

REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012
FOR
HEXAWARE TECHNOLOGIES UK LIMITED



HEXAWARE TECHNOLOGIES UK LIMITED

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	4
Profit and Loss Account	5
Balance Sheet	6
Cash Flow Statement	7
Notes to the Cash Flow Statement	8
Notes to the Financial Statements	9
Trading and Profit and Loss Account	15

HEXAWARE TECHNOLOGIES UK LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS.

A Nishar
A A Nishar
V R Seshadri
P R Chandrasekar

SECRETARY:

R Visvanathan

REGISTERED OFFICE:

C/O Butler & Co LLP
3rd Floor
126-134 Baker Street
London
W1U 6UE

REGISTERED NUMBER:

03647007 (England and Wales)

AUDITORS:

Butler & Co LLP
Chartered Accountants
& Statutory Auditor
Third Floor
126 - 134 Baker Street
London
W1U 6UE

HEXAWARE TECHNOLOGIES UK LIMITED

REPORT OF THE DIRECTORS **FOR THE YEAR ENDED 31 DECEMBER 2012**

The directors present their report with the financial statements of the company for the year ended 31 December 2012

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of Software development and IT consultancy services

REVIEW OF BUSINESS

Revenue for the year amounted to £ 11,891,536 an increase of 13.9% over 2011, and the profit after tax for the year amounted to £ 191,735, an increase of 15.6%

The directors were satisfied with the performance of the company. The company's aggressive sales strategies have helped increase the revenues during the year. The company continued focus on offshore model of delivery and provides solution based delivery to its clients.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2012

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2012 to the date of this report

A Nishar
A A Nishar
V R Seshadri
P R Chandrasekar

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's financial instruments comprise cash and liquid resources, balances with group undertakings and various items such as trade debtors, trade creditors etc, that arise directly from its operations. The company's activities expose it to various risks like foreign currency risk and interest rate risk, credit risk and liquidity risk. The company's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the company's financial performance.

Foreign currency risk

The company's transactions are predominantly in Pound Sterling and incurs foreign currency risk on transactions that are denominated in currency other than Pound Sterling, such as Euro and United States Dollars. The company does not hedge any currency exposures.

Interest rate risk

The company finances its operations through a retained profits. The company has no significant exposure to market risk for changes in interest rates.

Liquidity risk

The company has no overdraft facilities or requirement, and manages its liquidity risk mainly through funds generated from operations.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The major classes of financial assets of the company are bank deposits, trade receivables and amounts owed by group companies. The company manages its credit risk through credit checks, and rigorous debt collection procedures.

HEXAWARE TECHNOLOGIES UK LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

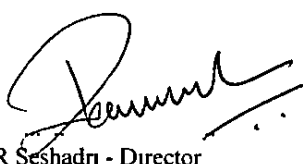
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Butler & Co LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



V R Seshadri - Director

Date 30 January 2013

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
HEXAWARE TECHNOLOGIES UK LIMITED

We have audited the financial statements of Hexaware Technologies UK Limited for the year ended 31 December 2012 on pages five to fourteen. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

S Phadke (Senior Statutory Auditor)
for and on behalf of Butler & Co LLP
Chartered Accountants
& Statutory Auditor
Third Floor
126 - 134 Baker Street
London
W1U 6UE



Date

30 January 2013

HEXAWARE TECHNOLOGIES UK LIMITED**PROFIT AND LOSS ACCOUNT**
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £	2011 £
TURNOVER	2	11,891,536	10,439,699
Cost of sales		8,120,360	6,312,561
GROSS PROFIT		3,771,176	4,127,138
Administrative expenses		3,521,539	3,928,759
		249,637	198,379
Other operating income		213	-
OPERATING PROFIT	4	249,850	198,379
Interest receivable and similar income		13,252	16,546
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		263,102	214,925
Tax on profit on ordinary activities	5	71,367	49,122
PROFIT FOR THE FINANCIAL YEAR		191,735	165,803

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES

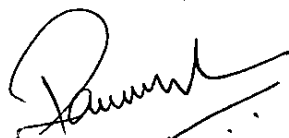
The company has no recognised gains or losses other than the profits for the current year or previous year

The notes form part of these financial statements

HEXAWARE TECHNOLOGIES UK LIMITED**BALANCE SHEET**
31 DECEMBER 2012

	Notes	2012 £	2011 £
FIXED ASSETS			
Tangible assets	7	40,309	31,828
CURRENT ASSETS			
Debtors	8	3,656,001	4,490,216
Cash at bank		767,467	1,506,089
		<u>4,423,468</u>	<u>5,996,305</u>
CREDITORS			
Amounts falling due within one year	9	<u>2,091,185</u>	<u>2,947,276</u>
NET CURRENT ASSETS		<u>2,332,283</u>	<u>3,049,029</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>2,372,592</u></u>	<u><u>3,080,857</u></u>
CAPITAL AND RESERVES			
Called up share capital	11	2,167,000	3,067,000
Profit and loss account	12	<u>205,592</u>	<u>13,857</u>
SHAREHOLDERS' FUNDS	16	<u><u>2,372,592</u></u>	<u><u>3,080,857</u></u>

The financial statements were authorised for issue by the Board of Directors on 30 January 2013 and were signed on its behalf by



V R Seshadri - Director

The notes form part of these financial statements

HEXAWARE TECHNOLOGIES UK LIMITED**CASH FLOW STATEMENT**
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £	2011 £
Net cash inflow/(outflow) from operating activities	1	809,837	(329,862)
Returns on investments and servicing of finance	2	13,252	16,546
Taxation		(40,043)	(105,626)
Capital expenditure	2	(23,576)	(20,742)
Equity dividends paid		(598,065)	-
		161,405	(439,684)
Financing	2	(900,027)	10,000
Decrease in cash in the period		(738,622)	(429,684)
Reconciliation of net cash flow to movement in net funds	3		
Decrease in cash in the period		(738,622)	(429,684)
Change in net funds resulting from cash flows		(738,622)	(429,684)
Movement in net funds in the period		(738,622)	(429,684)
Net funds at 1 January		1,506,089	1,935,773
Net funds at 31 December		767,467	1,506,089

The notes form part of these financial statements

HEXAWARE TECHNOLOGIES UK LIMITED**NOTES TO THE CASH FLOW STATEMENT**
FOR THE YEAR ENDED 31 DECEMBER 2012**1 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

	2012 £	2011 £
Operating profit	249,850	198,379
Depreciation charges	15,067	15,704
Amounts owed to group undertakings	64,124	27,353
Decrease/(increase) in debtors	834,215	(1,165,741)
(Decrease)/increase in creditors	(353,419)	594,443
Net cash inflow/(outflow) from operating activities	809,837	(329,862)

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2012 £	2011 £
Returns on investments and servicing of finance		
Interest received	13,252	16,546
Net cash inflow for returns on investments and servicing of finance	13,252	16,546
Capital expenditure		
Purchase of tangible fixed assets	(24,766)	(20,742)
Sale of tangible fixed assets	1,190	-
Net cash outflow for capital expenditure	(23,576)	(20,742)
Financing		
Amount introduced by directors	-	10,055
Amount withdrawn by directors	-	(55)
Share issue	(900,000)	-
Sundry outflow	(27)	-
Net cash (outflow)/inflow from financing	(900,027)	10,000

3 ANALYSIS OF CHANGES IN NET FUNDS

	At 1/1/12 £	Cash flow £	At 31/12/12 £
Net cash			
Cash at bank	1,506,089	(738,622)	767,467
	<u>1,506,089</u>	<u>(738,622)</u>	<u>767,467</u>
Total	<u>1,506,089</u>	<u>(738,622)</u>	<u>767,467</u>

The notes form part of these financial statements

HEXAWARE TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2012**

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention

Turnover

Turnover represents the invoiced amounts of services provided and it is stated net of Value Added Tax

Revenue for software services is recognised on the basis of services rendered. In case of time and material contracts, invoices are raised on the basis of customer approved timesheets. In case of fixed price projects, invoices are raised for prescribed milestones achieved on the basis of acceptance / sign-off received from customer. Revenue on fixed price contracts is recognised on percentage completion method until an invoice is raised to the customer.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Short leasehold	- over the lease term
Plant and machinery	- 20% on cost
Fixtures and fittings	- 12.5% on cost
Computer equipment	- 33.33% on cost

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pension costs and other post-retirement benefits

The company operates a group stakeholder pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

2 TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below

	2012	2011
	£	£
UK	8,058,035	8,579,585
Belgium	1,519,485	687,482
Switzerland	1,509,240	886,206
Netherlands	324,096	264,826
Ireland	480,680	21,600
	<u>11,891,536</u>	<u>10,439,699</u>

HEXAWARE TECHNOLOGIES UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued**
FOR THE YEAR ENDED 31 DECEMBER 2012**3 STAFF COSTS**

	2012 £	2011 £
Wages and salaries	4,667,348	4,642,091
Social security costs	420,188	518,982
Other pension costs	93,355	77,289
	<u>5,180,891</u>	<u>5,238,362</u>

The average monthly number of employees during the year was as follows

	2012	2011
Office Management	15	15
Software consultants	76	75
	<u>91</u>	<u>90</u>

4 OPERATING PROFIT

The operating profit is stated after charging

	2012 £	2011 £
Depreciation - owned assets	15,095	15,702
Auditors' remuneration	11,000	11,000
Other non-audit services	4,000	13,192
Foreign exchange differences	48,814	15,567
	<u>208,953</u>	<u>449,949</u>

Information regarding the highest paid director is as follows

	2012 £	2011 £
Emoluments etc	<u>116,966</u>	<u>249,249</u>

5 TAXATION**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows

	2012 £	2011 £
Current tax		
UK corporation tax	<u>71,367</u>	<u>49,122</u>
Tax on profit on ordinary activities	<u>71,367</u>	<u>49,122</u>

UK corporation tax has been charged at 24%

HEXAWARE TECHNOLOGIES UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012****5 TAXATION - continued****Factors affecting the tax charge**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

	2012 £	2011 £
Profit on ordinary activities before tax	263,102	214,925
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24% (2011 - 26%)	63,144	55,881
Effects of		
Excess of capital allowance over depreciation	(3,883)	(3,581)
Expenses disallowed for tax purposes	12,796	6,642
Difference in tax rates for Jan to March 2012	1,316	1,118
Over/Under provision of tax in prior period	(2,006)	(10,938)
Current tax charge	71,367	49,122

UK corporation tax has been charged @ 26% from January to March 2012 and @ 24% from April to December 2012

6 DIVIDENDS

	2012 £	2011 £
Ordinary shares of £1 each		
Final	-	598,065

7 TANGIBLE FIXED ASSETS

	Short leasehold £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST					
At 1 January 2012	64,612	5,901	39,826	35,874	146,213
Additions	-	220	-	24,546	24,766
Disposals	-	-	-	(2,114)	(2,114)
At 31 December 2012	64,612	6,121	39,826	58,306	168,865
DEPRECIATION					
At 1 January 2012	64,612	3,949	26,578	19,246	114,385
Charge for year	-	809	3,071	11,215	15,095
Eliminated on disposal	-	-	-	(924)	(924)
At 31 December 2012	64,612	4,758	29,649	29,537	128,556
NET BOOK VALUE					
At 31 December 2012	-	1,363	10,177	28,769	40,309
At 31 December 2011	-	1,952	13,248	16,628	31,828

HEXAWARE TECHNOLOGIES UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012****8 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2012	2011
	£	£
Trade debtors	2,625,325	2,432,119
Other debtors	462,462	373,336
Amounts owed by group undertakings	497,920	1,634,531
Prepayments	70,294	50,230
	<u>3,656,001</u>	<u>4,490,216</u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012	2011
	£	£
Trade creditors	72,012	162,510
Amounts owed to group undertakings	110,052	45,928
Tax	40,108	8,784
Social security and other taxes	131,952	149,940
VAT	328,643	335,912
Proposed dividends	-	598,065
Other creditors	234,426	193,770
Directors' current accounts	-	55
Accrued expenses	1,173,992	1,452,312
	<u>2,091,185</u>	<u>2,947,276</u>

10 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

	Land and buildings	
	2012	2011
	£	£
Expiring		
Within one year	75,800	74,600
Between one and five years	68,600	137,200
	<u>144,400</u>	<u>211,800</u>

11 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid			2012	2011
Number	Class	Nominal value	£	£
3,067,000	Ordinary	£1	3,067,000	3,067,000
900,000	Ordinary reduction	-£1	(900,000)	-
			<u>2,167,000</u>	<u>3,067,000</u>

HEXAWARE TECHNOLOGIES UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued**
FOR THE YEAR ENDED 31 DECEMBER 2012**12 RESERVES**

	Profit and loss account £
At 1 January 2012	13,857
Profit for the year	191,735
At 31 December 2012	<u>205,592</u>

13 PENSION COMMITMENTS

At the year end the amount payable towards pension is £ 8,691 (2011 £ 9,523)

14 ULTIMATE PARENT COMPANY

The ultimate holding company is Hexaware Technologies Limited, a company incorporated and registered in India

Hexaware Technologies Limited is the parent undertaking of the only group for which consolidated financial statements are prepared. These financial statements may be obtained by the public from 152 Millenium Business Park, Sector III, A Block, TTC Industrial Area, Mahape, Navi Mumbai -400 710, India

15 RELATED PARTY DISCLOSURES

In accordance with Financial Reporting Standard No 8 "Related Party Transactions", transactions with other group undertakings have not been disclosed in these financial statements

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Profit for the financial year	191,735	165,803
Dividends	-	(598,065)
	<u>191,735</u>	<u>(432,262)</u>
Reduction in share capital	(900,000)	-
	<u>(708,265)</u>	<u>(432,262)</u>
Net reduction of shareholders' funds	3,080,857	3,513,119
Opening shareholders' funds		
Closing shareholders' funds	<u>2,372,592</u>	<u>3,080,857</u>

17 BANK GUARANTEE

The company's bankers, Royal Bank of Scotland Plc, have given a guarantee to a third party of £ 34,300 and has a lien on a deposit with the bank of a similar amount

HEXAWARE TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

18 INVESTMENTS

In 2011, Hexaware Technologies S R L , Argentina (100% holding) was dissolved

As at 31 December 2012, the amount due from the subsidiary in Brazil is £13,735 (2011 £10,000) During the year the company has made a profit of £5,233 (BRL 17,332) The aggregate reserves of the company show a deficit of £137,479 (BRL 455,380)

These financial statements contain information about Hexaware Technologies UK Limited as an individual company and do not contain consolidated financial information as the parent of a group The company is exempt under section 401 of the Companies Act 2006 as the company itself is a subsidiary undertaking and its parent undertaking is not established under the law of an EEA state The company is included in consolidated accounts of its parent company