Report and Financial Statements

HCL Insurance BPO Services Limited

For the year ended 31 March 2019

Registered Number: 05301492

Company Information

Directors	Nicholas Dumonde Subramanian Gopalakrishnan Sugata Gupta Vijay Udupi Mallya
Registered number	05301492
Registered office	HCL House 28-36, Eastern Road, Romford, Essex England RM1 3PJ United Kingdom
Independent auditor	Ernst & Young LLP 1 More London Place London SE1 2AF
Banker	Deutsche Bank 6 Bishopsgate London EC2N 4DA

Contents

Strategic report

For the year ended 31 March 2019

Introduction

The directors present their Strategic Report for the year ended 31 March 2019.

Review of business

The Company is a provider of outsourced insurance administrative services. The focus of its business is to provide innovative, technology-enabled, high quality, value-added services enabling its clients to focus on their core business. We consider the Company to be a leading business process outsourcing services provider to the financial services sector in the United Kingdom.

The results of the Company and its key performance indicators ("KPI") are as follows:

Key Performance Indicators

	31 March 2019	31 March 2018
	£000	£000
Turnover	**20,773**	21,641
Gross profit	**3,035**	745
Operating profit/(loss)	**435**	(3,973)

The Company recorded revenue of £21 million (2018- £22 million). The result of the company shows gross profits of £3 million (2018: £ 0.8million), last year profits were lower mainly due to one-time provision booked of £ 1.7 million for restructuring of a loss making contract. The operating profit of £0.4 million is (2018: £ 3.9million loss) mainly due to foreign exchange gain in current year against loss in previous year and reduction of costs, resulting in savings of £ 0.7million.

Principal risks and uncertainties

The Company operates as a provider of outsourced insurance administration services and is therefore exposed to risks associated with that sector as a whole. Its activities are regulated by the Financial Conduct Authority whose regulations set out the requirements for providers of these services. These regulations cover such areas as treating customers fairly, minimum capital requirements and handling of complaints from customers. Continued compliance with these regulations is an essential pre-requisite to the Company's ability to achieve its future business objectives.

Additional economic uncertainty has arisen as a result of the June 2016 EU membership referendum and subsequent triggering of Article 50 of the Lisbon Treaty, which is intended to result in the UK exiting the EU by March 2019. The implications continue to remain uncertain as the United Kingdom negotiates its position. Aside from resultant foreign exchange movement this has not had an adverse impact on the company's business so far and management will further follow up if any measures are necessary to reduce the business risk.

The Company faces several business risks. The prominent ones are discussed below along with the Company's strategy to mitigate these risks:

Strategic report

For the year ended 31 March 2019

Principal risks and uncertainties (continued)

1. Employee related risk

Risk

The ability to execute projects, build and maintain client partnerships and to achieve forecasted operating and financial results are significantly influenced by the organization's ability to hire, train, motivate and retain highly skilled professionals.

Strategy

The business strategy directs us to retain the right skilled professionals at the right place, right time and right cost. Our continued focus on diversity and local sourcing will also help mitigate exposure to some of the risks we perceive in attracting talent.

2. Technology related risk

Risk

The Company operates in an ever evolving and dynamic technology environment and it is of utmost importance that the Company continuously reviews and upgrades its technology, resource and processes to avoid obsolescence.

Strategy

The Company is not dependent on any single technology or platform. It has developed competencies in various technologies, platforms and operating environments and can avail itself of a wide range of technology options to meet the needs of its clients. Additionally, it continues with an ongoing programme of upgrading its technology to be at the forefront of its clients' needs.

3. Business continuity & information security

Risk

The Company provides outsourced insurance administrative services for various customers and any catastrophe may halt business activities and cause irreparable damage to the brand reputation of the Company. Similarly, the vital need for confidentiality and security of confidential data both belonging to clients and their customers is key as is compliance with GDPR.

Strategy

The Company has put in place comprehensive business continuity and GDPR programs to ensure that it meets its business continuity and disaster recovery and regulatory requirements. There is also an Information Security team to assess and manage the information security and data privacy and related risks by leveraging on people, processes & technology.

4. Operating and financial risks

Risk

The Company operates as a provider of outsourced insurance administration services and is therefore exposed to those risks associated with that sector as a whole. Its activities are regulated by the Financial Conduct Authority (FCA), whose regulations set out the requirements for providers of these services. These regulations cover such areas as minimum capital requirements, treating customers fairly and the handling of complaints from customers. Continued compliance with these regulations is an essential pre-requisite to the Company's ability to achieve its future business objectives.

Strategic report(continued)

For the year ended 31 March 2019

Principal risks and uncertainties (continued)

4. Operating and financial risks

Strategy

The Company ensures that the interests of customers are enshrined in its core business objectives and it needs to be able to provide evidence of this to both clients and the FCA. Its Conduct Risk Committee has been formed comprising the Chief Operating Officer and senior management representatives to oversee Conduct Risk and ensure that regulatory requirements in this area are fulfilled.

Financial instruments

The Company's operations expose it to a variety of financial instrument related risks such as foreign exchange risk, credit risk and liquidity risk. The Company has adequate controls in place that seek to minimize the adverse effects of these financial risks on the Company's financial performance.

1. Foreign exchange rate risk

Foreign exchange rate risk arises from future commercial transactions and recognized assets and liabilities that are denominated in a currency that is not the Company's functional currency. Most of the transactions of the Company are carried out in its functional currency. As per HCL Technologies Limited risk management policy, where hedges are predominantly taken by ultimate parent company to hedge foreign currency risk except in few cases where hedges are being taken at company level and fellow subsidiary level to offset the foreign currency risk in particular company.

2. Credit risk

The Company has no significant concentrations of credit risk and the Company's clients are substantial organisations based in the UK. It has policies in place to ensure that the provisions of outsourcing services are made to renowned clients or those with an appropriate credit history. The Company also has policies and procedures in place for the control and monitoring of its exposure to credit risk. The Company has a dedicated team for the close follow up for realisation from the customers and adequate provision for doubtful debts is created wherever required as per group policy. During the year there was no significant doubtful amount identified for which the Company was required to create a provision.

3. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and short term bank deposits. The Directors do not see any significant liquidity risk involved. The Company's liquidity risk is further mitigated through the funding commitments from its ultimate parent undertaking and a fellow subsidiary company, namely HCL America Inc., which is provided on an on-going basis, if required. The Company also has an overdraft facility from its banker which can be used as and when required.

This report was approved by the board of directors on 26/6/19 and signed on its behalf.

Nicholas Dumonde

Mr. Nicholas Dumonde
Director

Directors' report.

For the year ended 31 March 2019

The directors present their report and the financial statements for the year ended 31 March 2019.

Results and dividends

The profit for the year, after taxation, amounted to £794,000 (2018 - Loss of £ 3,688,000).

The directors have not recommended a dividend (2018: £ Nil).

Directors

The directors who served during the year and to the date of approving the financial statements were: -

Nicholas Dumonde
Subramanian Gopalakrishnan
Sugata Gupta
Vijay Udupi Mallya

Future developments

The future growth opportunities for the Company are expected from existing as well as new clients. The Company's ability to grow client relationships, particularly into large accounts, will be critical for its growth in the coming years.

Employees

The Company's ability to continue to deliver excellent service to its clients and their customers depends ultimately on the quality and dedication of its staff. The pace of change within the business and the need to reorganise a wide range of activities to ensure that the Company is best able to meet the challenges of the future mean that significant extra demands have been placed on staff, often with additional uncertainty as a backdrop to these demands. I am most grateful for their continued professionalism and enthusiasm.

Going Concern

The Company is profitable and has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Company is well placed to manage its financial risk successfully.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the reports and financial statements.

Financial Risk Management

Details of financial risk management practices are provided in the Strategic Report.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' report (continued)

For the year ended 31 March 2019

Appointment of auditor

"KPMG LLP" is proposed to be appointed as auditors in accordance with section 485 of the Companies Act 2006 for the next financial year.

This report was approved by the board of directors on 26/6/19 and signed on its behalf.

Mr. Nicholas Dumonde
Director

Directors' responsibilities statement

For the year ended 31 March 2019

The directors are responsible for preparing the Strategic Report, the Directors' Report 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless 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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Independent Auditor's Report to the Members of HCL Insurance BPO Services Limited

Opinion

We have audited the financial statements of HCL Insurance BPO Services Limited for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 19, including a summary of significant accounting policies. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the members of HCL Insurance BPO Services Limited(continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the members of HCL Insurance BPO Services Limited(continued)

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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 an auditor's report 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

Ernst & Young LLP

Zishan Nurmohamed (Senior statutory auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
London
12/07/2019

Statement of comprehensive income

For the year ended 31 March 2019

	Note	**Year ended 31 March 2019 £000**	Year ended 31 March 2018 £000
Turnover	4	**20,773**	21,641
Cost of sales		**(17,738)**	(20,896)
Gross profit		**3,035**	745
Distribution costs		**(61)**	(47)
Administrative expenses		**(3,163)**	(3,594)
Other operating income/(expense)		**624**	(1,077)
Operating profit/(loss)	5	**435**	(3,973)
Interest receivable and similar income	8	**401**	303
Interest payable and similar charges	9	**(27)**	(18)
Profit/(loss) before tax		**809**	(3,688)
Tax on profit/(loss) on ordinary activities	10	**(15)**	-
Profit/(loss) for the year		**794**	(3,688)
Other comprehensive income		**-**	-
Total comprehensive income/(loss) for the year		**794**	(3,688)

The notes on pages 13 to 23 form part of these financial statements.

All amounts relate to continuing operations.

Statement of financial position

As at 31 March 2019

	Note		31 March 2019 £000		31 March 2018 £000
Fixed assets					
Tangible assets	11		**1,249**		1,050
Current assets					
Debtors: amounts falling after more than one year	12	**299**		387	
Debtors: amounts falling within one year	12	**12,247**		11,346	
Cash at bank	13	**-**		629	
		12,546		12,362	
Creditors: amounts falling within one year	14	**(7,238)**		(7,649)	
Net current assets			**5,308**		4,713
Total assets less current liabilities			**6,557**		5,763
Net assets			**6,557**		5,763
Capital and reserves					
Called up share capital	15		**8,110**		8,110
Retained earnings			**(1,553)**		(2,347)
Shareholder's funds			**6,557**		5,763

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on 26/6/19

Nicholas Dumonde

Mr. Nicholas Dumonde
Director

The notes on pages 13 to 23 form part of these financial statements.

Statement of changes in equity

For the year ended 31 March 2019

	Share capital £000	Retained earnings £000	Total equity £000
At 1 April 2017	8,110	1,341	9,451
Comprehensive loss for the year			
Loss for the year	-	(3,688)	(3,688)
Total comprehensive loss for the year	-	(3,688)	(3,688)
At 31 March 2018	8,110	(2,347)	5,763
At 1 April 2018	**8,110**	**(2,347)**	**5,763**
Comprehensive income for the year			
Profit for the year	-	794	794
Total comprehensive income for the year	-	794	794
At 31 March 2019	**8,110**	**(1,553)**	**6,557**

The notes on page 13 to 23 form part of these financial statements

Notes to the financial statements

For the year ended 31 March 2019

1. Company information

HCL Insurance BPO Services Limited is a company incorporated in England. The registered office is HCL House, 28-36, Eastern Road, Romford, Essex, England, RM1 3PJ, United Kingdom.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard 102 and in accordance with applicable accounting standards under the historical cost convention.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The company's presentational and functional currency is Pounds Sterling. The financial statements are presented in round thousands.

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7;
- the requirements of Section 11 Basic Financial Instruments.

This information is included in the consolidated financial statements of HCL Technologies Limited as at 31 March 2019 and these financial statements may be obtained from the Companies Registry in India.

2.3 Going concern

The Company is profitable and has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Company is well placed to manage its financial risk successfully.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the reports and financial statements.

2.4 Revenue

Turnover for insurance business process outsourcing is charged mainly on a per policy administered basis and is recognised when the services are performed.

Notes to the financial statements

For the year ended 31 March 2019

2. Accounting policies (continued)

2.5 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Office equipment & plant and machinery	-	5 to 10 years
Fixtures and fittings	-	5 to 7 years
Computer equipment	-	4 to 5 years
Software	-	3 years

Advances paid towards the acquisition of property and equipment and cost of property and equipment not put to use before balance sheet date are classified as capital work-in-progress. Capital WIP is not depreciated.

2.6 Impairment of assets

At each reporting date, fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the statement of comprehensive income.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

2.7 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

Notes to the financial statements

For the year ended 31 March 2019

2. Accounting policies (continued)

2.8 Financial instruments

The Company enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like cash, trade and other accounts receivable and payable, forward contracts, bank overdraft, loans to and from related parties and investments.

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Notes to the financial statements

For the year ended 31 March 2019

2. Accounting policies (continued)

2.9 Defined contribution pension plan

The Company operates a defined contribution pension plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations. The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.10 Foreign currency translation

The financial statements of the company are presented in Pounds Sterling.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. 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. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

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.

2.11 Interest income

Interest income is recognised in the Income statement using the effective interest method.

2.12 Deferred costs

Certain upfront non-recurring costs are incurred in the initial phases of outsourcing contracts and contract acquisition. Costs that are directly attributable to a contract are capitalised when the contract will result in future net cash inflows with a present value at least equal to all amounts recognised as an asset. Deferred costs are included within debtors and are amortised on a straight line basis over the life of the contract, starting from the date when the contract commences.

Notes to the financial statements

For the year ended 31 March 2019

2. Accounting policies (continued)

2.13 Taxation

Tax is recognised in the Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.14 Finance costs

Finance costs are charged to the Income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS102 requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, expenses and other comprehensive income that are reported and disclosed in the financial statements and accompanying notes. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant estimates and assumptions are used as follows

Unbilled revenue

Using information available at the balance sheet date, the Directors make assumptions on the estimated unbilled revenue, based on the level of efforts required to account for potential unbilled revenue £1 Mn (2018-£0.6 Mn).

Changes in estimates are reflected in the financial statements in the year in which the changes are made. Actual results could differ from those estimates.

Notes to the financial statements

For the year ended 31 March 2019

4. Analysis of turnover

Turnover represents the amounts derived from the provision of business process outsourcing services to the financial services sector in the United Kingdom, stated net of value added tax. The company operates only within the United Kingdom.

5. Operating profit/ (loss)

The operating profit/(loss) is stated after charging:

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Operating lease	**525**	674
Tangible fixed assets- depreciation	**395**	428
Fees payable to the Company's auditor and its associates for the audit of the company's annual accounts	**3**	3
Foreign exchange differences	**624**	(1,077)

6. Employees

Staff costs, including directors' remuneration, were as follows:

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Wages and salaries	**10,491**	11,315
Social security costs	**1,023**	1,111
Cost of defined contribution scheme	**420**	383
	11,934	12,809

The average monthly number of employees, including the directors, during the year was as follows:

	Year ended 31 March 2019 No.	Year ended 31 March 2018 No.
Operations	**315**	334
Sales	**-**	2
Administration and support	**26**	30
	341	366

Notes to the financial statements

For the year ended 31 March 2019

7. Directors' remuneration

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Directors' emoluments	**251**	196
Company contribution to defined contribution pension scheme	**10**	6
	261	202

During the year retirement benefits were accruing to 1 director (2018 -1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £ 261,000 (2018 - £202,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £ 10,000 (2018 - £ 6000).

All other directors are also directors/employees in other group companies within the HCL group of companies, and all of these companies together are viewed as one business unit, and their remuneration is paid by the ultimate parent undertaking/other group company. The directors believe that remuneration applicable towards efforts for this company is negligible.

The company has no key management personnel other than the directors.

8. Interest receivable and similar incomes

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Interest receivable from group companies	**390**	300
Other interest receivable	**11**	3
	401	303

9. Interest payable and similar charges

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Bank charges	**27**	18
	27	18

Notes to the financial statements

For the year ended 31 March 2019

10. Tax on profit on ordinary activities

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Corporation tax		
Adjustments in respect of previous periods	**15**	-
Total tax	**15**	-
Deferred Tax		
Origination and reversal of timing differences	**-**	-
Total deferred Tax	**-**	-
Taxation on profit on ordinary activities	**-**	-

Factors affecting tax charge for the year

The tax assessed for the year is at the standard rate of corporation tax in the UK of 19% (2018 -19%). The differences are explained below:

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Profit/(loss) on ordinary activities before tax	**809**	(3,688)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 -19%)	**154**	(701)
Effects of:		
Brought forward losses upon which deferred tax has not been recognized	**-**	624
Adjustments to tax charge in respect of prior periods	**15**	-
Impact of rate change	**94**	
Other timing differences on which deferred tax has not been recognised	**(255)**	74
Permanent Difference	**7**	3
Total tax charge for the year	**15**	-

The unrecognized deferred tax comprises:

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Tax losses	**1,736**	1,793
Decelerated capital allowances	**416**	481
Other timing differences	**11**	40
	2,031	2,314

Notes to the financial statements

For the year ended 31 March 2019

10. Tax on profit on ordinary activities(continued)

Unrecognized deferred tax assets

A deferred tax asset of £ 1,736,075 (2018: £1,793,416) in respect of losses carried forward; £ 11,432 (2018: £39,670) in respect of other timing differences and £416,490(2018: £481,555) on decelerated capital allowances have not been recognised in the financial statements. The directors consider that it is less likely than not that there will be sufficient taxable profits in the future to realise the deferred tax asset.

Factors that may affect future tax charges

Announcements have been made by the Chancellor of the Exchequer of proposed changes to corporation tax rates that will have an effect on the future tax charge of the company. Reductions in the corporation tax rate to 19% from 1 April 2017 and 17% from 1 April 2020 have been announced and substantively enacted at the balance sheet date.

11. Tangible Fixed Assets

	Office equipment & plant and machinery	Fixtures and fittings	Computer equipment	Software	Capitalized work in progress	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2018	510	715	975	3,495	10	5,705
Additions	22	35	392	151	-	600
Disposal	-	-	-	-	(6)	(6)
At 31 March 2019	**532**	**750**	**1,367**	**3,646**	**4**	**6,299**
Depreciation						
At 1 April 2018	374	423	447	3,411	-	4,655
Disposal	-	-	-	-	-	-
Charge for the year	36	85	192	82	-	395
At 31 March 2019	**410**	**508**	**639**	**3,493**	**-**	**5,050**
Net book value						
At 31 March 2019	**122**	**242**	**728**	**153**	**4**	**1,249**
At 31 March 2018	136	292	528	84	10	1,050

Notes to the financial statements

For the year ended 31 March 2019

12. Debtors

	31 March 2019 £000	31 March 2018 £000
Due after more than one year		
Prepayments and accrued income	31	119
Deposits	268	268
	299	387

	31 March 2019 £000	31 March 2018 £000
Due within one year		
Trade debtors	1,696	1,964
Amounts owed by group undertakings	8,992	8,075
Other debtors	1,026	631
Prepayments and accrued income	533	676
	12,247	11,346

13. Cash and cash equivalents

	31 March 2019 £000	31 March 2018 £000
Cash at bank	-	629
	-	629

14. Creditors: Amounts falling due within one year

	31 March 2019 £000	31 March 2018 £000
Trade creditors	305	257
Other taxes & social security costs	103	124
Other creditors	514	502
Accruals	4,089	4,653
Bank borrowings	1,414	-
Amounts owed to group undertakings	813	2,113
	7,238	7,649

Notes to the financial statements

For the year ended 31 March 2019

15. Share capital

	31 March 2019 £000	31 March 2018 £000
Allotted, called up and fully paid up		
8,110,000- Ordinary Share capital shares of £1 each	8,110	8,110
	8,110	8,110

16. Pension commitments

The Company operates a defined contribution pension scheme. The pension charge for the year amounted to £420k (2018 – £383k). The balance outstanding at 31 March 2019 is £ 84k (2018 – £128k).

17. Commitments under operating leases

At 31 March 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	31 March 2019 £000	31 March 2018 £000
Not later than 1 year	551	535
Later than 1 year and not later than 5 years	2,110	2,081
Later than 5 years	1,820	520
	4,481	3,136

18. Related party transactions

The company has taken advantage of the exemption available in section 33 of FRS102 from disclosing transactions with related parties that are wholly owned by HCL Technologies Limited group, on the basis that 100% of the Company's voting rights are controlled within the group and consolidated financial statements in which the Company is included are available.

19. Controlling party

The Company is a wholly owned subsidiary of HCL America Inc. (immediate parent undertaking) and is ultimately controlled by HCL Technologies Limited (ultimate parent undertaking). Its results are consolidated in the financial statements of HCL Technologies Limited, the ultimate parent undertaking and controlling party based in India.

The largest and smallest group of undertaking for which the group financial results have been prepared that include the results of the Company is that headed by HCL Technologies Limited. The consolidated financial statements are available to the public and may be obtained from HCL Technologies Limited, Noida, Uttar Pradesh, India.