8 Taxes on Income

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

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

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

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

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

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

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

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

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

2.9 Property, plant and equipment (PPE)

PPE are stated at cost of acquisition less accumulated depreciation (other than freehold land) and impairment loss, if any.

Depreciation

Depreciation is provided on straight-line method based on the estimated useful lives of the assets as follows:

Asset Class	Estimated useful Life
Computer Systems (included in Plant and Machinery)	3 years
Office Equipment	5 years
Furniture and Fixtures	8 years

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

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

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

2.10 Intangible assets

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

Asset Class	Estimated useful Life
Software Licences	3 years

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

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

2.11 Impairment of assets other than goodwill

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

2.12 Provisions

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

HEXAWARE TECHNOLOGIES MEXICO, S. DE R.L. DE C.V.

NOTES TO THE FINANCIAL STATEMENTS

2.13 Non derivative financial instruments

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

Financial assets and financial liabilities – Subsequent & measurement

(i) Financial assets at amortised cost

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

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

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

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

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

Cash and cash equivalents

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

Financial liabilities

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

Share capital

Equity shares

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

2.14 Earnings per share ('EPS')

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

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

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) IFRS 16 – Leases

IFRS 16 replaces the existing leases Standard, IFRS 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 recognized 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 lessees. The effective date for adoption of IFRS 16 is annual periods beginning January 1, 2020.

b) IFRS 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 IFRS 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 IFRS 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 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 MEXICO, S. DE R.L. DE C.V.
NOTES TO THE FINANCIAL STATEMENTS

4 Property, Plant and Equipment (PPE)

Currency: MXN

PPE consist of the following:

	<u>Plant and Machinery</u>	<u>Furniture and Fixtures</u>	<u>Office Equipment</u>	<u>Leasehold Improvements</u>	<u>Total</u>
COST					
At January 1, 2019	26,526,076	9,296,019	5,874,257	10,464,910	52,161,262
Additions	7,367,783	3,575,350	1,638,445	6,605,492	19,187,070
Disposals					-
At December 31, 2019	<u>33,893,859</u>	<u>12,871,369</u>	<u>7,512,702</u>	<u>17,070,402</u>	<u>71,348,332</u>
ACCUMULATED DEPRECIATION					
At January 1, 2019	20,211,512	7,508,640	4,136,113	10,031,728	41,887,993
Charge for the year	3,876,172	994,248	789,615	3,578,712	9,238,747
Disposals					-
At December 31, 2019	<u>24,087,684</u>	<u>8,502,888</u>	<u>4,925,728</u>	<u>13,610,440</u>	<u>51,126,740</u>
NET CARRYING AMOUNT					
At December 31, 2019	<u>9,806,175</u>	<u>4,368,481</u>	<u>2,586,974</u>	<u>3,459,962</u>	<u>20,221,592</u>
COST					
At January 1, 2018	21,140,452	9,023,213	5,800,343	9,662,647	45,626,655
Additions	5,385,624	272,806	73,914	802,263	6,534,607
Disposals					-
At December 31, 2018	<u>26,526,076</u>	<u>9,296,019</u>	<u>5,874,257</u>	<u>10,464,910</u>	<u>52,161,262</u>
ACCUMULATED DEPRECIATION					
At January 1, 2018	17,252,730	6,835,289	3,480,344	9,529,997	37,098,360
Charge for the year	2,958,782	673,351	655,769	501,731	4,789,633
Disposals					-
At December 31, 2018	<u>20,211,512</u>	<u>7,508,640</u>	<u>4,136,113</u>	<u>10,031,728</u>	<u>41,887,993</u>
NET CARRYING AMOUNT					
At December 31, 2018	<u>6,314,564</u>	<u>1,787,379</u>	<u>1,738,144</u>	<u>433,182</u>	<u>10,273,269</u>

Note:

i) Plant and machinery includes computer systems

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

Currency: MXN

5 Intangible assets

Intangible assets consist of the following:

COST

At January 1, 2019

Additions

Disposals

At December 31, 2019

ACCUMULATED AMORTISATION

At January 1, 2019

Amortisation for the period

Disposals

At December 31, 2019

NET CARRYING AMOUNT

At December 31, 2019

COST

At January 1, 2018

Additions

Disposals

At December 31, 2018

ACCUMULATED AMORTISATION

At January 1, 2018

Amortisation for the year

Disposals

At December 31, 2018

NET CARRYING AMOUNT

At December 31, 2018

Software licenses
863,702
-
-
<u>863,702</u>
863,702
-
-
<u>863,702</u>
-
<u>-</u>
863,702
-
-
<u>863,702</u>
863,702
-
-
<u>863,702</u>
-
<u>-</u>

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

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

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

Currency: MXN

As at

	<u>December 31,</u>	<u>December 31,</u>
Security deposits for premises and others	2,509,831	1,429,579
	<u>2,509,831</u>	<u>1,429,579</u>

B Current

As at

	<u>December 31,</u>	<u>December 31,</u>
Employee advances	507,401	703,069
	<u>507,401</u>	<u>703,069</u>

8 Other assets (unsecured)
Current

As at

	<u>December 31,</u>	<u>December 31,</u>
Prepaid Expenses	9,338,467	5,715,816
Indirect taxes recoverable	19,979,558	4,123,751
	<u>29,318,025</u>	<u>9,839,567</u>

9 Trade Receivables (unsecured)

As at

	<u>December 31,</u>	<u>December 31,</u>
Considered good	103,989,223	120,303,736
	<u>103,989,223</u>	<u>120,303,736</u>

The Company's credit period generally ranges from 30-60 days. Allowance for the doubtful debts is made for the debts outstanding for over 180 days unless confirmed by the customer and/ or recoverability is considered reasonable. The age wise breakup of trade receivables, net of allowances is given below:

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Not due	38,069,138	51,389,224
Due less than 180 days	65,838,423	68,827,478
Due greater than 180 days	81,662	87,034
	<u>103,989,223</u>	<u>120,303,736</u>

Average days

96 135

10 Cash and cash equivalents

As at

	<u>December 31,</u>	<u>December 31,</u>
Remittance in transit	-	904,269
Cash in Hand	4,678	1,016
In current accounts with banks	11,216,589	644,592
	<u>11,221,267</u>	<u>1,549,877</u>

11 Other financial liabilities
Current

As at

	<u>December 31,</u>	<u>December 31,</u>
Capital creditors	1,459,200	-
Employee liabilities Payable	10,644,937	9,380,885
Accrued expenses	541,844	1,383,928
	<u>12,645,981</u>	<u>10,764,813</u>

12 Other liabilities
Current

As at

	<u>December 31,</u>	<u>December 31,</u>
Unearned revenues	309,480	1,563,977
Statutory liabilities	7,448,726	6,116,172
	<u>7,758,206</u>	<u>7,680,149</u>

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

Currency: MXN

7 7.1 The reconciliation of estimated income tax expense at the statutory income tax rate to the income tax expenses reported in statement of profit and

	For year ended DECEMBER 31, 20	For year ended DECEMBER 31, 2018
Profit before income-tax	20,690,300	20,905,028
Expected tax expense at the enacted tax rate of 30% in Mexico	6,207,090	6,271,509
Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense:		
Income exempt from tax		
Tax effect of non-deductible expenses	866,173	719,655
Short (Excess) provision of taxes of earlier years	(286,315)	867,893
Others	(464,959)	1,229,259
	<u>6,321,989</u>	<u>9,088,316</u>

7.2 Components of deferred taxes:

	January 1, 2018	Recognised in Profit or Loss	December 31, 2018	Recognised in profit or loss	December 31, 2019
Deferred tax assets					
Employee benefit obligations	3,077,812	(500,978)	3,578,790	554,800	4,133,590
Depreciation And Amortization	3,035,397	2,413,067	622,330	132,690	755,020
Others	147,034	46,244	100,790	(4,160)	96,630
Total	<u>6,260,243</u>	<u>1,958,333</u>	<u>4,301,910</u>	<u>683,330</u>	<u>4,985,240</u>
Deferred tax liabilities					
Unrealised loss on cash flow hedges					
Others	-	(1,314,650)	1,314,650	(1,314,650)	-
Depreciation					
Total	<u>-</u>	<u>(1,314,650)</u>	<u>1,314,650</u>	<u>(1,314,650)</u>	<u>-</u>
Net deferred tax asset	<u>6,260,243</u>	<u>3,272,983</u>	<u>2,987,260</u>	<u>1,997,980</u>	<u>4,985,240</u>

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

Currency: MXN

13 Revenue from Operations

13.1 The disaggregated revenue with the customers for the year ended 31 December 2019 by contract type:

	For Year ended	
	December 31, 2019	December 31, 2018
Time and Materials contracts	126,785,403	68,843,415
Others	242,744,155	204,756,703
Total Revenue from operations	369,529,558	273,600,118
ONSITE REVENUE	80,046,837	83,412,970
OFFSH/NEAR REVENUE	289,482,721	190,187,148
Total Revenue from operations	369,529,558	273,600,118

13.2 The revenue from contracts as per geography for the year ended 31 December 2019 is as under:

	For Year ended	
	December 31, 2019	December 31, 2018
Americas	296,495,942	232,282,720
Rest of the world	73,033,616	41,317,398
Total revenue from operations	369,529,558	273,600,118

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

	For Year ended	
	December 31, 2019	December 31, 2018
Contracted price	372,130,557	275,083,904
Reductions towards variable consideration components (discounts, rebate etc.)	-2,600,999	-1,483,786
Revenue recognised	369,529,558	273,600,118

13.4 Changes in unearned revenue are as follows:

	For Year ended	
	December 31, 2019	December 31, 2018
Balance as at 1 January 2019	1,563,977	-
Revenue recognised that was included in the unearned revenue balance at the beginning of the year	-1,563,977	-
Increase due to invoicing during the year, excluding revenue recognised as revenue during the year	309,480	1,563,977
Balance as at 31 December 2019	309,480	1,563,977

13.5 Changes in unbilled revenue are as follows:

	For Year ended	
	December 31, 2019	December 31, 2018
Balance as at 1 January 2019	9,596,927	3,376,500
Invoices raised during the year that was included in the unbilled revenue balance at the beginning of the year	-9,596,927	-3,376,500
Revenue recognised during the year for which the contractual right to receive consideration is not due at the end of the year	5,615,911	9,596,927
Balance as at 31 December 2019	5,615,911	9,596,927

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

Currency: MXN

14 Other income

Miscellaneous income

	For Year ended	
	December 31, 2019	December 31, 2018
	65,734	821,867
	<u>65,734</u>	<u>821,867</u>

15 Software and Development Expenses

Consultant travel and related expenses
Software expenses *

* includes sub- contracting charges

	For Year ended	
	December 31, 2019	December 31, 2018
	31,955,928	27,681,563
	92,130,676	42,485,784
	<u>124,086,604</u>	<u>70,167,347</u>
	91,423,174	41,393,791

16 Employee benefits expense

Salary and allowances
Contribution to provident and other funds
Staff welfare expenses

	For Year ended	
	December 31, 2019	December 31, 2018
	128,632,045	114,446,078
	39,667,969	33,317,851
	7,259,660	5,581,677
	<u>175,559,674</u>	<u>153,345,606</u>

17 Operation and Other Expenses

Rent
Travelling and conveyance
Electricity charges
Communication expenses
Repairs and maintenance
Printing and stationery
Auditors remuneration
Legal and professional fees
Bank and other charges
Insurance charges
Service charges
Miscellaneous expenses

	For Year ended	
	December 31, 2019	December 31, 2018
	12,880,152	7,896,528
	5,170,264	3,679,253
	995,535	888,902
	4,507,096	3,335,438
	4,164,905	2,172,258
	893,464	951,914
	518,331	496,784
	469,195	426,456
	201,821	144,699
	186,466	111,102
	1,829,421	1,287,275
	100,066	77,332
	<u>31,916,716</u>	<u>21,467,941</u>

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

18 Equity Share Capital

Currency: MXN

18.1 Authorised capital

	As AT	
	December 30, 2019	December 31, 2018
	Amount	Amount
2(2) Participation share of MXN 8087502	8,087,502	8,087,502

18.2 Issued, subscribed and paid-up capital

	As AT	
	December 30, 2019	December 31, 2018
	Amount	Amount
2(2) participation share fully paid up	8,087,502	8,087,502

18.3 There is no movement in the share capital during year ended December 31,2019 and December 31,2018

18.4 Rights, preferences and restrictions attached to equity shares

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

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

Name of Shareholder	Value of Equity shares held	As AT	
		December 31, 2019	December 31, 2018
	% of holding		
Hexaware Technologies Ltd. (Holding Company)		8,085,329	8,085,329
		99.97%	99.97%



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

Currency: MXN

19 Earnings per share

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

	For year ended	
	December 30, 2019	December 30, 2018
Net profit after tax (MXN)	14,368,311	11,816,712
Weighted average outstanding equity shares considered for basic EPS (Nos.)	2	2
Basic and diluted earnings per share (In MXN)	7,184,155	5,908,356

20 Related party disclosures

Names of related parties

Ultimate Holding Company and it's subsidiaries

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

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

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

HT Global IT solutions Holding Limited, Mauritius

Holding Company (control exists)

Hexaware Technologies Limited

Fellow Subsidiaries

Hexaware Technologies Inc

Hexaware Technologies UK Limited

Key Management Personnel

Mr. R. Srikrishna - Executive Director and CEO

Mr. Kalpesh Bhatt

(B) Related party Transactions :

Currency: MXN

Sr. No	Nature of Transaction	Name of Related party and Nature of Relationship	For Year ended December 31, 2019	For Year ended December 31, 2018
1	Software Consulting Income	Fellow Subsidiaries Hexaware Technologies Inc. Hexaware Technologies UK Ltd. Hexaware Technologies Germany	228,401,532 1,276,168	195,473,730 987,197
2	Reimbursement of Costs	Holding Company Fellow Subsidiaries Hexaware Technologies Inc.	3,446,811 339,152	- 289,695
3	Recovery of Costs	Holding Company Fellow Subsidiaries Hexaware Technologies Inc.	1,812,111 93,909,859	108,168,608

(C) Closing Balance :

Currency: MXN

Sr.No	Particulars	Nature of Relationship	AS at	
			31st Dec 2019	31st Dec 2018
1	Trade Receivables	Holding Company Fellow Subsidiaries: Hexaware Technologies Inc. Hexaware Technologies UK Ltd. Hexaware Technologies Germany	1,785,947 89,858,245 188,328 -	- 83,916,914 202,070
	Trade payables	Holding Company	2,246,248	+521,180,902

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

21 Financial Instruments

Currency: MXN

21.1 Financial Instruments by category

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

December 31, 2019	Amortised <u>Cost</u>	Fair value through other comprehensive <u>income</u>	Fair value through <u>P & L</u>	Total carrying / <u>fair value</u>
Cash and cash equivalents	11,221,267	-	-	11,221,267
Trade receivables	103,989,223	-	-	103,989,223
Unbilled revenue	5,615,911	-	-	5,615,911
Other financial assets	3,017,232	-	-	3,017,232
	123,843,633	-	-	123,843,633
Trade payables	17,581,252	-	-	17,581,252
Other financial liabilities	12,645,981	-	-	12,645,981
	30,227,233	-	-	30,227,233

December 31, 2018	Amortised <u>Cost</u>	Fair value through other comprehensive <u>income</u>	Fair value through <u>P & L</u>	Total carrying / <u>fair value</u>
Cash and cash equivalents	1,549,877	-	-	1,549,877
Trade receivables	120,303,736	-	-	120,303,736
Unbilled revenue	9,596,927	-	-	9,596,927
Other financial assets	2,132,648	-	-	2,132,648
	133,583,188	-	-	133,583,188
Trade payables	10,616,179	-	-	10,616,179
Other financial liabilities	10,764,813	-	-	10,764,813
	21,380,992	-	-	21,380,992

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

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

21 Financial Instruments (Cont'd)

21.2 Financial risk management

The Company has identified the risks under verticals like client concentration risk, credit risk, foreign currency fluctuation risk and liquidity risk. The Company has formulated policies, procedures and strategies for managing risks which is affirmed by management.

Client concentration risk

81% of the revenue of 2019 is generated from top 2 clients. Any loss or major downsizing of subsidiary may impact Company's profitability. Further, excessive exposure to one customer will limit Company's negotiating capacity and expose us to higher credit risk.

Credit risk

Since most of our transactions are done on credit, we are exposed to credit risk on accounts receivable. Any delay, default or inability on the part of the client to pay on time will expose us to credit risk and can impact our profitability. Our maximum credit exposure is in respect of trade receivables of MXN 103,989,22 and MXN 121,208,005 as at December 31, 2019 and 2018 respectively and unbilled revenue of MXN 56,15,911 and MXN 95,96,927 as at December 31, 2019 and 2018 .

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

Top 3 customer dues contribute 83% of the total outstanding as at December 31, 2019.

Cash and cash equivalents include balance in current accounts only.

Foreign Currency fluctuations Risk

Foreign exchange fluctuations are one of the key risks impacting our business. The offshore part of the revenue remains exposed to the risk of MXN appreciation which is functional currency of the Company vs. the US Dollar, as largely, the costs incurred are in Mexican MXNs and the Revenue/ Inflows are in foreign currencies. The contracts we enter into with our customers tend to run across several years and most of these contracts are at fixed rates, any appreciation in the MXN vis-à-vis foreign currencies will affect our margins.

The following table analyses foreign currency risk from financial instruments

Currency: MXN

	2019		2018	
	USD	EUR	USD	EUR
Net financial assets	96,986,125	1,499,521	107,068,242	2,524,859
Net financial liabilities	2,246,248		1,180,902	
Net assets/(liabilities)	94,739,877	1,499,521	105,887,340	2,524,859

10% depreciation/appreciation of the respective foreign currencies with respect to functional currency of the Company and its subsidiaries would result in the decrease/ increase in Company's profit before tax approximately by MXN 9,623,940 and MXN 10,841,220 for the year ended December 31, 2019 and December 31, 2018 respectively.

Sensitivity analysis is computed based on the changes in the income and expenses in foreign currency upon conversion into functional currency, due to exchange rate fluctuations between the previous reporting period and the current reporting period.

21.3 Liquidity risk

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

As at December 31, 2019, the Company had total cash / bank balance of MXN 11,221,267, which constitutes approximately 6% of total assets.

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

21 Financial Instruments (Cont'd)

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

	<u>Less than 1</u> <u>year</u>	<u>1-2 years</u>	MXN <u>Total</u>
As at December 31, 2019			
Trade payables	17,581,252	-	17,581,252
Others	12,645,981	-	12,645,981
Total	30,227,233	-	30,227,233
As at December 31, 2018			
Trade payables	10,616,179	-	10,616,179
Others	10,764,813	-	10,764,813
Total	21,380,992	-	21,380,992

22 Employee benefits

In 2019, the Company recorded expenses in employee benefits of seniority premium and severance benefits of MXN 3,458,750 (Previous year MXN 3,144,513) in the Statement of Profit and Loss. The Company believes any differences between its calculation of employee benefits of seniority premium and severance benefits and a calculation provided by an independent actuary would not be material.

23 Operating Lease

The Company takes on lease office space under various operating leases. The lease rental towards non-cancellable agreement recognized in Statement of Profit and Loss for the year is MXN 12,880,152 (Previous year MXN 7,896,528)

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

Particulars	December 31, 2019	December 31, 2018
Not later than one year	20,347,300	13,099,941
Later than one year and not later than five years	33,384,900	44,089,200
TOTAL	53,732,200	57,189,141

24 Segment

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

25 Material events after Balance Sheet date

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