

SPECIAL PURPOSE PARENT-ONLY FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITORS' REPORT

WIPRO GALLAGHER SOLUTIONS INC.

MARCH 31, 2018



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## Independent Auditors' Report

Board of Directors  
Wipro Gallagher Solutions Inc. Florida

We have audited the accompanying special purpose parent-only financial statements of Wipro Gallagher Solutions Inc. (the 'Company', a Florida C Corporation owned by Wipro LLC a wholly owned subsidiary of Wipro Limited.), which comprise balance sheet as of March 31, 2018, and the related statement of operations, statement of cash flows and statement of changes in shareholder's equity for the year ended March 31, 2018, and the related notes to the special purpose parent-only financial statements.

### Management's Responsibility for the special purpose parent-only Financial Statements

Management is responsible for the preparation and fair presentation of these special purpose parent-only financial statements in accordance with note 1 (B.a); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special purpose parent-only financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these special purpose parent-only financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose parent-only financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose parent-only financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose parent-only financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special purpose parent-only financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special purpose parent-only financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the special purpose parent-only financial statements referred to above present fairly, in all material respects, the assets and liabilities of the Company as of March 31, 2018, and the revenues, expenses and cash flows for the year ended March 31, 2018, on the basis of accounting described in note 1 (B).

### Basis of accounting





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As discussed in note 1 (B.a), the accompanying special purpose parent-only financial statements have been prepared for the purpose of consolidation with the financial statements of Wipro Limited, the Ultimate Holding Company and for the purpose of submitting financial statements to Nationwide Multistate Licensing System (NMLS) on the basis of accounting described in note 1 (B), and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### **Restriction on use**

This report is intended solely for the information and use of the Board of Directors and Management of Wipro Gallagher Solutions Inc. and Wipro Limited, the Ultimate Holding Company for the purpose of meeting the requirements of consolidation of the attached special purpose parent-only financial statements with the financial statements of Wipro Limited, the Ultimate Holding Company and for the purpose of submitting financial statements to Nationwide Multistate Licensing System (NMLS) and is not intended to be and should not be used by anyone other than these specified parties or for any other purpose.

This report is intended solely for the information of the Company's and its Ultimate Holding Company's board of directors and for the purpose of submitting financial statements to Nationwide Multistate Licensing System (NMLS) and is not intended to be and should not be used by anyone other than specified parties. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, the Company's and Ultimate Holding Company's board of directors, for our audit work, for this report, or for the opinions we have formed.

#### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the special purpose parent-only financial statements taken as a whole. The accompanying supplementary information shown on pages 13 and 14 is presented for the purpose of additional analysis and is not a required part of the special purpose parent-only financial statements of the Company. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the special purpose parent-only financial statements. The information has been subjected to the auditing procedures applied in the audit of the special purpose parent-only financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special purpose parent-only financial statements, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the special purpose parent-only financial statements taken as a whole.

Yours faithfully,

*BDO India LLP*

BDO India LLP  
Mumbai, India  
June 15, 2018



**WIPRO GALLAGHER SOLUTIONS, INC.**  
**BALANCE SHEET**  
**MARCH 31, 2018**

**Assets**

Current assets	
Cash and cash equivalents	\$ 34,24,374
Accounts receivable, less allowance for doubtful accounts of \$291,541	55,56,577
Unbilled receivables	35,76,155
Due from affiliates	30,61,058
Prepaid income tax	19,78,352
Prepaid expenses and other current assets	<u>2,64,742</u>
	<u>178,61,258</u>
Property and equipment, net	<u>4,60,942</u>
Other assets	
Investment in subsidiaries	495,81,611
Non-compete covenant, net of amortization	2,75,632
Deferred tax	<u>32,48,506</u>
	<u>531,05,749</u>
	<u>\$ 714,27,949</u>

**Liabilities and Shareholder's Equity**

Current liabilities	
Loan payable – intercompany	\$ 275,00,000
Accounts payable and accrued expenses	21,28,187
Due to affiliates	107,80,649
Employee benefits payable	1,81,464
Deferred revenue	<u>18,82,145</u>
	<u>424,72,445</u>
Shareholder's equity	
Common stock, \$1 par value, 500 shares authorized, 500 shares issued and outstanding	500
Additional paid-in capital	293,55,166
Retained earnings (deficit)	<u>(4,00,162)</u>
	<u>289,55,504</u>
	<u>\$ 714,27,949</u>



**WIPRO GALLAGHER SOLUTIONS, INC.  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2018**

Revenues	
Software license and support fees	\$ 429,52,262
Reimbursements	<u>54,635</u>
	430,06,897
Cost of Revenues (Schedule)	<u>373,51,308</u>
Gross Profit	<u>56,55,589</u>
Expenses	
Depreciation and amortization	9,08,381
Interest expense	7,10,490
Selling, general and administrative (Schedule)	<u>13,73,547</u>
	<u>29,92,418</u>
<b>Profit from operations</b>	<b>26,63,171</b>
Other income	
Interest income	1,39,208
Other income	<u>3,77,601</u>
	<u>5,16,809</u>
Profit before income tax provisions	31,79,980
Provision for taxes	
Income tax	(27,279)
Deferred tax	<u>11,15,191</u>
	<u>10,87,912</u>
Net (loss)	<u>\$ 42,67,892</u>



**WIPRO GALLAGHER SOLUTIONS, INC.**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED MARCH 31, 2018**

Net Profit	\$	42,67,892
Adjustments to reconcile net (loss) to net cash used by operating activities		
Depreciation and amortization		9,08,381
(Increase) decrease in		
Accounts receivable		12,27,786
Unbilled receivables		(13,66,288)
Interest due from affiliates		(68,025)
Prepaid income tax		(63,093)
Prepaid expenses and other current assets		(56,385)
Deferred tax		(11,15,192)
Increase (decrease) in		
Accounts payable and accrued expenses		(29,09,325)
Due to affiliates		(12,43,643)
Employee benefits payable		32,362
Deferred revenue		1,56,279
Net Cash Used by Operating Expenses		<u>(2,29,251)</u>
Cash flows from investing activities:		
Investment in subsidiaries		-
Purchase of property and equipment		(2,96,674)
Net cash used by investing activities		<u>(2,96,674)</u>
Cash flows from financing activities:		
Additional paid in capital		-
Loans to affiliates		(25,00,000)
Net cash provided by financing activities		<u>(25,00,000)</u>
Decrease in cash and cash equivalents		(30,25,925)
Cash and cash equivalents		
Balance - March 31, 2017		<u>64,50,299</u>
Balance - March 31, 2018	\$	<u>34,24,374</u>
Supplemental disclosures of cash flow information Cash paid for interest	\$	<u>7,12,436</u>
Cash paid for federal and state income taxes	\$	<u>-</u>



**WIPRO GALLAGHER SOLUTIONS, INC.  
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY  
FOR THE YEAR ENDED MARCH 31, 2018**

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balance, March 31, 2017	500	\$ 500	\$ 293,55,166	\$ (46,68,054)	\$ 246,87,612
Capital contributions	-	-	-	-	-
Net Profit	-	-	-	42,67,892	42,67,892
Balance, March 31, 2018	<u>500</u>	<u>\$ 500</u>	<u>\$ 293,55,166</u>	<u>\$ (4,00,162)</u>	<u>\$ 289,55,504</u>





# Notes to Special Purpose Parent-Only Financial Statements

## NOTE 1- DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. DESCRIPTION OF BUSINESS

Wipro Gallagher Solutions Inc. (WGS), a Florida C Corporation is owned by Wipro LLC a wholly owned subsidiary of Wipro Ltd. a company traded on the New York Stock Exchange. WGS develops markets and supports personal computer based software products, both stand-alone and networked, for mortgage brokers, banks, credit unions and savings institutions throughout the US and in Australia, South America and New Zealand. Gallagher Millennium Windows Software<sup>®</sup> and Gallagher Net Oxygen<sup>®</sup> web-enabled product lines encompass all major components of the loan production process and portfolio management.

The Company operates a branch in India which is combined with the US operations for reporting purposes.

### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying special purpose parent-only financial statements is as follows:

#### a. OVERALL CONSIDERATIONS

The accompanying special purpose parent-only financial statements have been prepared on the accrual basis of accounting in accordance with the accounting policies described in these notes to reflect the financial position, revenues and expenses and cash flows of the Company.

These special purpose parent-only financial statements have been prepared for the purpose of consolidation with the financial statements of Wipro Limited, the Ultimate Holding Company and for the purpose of submitting financial statements to Nationwide Multistate Licensing System (NMLS) and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

These special purpose parent-only financial statements have been prepared on a going concern basis, which assumes the realization of assets and satisfaction of liabilities in the normal course of business. These financial statements have been presented in the United States Dollars ('\$'), which is the functional and reporting currency of the Company.

#### b. CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

#### c. CONCENTRATION OF CREDIT RISK

The Company regularly maintains cash balances in accounts that from time to time may exceed Federal Deposit Insurance Corporation limits. The Company periodically evaluates the relative credit standings of the financial institutions with which they do business.



# Notes to Special Purpose Parent-Only Financial Statements

## d. PRODUCT DEVELOPMENT

The Company is required to capitalize software development costs after establishing the technological feasibility of a product, up to the date that the product is available for general release to customers. Costs to maintain or support these products once they are available for release are expensed as incurred. Product development costs represent the cost incurred by the Company to maintain and support their existing products. The Company did not capitalize any software development costs during the year ended Mar'18.

## e. INVESTMENTS IN SUBSIDIARIES

### OPUS CAPITAL MARKETS CONSULTANTS, LLC

In 2014 the Company acquired Opus Capital Market Consultants LLC. The two companies operate independently of each other. On initial recognition, all investments are measured at cost (including contingent consideration and net of non-compete fee and promotor repayment). The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets' net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

### WIPRO PROMAX ANALYTICS SOLUTIONS AMERICAS, LLC

In 2016 Wipro LLC contributed all of its interest in Wipro Promax Analytics Solutions Americas LLC ("Promax") to Wipro Gallagher Solutions, Inc. The two companies operate independently of each other. On initial recognition, all investments are measured at cost. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets' net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

## f. PROPERTY AND EQUIPMENT

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation for equipment, furniture and fixtures and building is recorded on an accelerated basis over their estimated useful lives. Amortization of software is recorded on a straight line basis over its estimated life.

The Company uses the following estimated useful lives:

Computers and software	2-3 Years
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# Notes to Special Purpose Parent-Only Financial Statements

Equipment	3 Years
Furniture and Fixtures	6 Years

Leasehold improvements are amortized over the lesser of the estimated useful life of the lease term. Contributed property is stated at the lower of stockholder cost or fair market value.

## g. NON-COMPETE COVENANT

The non-compete covenant is in connection with the investment in Opus Capital Markets Consultants LLC and is being amortized over a period of five years. The Company recorded an impairment charge to the non-compete covenant of \$1,167,086 in the year ended March 31, 2015.

## h. REVENUE RECOGNITION

WGS follows American Institute of Certified Public Accountants Statement of Position ("SOP") 97-2, "Software Revenue Recognition", as interpreted by staff accounting bulletin 104, "Topic 13: Revenue Recognition". SOP 97-2 requires companies to defer revenue and profit recognition if four required criteria of a sale are not met. These criteria are: 1) persuasive evidence of an arrangement exists; 2) delivery has occurred; 3) the vendor's fee is fixed or determinable; and collectability is probable. In addition, SOP 97-2 that revenue recognized from software arrangement based on the relative fair values of the elements, such as software products.

Software license fees are recognized when the software is shipped, installed and customer acceptance has occurred or the acceptance period has lapsed. Software support fees are deferred until such time that customer acceptance has occurred at which point the fees are recognized to the extent that the service period has elapsed, with the remaining balance amortized on a straight line basis over the life of the related service contract. Under Wipro's standard licensing agreements, software support fees are charged separately on an annual, quarterly or monthly basis. In the initial year of contract, software support fees are unbundled and recognized over the software support period, once acceptance has occurred.

Consulting fees and other include custom programming, consulting and training fees. Such fees that are billed to customers on a time incurred and materials used basis, are recognized when the related service is provided. Fees generated from fixed fee contracts are recognized on the percentage-of-completion method of accounting based on the ratio of costs incurred to total estimated costs, which may not coincide with certain billing milestones in the contracts.

Provisions for estimated losses on uncompleted fixed fee contracts are made on a contract-by-contract basis and are recognized in the period in which such losses are determined. Unbilled revenue on such contracts comprise of costs plus earnings on contracts in excess of contractual billing on such contracts and are classified as 'Accounts Receivables' on the accompanying balance sheet. Billings in excess of revenue recognized are classified as "Deferred revenue" on the accompanying balance sheet.

## i. COMPREHENSIVE INCOME



# Notes to Special Purpose Parent-Only Financial Statements

ASC 220 (Formerly SFAS No. 130) requires “a full set of general-purpose financial statements to be expanded to include the reporting of comprehensive income”. Comprehensive income is comprised of two components, net income and other comprehensive income. For the year ended March 31<sup>st</sup> 2018, there were not items classified as other comprehensive income.

## j. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles Generally Accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that these estimates are adequate. Actual results could differ from those estimates.

## k. INCOME TAXES

GAAP requires management to evaluate tax positions taken by the Company and recognize a tax liability (or assets) if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or other tax authorities. Management has analyzed the tax positions taken by the Company and has concluded that as of Mar 31<sup>st</sup> 2018 there are no uncertain positions taken or expected to be taken that would require recognition of a liability(or asset) or disclosure in the consolidated financial statements. The Company is subject to routine audits by the Internal Revenue Service or other tax authorities, generally for 3 years after the tax returns are filed, however, there are currently no audits in progress for any tax periods.

## l. ACCOUNTING PRONOUNCEMENTS

There were no recent accounting pronouncements adopted or proposed that management believes will have material impact on the Company’s special purpose parent-only financial statements.

## m. ADVERTISEMENT AND PROMOTION COSTS

Advertising and promotion costs are expensed as incurred. For the year ended Mar 31, 2018 these expenses totaled \$6,198.

## n. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the Company financial instruments, which include cash and cash equivalents, accounts receivable, accounts payables and accrued expenses approximate their fair value due to their short-term maturities.



# Notes to Special Purpose Parent-Only Financial Statements

## NOTE 2- PROPERTY AND EQUIPMENT

Property and equipment consist of the following as at Mar 31, 2018.

Computers	\$6,417,549
Equipment	522,265
Furniture and Fixtures	<u>1,052,451</u>
	7,992,265
Less: Accumulated depreciation and amortization	<u>(7,531,323)</u>
	<u>\$ 460,942</u>

Depreciation and amortization expense totaled \$9,08,381 for the year ended Mar 31<sup>st</sup> 2018.

## NOTE 3 – EMPLOYEE BENEFIT PLAN

The Company allows its employees to participate in its parent company's defined contribution profit sharing plan (the "Plan"), as defined. Employer defined contributions to the Plan are made at the sole discretion of the Company. There were no company contributions to the plan for the year ended Mar 31<sup>st</sup> 2018.

## NOTE 4 - COMMITMENTS AND CONTINGENCIES

The Company performs ongoing credit evaluations of its customers, generally does not require collateral, and provides allowances for estimated uncollectible accounts, as deemed necessary.

## NOTE 5 - LEASING ARRANGEMENTS

The Company occupies office space in Franklin, Tennessee and Miami, Florida. Both leases are in the name of Wipro Limited, a public company. Wipro Gallagher Solutions Inc. pays the monthly rent, but is not ultimately responsible for the leases.

## NOTE 6 – LEGAL MATTERS

From time to time the Company may be involved in various litigation matters in the ordinary course of business. The Company is currently unaware of any litigation, pending or threatened, against them.

## NOTE 7 - LOANS PAYABLE – INTERCOMPANY

In December 2013 Wipro Gallagher Solutions Inc. agreed to an unsecured loan of \$275,00,000 from Wipro Hungary Holdings Ltd on order to purchase Opus Capital Markets Consultants LLC. The loan was payable upon demand and bears interest at a rate equal to prevailing 12 month USD Libor rate plus 200 basis points as on the date of the loan. Payments of principle are allowed at any time. In November 2014, at request of Wipro Ltd, Wipro Hungary Holdings Ltd. agreed to subordinate the loan to all debt of Wipro Gallagher Solutions Inc.



# Notes to Special Purpose Parent-Only Financial Statements

## NOTE 8 - RELATED PARTY TRANSACTIONS

In April 2017 the Company loaned \$5,00,000 Promax. The loan is due on April 27, 2018 and bears interest at a rate equal to the 12-month USD Libor rate as quoted by Bloomberg plus 200 basis points. Interest payments are due as and when principle payments are made.

In May 2017 the Company loaned \$20,00,000 Promax. The loan is due on May 26, 2018 and bears interest at a rate equal to the 12-month USD Libor rate as quoted by Bloomberg plus 200 basis points. Interest payments are due as and when principle payments are made.

Throughout the year, the Company has participated in various transactions with its sister and parent companies. These transactions were either in the form of cash transfers or expenses paid on behalf of the Company. Additionally, the Company subcontracted work to affiliated companies. These advances are payables back to the related parties on demand and do not bear any interest. As of March 31<sup>st</sup> 2018 intercompany payables aggregated \$107,80,649.

## NOTE 9 - SUBSEQUENT EVENTS

Management of the Company has evaluated subsequent events through June 15, 2018 the date the special purpose parent-only financial statements were available to be issued.



**WIPRO GALLAGHER SOLUTIONS, INC.**

**SCHEDULE OF EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2018**

Cost of revenues:	
Software development costs	\$ 208,82,008
Payroll and subcontracting costs	121,72,460
Consulting fees	40,00,933
Travel	2,01,013
Communications	90,894
Subscriptions/licenses	<u>4,000</u>
	<b><u>\$ 373,51,308</u></b>

Selling, general and administrative expenses:	
Rent	\$ 7,07,833
Professional fees	4,51,225
Provision for bad debts	6,381
Repairs and maintenance	14,817
Office expenses	85,085
Meetings and conferences	51,665
Bank charges	28,949
Miscellaneous	21,394
Advertising and sales promotion	<u>6,198</u>
	<b><u>\$ 13,73,547</u></b>



**WIPRO GALLAGHER SOLUTIONS, INC.**  
**COMPUTATION OF ADJUSTED NET WORTH TO DETERMINE**  
**COMPLIANCE WITH HUD NET WORTH REQUIREMENTS**  
**March 31, 2018**

<b>MINIMUM NET WORTH REQUIRED</b>	\$ 10,00,000
SHAREHOLDERS' EQUITY PER BALANCE SHEET	\$ 289,55,504
ADD: SUBORDINATED INTERCOMPANY DEBT	275,00,000
LESS: UNACCEPTABLE ASSETS	(223,57,243)
<b>ADJUSTED NET WORTH FOR HUD REQUIREMENT</b> <b>PURPOSES</b>	340,98,261
Adjusted net worth ABOVE amount required	\$ 330,98,261
Adjusted net worth BELOW amount required	\$ -
Cash on hand - March 31, 2018	\$ 34,24,374
Percent of net worth in liquid assets	10.3%

