C3I (UK) Limited

Special Purpose Financial Statements

For the year ended 31st December 2019

C3I (UK) Limited

Special purpose balance sheet as at 31 December 2019

(All amounts are in thousands except stated otherwise)

		Note No.	As at 31 December 2019 (GBP)	As at 31 December 2019 (₹)
I.	**ASSETS**			
	(1) Non-current assets			
	(a) Deferred tax asset	**2.14**	3	339
	(2) Current assets			
	(a) Financial assets			
	(i) Cash and cash equivalents	**2.1**	101	9,487
	(b) Other current assets	**2.2**	7	676
	TOTAL ASSETS		**111**	**10,502**
II.	**EQUITY**			
	(a) Equity share capital	**2.3**	-	-
	(b) Other equity		50	4,790
	TOTAL EQUITY		**50**	**4,790**
III.	**LIABILITIES**			
	Non Current Liabilities			
	(a) Financial Liabilities			
	(i) Others	**2.6**	3	289
	(1) Current liabilities			
	(a) Financial liabilities			
	(i) Others	**2.4**	26	2,392
	(b) Other current liabilities	**2.5**	27	2,572
	(c) Current tax liabilities (net)	**2.7**	5	459
	TOTAL EQUITY AND LIABILITIES		**111**	**10,502**
	Summary of significant accounting policies	**1**		

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

As per our report of even date

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

Rakesh Dewan Digitally signed by Rakesh Dewan Date: 2020.09.15 21:01:15 +05'30'

Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date: 15 September, 2020

For and on behalf of the Board of Directors of C3I (UK) Limited

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Subramanian Gopalakrishnan
Director
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Date : 15 September, 2020

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Shiv Walia
Director
Berkshire, UK
Date : 15 September, 2020

C3I (UK) Limited

Special purpose statement of Profit and Loss for the year ended 31 December 2019

(All amounts are in thousands except stated otherwise)

		Note No.	Year ended 31 December 2019 (GBP)	Year ended 31 December 2019 (₹)
I	**Revenue**			
	Revenue from operations	**2.8**	197	18,531
	Other income	**2.9**	6	584
	Total income		**203**	**19,115**
II	**Expenses**			
	Employee benefits expense	**2.10**	168	15,805
	Finance costs	**2.11**	1	93
	Other expenses	**2.12**	19	1,814
	Total expenses		**188**	**17,712**
III	**Profit before tax**		**15**	**1,403**
IV	**Tax expense**	**2.13**		
	Current tax expense / (credit)		5	459
	Deferred tax charge (credit)		(2)	(192)
	Total tax expense / (credit)		3	267
V	**Profit for the year**		**12**	**1,136**
VI	**Total comprehensive income for the year**		**12**	**1,136**
	Earnings per equity share	**2.15**		
	Basic		12	1,136
	Diluted		12	1,136
	Summary of significant accounting policies	**1**		

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

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Date: 15 September, 2020

For and on behalf of the Board of Directors of C3I (UK) Limited

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Shiv Walia
Director
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Date : 15 September, 2020

C3I (UK) Limited

Special purpose statement of changes in equity for the year ended 31 December 2019

(All amounts are in thousands except stated otherwise)

(Amount in GBP)

	Equity share capital		Other equity	Total other equity
	Number of shares	Share capital	Reserves and surplus Retained earnings	
Balance as at 1 January 2019	1	-	38	**38**
Profit for the year	-	-	12	**12**
Total comprehensive income for the year	-	-	12	**12**
Balance as at 31 December 2019	1	-	50	**50**

(Amount in INR)

	Equity share capital		Other equity	Total other equity
	Number of shares	Share capital	Reserves and surplus Retained earnings	
Balance as at 1 January 2019	1	-	3,654	3,654
Profit for the year	-	-	1,136	1,136
Total comprehensive income for the year	-	-	1,136	1,136
Balance as at 31 December 2019	1	-	4,790	4,790

Refer note 1 for summary of significant accounting policies

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

As per our report of even date

FOR B S R & Co. LLP
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Date : 15 September, 2020

For and on behalf of the Board of Directors
of C3I (UK) Limited

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Shiv Walia
Director
Berkshire, UK

Date : 15 September, 2020

C3I (UK) Limited

Special purpose statement of cash flows for the year ended 31 December 2019

(All amounts are in thousands except stated otherwise)

	Year ended 31 December 2019 (GBP)	Year ended 31 December 2019 (₹)
A. Cash flows from operating activities		
Profit before tax	15	1,403
Operating profit before working capital changes	**15**	**1,403**
Movement in working capital		
Decrease in trade receivables	28	2,614
Increase in Other current assets	(4)	(411)
Increase in provisions, other financial liabilities and other current liabilities	44	4,170
Cash generated from operations	**83**	**7,776**
Direct taxes paid	4	360
Net cash flow from operating activities	**79**	**7,416**
Net increase in cash and cash equivalents	79	7,416
Cash and cash equivalents at the beginning of the year	22	2,071
Cash and cash equivalents at the end of the year as per note 2.1	**101**	**9,487**
Summary of significant accounting policies (Note 1)		

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

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Shiv Walia
Director
Berkshire, UK
Date : 15 September, 2020

ORGANIZATION AND NATURE OF OPERATIONS

C3I (UK) Limited is a company limited by shares incorporated in the United Kingdom. The address of the registered office is Axon Centre, Church Road, Egham, Surrey, England, TW20 9QB. The Company's principal activity continue to be that of a call centre.

The financial statements for the year ended 31 December, 2019 were approved and authorized for issue by the Board of Directors on 15 September, 2020.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation:

The special purpose financial statements of the Company have been prepared in accordance with recognition and measurement principles laid down in Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) adopted by the Ultimate Holding Company (HCL Technologies Limited) for the preparation of its consolidated financial statements. The company is not domiciled in India and hence was not incorporated under the Companies Act, 2013 or under any previous Company law in India. These financial statements have been prepared on the request of the Ultimate Holding Company to comply with the financial reporting requirement in India and do not comply with the notes and disclosure requirements and do not include the previous year comparatives as required under the presentation requirements of Schedule III (Division II) to the Companies Act, 2013 and Ind AS 1, presentation of financial statements. These financial statements have been prepared under the historical cost convention on an accrual and going concern basis except for certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments).

The Ultimate Holding Company prepares its financial statements for purpose of consolidation in accordance with recognition and measurement principle laid down in Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Schedule III (Division II) to the Companies Act, 2013, as applicable, and accordingly the previous GAAP for the Company for the purpose of consolidation is Ind AS and accordingly, the transition provisions as enumerated in Ind AS 101, First time adoption are not applicable.

The accounting policies adopted are consistent with those of the previous year except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy.

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle of 12 months. The statement of cash flows has been prepared under the indirect method. The functional currency of the Company is sterling pound (GBP). The translation from GBP to ₹ is included solely for the convenience of readers in India and has been performed using rate of GBP 1 = ₹94.1148, the exchange rate prevailing as at the last day of the financial year. Such translation should not be construed as representation that the ₹ amounts represent, or have been or could be converted into, GBP at that or any other rate.

(b) Use of estimates

The preparation of financial statements in conformity with Ind AS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, expenses and other comprehensive income (OCI) that are reported and disclosed in the financial statements and accompanying notes. These estimates are based on the management's best knowledge of current events, historical experience, actions that the Company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Significant estimates and assumptions are used for, but not limited to, accounting for costs expected to be incurred to complete performance under fixed price projects, , income taxes, future obligations under employee benefit plans. Changes in estimates are reflected in the financial statements in the period in which the changes are made. Actual results could differ from those estimates.

In view of pandemic relating to COVID-19, the Company has considered and taken into account internal and external information and has performed sensitivity analysis based on current estimates in assessing the recoverability of receivables, other financial assets, impact on revenues and costs. However, the actual impact of COVID-19 on the Company's financial statements may differ from that estimated and the Company will continue to closely monitor any material changes to future economic conditions.

(c) Foreign currency and translation

Transactions in foreign currencies are initially recorded by company at functional currency spot rates at the date the transaction first qualifies for recognition. Foreign-currency denominated monetary assets and liabilities are translated to the functional currency at exchange rates in effect at the balance sheet date. Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss.

Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of initial transaction.

Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined.

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

(d) Fair value measurement

The Company records certain financial assets and liabilities at fair value on a recurring basis. The Company determines fair values based on the price it would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

In accordance with Ind AS 113, assets and liabilities are to be measured based on the following valuation techniques:
a) Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
b) Income approach – Converting the future amounts based on market expectations to its present value using the discounting method.
c) Cost approach – Replacement cost method.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant who would use the asset in its highest and best use.

(e) Revenue recognition
Effective 1 January 2019, the Company has adopted Ind AS 115 using the cumulative effect method. The standard is applied retrospectively only to contracts that are not completed as at the date of initial application and the comparative information is not restated in the financial statements. The adoption of the standard did not have any material impact on the financial statements of the Company.

Contracts involving provision of services and material

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

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

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

In arrangements involving sharing of customer revenues, revenue is recognized when the right to receive is established. Revenues from unit-priced contracts are recognized as transactions are processed, based on objective measures of output.

(f) Income taxes

Income tax expense comprises current and deferred income tax.

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

Deferred income tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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

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

The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the year that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized.

(g) Provision and contingent liabilities

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

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

(h) Retirement and other employee benefits

i. Compensated absences: The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The employees can carry forward up to the specified portion of the unutilized accumulated compensated absences and utilize it in future periods or receive cash at retirement or termination of employment. The expected cost of accumulating compensated absences is determined by actuarial valuation (using the projected unit credit method) based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. The expense on non-accumulating compensated absences is recognized in the statement of profit and loss in the year in which the absences occur. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

ii. State Plans: The contribution to State Plans, a defined contribution plan namely Employees' Pension Scheme for the Company are charged to the statement of profit and loss.

(i) Earnings per share (EPS)

Basic EPS amounts are computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares outstanding during the year.

Diluted EPS amounts are computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

(j) Recently issued accounting pronouncements

Ind AS 116 Leases was notified in October 2018 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after 1 April 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17.

C3I (UK) Limited
Notes to special purpose financial statements for the year ended 31 December 2019
(All amounts are in thousands except stated otherwise)

2.1 Cash and cash equivalents

	As at	
	31 December 2019	31 December 2019
	(GBP)	(₹)
Balance with banks		
- in current accounts	101	9,487
	101	**9,487**

2.2 Other current assets

	As at	
	31 December 2019	31 December 2019
	(GBP)	(₹)
Unsecured , considered good		
Advance to employees	6	546
Withholding and other taxes receivable	1	130
	7	**676**

2.3 Share capital

	As at	
	31 December 2019	31 December 2019
	(GBP)	(₹)
Authorized 1 (31 December 2019, 1) shares of GBP 1 each	-	-
Issued, subscribed and fully paid up 1 (31 December 2019, 1) shares of GBP 1 each	-	-

Terms/ rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of GBP 1/-. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holder of equity share will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The sole shareholder will be entitled to distribution.

Reconciliation of the number of shares outstanding at the beginning and at the end of the financial year

	As at			
	31 December 2019		31 December 2019	
	No. of shares	Amount (GBP)	No. of shares	Amount (₹)
Number of shares at the beginning	1	-	1	-
Number of shares at the end	1	-	1	-

Details of shareholders holding more than 5 % quota shares in the Company:

Name of the shareholder	As at	
	31 December 2019	31 December 2019
	No. of shares	% holding in the class
Shares of GBP 1 each fully paid		
Telerx Marketing Inc	1	100.00%

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

Capital management

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

C3I (UK) Limited
Notes to special purpose financial statements for the year ended 31 December 2019
(All amounts are in thousands except stated otherwise)

2.4 Other financial liabilities

	As at	
	31 December 2019	31 December 2019
	(GBP)	(₹)
Others		
Liabilities for expenses	10	924
Liabilities for expenses - related party (refer note 2.17)	1	88
Accrued employee bonus	15	1,380
	26	**2,392**

2.5 Other current liabilities

	As at	
	31 December 2019	31 December 2019
	(GBP)	(₹)
Advance received from group companies	27	2,572
	27	**2,572**

2.6 Other non current financial liabilities

	As at	
	31 December 2019	31 December 2019
	(GBP)	(₹)
Accrued employee bonus non current	3	289
	3	**289**

2.7 Current tax liabilities (net)

	As at	
	31 December 2019	31 December 2019
	(GBP)	(₹)
Current tax liabilities (net)	5	459
	5	**459**

C3I (UK) Limited
Notes to special purpose financial statements for the year ended 31 December 2019
(All amounts are in thousands except stated otherwise)

2.8 Revenue from operations

	Year ended	
	31 December 2019	**31 December 2019**
	(GBP)	**(₹)**
Sale of services	197	18,531
	197	**18,531**

Disaggregate Revenue Information

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

	Year ended	
	31 December 2019	**31 December 2019**
	(GBP)	**(₹)**
Time and material	197	18,531
	197	**18,531**

(b) The disaggregated revenue from customers by geographic area based on location of customer is as follows:

	Year ended	
	31 December 2019	**31 December 2019**
	(GBP)	**(₹)**
USA	197	18,531
Total	**197**	**18,531**

Company has evaluated the impact of COVID-19 resulting from (a) increase in cost budget of fixed price projects due to additional efforts; (b) volume discounts; (c) termination/deferment of projects to ensure that revenue is recognised after considering all these impacts to the extent known and available currently. We would continue to assess COVID-19 impact as we go along due to uncertainties associated with its nature and duration.

C3I (UK) Limited

Notes to special purpose financial statements for the year ended 31 December 2019

(All amounts are in thousands except stated otherwise)

2.9 Other income

	Year ended	
	31 December 2019	31 December 2019
	(GBP)	(₹)
Exchange differences (net)	6	584
	6	**584**

2.10 Employee benefits expense

	Year ended	
	31 December 2019	31 December 2019
	(GBP)	(₹)
Salaries, wages and bonus	151	14,236
Contribution to other employee funds	17	1,569
	168	**15,805**

2.11 Finance costs

	Year ended	
	31 December 2019	31 December 2019
	(GBP)	(₹)
Bank charges	1	93
	1	**93**

2.12 Other expenses

	Year ended	
	31 December 2019	31 December 2019
	(GBP)	(₹)
Travel and conveyance	2	183
Legal and professional charges	17	1,631
	19	**1,814**

2.13 Tax expense

	Year ended	
	31 December 2019	31 December 2019
	(GBP)	(₹)
Income tax charged to statement of profit and loss		
Current income tax charge	5	459
Deferred tax charge (credit)	(2)	(192)
	3	**267**

C3I (UK) Limited
Notes to special purpose financial statements for the year ended 31 December 2019
(All amounts are in thousands except stated otherwise)

2.14 Components of deferred tax assets and liabilities

	Year ended	Year ended
	31 December 2019	31 December 2019
	(GBP)	(₹)
Deferred tax assets		
Bonus Provision	3	339
	3	339

2.15 Earnings Per Share

The computation of earnings per share is as follows:

	Year ended	Year ended
	31 December 2019	31 December 2019
	(GBP)	(₹)
Net profit as per Statement of profit and loss for computation of EPS	12	1,136
Weighted average number of outstanding in calculating of Basic EPS	1	1
Weighted average number outstanding in calculating dilutive EPS	1	1
Nominal value of share	1	94
Earnings per share		
- Basic	12	1,136
- Diluted	12	1,136

2.16 Segment Reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available and whose their results are reviewed regularly by the chief operating decision maker (CODM), for allocation of resources and assessing performance. Till 31 December 2018, the CODM evaluated the Company's performance by business segments comprising software services, infrastructure management services and business process outsourcing services.

Consequent to the reorganization of its operations due to technological changes and business requirements, effective 1 April 2019, the Company's holding company, HCL Technologies Limited's chief operating decision maker (CODM) reviews its results for allocation of resources and assessing performance by business segment comprising IT and Business Services, Engineering and R&D Services, and Products & Platforms segments.

Due to the reorganization of operations, the ultimate Holding Company effective 1 April 2019 monitors the risk and returns of the Company's businesses on an entity level and evaluates the performance of the Company as one business segment which is overall a part of the reorganized entity level business segments. Hence there is only one reportable segment of the Company, as envisaged under Indian Accounting Standards -108 "Operating segments".

Revenue disaggregation as per geography has been included in note 2.8.

C3I (UK) Limited
Notes to special purpose financial statements for the year ended 31 December 2019
(All amounts are in thousands except stated otherwise)

2.17 Related party transactions

Holding company
Telerx Marketing Inc

Ultimate holding company
HCL Technologies Limited

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

Holding company
Telerx Marketing Inc

Fellow subsidiary
HCL Great Britain Limited

Transactions with related parties during the normal course of business	
	Revenue
31 December 2019 (GBP)	
Holding company (refer note 2.8)	197
	197
31 December 2019 (₹)	
Holding company (refer note 2.8)	18,531
	18,531

	Outstanding balances	
	Liabilities for expenses	**Advance received**
31 December 2019 (GBP)		
Holding company (refer note 2.5)	-	27
Fellow subsidiary (refer note 2.4)	1	-
	1	**27**
31 December 2019 (₹)		
Holding company (refer note 2.5)	-	2572
Fellow subsidiary (refer note 2.4)	88	-
	88	**2,572**

As per our report of even date

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Chartered Accountants
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