HCL AXON PROPRIETARY LIMITED

Audited Annual Financial Statements

at

March 31, 2017

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Sale, purchase, distribution, license, lease, services, manpower deployment, maintenance and consultancy of all kind, related to information technology.
Directors	Anil Kumar Chanana (Indian citizen) Luyolo Poswa (South African citizen) Sundaram Sridharan (Singapore Citizen) Sanjeev Nikore (Indian Citizen) (Resigned: 28th June,2016)
Registered office	GMI House, Harlequins Office Park, 164 Totius Street, Groenkloof, Pretoria, 0027
Business address	2nd Floor, ABB Park The Crescent 3 Eglin Road, Sunninghill 2157, South Africa
Postal address	PO Box 619 Pretoria 0001
Holding company	Anzospan Investment Proprietary Limited (Incorporated in South Africa)
Ultimate holding company	HCL Technologies Limited (Incorporated in India)
Auditors	Ernst & Young Inc. Chartered Accountants
Company registration number	2009/003046/07
Preparer of Annual Financial Statements	Deepak Gupta (Associated Chartered Accountant of India)

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Approval of Annual Financial Statements

The audited annual financial statements set out on pages 6 to 32 were approved by the board of directors on 13/07/2017.

Anil Kumar Chanana
Director

Sundaram Sridharan
Director

Building a better working world

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Independent

Auditor's Report

To the Shareholders of HCL Axon Proprietary Limited.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of *HCL Axon Proprietary Limited* set out on pages 6 to 32, which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of *HCL Axon Proprietary Limited* as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)*, the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (IESBA code)* and other independence requirements applicable to performing the audit of *HCL Axon Proprietary Limited*. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of *HCL Axon Proprietary Limited*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, 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.

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 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. As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Inc.

Ernst & Young Inc.
Director - Donovan van Straaten
Registered Auditor
Chartered Accountant (SA)

Bloemfontein

13 July 2017

Directors' Report

1. Directors' responsibilities

The directors are required by the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards.

The responsibility of the external auditors is to express an independent opinion on the fair presentation of the Annual Financial Statements based on their audit of the company. The board is satisfied that the external auditors were independent of the company during period under review.

The board is satisfied that the Annual Financial Statements fairly present the financial position, the results of operations and cash flows in accordance with International Financial Reporting Standards and the Companies Act of South Africa and supported by reasonable and prudent judgements consistently applied.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risks of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risks across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by the management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

2. Incorporation

The company was incorporated on 16th February, 2009 and obtained its certificate to commence business on the same day.

3. Business and operations

The company is engaged in sale, purchase, distribution, license, lease, services, manpower deployment, maintenance and consultancy of all kind related to information technology.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

The board is of the opinion that the company is financially sound and operates a going concern. The annual financial statements have accordingly been prepared on this basis.

4. Review of operations

The results of operations for the period are set out in the statement of comprehensive income. A net profit of ZAR 89,672,431 (2016: Profit ZAR 135,489,259) was recorded for the year under review.

5. Share capital

Nil shares were issued during the year. Unissued shares are under control of the Board of directors.

Directors' Report - continued

6. Directors

Particulars of the directors as on 31st March, 2017 are given on page 1.

During the current financial year, Mr Sanjeev Nikore resigned from the directorship with effect from 28th June,2016.

7. Holding company

Anzospan Investments Proprietary Limited, incorporated in South Africa is the holding company.

8. Ultimate holding company

The company's ultimate holding company is HCL Technologies Limited incorporated in India.

9. Dividends

No dividends were declared or paid to the shareholders during the year.

10. Subsequent events

No material fact or circumstance has occurred between the accounting date and the date of this report.

Anil Kumar Chanana
Director

Sundaram Sridharan
Director

Statement of comprehensive income for the year ended March 31, 2017

	Note	31 March 2017 (12 months ended) ZAR	31 March 2016 (9 months ended) ZAR
Revenue	2	790,706,396	712,621,365
Operating costs	3	(678,627,516)	(529,631,429)
		112,078,880	182,989,936
Other income/(expense)	4	15,731,138	5,772,057
Operating profit		127,810,018	188,761,993
Finance cost	5	(784,046)	(579,335)
Profit before taxation		127,025,972	188,182,658
Taxation	6	(37,353,541)	(52,693,399)
Profit after taxation		89,672,431	135,489,259
Total comprehensive income for the year		**89,672,431**	**135,489,259**

Statement of financial position as at March 31, 2017

	Note	31 March 2017 ZAR	31 March 2016 ZAR
Assets			
Non-current Assets			
Property, plant and equipment	7	22,936,736	2,447,131
Intangible assets	8	4,230,402	5,989,390
Goodwill		118,714,119	118,714,119
Investment in Subsidiaries	9	17,236,800	17,236,800
Non-current receivables	10	107,565,810	120,224,783
Deferred Cost		245,112	877,244
		270,928,979	**265,489,467**
Current Assets			
Trade receivables	11	105,811,287	141,368,215
Other receivables	11	12,069,687	12,135,270
Deferred Cost	12	12,212,689	36,019,333
Finance lease receivables	30	50,808,023	64,395,222
Receivable from ultimate holding company and fellow subsidiaries	13	11,816,553	16,171,617
Inventories	14	1,679,965	10,776,385
Cash and cash equivalents	15	244,596,442	70,261,743
Advance Tax	16	-	10,849,782
Unbilled receivables	17	46,011,537	155,105,539
Unbilled receivables from ultimate holding company and fellow Subsidiaries		184,964	318,196
		485,191,147	**517,401,302**
Total Assets		**756,120,126**	**782,890,769**
Equity and Liabilities			
Equity			
Share capital	18	87,000,000	87,000,000
Retained income		485,273,983	395,601,552
		572,273,983	**482,601,552**
Liabilities			
Non-current Liabilities			
Deferred tax liabilities	19	10,286,223	14,886,269
		10,286,223	**14,886,269**
Current Liabilities			
Loan from fellow Subsidiaries		8,328,000	22,280,685
Owed to ultimate holding company and fellow subsidiaries	20	93,663,580	186,933,877
Trade and other payables	21	54,020,340	63,181,080
Income Tax Payable	16	3,111,986	-
Provisions	22	14,436,014	13,007,306
		173,559,920	**285,402,948**
Total Equity and Liabilities		**756,120,126**	**782,890,769**

Statement of changes in equity for the year ended March 31, 2017

	Share Capital ZAR	Retained Income ZAR	Total Equity ZAR
At July 1, 2015	87,000,000	260,112,293	347,112,293
Total comprehensive income	-	135,489,259	135,489,259
Balance at March 31, 2016	**87,000,000**	**395,601,552**	**482,601,552**
At April 1, 2016	87,000,000	395,601,552	482,601,552
Total comprehensive income	-	89,672,431	89,672,431
Balance at March 31, 2017	**87,000,000**	**485,273,983**	**572,273,983**

Statement of cash flows for year ended March 31, 2017

	Note	31 March 2017 (12 months ended) ZAR	31 March 2016 (9 months ended) ZAR
Cash flows from operating activities			
Profit before tax		127,025,972	188,182,658
Adjusted for :			
Depreciation and amortization		6,225,582	1,868,079
Interest income		(9,940,381)	(603,569)
Profit on Sale of Fixed Assets		(3,864)	-
Unrealized foreign currency gains and losses		(4,704,164)	(3,056,394)
Interest expenses		475,010	503,614
Cash inflows before working capital changes		119,078,155	186,894,388
Movement in working capital changes			
(Increase)/Decrease in Trade and other receivables		72,399,394	5,331,808
(Increase)/Decrease in Receivable from fellow subsidiaries		4,888,722	(6,715,359)
Decrease in Inventories		8,898,825	7,001,833
(Increase)/Decrease in Unbilled receivables		109,094,002	(108,924,053)
(Increase) / Decrease in Unbilled receivables from ultimate holding company and fellow Subsidiaries		148,105	(126,297)
(Increase)/Decrease in Non-current receivables		13,291,103	(3,704,938)
Increase/(Decrease) in Owed to ultimate holding company and fellow Subsidiaries		(88,661,892)	41,789,021
(Decrease) in Trade and other payables		(8,462,895)	(14,525,340)
Increase/(Decrease) in Provisions		1,428,708	(100,702)
Cash flow/(used) in operations		232,102,227	106,920,361
Income Tax paid		(27,991,819)	(59,803,400)
Net cash inflow / (outflow) from operating activities		204,110,408	47,116,961
Cash flows from investing activities			
Purchase of fixed assets		(24,956,197)	(1,203,837)
Sale of Fixed Assets		201,460	-
Interest income		9,906,723	592,350
Net cash used in investing activities		(14,848,014)	(611,487)
Cash flows from financing activities			
Movement in unsecured loans		(14,105,411)	1,486,821
Movement in unsecured loans to fellow subsidiaries		(500,000)	-
Interest paid		(322,284)	91,715
Net cash flow from / (used in) financing activities		(14,927,695)	1,578,536
Net increase / (decrease) in cash and cash equivalents		174,334,699	48,084,010
Cash and cash equivalents at the beginning of the year		70,261,743	22,177,733
Cash and cash equivalents at the end of the year*	15	**244,596,442**	**70,261,743**

*Cash and cash equivalent represent balance with bank.

Accounting policies

1. Presentation of Annual Financial Statements

The Annual Financial Statements set out on pages 6 to 32 are prepared on the historical cost basis. The company's significant accounting policies conform with International Financial Reporting Standards.

The Company has changed its accounting year to commence from 1st April of every year and to end on 31st March of following year. Consequently, the current accounting period is for twelve months from April 1, 2016 to March 31, 2017. Hence, the current year figures are not comparable to those of previous year.

1.1 Property, plant and equipment

Plant and equipment is initially recorded at cost. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use.

Depreciation is recorded by a charge to statement of comprehensive income computed on a straight-line basis so as to write off the cost of the assets over their expected useful lives.

Plant and machinery	10 years
Office equipment	5 years
Computer equipment	4 to 5 years
Furniture and fittings	7 years

Property, plant and equipment under construction and cost of assets not ready for use at the year-end are disclosed as "Under Construction".

An item of equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gains or losses on derecognition of the asset is included in the Statement of Comprehensive Income in the year in which the item is disposed. Where the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is written down to its recoverable amount through the statement of comprehensive income.

1.2 Tax

Current tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred Tax
Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax. The principle temporary differences arise from depreciation on plant and equipment, provisions and tax losses carried forward. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which to utilise the deferred tax asset.

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

1.3 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfilment is dependent on a specified asset; or
(d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c), or d) and at the date of renewal or extension period for scenario b).

Company as lessee
All leases are operating leases and the relevant rentals are charged to income in a systematic manner related to the period of use of the asset concerned.

Accounting policies (continued)

1.3 Leases (continued)

Company as lessor
Leases in which the Company transfers substantially all the risk and benefits of ownership of the asset are classified as finance leases. Assets given under a finance lease are recognized as a receivable at an amount equal to the net investment in the leased assets. After initial recognition, the Company apportions lease rentals between the principal repayment and interest income so as to achieve a constant periodic rate of return on the net investment outstanding in respect of the finance leases. The interest income is recognized in the statement of profit and loss. Initial direct costs such as legal cost, brokerage cost etc. are recognized immediately in the statement of profit and loss.

1.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the Statement of Comprehensive Income in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Comprehensive Income in the expense category consistent with the function of the intangible assets. The following are the finite lives of the intangible assets in the company.

Category	Finite lives
Customer Relationship	10 years
Intellectual Property	5 years
Software Application	3 years
Order Backlog	3 years

1.5 Business combinations and goodwill

Business combinations are accounted using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to Other Comprehensive Income(OCI). If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity. Transactions costs directly attributable to the acquisition forms part of the acquisition costs.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Accounting policies (continued)

1.6 Financial instruments

Recognition

Financial assets and financial liabilities are initially recognised on the balance sheet when the enterprise becomes party to the contractual provisions of the instrument. Recognition is based on the trade date.

Measurement

Financial instruments are initially measured at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Cash and cash equivalents

Cash and cash equivalents are after initial recognition measured at amortised costs. Gains and losses are recognised in profit or loss when the cash and bank balances are derecognised or impaired as well as through the amortisation process. Cash and cash equivalents comprise cash in bank and cash on short notice and money in transit.

Trade and other receivables

Trade and other receivables are after initial recognition measured at amortised cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in profit or loss when the trade and other receivables are derecognised or impaired as well as through the amortisation process.

Interest bearing loans and borrowings

Interest bearing loans and borrowings are classified as financial liabilities held for trading and are after initial recognition carried at amortised cost using the effective interest rate method, being original debt value less principal repayments and amortisation. Gains and losses are recognised in Statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Intercompany loans and balances

Intercompany loans and intercompany balances are after initial recognition measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the inter loans and intercompany balances are derecognised or impaired as well as through the amortisation process.

Trade and other payables

Trade and other payables are classified as financial liabilities originated by the enterprise and are carried after initial recognition at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the trade and other payables are derecognised or impaired as well as through the amortisation process.

Derecognition

a) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third part under a 'pass-through' arrangement; or
- the company has transferred its rights to receive cash flows from the asset and either
  - (a) has transferred substantially all the risks and rewards of the asset, or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the company's continuing involvement is the amount of the transferred asset that the company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Accounting policies (continued)

1.6 Financial Instruments (continued)

b) Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment

The company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

i) Assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.
The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the Statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

ii) Assets carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

iii) Available-for-sale financial assets
If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the Statement of comprehensive income. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

1.7 Provisions

Provisions are recognised where the company has a present legal or constructive obligation as a result of a past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The company recognises the estimated liability on all products still under warranty at the balance sheet date. This provision is calculated based on service histories. Employee entitlements to annual leave are recognised when leave accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

1.8 Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income. Such balances are translated at year end exchange rates unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used.

Accounting policies (continued)

1.9 Revenue recognition

Revenue from software services comprises income from time and material and fixed price contracts. Revenue with respect to time and material contracts is recognized as related services are performed. Revenue from fixed price contracts and fixed time frame contracts is recognised in accordance with the percentage completion method under which the sales value of performance, including earnings thereon, is recognised on the basis of cost incurred in respect of each contract as a proportion of total cost expected to be incurred. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses are made during the year in which a loss becomes probable based on current contract estimates. Revenue from sale of licenses for the use of software applications is recognised on transfer of title in the user license. Revenue from annual technical service contracts is recognised on a pro rata basis over the period in which such services are rendered. Income from revenue sharing agreements is recognised when the right to receive is established.

Other revenues earned by the company are recognised on the following basis:

Interest income: As it accrues unless collectability is in doubt.

Revenue from sale of goods is recognised when the significant risks and rewards of the ownership of the goods have been passed to the buyer, usually on delivery of goods.

1.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

1.11 Retirement benefits

The company's contribution to the defined contribution plan is charged to the Statement of comprehensive income in the year to which it relates.

1.12 Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises the purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired by the issue of shares or the other securities, the acquisition cost is the fair value of securities issued. If an investmerit is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

1.13 Impairment

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses of continuing operations are recognised in the Statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

Accounting policies (continued)

1.13 Impairment (Continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company makes an estimate of recoverable amount. A previously recognised impairment loss 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. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

The following criteria are also applied in assessing impairment of assets:

Goodwill
Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets
Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

1.14 Inventories

Stock in trade, stores and spares are valued at the lower of the cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Cost of stock in trade procured for specific projects is assigned by identification of individual costs of each item. Cost of stock in trade, that are interchangeable and not specific to any project and cost of stores and spare parts are determined using the weighted average cost formula.

1.15 Value Added Tax

Expenses and assets are recognised net of the amount of Value Added Tax, except:

I) When the Value Added Tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the Value Added Tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

II) When receivables and payables are stated with the amount of Value Added Tax included.

The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.16 Significant accounting judgements and estimates

Judgements
In the process of applying the accounting policies, management has made no judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, within the next financial year, are discussed below.

Accounting policies (continued)

1.16 Significant accounting judgements and estimates(Continued)

Fair value measurement of contingent consideration
Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. Where the contingent consideration meets the definition of a derivative and thus financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows.

The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Depreciation rates
Property, plant and equipment are depreciated on a straight line basis over the expected useful lives of the various classes of assets, after taking into account residual values. During the year management revised the estimated useful life of assets as stated in note 1.1.

Trade accounts receivable
Trade receivables that are individually determined to be impaired at the reporting date related to debtors that have been outstanding more than 365 days. These receivables are not secured by any collateral or credit enhancements.

1.17 New Standards and Interpretations

Standards and interpretations effective and adopted in the current financial year

In the current financial year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation: Effective date: years beginning on or after

Amendment to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016)

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016).

Amendments to IFRS 10, 12 and IAS 28: Investment Entities applying the consolidation exemption and Discontinued Operations: Annual Improvements project (effective 1 January 2016)

Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project (effective 1 January 2016)

Amendment to IAS 19: Employee Benefits: Annual Improvements project (effective 1 January 2016)

Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements (effective 1 January 2016)

Amendment to IAS 34: Interim Financial Reporting. Annual Improvements project (effective 1 January 2016)

Standards and Interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's future accounting periods.

Standard/ Interpretation: Effective date: years beginning on or after

IFRS 16 Leases (effective 01 January 2019)

IFRS 9 Financial Instruments (effective 01 January 2018)

IFRS 15 Revenue from contracts with customers (effective 01 January 2018)

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers (effective 01 January 2018)

Amendments to IAS 7: Disclosure initiative (effective 01 January 2017)

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective 01 January 2017)

Notes to the financial statements (continued)

		31 March 2017 (12 months ended) ZAR	31 March 2016 (9 months ended) ZAR
2	**Revenue**		
	Total revenue comprises:		
	Service Income	750,472,865	633,476,673
	Sale of goods*	28,958,031	27,561,912
	Sale under Capital Lease	221,109	41,871,398
	Interest Income on leased assets	11,054,391	9,711,382
		790,706,396	**712,621,365**
	*Sale of goods are comprised of the sale of IT hardware items to customers		
3	**Operating costs**		
	Operating costs include :		
	Depreciation on plant and equipment	4,486,747	564,925
	Amortization of intangible assets	1,738,835	1,303,154
	Operating lease expense	2,144,259	1,914,710
	Auditor's remuneration	148,175	151,368
	Provision for bad debts / (written back)	16,139,916	1,744,123
	Consulting Charges	323,997,096	259,029,534
	Cost of Goods Sold	24,943,959	55,095,585
	Employee benefits		
	Salaries	175,480,382	137,280,450
	Bonus	10,985,869	9,669,181
	Pension costs - defined contribution plan	984,394	965,339
4	**Other income / (expenses)**		
	Exchange loss (Net)	5,786,893	5,140,747
	Miscellaneous Income	3,864	27,741
	Interest income	9,940,381	603,569
		15,731,138	**5,772,057**
5	**Finance costs**		
	Interest expense		
	On loan from fellow subsidiaries	475,010	425,865
	Cash credit from bank	-	77,749
	Bank charges	309,036	75,721
		784,046	**579,335**

Notes to the financial statements (continued)

	31 March 2017 (12 months ended) ZAR	31 March 2016 (9 months ended) ZAR
6 Taxation		
The major components of income tax expense		
Current Income tax:		
Current Income tax charge	40,327,286	37,314,530
Adjustments in respect of current income tax of previous year	1,626,301	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(4,600,046)	15,378,869
	37,353,541	52,693,399
Reconciliation of tax expense and the accounting profit		
Accounting profit before income tax	127,025,972	188,182,658
Statutory income tax rate of 28% (2015: 28%)	35,567,272	52,691,144
Adjustments in respect of current income tax of previous years	1,626,301	-
Non-deductible expenses for tax purposes:	159,968	2,255
At the effective income tax rate of 28% (2015: 28%)	37,353,541	52,693,399
Income tax expense reported in the statement of profit or loss	37,353,541	52,693,399

7 Property, Plant and Equipment

	Computer equipment (ZAR)	Plant & Machinery (ZAR)	Office equipment (ZAR)	Furniture and fittings (ZAR)	Under Construction (ZAR)	Total (ZAR)
At June 30, 2015	4,222,386	221,400	795,600	1,775,917		7,015,303
Additions	724,811	-	-	-	277,566	1,002,377
At March 31. 2016	4,947,197	221,400	795,600	1,775,917	277,566	8,017,680
Additions	23,491,142	-	-		1,485,209	24,976,351
Retirement	(2,182,214)	-	(27,567)	-	-	(2,209,781)
At March 31. 2017	26,256,125	221,400	768,033	1,775,917	1,762,775	30,784,250
Accumulated depreciation						
At June 30, 2015	(3,624,878)	(3,457)	(541,641)	(839,512)	-	(5,009,488)
Depreciation charge for the year	(301,908)	(16,681)	(92,353)	(150,119)	-	(561,061)
At March 31, 2016	(3,926,786)	(20,138)	(633,994)	(989,631)	-	(5,570,549)
Depreciation charge for the year	(4,181,081)	(22,140)	(84,276)	(199,249)	-	(4,486,746)
Retirement	2,182,214	-	27,567	-	-	2,209,781
At March 31, 2017	5,925,653	(42,278)	690,703	(1,188,880)	-	(7,847,514)
Net book value						
At March 31, 2017	20,330,472	179,122	77,330	587,037	1,762,775	22,936,736
At March 31, 2016	1,020,411	201,262	161,606	786,286	277,566	2,447,131

The gross carrying amount of any fully depreciated property, plant and equipment that is still in use is as at 31 March 2017 is ZAR 1,654,559

Notes to the financial statements (continued)

8 Intangible Assets

	Customer relationship (ZAR)	Order backlog (ZAR)	Intellectual property (ZAR)	Software Application (ZAR)	Total (ZAR)
Cost					
At June 30, 2015	17,375,385	771,028	2,500,000		20,646,413
Additions	-	-	-	201,460	201,460
At March 31, 2016	17,375,385	771,028	2,500,000	201,460	20,847,873
Additions	-	-	-	177,442	177,442
Disposals	-	-	-	(201,460)	(201,460)
At March 31. 2017	17,375,385	771,028	2,500,000	177,442	20,823,855
Accumulated depreciation					
At June 30, 2015	(10,822,102)	(771,028)	(1,958,335)		(13,551,465)
Amortisation charge for the year	(1,303,154)	-	-	(3,864)	(1,307,018)
At March 31, 2016	(12,125,256)	(771,028)	(1,958,335)	(3,864)	(14,858,483)
Amortisation charge for the year	(1,195,873)	-	(541,665)	(1,296)	(1,738,834)
Amortisation reversal on assets sold	-	-	-	3,864	3,864
At March 31, 2017	(13,321,129)	(771,028)	(2,500,000)	(1,296)	(16,593,453)
Net book value					
At March 31, 2017	4,054,256	-	-	176,146	4,230,402
At March 31, 2016	5,250,129	-	541,665	197,596	5,989,390
Remaining Amortisation Period	2 years			3 years	

9. Investment in Subsidiaries

Shares at cost		
100% interest in issued share capital of HCL South Africa Share Ownership Trust Incorporated in South Africa	17,236,800	17,236,800

10. Non-current receivable

Finance lease receivable	105,672,618	120,224,783
Deposits	1,872,502	-
Prepaid expenses	20,690	-
	107,565,810	120,224,783

11. Trade and other receivables

Trade receivables	126,739,859	146,153,374
Less: Provision for doubtful debt	(20,928,572)	(4,785,159)
	105,811,287	141,368,215
Other Receivables	12,483,568	12,549,151
Less: Provision for other current assets	(413,881)	(413,881)
	12,069,687	12,135,270

Trade receivables are generally non- interest bearing and are generally on 30 days terms

As at March 31, 2017 the ageing analysis of trade receivables is as follows:

Total	Neither past due nor impaired (up to 30 days)	Past due but not impaired		
		31-60 Days	61-180 Days	180> Days
105,811,287	37,389,375	28,658,994	10,808,748	28,954,170

Notes to the financial statements (continued)

		31 March 2017 ZAR	31 March 2016 ZAR
12	**Deferred cost**		
	Deferred cost-group	11,795,846	35,692,204
	Deferred cost-Non group	416,843	327,129
		12,212,689	**36,019,333**
13	**Receivable from ultimate Holding company and fellow subsidiary**		
	Trade receivables-group	10,756,635	15,645,357
	Short term Loans-group	1,000,000	500,000
	Interest receivable on Loan-group	59,918	26,260
		11,816,553	**16,171,617**
14	**Inventories**		
	Inventory in hand	1,679,965	10,776,385
		1,679,965	**10,776,385**

Inventories are hardware as component requirement that are used to support the installation of the company's service to customers. These are mainly servers, storage devices, backup devices & networking equipment which are purchased from vendor & will be billed to the customer as & when project requirement will be received.

15	**Cash and cash equivalents**		
	Cash at bank	39,596,442	17,261,743
	Term deposit	205,000,000	53,000,000
		244,596,442	**70,261,743**

There is an undrawn borrowing facility of ZAR 25,000,000 which is available for future operation activities and settling capital commitments. There is no restriction on use of this facility.

16	**Income Tax Payable**		
	Advance Tax	(88,622,026)	(127,777,705)
	Income Tax Provisions	91,734,012	116,927,923
		3,111,986	**(10,849,782)**
17	**Unbilled Receivables**		
	Unbilled Receivables	75,914,172	125,897,887
	Accrued Revenue	(29,902,635)	29,207,652
		46,011,537	**155,105,539**
18	**Share capital**		
	Authorized		
	200,000,000 (2016 : 200,000,000) ordinary shares of ZAR1 each	200,000,000	200,000,000
	Issued		
	87,000,000 (2016: 87,000,000) ordinary shares of ZAR 1 each	87,000,000	87,000,000

Notes to the financial statements (continued)

19 Deferred Tax

Deferred tax relates to the following:

	Statement of financial position		Statement of comprehensive income	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Intangible assets	(1,135,192)	(1,621,702)	(486,510)	(364,884)
Prepaid expenses	-	-	-	(403,080)
Unrealized foreign exchange (Gain) / Loss	-	-	-	(89,761)
Deferred revenue / cost (Net)	946,609	52,942	(893,667)	(579,088)
Bonus provision	2,431,326	1,268,512	(1,162,814)	254,786
Leave pay provision	885,131	1,346,044	460,913	(125,675)
Bad debts provision	4,395,000	1,005,657	(3,389,343)	(367,038)
Provision for customer discount	-	-	-	-
Other provisions	115,887	115,887	-	-
Leases	(17,924,984)	(17,053,609)	871,375	17,053,609
Deferred tax expense / (benefit)			(4,600,046)	15,378,868
Net deferred tax assets / (liabilities)	(10,286,223)	(14,886,269)		

	31 March 2017 ZAR	31 March 2016 ZAR
Reflected in the statement of financial position as follows:		
Deferred tax assets :	8,773,953	3,789,042
Deferred tax liabilities:	(19,060,176)	(18,675,311)
Deferred tax liabilities (net):	(10,286,223)	(14,886,269)
Reconciliation of deferred tax assets, net		
As of 1 April 2016	(14,886,269)	492,600
Tax income / (expense) during the period recognized in profit or loss	(4,600,046)	(15,378,869)
As at 31 March 2017	(10,286,223)	(14,886,269)

20 Owed to ultimate Holding company and fellow subsidiary

Trade payables-group	92,831,134	186,254,157
Interest payable on Loan-group	832,446	679,720
	93,663,580	186,933,877

21 Trade and other payables

Trade payables	14,270,137	15,812,888
Accruals	6,196,903	11,663,271
Provision for customer discount	-	425,554
Payroll tax payable	-	4,356,696
VAT Payable	10,905,019	9,733,589
Other payables	19,254,988	20,158,079
Deferred revenue	3,393,293	1,031,003
	54,020,340	63,181,080

Notes to the financial statements (continued)

	31 March 2017 ZAR	31 March 2016 ZAR
22 Provisions		
Leave encashment	3,161,182	4,807,299
Bonus	8,683,308	6,433,875
LD/SLA Violation	2,591,524	1,766,132
	14,436,014	13,007,306

The provision for leave pay represents the potential liability for leave days accrued, and not utilised by staff members. The provision is expected to be utilised through employee leave days or, under exceptional circumstances, to be paid to relevant employees.

The bonus provision represents the potential liability to certain staff members for bonuses calculated based on the company's financial year performance. The amounts of the bonuses are uncertain, as the bonuses are awarded at the holding company's discretion. The bonuses are expected to be settled within 1 year.
These are mainly liquidity damages provision provided in the cases where customer suffers consequential damages because of services performed by the company, and these damages are to be borne by the company.

23. Commitments

a) Operating lease commitments

The company has entered into operating leases consisting of land and buildings. These leases are non–cancellable and have remaining lease terms of between 1 and 5 years. Certain leases include a clause for renewal, and a clause to enable upward revision of the rental charges on an annual basis based on prevailing market conditions.

The future minimum lease payments under non-cancellable operating leases are as follows:

	31 March 2017 ZAR	31 March 2016 ZAR
Not later than one year	1,179,696	1,534,044
Later than one year but not later than five years	1,651,089	695,383
	2,830,785	2,229,427

b) Capital commitments

There are capital commitments at the balance sheet date March 31, 2017 amounting to ZAR 642,009 (2016: 12,636,342)

24. Financial instrument risk management

Financial instruments carried on the statement of financial position include cash and cash equivalents, trade receivables, trade payables and borrowings. The main purpose of the financial liabilities is to raise finance for the company's operations. The financial assets arise from normal business transactions.

The main risks arising from the company's financial instruments are interest rate risk, credit risk, foreign currency risk and liquidity risk.

The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because in changes in the market interest rates. Company's exposure to the risk of changes in market interest rates relates primarily to the company's debt with floating interest rates.

Increase / (decrease) in basis points	Effect on loss for the year increase / (decrease) (in ZAR)	
	31 March 2017	31 March 2016
100	73,280	217,807
-100	(73,280)	(217,807)

Notes to the financial statements (continued)

24. Financial instrument risk management(continued)

Credit risk
Credit risk is the risk that a counter party will not meet its obligation under a financial instrument or customer contract, leading to financial loss. The company is exposed to credit risk from its operating activities (primarily for trade receivables and loan notes) and from its financing activities, including deposit with banks and financial institutions, foreign exchange transactions and other financial instruments.

Customer credit risk is managed by each business unit subject to company's policy, procedures and control relating to customer credit risk management. Credit limit are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating scorecard. The requirement for impairment is analysed on an individual basis for major clients. Additionally, a large number of minor receivables is grouped into homogeneous groups and assessed for impairment collectively.

Exposure to credit risk

At the balance sheet date, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet as disclosed under Note 12 to the financial statements.

No collateral is held for these receivables as these receivables are considered to be reputable and credit worthy.

Financial assets that are neither past due nor impaired
Trade and other receivables that are neither past due nor impaired are creditworthy debtors with a good payment record with the Company. Cash and cash equivalents, are placed with reputable financial institutions.

Financial assets that are either past due or impaired
Information regarding financial assets that are either past due or impaired is disclosed in Note 11 (trade receivables).

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company's exposure to the risk of changes in foreign exchange rates relates primarily to operating activities (when revenue or expenses are denominated in a different currency to the company's functional currency).

Foreign currency sensitivity
The following table demonstrates the sensitivity to a reasonable possible change in the exchange rate, with all other variables held constant, of the company's profit before tax due to changes in the fair value of monetary assets and liabilities.

	31 March 2017		31 March 2016	
	Change in Rate	Effect on profit before tax	Change in Rate	Effect on profit before tax
		ZAR		ZAR
EUR	-15%	2,145	22%	(644,746)
GBP	-22%	2,355,106	10%	(2,207,528)
INR	8%	(552)	-13%	49,194
MYR	-20%	(3,909)	17%	(11,595)
USD	-9%	(2,420,401)	20%	6,989,159
BRL	4%	(1,856)	-	-
CLP	9%	(5,555)	-	-
CNY	-15%	15,246	-	-
NOK	-12%	60,647	-	-
SEK	-18%	17,479	-	-
CAD	-	-	15%	(36,044)
SGD	-	-	20%	(15,840)

Notes to the financial statements (continued)

24. Financial instrument risk management(continued)

EUR	15%	(2,145)	-22%	644,746
GBP	22%	(2,355,106)	-10%	2,207,528
INR	-8%	552	13%	(49,194)
MYR	20%	3,909	-17%	11,595
USD	9%	2,420,401	-20%	(6,989,159)
BRL	-4%	1,856	-	-
CLP	-9%	5,555	-	-
CNY	15%	(15,246)	-	-
NOK	12%	(60,647)	-	-
SEK	18%	(17,479)	-	-
CAD	-	-	-15%	36,044
SGD	-	-	-20%	15,840

The movement on the pre-tax effect is a result of a change in the fair value of monetary assets and liabilities denominated in currencies other than the functional currency of the entity.

Liquidity risk

The company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The company's objective is to maintain a balance between continuity of funding and flexibility through use of loans from group companies.

Liabilities		1 year	2-5 year	Over 5 year	Total
March 31, 2017					
Loan from holding company	2.5% p.a.	-	-	-	-
Loan from fellow subsidiaries	2.5% p.a.	8,328,000	-	-	22,280,685
Owed to ultimate holding company fellow subsidiaries	Interest free	93,663,580	-	-	93,663,580
Trade and other payables	Interest free	50,627,046	-	-	50,627,046
Current Tax Payable	Interest free	3,111,986	-	-	3,111,986
Provisions	Interest free	14,436,014	-	-	14,436,014
March 31, 2016					
Loan from holding company	2.5% p.a.	-	-	-	-
Loan from fellow subsidiaries	2.5% p.a.	22,280,685	-	-	22,280,685
Owed to ultimate holding company fellow subsidiaries	Interest free	186,933,877	-	-	186,933,877
Trade and other payables	Interest free	62,150,077	-	-	62,150,077
Provisions	Interest free	13,007,306	-	-	13,007,306

Fair value

At March 31, 2017, the carrying amounts of cash, trade receivables, trade payables, approximate their fair values due to the short term maturities of these assets and liabilities.

Notes to the financial statements (continued)

25. Classification of financial instruments

31 March 2017	Loans and receivables / (financial liabilities at amortized cost) ZAR	Non-financial assets / liabilities ZAR	Total ZAR
Assets			
Trade and other receivables	105,811,287	12,069,687	117,880,974
Receivable from fellow subsidiaries	11,816,553	-	11,816,553
Cash and cash equivalents	244,596,442	-	244,596,442
Unbilled receivable	46,196,501	-	46,196,501
Finance Lease Receivable	156,480,642	-	156,480,642
Deferred cost	-	12,457,802	12,457,802
	564,901,425	**24,527,489**	**589,428,914**
Liabilities			
Loan from fellow subsidiaries	8,328,000	-	8,328,000
Owed to parent and fellow subsidiaries	93,663,580	-	93,663,580
Trade and other payables	39,772,027	10,905,019	50,627,046
Deferred Revenue	-	3,393,293	3,393,293
Total	**141,763,607**	**14,298,312**	**156,061,919**

31 March 2016	Loans and receivables / (financial liabilities at amortized cost) ZAR	Non-financial assets / liabilities ZAR	Total ZAR
Assets			
Trade and other receivables	141,368,215	12,135,270	153,503,485
Receivable from fellow subsidiaries	16,171,617	-	16,171,617
Cash & Cash equivalents	70,261,743	-	70,261,743
Unbilled receivable	155,423,735	-	155,423,735
Finance Lease Receivable	184,620,005	-	184,620,005
Deferred cost	-	36,896,577	36,896,577
	567,845,315	49,031,847	**616,877,162**
Liabilities			
Loan from fellow subsidiaries	22,280,685	-	22,280,685
Owed to parent and fellow subsidiaries	186,933,877	-	186,933,877
Trade and other payables	52,416,488	9,733,589	62,150,077
Deferred Revenue	-	1,031,003	1,031,003
Total	**261,631,050**	**10,794,592**	**272,395,642**

Notes to the financial statements (continued)

26. Related party transactions

a) Related parties where control exists

Holding company

Anzospan Investment Proprietary Limited

Ultimate holding company

HCL Technologies Limited

Subsidiaries

HCL South Africa Share Ownership Trust

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

Ultimate holding company

HCL Technologies Limited

Fellow Subsidiaries

Axon Group PLC
Axon Solutions Inc.
Axon Solutions Limited
Axon Solutions Sdn Bhd
Celeritifintech Limited
Filial Espanola De HCL Sl
HCL (Brazil) Technologies
HCL Belgium NV
HCL America Inc.
HCL Argentina S.A.
HCL Australia Services Pty Limited
HCL Axon Malaysia Sdn Bhd- Software Division
HCL Axon Technologies Inc – SD
HCL Axon Tech. (Shanghai) Co. Limited
HCL EAS Limited
HCL GmbH
HCL Great Britain Limited
HCL Hong Kong SAR Limited
HCL Hungary Kft
HCL (Ireland) Information Systems Limited
HCL Istanbul Bilisim Tekn
HCL Japan Limited
HCL Singapore Pte Limited
HCL Sweden AB
HCL Singapore Pte Limited
HCL Tech Denmark ApS
HCL Tech Limited, Moscow
HCL Technologies Ltd. Ogranizacni slozka (Czech Branch)
HCL Tech Norway AS
HCL Tech. Belgium BVBA
HCL Tech. Romania S.R.L.
HCL Technologies B.V.
HCL Technologies Colombia
HCL Technologies France
HCL Technologies Greece S

Notes to the financial statements (continued)

HCL Technologies Germany GMBH
HCL Technologies Mexico
HCL Technologies Middle East FZ-LLC
HCL Technologies South Africa Proprietary Limited
HCL Technologies Ltd. UAE Branch
HCL Technologies UK Limited
HCL Tech. Ltd. Swiss Branch
HCL Axon Solutions Beijing
HCL Axon Solutions Tianjin
HCLT (Shanghai) Limited
HCLT Limited Israel
HCLT Philippines Inc.
HCL Technologies Chile SPA
PT. HCLT Indonesia

c) Transactions with related parties during the year in ordinary course of business

Particulars	Fellow subsidiaries		Ultimate holding company	
	Year ended March 31, 2017 ZAR	Year ended March 31, 2016 ZAR	Year ended March 31, 2017 ZAR	Year ended March 31, 2016 ZAR
Interest expenses				
Axon Group PLC	193,778	223,073	-	-
Axon Solutions Limited	281,232	202,792	-	-
Total	**475,010**	**425,865**	-	-
Consulting charges				
HCL Technologies Limited	-	-	250,727,801	194,809,271
HCL America Inc.	2,677	892,388	-	-
HCL Technologies South Africa (Proprietary) Limited	10,838,368	19,040,485	-	-
HCL Great Britain Limited	1,213,161	942,811	-	-
HCL Technologies UK Limited	1,918,294	1,887,667	-	-
HCL GmbH	18,165,690	566,169	-	-
Axon Solutions Limited	1,149,974	1,653,197	-	-
HCL Technologies Norway AS	486,916	-	-	-
HCL Axon Technologies Inc.- SD	423,185	437,466	-	-
HCL Singapore Pte. Limited, Singapore	88,906	127,575	-	-
HCL Technologies Germany GMBH	-	2,651,584	-	-
Axon Solutions Sdn Bhd	-	1,168,570	-	-
Axon Solutions Inc.	212,821	(355)	-	-
HCL Argentina S.A.	1,992,687	-	-	-
HCL (Brazil) Technologies	50,428	-	-	-
Filial Española De HCL Sl	372,285	-	-	-
HCL Technologies Ltd. Ogranizacni slozka(Czech Branch)	144,662	-	-	-

HCL Hungary Kft	382,454	-	-	-
HCL Tech Limited, Moscow	26,381	-	-	-
HCL Tech. Romania S.R.L.	149,428	-	-	-
HCL Technologies B.V.	14,574	-	-	-
HCL (Ireland) Information Systems Limited	162,931	-	-	-
HCL Technologies Chile SPA	62,395	-	-	-
HCL Technologies Sweden AB	349,771	-	-	-
HCL Technologies Greece S	214,534	-	-	-
HCL Tech Denmark ApS	68,349	-	-	-
HCL Technologies France	57,892	-	-	-
HCL Axon Solutions Beijing	272,933	-	-	-
HCLT (Shanghai) Ltd.	245,969	-	-	-
HCL Axon Solutions Tianjin	617,898	-	-	-
HCL Mexico	(16,430)	234,748	-	-
Total	**40,233,580**	**29,602,305**	**250,163,354**	**194,809,271**
Software services				
HCL Technologies Limited	-	-	4,090,030	3,948,140
HCL Australia Services Pty. Limited	1,821,556	1,823,368	-	-
Axon Solutions Limited	2,675,350	4,186,329	-	-
HCL Singapore Pte. Limited	3,470,827	2,324,762	-	-
Axon Solutions Sdn Bhd	-	132,675	-	-
HCL Axon Malaysia SDN. BHD.-Software Division	248,287	-	-	-
HCL Technologies South Africa (Proprietary) Limited	108,242	177,390	-	-
HCL America Inc.	1,014,752	2,585,431	-	-
Axon Solutions Inc.	-	234,213	-	-
HCL Belgium NV	-	68,701	-	-
HCL Axon Technologies Inc.- SD	36,183	60,235	-	-
HCL Tech. Ltd. Swiss Branch	-	97,720	-	-
HCL Technologies France	42,846	358,652	-	-
HCL Technologies (Shanghai) Limited	382,454	217,822	-	-
HCL Great Britain Limited	597,433	16,886,560	-	-
HCL Argentina S.A.	75,482	-	-	-
HCL (Brazil) Technologies	265,733	-	-	-
HCL Technologies Mexico	85,786	-	-	-
HCL Technologies Colombia	31,624	-	-	-
Filial Española De HCL Sl	96,935	-	-	-
HCL Tech Limited, Moscow	161,687	-	-	-
HCL Technologies UK Ltd.	1,195,864	-	-	-
HCL Tech. Belgium BVBA	16,784	-	-	-
HCL Technologies Chile SPA	47,166	-	-	-
Celeritifintech Limited	670,972	-	-	-

HCL Japan Limited	14,662	-	-	-
HCLT Limited Israel	565,511	-	-	-
HCL Technologies Middle East FZ-LLC	633,669	-	-	-
PT. HCLT Indonesia	42,461	-	-	-
HCLT Philippines Inc.	597,762	-	-	-
HCL Sweden AB	16,141	-	-	-
HCL Hong Kong SAR Limited, Hong Kong	1,016,994	-	-	-
HCL Technologies Limited- UAE Branch	(42,175)	358,233	-	-
HCL Axon Tech. (Shanghai) Co. Limited	-	227,977	-	-
Total	**15,890,988**	**29,740,068**	**4,090,030**	**3,948,140**
Interest income				
Anzospan Investments (PTY) Limited	88,521	33,904	-	-
Total	**88,521**	**33,904**		-
Cost of goods sold				
HCL Technologies South Africa (Proprietary) Limited	-	658,485		-
Total	-	**658,485**		-

d) Outstanding balances with related parties

Particulars	As at March 31, 2017 ZAR	As at March 31, 2016 ZAR
Owed to ultimate holding company and fellow Subsidiaries		
HCL Technologies Limited	77,932,729	175,413,333
HCL America Inc.	(402,870)	330
Axon Solutions Inc.	-	15,595
Axon Solutions Limited	(210,624)	971,312
HCL GMBH	-	561,415
HCL Technologies South Africa Proprietary Limited	10,442,164	4,412,605
HCL Great Britain Limited	1,211,008	84,391
Axon Solutions Sdn. Bhd.	-	153,064
HCL Axon Malaysia SDN. BHD.-Software Division	-	7,119
HCL Mexico	-	234,748
HCL Technologies Germany GMBH	-	2,267,327
HCL Technologies UK Limited	43,326	1,817,810
HCL Axon Technologies Inc.- SD	-	237,361
HCL Argentina S.A.	2,353,188	-
HCL (Brazil) Technologies	50,384	-
HCL Tech Limited, Moscow	24,344	-
HCL Technologies B.V.	15,404	
HCL Technologies Chile SPA	62,395	-
HCL Technologies Sweden AB	99,360	-
HCL Technologies Greece S	210,624	-
HCL Tech Norway AS	486,916	-
HCL Axon Solutions Beijing	272,933	-
HCLT (Shanghai) Ltd.	239,853	
HCL Singapore Pte Ltd.	-	77,747
Total(X)	**92,831,134**	**186,254,157**
Interest payable		
Axon Solutions Ltd.	451,582	244,171
Axon Group PLC	380,864	268,590
HCL EAS Ltd.	-	166,959
Total(Y)	**832,446**	**679,720**
Total (X)+(Y)	**93,663,580**	**186,933,877**

Trade receivable		
Axon Solutions Limited	477,741	386,761
HCL Technologies Limited	4,066,401	9,860
HCL America Inc.	215,747	17,911
HCL Great Britain Limited	145,594	-
HCL Gmbh	-	59,790
HCL Technologies Ltd. UAE Branch	-	113,155
HCL Technologies Norway AS	(5,829)	(6,422)
Axon Solutions Sdn. Bhd.	-	152,840
HCL Argentina S.A.	63,435	-
HCL (Brazil) Technologies	223,396	-
HCL Technologies Mexico	85,786	-
HCL Technologies South Africa Proprietary Limited	994,466	-
HCL Technologies Colombia	28,497	-
Axon Solutions Inc.	41	-
HCL Axon Technologies Inc.- SD	36,183	-
HCL Technologies UK Ltd.	402,982	-
HCL Technologies Chile SPA	37,837	-
HCL Istanbul Bilisim Tekn	(166,162)	-
Celeritifintech Limited	312,794	-
HCL Technologies France	42,846	-
HCL Australia Services Pty Limited	799,007	-
HCL Singapore Pte Limited	856,042	-
HCL Technologies Middle East FZ-LLC	723,770	-
HCL Hong Kong SAR Limited	408,551	-
PT. HCLT Indonesia	34,068	-
HCL Axon Malaysia Sdn. Bhd.-Software Division	-	1,897
HCLT (Shanghai) Limited	481,114	98,660
Total(A)	**10,264,307**	**834,452**
Short term deposits		
Anzospan Investments (Proprietary) Limited	1,000,000	500,000
Total(B)	**1,000,000**	**500,000**
Other receivables		
HCL Technologies Limited	40,484	546,828
HCL Technologies South Africa Proprietary Limited	-	5,845,750
HCL Great Britain Limited	-	2,577,765
HCL Technologies Ltd. UAE	-	316,201
HCL Axon Tech.(Shanghai) Co. Limited	227,977	372,771
HCL Technologies (Shanghai) Limited	217,822	520,590
HCL America Inc.	-	948,355
HCL Axon Technologies Inc.-SD	-	60,235
HCL Belgium N.V./S.A.	-	68,701
HCL Technologies France	-	358,652
HCL Australia Services Pty Limited	-	849,159
HCL Technologies UK Limited	6,045	-
HCL Singapore Pte Limited	-	2,248,178
HCL Tech. Ltd. Switzerland	-	97,720
Total(C)	**492,328**	**14,810,905**

Notes to the financial statements (continued)

Particulars	As at March 31, 2017 ZAR	As at March 31, 2016 ZAR
Interest receivable on short term deposit		
Anzospan Investments [Proprietary] Limited	59,918	26,260
Total(D)	**59,918**	**26,260**
Receivable from fellow Subsidiaries (A+B+C+D)	**11,816,553**	**16,171,617**
Deferred cost		
HCL Technologies Limited	8,444,785	32,598,917
HCL Technologies South Africa Proprietary Limited	3,351,061	3,093,287
Total	**11,795,846**	**35,692,204**
Investment in Subsidiaries		
HCL South Africa Share Ownership Trust	17,236,800	17,236,800
Total	**17,236,800**	**17,236,800**
Unbilled receivables from ultimate holding company and fellow Subsidiaries		
HCL Technologies Limited	-	21,349
HCL Great Britain Limited	66,095	193,088
HCL Technologies South Africa Proprietary Limited	-	(5,119)
HCL Technologies Ltd. UAE	-	45,103
HCL Singapore Pte Ltd	53,886	76,584
HCL Japan Limited	14,662	-
HCL Technologies Middle East FZ-LLC	50,321	-
HCL America Inc.	-	(12,810)
Total	**184,964**	**318,196**

Terms and conditions of transactions with related parties
The sales to and purchase from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at year-end are unsecured, interest free (except loan from parent company) and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended March 31, 2017, the company has not recorded any impairment of receivables relating to amounts owed by related parties.

27. Retirement benefits

All eligible employees are members of the HCL Axon S.A. 319 Proprietary Ltd Pension Fund defined contribution plan administered by Liberty. The plan is governed by the Pension Funds Act of 1956. Pension contributions are made by employees with HCL Axon S.A. 319 Proprietary Ltd contributing an equal amount plus administration costs of the fund. Pension costs relating to contributions recognised in the current financial year are reflected under employee benefits in Note 3.

28. Capital management

	31 March 2017 ZAR	31 March 2016 ZAR
Share capital	87,000,000	87,000,000
Accumulated profit	485,273,983	395,601,552
	572,273,983	**482,601,552**

Capital includes equity shares and equity attributable to the equity holders of the parent. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustment to it, in light of change in economic conditions.To maintain the capital structure, the company may issue new shares.

Notes to the financial statements (continued)

29. Remuneration to directors and key management personnel

Some of the directors and key management personnel of the Company are also directors and key management personnel in other group companies within the HCL group and all of these companies together are viewed as one business unit and their remuneration is paid by the ultimate parent Company. The directors do not believe that it is practicable to apportion the remuneration paid between their services as directors and key management personnel of the Company and their servicesas directors and key management personnel of the other group companies within the HCL group.

Non-executive directors' (Luyolo Poswa) fees reflect their services as directors and services on various sub-committees on which they serve. Total remuneration paid for their services in current Period is ZAR Nil (PY ZAR Nil), non-executive directors do not earn attendance fees.

Non-executive directors do not participate in any incentive schemes or plans of any kind.

30. Financial Leases

The future minimum sub lease payments expected to be received under non cancellable sub lease of equipments and applicable software licences are as follows :-

31 Mar 2017

Year	Minimum Lease Rent Receivable	Present Value of Lease Rent Receivable	Interest Included in Lease Rent Receivable
2017-18	59,892,259	50,808,023	9,084,236
2018-19	66,135,924	59,850,650	6,285,274
2019-20	47,050,427	45,348,795	1,701,632
2020-21	480,434	473,173	7,261
Total	**173,559,044**	**156,480,641**	**17,078,403**

31 Mar 2016

Year	Minimum Lease Rent Receivable	Present Value of Lease Rent Receivable	Interest Included in Lease Rent Receivable
2016-17	70,524,666	64,395,223	6,129,443
2017-18	62,029,651	54,284,450	7,745,201
2018-19	50,976,300	44,518,116	6,458,184
2019-20	26,463,800	21,422,216	5,041,583
2020-21	-	-	-
Total	**209,994,417**	**184,620,005**	**25,374,411**