HCL Insurance BPO Services Limited

SPECIAL PURPOSE FINANCIAL STATEMENTS

For the year ended 31 March 2021

HCL Insurance BPO Services Limited
Special Purpose Balance Sheet as at 31 March 2021
(All amounts in thousands, except share data and as stated otherwise)

	Note No.	As at 31 March 2021 (£)	As at 31 March 2021 (₹)
ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	**2.1 (A)**	1,049	105,742
(b) Right-of-use assets	**2.19**	2,880	290,237
(c) Other Intangible assets	**2.1 (B)**	109	11,006
(d) Financial assets			
(i) Others	**2.2**	223	22,435
(e) Other non-current assets	**2.3**	52	5,089
(2) Current assets			
(a) Financial assets			
(i) Trade receivables	**2.4**	1,862	187,666
(ii) Cash and cash equivalents	**2.5**	2,327	234,529
(iii) Loans	**2.6**	5,100	513,906
(iv) Others	**2.2**	10	985
(b) Other current assets	**2.7**	722	72,745
TOTAL ASSETS		**14,334**	**1,444,340**
EQUITY			
(a) Equity share capital	**2.11**	8,109	817,107
(b) Other equity		(1,461)	(147,194)
LIABILITIES			
(1) Non - current liabilities			
(a) Financial liabilities			
(i) Lease liabilities	**2.19**	2,514	253,277
(ii) Others	**2.8**	26	2,596
(2) Current liabilities			
(a) Financial liabilities			
(i) Trade payables	**2.9**	922	92,927
(ii) Lease Liabilities	**2.19**	289	29,164
(iv) Others	**2.8**	3,689	371,674
(b) Other current liabilities	**2.10**	246	24,789
TOTAL EQUITY AND LIABILITIES		**14,334**	**1,444,340**
Summary of significant accounting policies	**1**		

The accompanying notes are an integral part of the special purpose financial statements

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

For and on behalf of the Board of Directors
of HCL Insurance BPO Services Limited

Vimal Chauhan

Vimal Chauhan
Partner
Membership Number: 511230
Gurugram, India
Date: 2nd August, 2021

Neeraj Prasad
Director
United Kingdom
Date:2nd August, 2021

Sugata Gupta

Sugata Gupta
Director
Republic of Ireland

HCL Insurance BPO Services Limited
Special Purpose Statement of Profit and Loss for the year ended 31 March 2021
(All amounts in thousands, except share data and as stated otherwise)

		Note No.	Year ended 31 March 2021 (£)	Year ended 31 March 2021 (₹)
I	**Revenue**			
	Revenue from operations	**2.12**	20,694	2,085,259
	Other income	**2.13**	56	5,645
	Total income		**20,750**	**2,090,904**
II	**Expenses**			
	Employee benefits expense	**2.14**	11,713	1,180,291
	Finance costs	**2.15**	141	14,169
	Depreciation and amortization expense	**2.1,2.19**	978	98,562
	Outsourcing costs		5,038	507,705
	Other expenses	**2.16**	3,170	319,446
	Total expenses		**21,040**	**2,120,173**
III	**Loss before tax**		**(290)**	**(29,269)**
IV	**Tax expense**		**-**	**-**
V	**Loss for the year**		**(290)**	**(29,269)**
VI	**Other comprehensive income**		**-**	**-**
VII	**Total Comprehensive loss for the year**		**(290)**	**(29,269)**
	Earnings per equity share of par value £1 each			
	Basic and Diluted	**2.17**	(0.04)	(3.61)
	Summary of significant accounting policies	**1**		

The accompanying notes are an integral part of the special purpose financial statements

As per our report of even date

FOR B S R & Co. LLP
Chartered Accountants
ICAI Firm Registration Number : 101248W/W-100022

For and on behalf of the Board of Directors
of HCL Insurance BPO Services Limited

Vimal Chauhan

Sugata Gupta

Vimal Chauhan
Partner
Membership Number: 511230

Gurugram, India
Date:2nd August, 2021

Neeraj Prasad
Director

United Kingdom
Date:2nd August, 2021

Sugata Gupta
Director

Republic of Ireland

HCL Insurance BPO Services Limited
Special Purpose Statement of Changes in Equity for the year ended 31 March 2021
(All amounts in thousands, except share data and as stated otherwise)

	Equity share capital		Other equity
	Shares	Share capital	Reserve and surplus
	(No's)	**(£)**	**(£)**
Balance as of April 1, 2020	8,109,000	8,109	(1,171)
Loss for the year	-	-	(290)
Total comprehensive loss for the year	-	-	(290)
Balance as of March 31, 2021 (£)	8,109,000	8,109	(1,461)

	Equity share capital		Other equity
	Shares	Share capital	Reserve and surplus
	(No's)	**(₹)**	**(₹)**
Balance as of April 1, 2020	8,109,000	817,107	(117,956)
Loss for the year	-	-	(29,238)
Total comprehensive Loss for the year	-	-	(29,238)
Balance as of March 31, 2021 (₹)	8,109,000	817,107	(147,194)

The accompanying notes are an integral part of the special purpose financial statements

As per our report of even date

FOR B S R & Co. LLP
Chartered Accountants
ICAI Firm Registration Number : 101248W/W-100022

For and on behalf of the Board of Directors
of HCL Insurance BPO Services Limited

Vimal Chauhan

Neeraj Prasad

Sugata Gupta

Vimal Chauhan
Partner
Membership Number: 511230

Gurugram, India
Date: 2nd August, 2021

Neeraj Prasad
Director

United Kingdom
Date:2nd August, 2021

Sugata Gupta
Director

Republic of Ireland

HCL Insurance BPO Services Limited
Special Purpose Cash Flow Statement for the year ended 31 March 2021
(All amounts in thousands, except share data and as stated otherwise)

	Year ended 31 March 2021 (£)	Year ended 31 March 2021 (₹)
A. Cash flows from operating activities		
Loss before tax	(290)	(29,238)
Adjustment for:		
Depreciation and amortization expense	978	98,562
Interest Income	(54)	(5,456)
Interest expenses	96	9,656
Operating profit before working capital changes	**730**	**73,524**
Net changes in		
Trade receivables	467	47,049
Other financial assets and other assets	1,744	175,701
Trade payables	(741)	(74,630)
Provisions, other financial liabilities and other liabilities	(690)	(69,551)
Net cash flow from in operating activities (A)	**1,510**	**152,093**
B. Cash flows from investing activities		
Loan given to related parties	(5,100)	(513,906)
Purchase of property,plant and equipment and intangibles	(84)	(8,414)
Interest received	144	14,482
Net cash flow used in investing activities (B)	**(5,040)**	**(507,838)**
C. Cash flows from financing activities		
Payment of lease liabilities including interest	(663)	(66,828)
Interest paid	(1)	(84)
Net cash flow used in financing activities (C)	**(664)**	**(66,912)**
Net increase in cash and cash equivalents (A+B+C)	(4,194)	(422,657)
Cash and cash equivalents at the beginning of the year	6,522	657,287
Cash and cash equivalents at the end of the year as per note 2.5	**2,328**	**234,529**
Summary of significant accounting policies (Note 1)		

As per our report of even date.

FOR B S R & Co. LLP
Chartered Accountants
ICAI Firm Registration Number : 101248W/W-100022

Vimal Chauhan

Vimal Chauhan
Partner
Membership Number: 511230

Gurugram, India
Date:2nd August, 2021

For and on behalf of the Board of Directors
of HCL Insurance BPO Services Limited

Neeraj Prasad

Sugata Gupta

Neeraj Prasad
Director

United Kingdom
Date: 2nd August, 2021

Sugata Gupta
Director

Republic of Ireland

ORGANIZATION AND NATURE OF OPERATIONS

HCL Insurance BPO Services Limited (hereinafter referred to as the 'Company') is primarily engaged in providing outsourced insurance administrative services. The focus of its business is to provide innovative, technology-enabled, high quality, value-added services to enable its clients to focus on their core business. The Company was incorporated in England, having its registered office at HCL House,28-36, Eastern Road, Romford, Essex,England, RM1 3PJ, United Kingdom.

The special purpose financial statements for the year ended 31 March 2021 were approved and authorized for issue by the Board of Directors on 2nd August, 2021

1. Significant Accounting Policies

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 ("Act") read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Schedule III (Division II) to the Companies Act, 2013, as applicable to the financial statements These financial statements have been prepared on the request of HCL Technologies Limited, being the Ultimate Holding Company to comply with the requirements of the Companies Act, 2013 and are accordingly special purpose financial statements. As the company is not domiciled in India and hence not registered under Companies Act 2013, these Special Purpose Financial Statements do not comply with the notes and disclosure requirements and do not include the previous year comparatives as required under the presentation requirements of Schedule III (Division II) to the Companies Act, 2013 and Ind AS 1, presentation of financial statements and so they do not reflect all the disclosures requirements of the Act.

These financial statements have been prepared under the historical cost convention on an accrual and going concern basis except for certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments). The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year.

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle of 12 months. The statement of cash flows has been prepared under the indirect method. The functional currency of the Company is sterling pound (GBP). The translation from GBP to ₹ is included solely for the convenience of readers in India and has been performed using rate of GBP 1 = ₹ 100.7655, the exchange rate prevailing as at the last day of the financial year. Such translation should not be construed as representation that the ₹ amounts represent, or have been or could be converted into, GBP at that or any other rate.

b) Use of estimates

The preparation of financial statements in conformity with Ind AS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and other comprehensive income (OCI) that are reported and disclosed in the financial statements and accompanying notes. These estimates are based on the management's best knowledge of current events, historical experience, actions that the Company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. Changes in estimates are reflected in the financial statements in the year in which the changes are made.

Significant estimates and assumptions are used for, but not limited to,

i. Accounting for costs expected to be incurred to complete performance under fixed price projects and determination of stand-alone selling prices for each distinct performance obligation in respect of proprietary software products, refer note 1(e)
ii. Allowance for uncollectible accounts receivables, refer note 1(l)(i)
iii. Recognition of income and deferred taxes, refer note 1(f) and note 2.20
iv. Provisions and contingent liabilities, refer note 1(j)

In view of pandemic relating to COVID -19, the company has considered and taken into account internal and external information and has performed sensitivity analysis based on current estimates in assessing the recoverability of receivables, unbilled receivables, other assets, impact on revenues and costs, including but not limited to the assessment of liquidity and going concern assumption. However, the actual impact of COVID-19 on the company's financial statements may differ from that estimated and the company will continue to closely monitor any material changes to future economic conditions.

c) Leases

A lease is a contract that contains right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

Company is lessee in case of office space. These leases are evaluated to determine whether it contains lease based on principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors as defined in Ind AS 116.

Effective 1 April 2019, all leases with a term of more than 12 months are recognized as right-of-use assets along with associated lease liabilities, in the balance sheet.

Right-of-use asset represents the Company's right to control the underlying assets under lease and the lease liability is the obligation to make the lease payments related to the underlying asset under lease. Right-of-use asset is measured initially based on the lease liability adjusted for any initial direct costs, prepaid rent, and lease incentives. Right-of use asset is depreciated based on straight line method over the lease term or useful life of right-of-use asset, whichever is less. Subsequently, right-of-use asset is measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of lease liability.

The lease liability is measured at the lease commencement date and determined using the present value of the minimum lease payments not yet paid and the Company's incremental borrowing rate, which approximates the rate at which the Company would borrow, in the country where the lease was executed. The Company has used a single discount rate for a portfolio of leases with reasonably similar characteristics. The lease payment comprises fixed payment less any lease incentives, variable lease payment that depends on an index or a rate, exercise price of a purchase option if the Company is reasonably certain to exercise the option and payment of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease. Lease liability is subsequently measured by increase the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made and remeasuring the carrying amount to reflect any reassessment or modification, if any.

The Company has elected to not recognize leases with a lease term of 12 months or less in the balance sheet, including those acquired in a business combination, and lease costs for those short-term leases are recognized on a straight-line basis over the lease term in the statement of profit and loss. For all asset classes, the Company has elected the lessee practical expedient to combine lease and non-lease components and account for the combined unit as a single lease component in case there is no separate payment defined under the contract.

d) Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. *Financial assets*

All financial assets are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value measured on initial recognition of financial asset. Purchase and sale of financial assets are accounted for at trade date.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash in banks and short-term deposits and investments with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalents are considered net of outstanding bank overdrafts that are repayable on demand and are considered part of the Group's cash management system. In the balance sheet, bank overdrafts are presented under borrowings within current liabilities.

Financial assets at amortized cost

A financial asset is measured at the amortized cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or

costs that are an integral part of the EIR. The EIR amortization is included in other income in the statement of profit and loss. The losses arising from impairment are recognized in the statement of profit and loss. This category includes cash and bank balances, loans, unbilled receivables, trade and other receivables.

Financial assets at Fair Value through Other Comprehensive Income (OCI)

A financial asset is classified and measured at fair value through OCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

b) The asset's contractual cash flows represent solely payments of principal and interest.

Financial asset included within the OCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in OCI. Interest income is recognized in statement of profit and loss for debt instruments. On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from OCI to statement of profit and loss.

Financial assets at Fair Value through Profit and Loss

Any financial asset, which does not meet the criteria for categorization at amortized cost or at fair value through other comprehensive income, is classified at fair value through profit and loss. Financial assets included at the fair value through profit and loss category are measured at fair value with all changes recognized in the statement of profit and loss.

Equity investments

All equity instruments are initially measured at fair value and are subsequently re-measured with all changes recognized in the statement of profit and loss. In limited circumstances, investments, for which sufficient, more recent information to measure fair value is not available cost represents the best estimate of fair value within that range.

Derecognition of financial assets
A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset.
Impairment of financial assets

The Group recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit and loss. Lifetime ECL allowance is recognized for trade receivables with no significant financing component. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case they are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date is recognized in statement of profit and loss.

ii. Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The subsequent measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. Changes in fair value of such liability are recognized in the statement of profit or loss.

Financial liabilities at amortized cost

The Group's financial liabilities at amortized cost includes trade payables, borrowings including bank overdrafts and other payables.

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method except for deferred consideration recognized in a business combination which is subsequently measured at fair value through profit and loss. Gains and losses are recognized in the statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis to realize the assets and settle the liabilities simultaneously.

e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. The Company identifies and determines separate useful lives for each major component of the property, plant and equipment, if they have a useful life that is materially different from that of the asset as a whole.

Expenses on existing property, plant and equipment, including day-to-day repairs, maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the year during which such expenses are incurred.

Gains or losses arising from derecognition of assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Property, plant and equipment under construction and cost of assets not ready for use at the year-end are disclosed as capital work- in- progress.
Depreciation on property, plant and equipment is provided on the straight-line method over their estimated useful lives, as determined by the management. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year.
The management's estimates of the useful lives of various assets for computing depreciation are as follows:

Asset description	**Asset life (in years)**
Plant and equipment (including air conditioners, electrical installations)	10
Office equipment	5
Computers and networking equipment	4-5 or over the period of lease, whichever is lower
Furniture and fixtures	7

The useful lives as given above best represent the period over which the management expects to use these assets, based on technical assessment. The estimated useful lives for these assets are therefore different from the useful lives prescribed under Part C of Schedule II of the Companies Act 2013.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

f) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost.

Intangible assets are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit and loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

The intangible assets are amortized over the estimated useful life of the assets as mentioned below:

Asset description	**Asset life (in years)**
Software	3

g) Revenue Recognition

Contracts involving provision of services

Revenue is recognized when, or as, control of a promised service transfers to a customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those services. To recognize revenues, the following five step approach is applied: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied. A contract is accounted when it is legally enforceable through executory contracts, approval and commitment from all parties, the rights of the parties are identified, payment terms are defined, the contract has commercial substance and collectability of consideration is probable.

Time-and-material / Volume based / Transaction based contracts

Revenue with respect to time-and-material, volume based and transaction based contracts is recognized as the related services are performed through efforts expended, volume serviced transactions are processed etc. that correspond with value transferred to customer till date which is related to our right to invoice for services performed.

Proprietary Software Products

Revenue from distinct proprietary perpetual license software is recognized at a point in time at the inception of the arrangement when control transfers to the client. Revenue from proprietary term license software is recognized at a point in time for the committed term of the contract. Revenue from support and subscription (S&S) is recognized over the contract term on a straight-line basis as the company is providing a service of standing ready to provide support, when-and-if needed, and is providing unspecified software upgrades on a when-and-if available basis over the contract term. In case software are bundled with one year of support and subscription either for perpetual or term based license, such support and subscription contracts are generally priced as a percentage of the net fees paid by the customer to purchase the license and are generally recognized as revenues ratably over the contractual period that the support services are provided.

Multiple performance obligation

When a sales arrangement contains multiple performance, such as services, hardware and Licensed IPs (software) or combinations of each of them revenue for each element is based on a five step approach as defined above. To the extent a contract includes multiple promised deliverables, judgment is applied to determine whether promised deliverables are capable of being distinct and are distinct in the context of the contract. If these criteria are not met, the promised deliverables are accounted for as a combined performance obligation. For arrangements with multiple distinct performance obligations or series of distinct performance obligations, consideration is allocated among the performance obligations based on their relative standalone selling price. Standalone selling price is the price at which group would sell a promised good or service separately to the customer. When not directly observable, we estimate standalone selling price by using the expected cost plus a margin approach. We establish a standalone selling price range for our deliverables, which is reassessed on a periodic basis or when facts and circumstances change. If the arrangement contains obligations related to License of Intellectual property (Software) or Lease deliverable, the arrangement consideration allocated to the Software deliverables, lease deliverable as a group is then allocated to each software obligation and lease deliverable.

Revenue recognition for delivered elements is limited to the amount that is not contingent on the future delivery of services, future performance obligations or subject to customer-specified return or refund privileges.

Revenue from certain activities in transition services in outsourcing arrangements are not capable of being distinct or represent separate performance obligation. Revenues relating to such transition activities are classified as Contract liabilities and subsequently recognized over the period of the arrangement. Direct and incremental costs in relation to such transition activities which are expected to be recoverable under the contract and generate or enhance resources of the Company that will be used in satisfying the performance obligation in the future are considered as contract fulfillment costs classified as Deferred contract cost and recognized over the period of arrangement. Certain upfront non-recurring incremental contract acquisition costs and other upfront fee paid to customer are deferred and classified as Deferred contract cost and amortized to revenue or cost, usually on a straight line basis, over the term of the contract unless revenues are earned and obligations are fulfilled in a different pattern. The undiscounted future cash flows from the arrangement are periodically estimated and compared with the unamortized costs. If the unamortized costs exceed the undiscounted cash flow, a loss is recognized.

In instances when revenue is derived from sales of third-party vendor services, material or licenses, revenue is recorded on a gross basis when the Company is a principal to the transaction and net of costs when the Company is acting as an agent between the customer and the vendor. Several factors are considered to determine whether the Company is a principal or an agent, most notably being group control the goods or service before it is transferred to customer, latitude in deciding the price being charged to customer. Revenue is recognized net of discounts and allowances, value-added and service taxes,

and includes reimbursement of out-of-pocket expenses, with the corresponding out-of-pocket expenses included in cost of revenues.

Volume discounts, or any other form of variable consideration is estimated using either the sum of probability weighted amounts in a range of possible consideration amounts (expected value), or the single most likely amount in a range of possible consideration amounts (most likely amount), depending on which method better predicts the amount of consideration realizable. Transaction price includes variable consideration only to the extent it is probable that a significant reversal of revenues recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price may involve judgment and are based largely on an assessment of our anticipated performance and all information that is reasonably available to us.
Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in balance sheet. Contract assets primarily relate to unbilled amounts on those contracts utilizing the cost to cost method of revenue recognition and right to consideration is not unconditional. Unbilled receivables represent contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

Revenue from sales-type leases is recognized when risk of loss has been transferred to the client and there are no unfulfilled obligations that affect the final acceptance of the arrangement by the client. Interest attributable to sales-type leases and direct financing leases included therein is recognized on an accrual basis using the effective interest method and is recognized as other income.

Interest income

Interest income for all financial instruments measured at amortized cost is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortized cost of a financial liability. When calculating the EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in other income in the statement of profit and loss.

Interest income for all financial instruments measured at amortized cost is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortized cost of a financial liability. When calculating the EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in other income in the statement of profit and loss.

h) Foreign currency transactions

The special purpose financial statements of the company are presented in its functional currency GBP. For each foreign operation, the company determines the functional currency which is its respective local currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction. Foreign-currency denominated monetary assets and liabilities are translated to the relevant functional currency at exchange rates in effect at the balance sheet date. Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of initial transaction. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled. Revenue, expense and cash-flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

i) Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted EPS amounts are 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 earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as at the beginning of the year, unless issued at a later date. Dilutive potential equity shares are determined independently for each year presented.

j) Income Taxes

Income tax expense comprises current and deferred income tax.

Income tax expense is recognized in statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Provision for income tax includes the impact of provisions established for uncertain income tax positions, as well as the related interest and penalties.

Deferred income tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the special purpose financial statements.
The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the period that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable company and the same taxation authority.

The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the year that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized. Deferred income taxes are not provided on the undistributed earnings of subsidiaries and branches where it is expected that the earnings of the subsidiary or branch will not be distributed in the foreseeable future.

k) Retirement and other Employee benefits

The Company has implemented a public insurance scheme for all employees, which includes health insurance, welfare pension insurance and worker's accident compensation insurance.

The contribution to the public insurance scheme, a defined contribution plan, is made in accordance with the local statutory requirements and charged to the statement of profit and loss for every period, when the contribution is due.

l) Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows.

The Company uses significant judgement to disclose contingent liabilities. Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made. Contingent assets are neither recognized nor disclosed in the financial statements.

m) Impairment of non-financial assets

These assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generated units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable

amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset is reversed, only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognised for the asset in prior years.

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs. If such assets are considered to be impaired, the impairment to be recognized in the statement of profit and loss is measured by the amount by which the carrying value of the asset exceeds the estimated recoverable amount of the asset.

n) Recently issued accounting pronouncements

On 24 March 2021, the Ministry of Corporate Affairs (MCA), notified amendments in Schedule III to the Companies Act, 2013 effective from 1 April 2021. The Company is currently evaluating the impact of these amendment on its financial statements.

HCL Insurance BPO Services Limited

Notes to special purpose financial statements for the year ended 31 March 2021

(All amounts in thousands, except share data and as stated otherwise)

2.1(A) Property, plant and equipment

The changes in the carrying value for the year ended 31 March 2021

	Leasehold Improvements	Office Equipment	Computers and networking equipment	Furniture and fixtures	Total
	(£)	(£)	(£)	(£)	(£)
Gross block as at 1 April 2020	412	537	1,896	457	3,302
Additions	3	4	93		100
Disposals		(21)	(329)	(53)	(403)
Gross block as at 31 March 2021	415	520	1,660	404	2,999
Accumulated depreciation as at 1 April 2020	150	438	884	453	1,925
Charge for the year	62	35	329	2	428
Disposals		(21)	(329)	(53)	(403)
Accumulated depreciation as at 31 March 2021	212	452	884	402	1,950
Net block as at 31 March 2021	**203**	**68**	**776**	**2**	**1,049**

The changes in the carrying value for the year ended 31 March 2021

	Leasehold Improvements	Office Equipment	Computers and networking equipment	Furniture and fixtures	Total
	(₹)	(₹)	(₹)	(₹)	(₹)
Gross block as at 1 April 2020	41,515	54,111	191,051	46,050	332,727
Additions	271	446	9,353	-	10,070
Disposals	-	(2,091)	(33,159)	(5,316)	(40,566)
Gross block as at 31 March 2021	41,786	52,466	167,245	40,734	302,231
Accumulated depreciation as at 1 April 2020	15,115	44,135	89,077	45,636	193,963
Charge for the year	6,205	3,544	33,148	195	43,092
Dep on disposal of assets	-	(2,091)	(33,159)	(5,316)	(40,566)
Accumulated depreciation as at 31 March 2021	21,320	45,588	89,066	40,515	196,489
Net block as at 31 March 2021	**20,466**	**6,878**	**78,179**	**219**	**105,742**

2.1(B) Other intangible assets

The changes in the carrying value for the year ended 31 March 2021

	Software
	(£)
Gross block as at 1 April 2020	3,805
Deletions	(2,607)
Gross block as at 31 March 2021	1,198
Accumulated depreciation as at 1 April 2020	3,589
Charge for the year	107
Dep on disposal of assets	(2,607)
Accumulated depreciation as at 31 March 2021	1,089
Net block as at 31 March 2021	**109**
Estimated remaining useful life (in years)	3

The changes in the carrying value for the year ended 31 March 2021

	Software
	(₹)
Gross block as at 1 April 2020	383,455
Additions	(262,724)
Gross block as at 31 March 2021	120,731
Accumulated depreciation as at	361,655
Charge for the year	10,794
Dep on disposal of assets	(262,724)
Accumulated depreciation as at	109,725
Net block as at 31 March 2021	**11,006**
Estimated remaining useful life (in years)	3

HCL Insurance BPO Services Limited
Notes to special purpose financial statements for the year ended 31 March 2021
(All amounts in thousands, except share data and as stated otherwise)

2.2 Other financial assets

	As at	
	31 March 2021	**31 March 2021**
	(£)	**(₹)**
Non - current		
Carried at amortized cost		
Security deposits	223	22,435
	223	**22,435**
Current		
Carried at amortized cost		
Interest on short term loan- related parties (refer note 2.21)	10	985
	10	**985**

2.3 Other non- current assets

	As at	
	31 March 2021	**31 March 2021**
	(£)	**(₹)**
Prepaid expenses	35	3,499
Advance to suppliers	17	1,589
	52	**5,089**

2.4 Trade Receivable

	As at	
	31 March 2021	**31 March 2021**
	(£)	**(₹)**
Current		
Unsecured considered good (refer note below)	1,862	187,666
	1,862	**187,666**

Note
1. Includes receivables from related parties amounting to GBP 419 i.e. equivalent to INR 42,205.

2.5 Cash and cash equivalent

	As at	
	31 March 2021	**31 March 2021**
	(£)	**(₹)**
Balance with banks		
- in current accounts	2,327	234,529
	2,327	**234,529**

HCL Insurance BPO Services Limited

Notes to special purpose financial statements for the year ended 31 March 2021

2.6 Loans

	As at	
	31 March 2021	31 March 2021
	(£)	(₹)
Current		
Carried at amortized cost		
Unsecured, considered good		
Loans to related parties (refer note 2.21)	5,100	513,906
	5,100	**513,906**

2.7 Other current assets

	As at	
	31 March 2021	31 March 2021
	(£)	(₹)
Others		
Contract assets	592	59,659
Prepaid expenses	130	13,086
	722	**72,745**

2.8 Other financial liabilities

	As at	
	31 March 2021	31 March 2021
	(£)	(₹)
Non-Current		
Carried at amortized cost		
Others		
Capital accounts payables	26	2,596
	26	**2,596**
Current		
Accrued salaries and benefits		
Employee bonuses accrued	656	66,107
Other employee costs	61	6,147
Liabilities for expenses	2,972	299,420
	3,689	**371,674**

2.9 Trade payables

	As at	
	31 March 2021	31 March 2021
	(£)	(₹)
Trade payables	90	9,118
Trade payables-related parties	832	83,809
	922	**92,927**

2.10 Other current liabilities

	As at	
	31 March 2021	31 March 2021
	(£)	(₹)
Contract liabilities	232	23,377
Others	14	1,412
	246	**24,789**

HCL Insurance BPO Services Limited

Notes to special purpose financial statements for the year ended 31 March 2021

(All amounts in thousands, except share data and as stated otherwise)

2.11 Share Capital

	As at	
	31 March 2021	31 March 2021
	(£)	(₹)
Authorized		
8,109,000 (previous year 8,109,000) equity shares of £1 each.	8,109	817,107
Issued, subscribed and fully paid up		
8,109,000 (previous year 8,109,000) equity shares of £1 each, fully paid up.	8,109	817,107

Terms/ rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of £1. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

	As at	
	31 March 2021	
	No. of shares	Amount (£)
Number of shares at the beginning	8,109,000	8,109
Number of shares at the end	8,109,000	8,109

Shares held by holding/ultimate holding company and or their subsidiaries/associates

Out of equity shares issued by the Company shares held by its holding company, are as below:

	As at	
	31 March 2021	
	No. of shares	Amount (£)
Equity shares of £1 each fully paid		
HCL America Inc.- the holding company	8,100,000	8,100

Details of shareholders holding more than 5 % shares in the company:-

Name of the shareholder	As at	
	31 March 2021	
	No. of shares	% holding in the class
Equity shares of £1 each fully paid		
HCL America Inc.- the holding company	8,100,000	99.89%

As per the records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

There are no bonus shares issued, no shares issued other than cash and no shares bought back during five years immediately preceding the reporting date.

Capital management

The primary objective of the Company's capital management is to support business continuity and growth of the company while maximizing the shareholder value. The Company determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are generally met through operating cash flows generated.

HCL Insurance BPO Services Limited

Notes to special purpose financial statements for the year ended 31 March 2021

(All amounts in thousands, except share data and as stated otherwise)

2.12 Revenue from operations

	Year ended 31 March 2021 (£)	Year ended 31 March 2021 (₹)
Sale of services	20,694	2,085,259
	20,694	**2,085,259**

Disaggregate Revenue Information

(a) The disaggregated revenue from contracts with the customers by contract type is as follows:

	Year ended 31 March 2021 (£)	Year ended 31 March 2021 (₹)
Fixed price	15,569	1,568,826
Time and material	5,125	516,433
	20,694	**2,085,259**

(b) The disaggregated revenue from contracts with the customers by geographic area is as follows:

	Year ended 31 March 2021 (£)	Year ended 31 March 2021 (₹)
United Kingdom	20,694	2,085,259
	20,694	**2,085,259**

2.13 Other income

	Year ended 31 March 2021 (£)	Year ended 31 March 2021 (₹)
Interest income		
- On loan to related parties (refer note 2.21)	54	5,455
- On other financial instruments carried at amortized cost	2	190
	56	**5,645**

2.14 Employee benefits expense

	Year ended 31 March 2021 (£)	Year ended 31 March 2021 (₹)
Salaries, wages and bonus	10,316	1,039,490
Contribution to legal welfare and other funds	1,341	135,137
Staff welfare expenses	56	5,664
	11,713	**1,180,291**

2.15 Finance cost

	Year ended 31 March 2021 (£)	Year ended 31 March 2021 (₹)
Interest		
on the bank overdraft	1	84
on the lease liability	95	9,572
Bank charges	45	4,513
	141	**14,169**

HCL Insurance BPO Services Limited
Notes to special purpose financial statements for the year ended 31 March 2021
(All amounts in thousands, except share data and as stated otherwise)

2.16 Other expenses

	Year ended 31 March 2021 (£)	Year ended 31 March 2021 (₹)
Rent	48	4,876
Power and fuel	93	9,398
Repairs and maintenance		
- Buildings	90	9,020
- Others	309	31,108
Communication costs	773	77,879
Travel and conveyance	3	312
Legal and professional charges	1,137	114,617
Audit Fees	13	1,306
Rates and taxes	262	26,374
Recruitment, training and development	26	2,592
Exchange differences (net)	307	30,932
Miscellaneous expenses	109	11,032
	3,170	**319,446**

2.17 Earnings Per Share (EPS)

	Year ended 31 March 2021 (£)	Year ended 31 March 2021 (₹)
Net profit as per Statement of profit and loss for computation of EPS:	(290)	(29,269)
Weighted average number of equity shares outstanding in calculating basic EPS	8,109,000	8,109,000
Weighted average number of equity shares outstanding in calculating dilluted EPS	8,109,000	8,109,000
Nominal value of equity shares	1	1
Earnings per equity share		
- Basic	(0.04)	(3.61)
-Dilluted	(0.04)	(3.61)

2.18 Segment reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available and whose their results are reviewed regularly by the chief operating decision maker (CODM), for allocation of resources and assessing performance. The Company's ultimate parent company, HCL Technologies Limited's chief operating decision maker (CODM) reviews its results for allocation of resources and assessing performance by business segment comprising IT and Business Services, Engineering and R&D Services, and Products & Platforms segments. The ultimate Holding Company monitors the risk and returns of the Company's businesses on an entity level and evaluates the performance of the Company as one business segment which is overall a part of the reorganized entity level business segments. Hence there is only one reportable segment of the Company, as envisaged under Indian Accounting Standards -108 "Operating segments".

Revenue Disaggregation as per geography is given in note 2.12

2.19 Leases

(a) Company as a lessee
The company's significant leasing arrangements is in respect of leases for office accomodation.

The details of the right-of-use asset held by the company is as follows:

	Buildings	
	(£)	(₹)
Balance as at 1 April 2020	3,278	330,295
Additions	45	4,618
Depreciation charge for the year	(443)	(44,676)
Additions		-
Balance as at 31 March 2021	**2,880**	**290,237**

The reconciliation of lease liabilities is as follows:

	Year ended	
	31 March 2021	31 March 2021
	(£)	(₹)
Balance as at 1 April 2020	3,327	335,254
Transition impact of Ind AS 116 (refer note 1(c))	-	-
Additions	-	-
Amounts recognized in statement of profit and loss as interest	95	9,539
Payment of lease liabilities	(619)	(62,352)
Balance as at 31 March 2021	**2,803**	**282,441**

The lease rental expense relating to short-term leases recognized in the statement of profit and loss for the year amounted to GBP 48.

The following table presents a maturity analysis of expected undiscounted cash flows for lease liabilities as on 31 March 2021

	As at	
	31 March 2021	31 March 2021
	(£)	(₹)
Within one year	372	37,438
One to two years	495	49,879
Two to three years	495	49,879
Three to five years	990	99,859
Thereafter	743	74,818
Total lease payments	**3,095**	**311,873**
Imputed interest	(292)	(29,432)
Total lease liabilities	**2,803**	**282,441**

Certain lease agreements include options to terminate or extend the leases. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

2.20 Capital commitments

Particulars	As At	
	31 March 2021	31 March 2021
	(£)	(₹)
Capital Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for(net of advances)	103	10,330
	103	**10,330**

HCL Insurance BPO Services Limited
Notes to special purpose financial statements for the year ended 31 March 2021
(All amounts in thousands, except share data and as stated otherwise)

2.21 Related party transactions

a) Related parties where control exists

Holding company
HCL America Inc.

Ultimate holding company
HCL Technologies Limited

b) Related parties with whom transactions have taken place during the year

Fellow subsidiaries
HCL EAS Limited
Axon Solutions Inc.
HCL Great Britain Limited
HCL Technologies UK Limited
Axon Solutions Limited

c) Transactions with related parties during the year

	Revenue	Operating and other expenses	Interest Income	Disbursement in respect of loan given
For the year ended 31 March 2021 (£)				
Fellow Subsidiaries	1,728	2,672	54	5,100
Total	**1,728**	**2,672**	**54**	**5,100**
For the year ended 31 March 2021 (₹)				
Fellow Subsidiaries	174,168	269,259	5,456	513,906
Total	**174,168**	**269,259**	**5,456**	**513,906**

d) Material related parties transactions during the year

	Revenue	Operating and other expenses	Disbursement in respect of loan given
For the year ended 31 March 2021 (£)			
Fellow Subsidiaries			
HCL EAS Limited	1,728	2,672	-
HCL Technologies UK Limited	-	-	5,100
Total	**1,728**	**2,672**	**5,100**
For the year ended 31 March 2021 (₹)			
Fellow Subsidiaries			
HCL EAS Limited	174,168	269,259	-
HCL Technologies UK Limited	-	-	513,906
Total	**174,168**	**269,259**	**513,906**

e) Outstanding balances

	Trade receivables, other financial assets and other assets	Trade payables, other financial liabilities and other liabilities
For the year ended 31 March 2021 (£)		
Fellow Subsidiaries	5,529	832
Total	**5,529**	**832**
For the year ended 31 March 2021(₹)		
Fellow Subsidiaries	557,096	83,790
Total	**557,096**	**83,790**

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

Vimal Chauhan

Vimal Chauhan
Partner
Membership Number: 092212
Gurugram, India
Date:2nd August, 2021

For and on behalf of the Board of Directors
of HCL Insurance BPO Services Limited

Neeraj Prasad Sugata Gupta

Neeraj Prasad **Sugata Gupta**
Director Director

United Kingdom Republic of Ireland
Date:2nd August, 2021