HCL (New Zealand) Limited
Financial Statements
for year ended 31 March 2020

HCL (New Zealand) Limited
Financial statements - 31 March 2020

Contents

Annual report

The directors present their report, together with the financial statements, of HCL (New Zealand) Limited ("the Company") for the year ended 31 March 2020

With the unanimous agreement of all shareholders, the Company has taken advantage of the reporting concessions available to it under section 211(3) of Companies Act 1993.

The directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the Company as at 31 March 2020 and its financial performance for the year ended on that date.

The directors consider that the financial statements of the Company have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgments and estimates and that all relevant financial reporting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the financial Reporting Act 2013.

The directors have responsibility for the maintenance of a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The directors consider they have taken adequate steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

This report is made in accordance with a resolution of directors, pursuant to section 211(1) (k) of the Companies Act 1993.

On behalf of the directors

Sridharan S

Mr. Sundaram Sridharan
Director
Date: 17 September 2020

Mr. Subramanian Gopalakrishnan
Director
Date: 17 September 2020

Independent Auditor's Report

To the shareholder of HCL (New Zealand) Limited

Report on the audit of the financial statements

Opinion

In our opinion, the accompanying financial statements of HCL (New Zealand) Limited (the 'company') on pages 5 to 27:

i. present fairly in all material respects the company's financial position as at 30 March 2020 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 30 March 2020;
- the statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the company in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the company.

Other information

The Directors, on behalf of the company, are responsible for the other information included in the entity's Annual Report. Our opinion on the financial statements does not cover any other information and we do not express 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 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.

Other matter

The financial statements of HCL (New Zealand) Limited, for the year ended 30 March 2019, was audited by another auditor who expressed an unmodified opinion on those statements on 24 June 2019.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholder as a body. Our audit work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholder as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the financial statements

The Directors, on behalf of the company, are responsible for:

— the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime);

— implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objective is:

— 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 independent 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 NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/

This description forms part of our independent auditor's report.

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KPMG
Auckland

17 September 2020

Corporate Information

Directors
Mr. Prateek Aggarwal
Mr. Sundaram Sridharan
Mr. Glenn Thomas Merchant
Mr. Subramanian Gopalakrishnan

Registered office
HCL (New Zealand) Limited
1st Floor,
79 Taranaki Street,
Wellington 6011, New Zealand

Principal place of business
HCL (New Zealand) Limited
Level 12,
41 Shortland Street,
Auckland, New Zealand

Bankers
Citi Bank

Auditors
KPMG, a New Zealand Partnership

HCL (New Zealand) Limited
Statement of Comprehensive Income
For the financial year ended 31 March 2020

	Notes	March 2020 $	March 2019 $
Revenue from contract with customers	3	35,917,761	39,962,596
Other revenue	3	39,397	56,688
Revenue		35,957,158	40,019,284
Cost of sales		(31,585,776)	(35,033,977)
Gross profit		4,371,382	4,985,307
Sales and marketing expenses		(1,167,874)	(1,450,062)
Administration and general expenses		(793,523)	(650,967)
Finance costs	4	(23,098)	(6,627)
Profit before income tax		2,386,887	2,877,651
Income tax expense	6	(667,555)	(810,588)
Profit after income tax		1,719,332	2,067,063
Net profit for the year		1,719,332	2,067,063
Other Comprehensive Income for the year		-	-
Total Comprehensive income for the year		1,719,332	2,067,063

The above statement of comprehensive income should be read in conjunction with the accompanying notes

HCL (New Zealand) Limited
Statement of Financial Position
As At 31 March 2020

	Notes	March 2020 $	March 2019 $
ASSETS			
Current assets			
Cash and cash equivalents	7	4,187,629	2,169,573
Trade and other receivables	8	6,465,607	8,871,098
Advance Tax		35,885	-
Total current assets		10,689,121	11,040,671
Non-current assets			
Property, plant and equipment	9	262,762	109,584
Intangible Assets	10	530,407	-
Right to use	16	378,929	-
Deferred tax assets	11	564,985	673,878
Total non-current assets		1,737,083	783,462
Total assets		12,426,204	11,824,133
LIABILITIES			
Current liabilities			
Trade and other payables	12	4,144,966	5,441,397
Lease Liabilities	16	147,451	-
Provision for employee entitlements	13	1,025,580	1,107,401
Tax payable		-	149,713
Total current liabilities		5,317,997	6,698,511
Non-current liabilities			
Lease Liabilities	16	215,918	-
Provision for employee entitlements	13	1,211,263	1,163,928
Total non-current liabilities		1,427,181	1,163,928
Total liabilities		6,745,178	7,862,439
Net assets		5,681,026	3,961,694
EQUITY			
Contributed equity	14	46,414	46,414
Reserves		346,597	346,597
Retained profits		5,288,015	3,568,683
Total equity		5,681,026	3,961,694

The above statement of financial position should be read in conjunction with the accompanying notes.

Sridharan S

Mr. Sundaram Sridharan
Director
Date: 17 September 2020

Mr. Subramanian Gopalakrishnan
Director
Date: 17 September 2020

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HCL (New Zealand) Limited

Statement of Changes in Equity

As At 31 March 2020

	Contributed Equity $	Employee Equity Benefit Reserve $	Retained Earnings $	Total $
At 31 March 2019	46,414	346,597	3,568,683	3,961,694
Profit for the year	-	-	1,719,332	1,719,332
Total comprehensive income for the year	-	-	1,719,332	1,719,332
Transactions with owners in their capacity as owners:				
Dividend Paid	-	-	-	-
At 31 March 2020	46,414	346,597	5,288,015	5,681,026

	Contributed Equity $	Employee Equity Benefit Reserve $	Retained Earnings $	Total $
At 31 March 2018	46,414	346,597	5,751,620	6,144,631
Profit for the year	-	-	2,067,063	2,067,063
Total comprehensive income for the year	-	-	2,067,063	2,067,063
Transactions with owners in their capacity as owners:				
Dividend Paid	-	-	(4,250,000)	(4,250,000)
At 31 March 2019	46,414	346,597	3,568,683	3,961,694

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	Notes	March 2020 $	March 2019 $
Cash Flow from operating activities			
Profit for the year before tax		2,386,887	2,877,651
Depreciation	4	243,800	54,828
Loss on sale of fixed assets		965	-
Interest on deferred consideration for business acquisition	4	4,672	-
Interest expense on lease liabilities	4	11,630	-
Unrealised foreign exchange losses/(gains)		37,990	(28,773)
Change in current assets & liabilities			
Decrease in trade & other receivables		2,413,230	1,561,881
Decrease in trade & other payables		(1,342,087)	(1,000,388)
Decrease in provision for employee entitlements		(34,559)	(45,032)
Cash inflow from operating activities		3,722,528	3,420,167
Tax paid		(744,260)	(880,651)
Net cash inflow from operating activities		2,978,268	2,539,516
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(225,160)	(16,330)
Purchase of intangibles on account of business acquisition	10	(542,486)	-
Net cash outflow from investing activities		(767,646)	(16,330)
Cash flows from financing activities			
Interest on deferred consideration for business acquisition	4	(4,672)	-
Dividend paid		-	(4,250,000)
Payment of lease Liabilities including interest	16	(187,894)	-
Net cash outflow from investing activities		(192,566)	(4,250,000)
Net increase/(decrease) in cash and cash equivalents		2,018,056	(1,726,814)
Cash and cash equivalents at the beginning of the financial year		2,169,573	3,896,387
Cash and cash equivalents at end of the year	7	4,187,629	2,169,573

The above statement of cash flows should be read in conjunction with the accompanying notes.

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1 Corporate information

The financial statements of HCL (New Zealand) Limited ("the Company") for the financial year ended 31 March 2020 were authorized for issue in accordance with a resolution of the directors on 17 September 2020.

HCL (New Zealand) Limited is engaged in a business of providing software-related IT solutions, remote infrastructure management services and business process outsourcing services.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 1st Floor, 79 Taranaki Street, Wellington, 6011, New Zealand.

2 Summary of significant accounting policies

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Companies Act 1993 and the Financial Reporting Act 2013. The financial report has also been prepared on a historical cost basis.

The financial report has been prepared in New Zealand (NZ) dollars in accordance with General Accepted Accounting Practice in New Zealand to the extent described in Note 2(b).

(b) Statement of Compliance

The financial report is a general purpose financial statements and have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards, and other applicable Financial Reporting Standards.

The Company is eligible and has elected to report in accordance with Tier 2 for-Profit accounting standards on the basis that the Company has no public accountability and is not a large for-profit public-sector entity. The company has elected to report in accordance with New Zealand International Financial Reporting Standards Reduced Disclosure Requirements and has applied disclosure concessions.

(c) New accounting standards and interpretations

Changes in accounting policy and disclosures.

The Company has adopted the new lease standard IFRS 16 Leases for the current year's financial statements.(Note 16)

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the company. The company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in New Zealand dollars, which is the Company's functional and presentation currency.

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(d) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(e) Revenue recognition

Revenue from contract with customers

Revenue from contracts with customers is recognised when the control of goods or services is transferred to the customers, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to be that which the Company will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception. When the contract contains a financing component which provides the Company a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15. Revenue from the sale of goods is recognised on the transfer of the significant risks and rewards of ownership, which generally coincides with the time of delivery of goods.

Revenue from sale of services is recognised when it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of returns and discounts.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(f) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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(f) Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

(g) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or part of the expense item or as part of the cost of acquisition of the assets as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as a part of receivables or payables in the balance sheet. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authorities.

(h) Leases

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

Company as a lessee

Company is lessee in case of office space. These leases are evaluated to determine whether it contains lease based on principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors as defined in IFRS 16.

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

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

(h) Leases (continued)

Lease liability is subsequently measured by increase the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made and remeasuring the carrying amount to reflect any reassessment or modification, if any.

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

Transition to IFRS 16

International Accounting Standards Board (IASB) has issued IFRS 16 Leases in January 2016 and applies to annual period beginning on or after 1 January 2019. IFRS 16 has replaced the existing lease standard, IAS 17 Leases and other interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors.

The Company has adopted IFRS 16, effective 1 April 2019 using the modified retrospective approach which involves recognizing new right-of-use assets and lease liabilities on its balance sheet. Comparative information has not been adjusted and continues to be reported under IAS 17. As a result of the Company's adoption of this new standard, all leases are recorded on the balance sheet. The Company has also elected the practical expedients, not to reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. The Company has used a single discount rate to a portfolio of leases with reasonably similar characteristics. The Company has elected the lessee practical expedient to combine lease and non-lease components and account for the combined unit as a single lease component in case there is no separate payment defined under the contract, and to use the recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases").

Impact on financial statements

As a result of adoption of IFRS 16, the Company recognized additional lease liabilities of NZD 32,094 and right-of- use assets of NZD 32,094 as on 1 April 2019.

The difference between the lease obligations (operating lease commitments) disclosed as of March 31, 2019 under IAS 17 and the value of the lease liabilities as of April 1, 2019 is primarily on account of discounting the lease liabilities to the present value in accordance with IFRS 16.

The weighted average incremental borrowing rate of 3.5% has been applied to lease liabilities recognized in the balance sheet at the date of initial application, in respect of leases classified as operating leases as per IAS 17.

The following table summarize the impact of the Company's adoption of IFRS 16 on its statement of financial position as of 1 April 2019:

Particulars	As reported on 31 March 2019	Adoption of IFRS 16	Balance as on 1 April 2019
Right-of-use assets	-	32,094	32,094
Lease liability*	-	32,094	32,094

*Includes current and non-current

(h) Leases (continued)

Impact on financial statements (continued)

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	64,914
Within next one year	-
Total operating lease commitments as on 31 March 2019	64,914
Less: commitments relating to leases exempt from capitalisation:	
- short-term leases	(32,539)
Less: Future interest payments	(281)
Total lease liabilities as at 1 April 2019	**32,094**

(i) Borrowing cost

Borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset (i.e. 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 that asset. All other borrowing costs are expensed in the period they occur.

Borrowing cost consist of interest and other costs that an entity incurs in connection with the borrowing of funds. HCL (New Zealand) Limited does not currently hold qualifying assets but, if it did, the borrowing cost directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

(j) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An impairment provision is recognised when there is objective evidence that the Company will not be able to collect all the receivables.

The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(l) Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

(l) Property, plant and equipment (continued)

Particulars	Useful life
Plant and Machinery	10 years
Computers	5 years
Laptops	3 to 4 years
Office Equipment	4 to5 years
Leasehold Improvements	5 to 7 years
Furniture and Fixture	7 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount.

(m) Intangible assets

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

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income and when the asset is derecognised.

The intangible assets are amortized over the estimated useful life of the assets as mentioned below except certain Licensed IPRs which include the right to modify, enhance or exploit are amortized in proportion to the expected benefits over the useful life which could range up to 10 years:

Particulars	Life
Customer relationship	Over 10 years

Customer related intangibles recognized on acquisition is amortized in the proportion of estimated revenue.

(n) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the aggregate of the consideration transferred measured at fair value at the acquisition date. Acquisition related costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date.

(n) Business combinations and goodwill (continued)

Contingent consideration classified as financial liability is measured at fair value with changes in fair value recognized in the statement of comprehensive income.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred 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 excess is recognized as capital reserve after reassessing the fair values of the net assets.

(o) 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.

(p) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) 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 or CGU 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, recent market transactions are taken into account, if available. If no such transactions can be identified; an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment of inventories, are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

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 estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor 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 a revalued amount, in which case the reversal is treated as a revaluation increase.

(q) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid and arise when the Company becomes obliged to make payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Provisions

Provisions for legal claims, service warranties and rental obligations are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(s) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settle within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are rates paid or payable.

(t) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management is constantly adjusting the capital structure to take advantage of favorable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(u) Share capital

Ordinary shares are classified as equity.

(v) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

(w) Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

(w) Current versus non-current classification (continued)

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(x) Financial Instruments

Recognition

Financial assets and financial liabilities are initially recognized 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.

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

(i) 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 party 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

Derecognition (continued)

(i) Financial assets (continued)

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.

(ii) 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.

(y) Cash Dividend

The Company recognises a liability to pay a dividend when the distribution is authorised and approved by the directors. A corresponding amount is recognised directly in equity.

3 Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial results or the financial position reported in future periods.

(a) Critical accounting estimates and assumptions

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Revenue recognition

The Company determines the amount of revenue to be recognised on certain projects in progress based on the estimated amount of work completed in relation to the projects. This estimation is based on management's assessment of costs incurred as well as an estimation of the percentage of the project completed.

	March 2020 $	March 2019 $
3 Revenue and other income		
Revenue		
Revenue from contract with customers	35,917,761	39,962,596
	35,917,761	39,962,596
Other income		
Interest income	40,362	56,688
Loss on sale of assets	(965)	-
	39,397	56,688

a) Disaggregate Revenue Information

The disaggregated revenue from contracts with the customers for the year ended 31 March 2020.

	March 2020 $	March 2019 $
Contract type		
Fixed price	1,934,968	1,877,009
Time and material	33,982,793	38,085,587
Total revenue from contract with customers	35,917,761	39,962,596
Timing of revenue recognition		
Goods transferred at a point in time	326,238	-
Services transferred over time	35,591,523	39,962,596
Total revenue from contract with customers	35,917,761	39,962,596

	March 2020 $	March 2019 $
4 Expenses		
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation	243,800	54,828
Rental expense	53,450	103,321
Net foreign exchange (gain) and losses	130,657	54,290
Employee benefits expense	16,753,799	20,505,405
Superannuation contribution expense	143,567	140,634
Finance costs:		
Interest on deferred consideration for business acquisition	4,672	-
Interest expense on lease liabilities	11,630	-
Other interest expense	6,796	6,627
Total finance costs	23,098	6,627
5 Remuneration of auditors		
Current year amount due and receivable by Statutory Auditors	9,454	22,472
	9,454	22,472

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	March 2020 $	March 2019 $
6 Income tax		
(a) Income tax expense		
The major components of income tax expenses are:		
Current income tax charge	598,808	855,278
Deferred tax	72,137	(44,690)
Adjustment in respect of current income tax of previous years	7,741	(1,862)
Adjustments for deferred tax of prior periods	(7,725)	1,862
Others	(3,406)	
Income tax expense reported in Statement of Comprehensive Income	667,555	810,588
(b) Reconciliation of effective tax rate		
Profit before tax	2,386,887	2,877,651
Income tax @28% (P.Y: 28%)	668,329	805,743
Under (over) provision in prior years		
Permanent difference	2,616	4,845
Sundry items	(3,406)	-
Adjustment in respect of prior years	16	-
Aggregate income tax expense	667,555	810,588
(c) Imputations credits		
Imputation credit account balance at 1 April	3,705,432	2,816,450
Tax payments net of refunds	163,819	888,982
Balance at 31 March	3,869,251	3,705,432
7 Current assets - Cash and cash equivalents		
Cash at bank and in hand	4,187,629	2,169,573
8 Current assets - Trade and other receivables		
Trade receivables		
Secured, considered good	-	-
Unsecured considered good	5,102,450	7,404,713
	5,102,450	7,404,713
Amounts owing by related entities	194,874	693,878
Other assets	281,691	153,923
Unbilled receivables	886,592	618,584
	6,465,607	8,871,098

Effective interest rates and credit risk

The Company is not exposed to interest rate risk on these receivable balances as they are non-interest bearing. There is no concentration of credit risk with respect to current receivables as the group has a large number of customers.

The Company's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months. Each customer has a maximum credit limit. The Company seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Company's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. They are stated net of loss allowance.

The Company does not hold any collateral or other credit enhancements over these balances.

Movements in the loss allowance for trade receivables are as follows:

	March 2020 $	March 2019 $
At the beginning of the year	106,747	85,844
Impairment losses, net	-	20,903
Amount written back	(48,930)	-
At the end of the year	57,817	106,747

Impairment of trade receivables under IFRS 9 for the year ended 31 March 2020

The Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses have also incorporated forward looking information. The loss allowance as at 31 March 2020 is determined as follows:

As at 31 March 2020	Current	Upto 6 months past due	Over 6 months past due	Total
Expected loss rate (%)	-	-	78.38	1.12
Gross carrying amount ($)	3,012,962	2,073,536	73,769	5,160,267
Expected credit losses ($)	-	-	57,817	57,817

9 Non-current asset-Property plant and Equipment

31 March 2020

	Plant And Machinery	Computer	Laptop	Capital Work in progress IT	Furniture and fixtures	Leasehold Improvements	Total
Cost							$
At March 31 2019	50,172	142,639	145,218	-	-	-	338,029
Acquisition	1,006	41,089	-	42,991	34,177	105,897	225,160
(Retirement)	-	(5,209)	(8,530)	-	-	-	(13,739)
At March 31 2020	51,178	178,519	136,688	42,991	34,177	105,897	549,450
Accumulated Depreciation							
At Mar 31 2019	46,409	102,027	80,009	-	-	-	228,445
On asset retire	-	(5,209)	(7,565)	-	-	-	(12,774)
Depreciation	502	18,837	37,481	-	3,668	10,529	71,017
At March 31 2020	46,911	115,655	109,925	-	3,668	10,529	286,688
Net Book Value 2020	4,267	62,864	26,763	42,991	30,509	95,368	262,762

31 March 2019

	Plant And Machinery	Computer	Laptop	Capital Work in progress IT	Furniture and fixtures	Leasehold Improvements	Total
Cost							$
At March 31 2018	46,446	142,639	110,800	21,814	-	-	321,699
Acquisition	3,726		34,418	4,102	-	-	42,246
(Retirement)	-	-		(25,916)	-	-	(25,916)
At March 31 2019	50,172	142,639	145,218	-	-	-	338,029
Accumulated Depreciation							
At March 31 2018	46,116	89,276	38,225	-	-	-	173,617
On asset retire	-	-	-	-	-	-	-
Depreciation	293	12,751	41,784	-	-	-	54,828
At March 31 2019	46,409	102,027	80,009	-	-	-	228,445
Net Book Value 2019	3,763	40,612	65,209	-	-	-	109,584

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10 Non-current asset-Intangible Assets

	Customer relationship	Goodwill	31 March 2020 Total
Cost			$
At March 31 2019	-	-	-
Acquisition	158,861	383,625	542,486
At March 31 2020	158,861	383,625	542,486
Accumulated Depreciation			
At Mar 31 2019	-	-	-
Amortisation	12,079	-	12,079
At March 31 2020	12,079	-	12,079
Net Book Value 2020	146,782	383,625	530,407

Acquisiton of Select IBM Software products

On 7 Dec'18, HCL Group had signed a definitive agreement to acquire business relating to select IBM software products, the acquisition though has been consummated effective 30 Jun '19.

The HCL Group has acquired these products for security, marketing, commerce, and digital solutions along with certain assumed liabilities and in scope employees. With this HCL Group gets 100% control on the assets being acquired and has also taken full ownership of the research and development, sales, marketing, delivery and support for these products. Through this acquisition, the HCL Group intends to enhance its products and platforms offering to customers across a wide range of industries and markets.

As part of the deal the Company has paid NZD 321,078 till 30th June'19 and NZD 258,792 is payable after one-year end as per the agreement. This payable have been fair valued at NZD 252,563 at initial recognition and at the year end the amount is NZD 257,235.

The resultant goodwill is considered non tax deductible and has been allocated to the CGU of the Company. This goodwill is attributable mainly to Company's ability to upgrade the products and enhance the sale of products to customers in existing business of the Company and targeting new customers.

The table below shows the values and lives of intangible assets recognized on acquisition:

Asset description	Amount	Life	Basis of amortization
Customer relationships	158,861	10	In proportion of estimated revenue
Goodwill	383,625		

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11 Deferred tax assets

Components of deferred tax assets and liabilities as on 31 March 2020

	Opening balance	Recognized in profit and loss	Acquisitions / De-consolidation	Closing balance
	$	$	$	$
Deferred tax assets				
Provision for doubtful debts	29,889	(13,700)	-	16,189
Provision for Bonus	120,535	(59,670)	-	60,865
Accrued employee costs	534,669	9,072	-	543,741
Others	-	1,336	-	1,336
Gross deferred tax assets (A)	**685,093**	**(62,962)**	**-**	**622,131**
Deferred tax liabilities				
Depreciation and amortization	11,215	4,832	-	16,047
Intangibles	-	(3,382)	44,481	41,099
Gross deferred tax liabilities (B)	**11,215**	**1,450**	**44,481**	**57,146**
Net deferred tax assets (A-B)	**673,878**	**(64,412)**	**(44,481)**	**564,985**

Components of deferred tax assets and liabilities as on 31 March 2019

	Opening balance	Recognized in profit and loss	Acquisitions / De-consolidation	Closing balance
	$	$	$	$
Deferred tax assets				
Provision for doubtful debts	24,036	5,853	-	29,889
Provision for Bonus	71,898	48,637	-	120,535
Accrued employee costs	537,952	(3,283)	-	534,669
Gross deferred tax assets (A)	**633,886**	**51,207**	**-**	**685,093**
Deferred tax liabilities				
Depreciation and amortization	2,836	8,379	-	11,215
Gross deferred tax liabilities (B)	**2,836**	**8,379**	**-**	**11,215**
Net deferred tax assets (A-B)	**631,050**	**42,828**	**-**	**673,878**

	March 2020 $	March 2019 $
12 Current liabilities - Trade and other payables		
Trade payables	20,606	112,340
Payables to related entities	2,165,711	3,683,262
Accrued Expenses	1,842,919	1,643,969
Deferred revenue	115,730	1,826
	4,144,966	5,441,397
13 Provision for employee entitlements		
(a) Leave encashment		
Opening balance	1,988,267	2,038,560
Add: Charge during the year	730,173	764,388
Less: Reversals/payouts	(682,250)	(814,681)
Closing balance	2,036,190	1,988,267
(b) Employee bonus		
Opening balance	283,062	278,462
Add: Charge during the year	117,529	332,752
Less: Reversals/payouts	(199,938)	(328,152)
Closing balance	200,653	283,062
	2,236,843	2,271,329
Current portion	1,025,580	1,107,401
Non current portion	1,211,263	1,163,928
	2,236,843	2,271,329
14 Contributed equity		
Share capital		
(a) Ordinary shares, fully paid	46,414	46,414

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

15 Contingencies

As at 31 March 2020, the Company had no contingent liabilities or assets (FY19 : Nil).

	March 2020 $	March 2019 $

16 Leases

The Company's leasing arrangements are in respect of leases for office spaces only. The Company doesn't foresee any major changes in lease terms or the leases in the foreseeable future as per current business projections after considering the impact of COVID - 19.

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

	March 2020 $	March 2019 $
Building		
At 1 April	-	-
Transition Impact of IFRS 16	32,094	-
Additions	507,539	-
Depreciation charge for the year	(160,704)	-
At 31 March	**378,929**	-

The reconciliation of lease liabilities is as follows:

	March 2020 $	March 2019 $
At 1 April	-	-
Transition Impact of IFRS 16	32,094	-
Additions	507,539	-
Amounts recognized in statement of comprehensive income as interest expense	11,630	-
Payment of Lease Liabilities	(187,894)	-
At 31 March	**363,369**	-

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

	March 2020 $	March 2019 $
Not later than one year	157,419	-
Between one and three years	220,312	-
Total Lease Payments	377,731	-
Imputed Interest	(14,362)	-
Total Lease Liabilities	363,369	-

Future minimum lease payments and the payment profile of non-cancellable operating leases as per IAS 17 as on 31 March 2019 are as follows:

	March 2020 $	March 2019 $
Within one year		64,914
Within next one year		-

17 Related party transactions

HCL (New Zealand) Limited is a wholly owned subsidiary of HCL Bermuda Limited, incorporated in Bermuda, which in turn is a subsidiary of HCL Technologies Limited (ultimate holding Company), incorporated in India.

The Company had the following material transactions with related parties during the financial year:

	March 2020 $	March 2019 $
Software Development charges received/receivable from HCL Technologies Limited	285,800	280,489
Software Development charges received/receivable from other related parties	678,982	1,098,422
Consulting charges paid /payable to HCL Technologies Limited	11,250,774	9,265,163
Consulting charges paid /payable to other related parties	2,185,058	3,846,766

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	March 2020 $	March 2019 $
17 Related party transactions (continued)		
<u>Outstanding Balances as at 31 March 2020</u>		
Account owing by HCL Technologies Limited	18,683	185,907
Account owing by other related entities	176,191	507,971
Payable to HCL Technologies Limited	1,771,518	2,805,822
Payable to other related entities	394,193	877,440

18 Compensation to key management personnel

Compensation to key management personnel is Nil (FY19 : Nil).

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. No separate or additional remuneration is paid to these directors for their role as directors of this Company and therefore no disclosure is required for these directors.

19 Events occurring after the balance sheet date

The recent outbreak of COVID19 (Coronavirus) continues to impact the global economy and markets. At this time, the impact of the outbreak on our business has been limited as delivery of our services is uninterrupted, and we have currently not witnessed significant changes in demand, whereas our service delivery is intact and our liquidity remains healthy. However, going forward the COVID19 outbreak may negatively impact amongst others our, workforce, operations, and market demand and liquidity. We will take all necessary actions to keep our operations running and, most importantly, protect our employees, suppliers,customers and all other stakeholders.

Based on our current knowledge and available information, we do not expect COVID19 to have an impacton our ability to continue as a going concern in the future.

Other than the matter mentioned above, there have been no significant subsequent events since the year ended 31 March 2020 that would have material impact on the statement of financial position of the Company as shown in these financial statements.

20 Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 17 September 2020.