HCL (New Zealand) Limited
Financial Statements
for year ended 31 March 2019

HCL (New Zealand) Limited
Financial statements - 31 March 2019

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 2019

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 2019 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

Mr. Sundaram Sridharan
Director
Date: 24th June 2019

Mr. Subramanian Gopalakrishnan
Director
Date: 24th June 2019

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Independent auditor's report to the Shareholder of HCL (New Zealand) Limited

Report on the audit of the financial statements

1. Opinion

We have audited the financial statements of HCL (New Zealand) Limited ("the Company") on page 5 to 24, which comprise the statement of financial position of the Company as at 31 March 2019, 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 of the Company, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 5 to 24, present fairly, in all material respects, the financial position of the Company as at 31 March 2019 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

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

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). 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 Professional and Ethical Standard 1 (revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than in our capacity as auditor we have no relationship with, or interest in, the Company. Partners and employees of our firm may deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company. We have no other relationship with, or interest in, the Company.

3. Information other than the financial statements and auditor's report

The directors of the Company are responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

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Our opinion on the financial statements does not cover the 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 during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed on the other information obtained prior to the date of this auditor's report, 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.

4. Directors' responsibilities for the financial statements

The directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime, 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 on behalf of the entity 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 cease operations, or have no realistic alternative but to do so.

5. 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 International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/. This description forms part of our auditor's report.

Ernst & Young

Ernst & Young
Canberra
24 June 2019

Corporate Information

Directors
Mr. Prateek Aggarwal
Mr. Sundaram Sridharan
Mr. Glenn 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
Ernst & Young, Canberra

	Notes	March 2019 $	March 2018 $
Revenue from contract with customers	3	39,962,596	-
Rendering of services	3	-	43,871,417
Other revenue	3	56,688	55,995
Revenue		40,019,284	43,927,412
Cost of sales		(35,033,977)	(38,429,138)
Gross profit		4,985,307	5,498,274
Sales and marketing expenses		(1,450,062)	(1,074,650)
Administration and general expenses		(650,967)	(1,332,424)
Finance costs	4	(6,627)	(7,551)
Profit before income tax		2,877,651	3,083,649
Income tax expense	6	(810,588)	(731,716)
Profit after income tax		2,067,063	2,351,933
Net profit for the year		2,067,063	2,351,933
Other Comprehensive Income for the year		-	-
Total Comprehensive income for the year		2,067,063	2,351,933

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

	Notes	March 2019 $	March 2018 $
ASSETS			
Current assets			
Cash and cash equivalents	7	2,169,573	3,896,387
Trade and other receivables	8	8,871,098	10,430,659
Total current assets		11,040,671	14,327,046
Non-current assets			
Property, plant and equipment	9	109,584	148,081
Deferred tax assets		673,878	631,047
Total non-current assets		783,462	779,128
Total assets		11,824,133	15,106,174
LIABILITIES			
Current liabilities			
Trade and other payables	10	5,441,397	6,467,576
Provision for employee entitlements	11	1,107,401	991,958
Tax payable		149,713	176,945
Total current liabilities		6,698,511	7,636,479
Non-current liabilities			
Provision for employee entitlements	11	1,163,928	1,325,064
		1,163,928	1,325,064
Total liabilities		7,862,439	8,961,543
Net assets		3,961,694	6,144,631
EQUITY			
Contributed equity	12	46,414	46,414
Reserves		346,597	346,597
Retained profits		3,568,683	5,751,620
Total equity		3,961,694	6,144,631

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

Mr. Sundaram Sridharan
Director
Date: 24th June 2019

Mr. Subramanian Gopalakrishnan
Director
Date: 24th June 2019

HCL (New Zealand) Limited
Statement of Changes in Equity
As At 31 March 2019

	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

	Contributed Equity $	Employee Equity Benefit Reserve $	Retained Earnings $	Total $
At 31 March 2017	46,414	346,597	3,399,687	3,792,698
Profit for the year	-	-	2,351,933	2,351,933
Total comprehensive income for the year	-	-	2,351,933	2,351,933
Transactions with owners in their capacity as owners:				
Dividend Paid	-	-	-	-
At 31 March 2018	46,414	346,597	5,751,620	6,144,631

	Notes	March 2019 $	March 2018 $
Cash Flow from operating activities			
Profit for the year before tax		2,877,651	3,083,649
Depreciation		54,828	35,385
Change in current assets & liabilities			
Decrease/(Increase) in trade & other receivables		1,559,561	650,315
Increase/(Decrease) in trade & other payables		(1,071,873)	(2,182,129)
Cash inflow from operating activities		3,420,167	1,587,220
Tax paid		(880,651)	(713,640)
Net cash inflow from operating activities		2,539,516	873,580
Cash flows from investing activities			
Purchase of property, plant and equipment		(16,330)	(140,629)
Net cash (outflow) from investing activities		(16,330)	(140,629)
Cash flows from financing activities			
Dividend paid		(4,250,000)	-
Net cash (outflow) from investing activities		(4,250,000)	-
Net increase/(decrease) in cash and cash equivalents		(1,726,814)	732,951
Cash and cash equivalents at the beginning of the financial year		3,896,387	3,163,436
Cash and cash equivalents at end of the year	7	2,169,573	3,896,387

The above statement of Cash Flows should be read in conjunction with the accompanying notes.

1 Corporate information

The financial statements of HCL (New Zealand) Limited ("the Company") for the financial year ended 31 March 2019 were authorized for issue in accordance with a resolution of the directors on 24th June 2019.

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 1993. 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 and revised IFRS 15 and IFRS 9 for the current year's financial statements.

Several other amendments and interpretations apply for the first time in 2018, 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.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the full retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The Company did not apply any of the other available optional practical expedients.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for the classification and measurement of financial assets and financial liabilities; impairment for financial assets; and general hedge accounting.

The Company has applied the classification and measurement requirements (including impairment) of IFRS 9 retrospectively as at 1 April 2018 (date of initial application) to instruments that have not been derecognised as at 1 April 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between the carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 is recognised in the opening retained profits and other components of equity as at 1 April 2018, without restating comparative information.

The Company has not designated any financial liabilities as at fair value through profit or loss, there are no changes in classification and measurement for the Company's financial liabilities.

Changes to Classification and measurement

On 1 April 2018, the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its contract liabilities into the appropriate IFRS 9 categories.
There has been no impact on the Company's accounting for financial liabilities that are designated at fair value through profit or loss and company does not have such liabilities.

Changes to the impairment model

IFRS 9 requires the Company to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI. The Company recognizes impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired. The Company has carried out an assessment of reviewing its bad debt allowances and estimating its Expected Credit Losses on the basis of prior period actuals. Due to the short-term maturity of its receivables, management believes that the existing accounting policy for bad debt provisions is appropriate. The Company will be looking at outside factors on a regular basis which could potentially impact the recoverability of these short-term receivables. Elements include changes in macroeconomic conditions such as unemployment rates, inflation, liquidity of customers and specific loss trends within a specified industry group.

(i) Trade receivables

The Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. Future cash flows for each group of receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information. Management has closely monitored the credit qualities and the collectability of the trade receivables. Trade receivables in dispute are assessed individually for impairment to determine whether specific loss allowance provisions are required. The adoption of the simplified expected credit loss approach under IFRS 9 has not resulted in any additional impairment loss for trade receivables as at 1 April 2018.

(ii) Other financial assets carried at amortised cost

For other financial assets carried at amortised cost, including bills receivable, financial assets included in prepayments and deposits and amounts due from the ultimate holding company and fellow subsidiaries, the expected credit loss is based on the 12-month expected credit loss. This represents the portion of lifetime expected credit loss that results from default events on the financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of other financial assets at amortised cost and considers that the expected credit loss is immaterial.

The following table represents the required or elected reclassifications upon the adoption of IFRS 9:

	Financial assets at amortised cost	Loans and receivables
	March 2019	March 2018
	$	$
Trade receivables	7,404,713	8,713,800
Receivables from related parties	693,878	271,894
Other assets	153,923	137,337
Unbilled receivables	618,584	1,307,628
Total	**8,871,098**	**10,430,659**

(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.

(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.

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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under an operating lease (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(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:

	Years 2019
Computer	4 to 5
Office equipment	5 to 7
Leasehold equipment	Over the remaining period of lease or 4 years, whichever is lower

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) 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.

(n) 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.

(o) 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.

(p) 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.

(q) Share capital

Ordinary shares are classified as equity.

(r) Fair value estimation

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

(s) 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

The Company classifies all other liabilities as non-current.

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

(t) 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 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.

(u) 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.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

Income taxes

The Company is subject to income taxes in New Zealand. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company estimates its tax liabilities based on the Company's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

The preparation of financial statements in conformity with NZGAAP requires management to exercise its judgment in determining taxable profit in order to estimate the Company's current tax liability. The key judgments involve the process of applying a transfer pricing methodology to determine an appropriate profit level indicator. Accordingly, management has selected a method which it believes is reasonable based on advice from external professional advisers. The basis of this transfer pricing methodology and selection of profit level indicator is based on arm's length transfer pricing principles in accordance with New Zealand transfer pricing legislation. Those principles are however subject to the tax authority's review.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

	March 2019 $	March 2018 $
3 Revenue and other income		
Revenue		
Revenue from contract with customers	39,962,596	-
Service Revenue	-	41,459,946
Fixed Price Contract	-	2,411,471
	39,962,596	43,871,417
Other income		
Interest income	56,688	55,995
	56,688	55,995

a) Disaggregate Revenue Information

The disaggregated revenue from contracts with the customers for the year ended 31 March 2019.

	March 2019 $	March 2018 $
Contract type		
Fixed price	1,877,009	2,411,471
Time and material	38,085,587	41,459,946
Total revenue from contract with customers	39,962,596	43,871,417
Timing of revenue recognition		
Goods transferred at a point in time	-	-
Services transferred over time	39,962,596	43,871,417
Total revenue from contract with customers	39,962,596	43,871,417

	March 2019 $	March 2018 $
4 Expenses		
Profit before income tax includes the following specific expenses:		
Depreciation of plant and equipment	54,828	35,385
Rental expense relating to operating leases	103,321	95,869
Net foreign exchange (gain) and losses	54,290	(1,900)
Employee benefits expense	20,505,405	21,437,539
Superannuation contribution expense	140,634	114,472
Finance costs	6,627	7,551
5 Remuneration of auditors		
Current year amount due and receivable by Ernst & Young (Australia)	22,472	22,169
	22,472	22,169

	March 2019 $	March 2018 $
6 Income tax		
(a) Income tax expense		
The major components of income tax expenses are:		
Current income tax charge	855,278	825,208
Deferred tax	(44,690)	44,107
Adjustment in respect of current income tax of previous years	(1,862)	(170,923)
Adjustments for deferred tax of prior periods	1,862	33,324
Income tax expense reported in Statement of Comprehensive Income	810,588	731,716
(b) Reconciliation of effective tax rate		
Profit before tax	2,877,651	3,083,649
Income tax @28% (P.Y: 28%)	805,743	863,422
Under (over) provision in prior years		
Permanent difference	4,845	5,893
Adjustment in respect of prior years	-	(137,599)
Aggregate income tax expense	810,588	731,716
(c) Imputations credits		
Imputation credit account balance at 1 April	2,816,450	146,731
Tax payments net of refunds	888,982	2,669,719
Balance at 31 March	3,705,432	2,816,450
7 Current assets - Cash and cash equivalents		
Cash at bank and in hand	2,169,573	3,896,387
8 Current assets - Trade and other receivables		
Trade receivables		
Secured, considered good	-	-
Unsecured considered good	7,404,713	8,713,800
	7,404,713	8,713,800
Amounts owing by related entities	693,878	271,894
Other assets	153,923	137,337
Unbilled receivables	618,584	1,307,628
	8,871,098	10,430,659

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 2019 $	March 2018 $
At the beginning of the year	85,844	107,332
Effect of adoption of IFRS 9	-	-
Impairment losses, net	20,903	-
Amount written back	-	(21,488)
At the end of the year	106,747	85,844

Impairment of trade receivables under IFRS 9 for the year ended 31 March 2019

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 2019 is determined as follows:

As at 31 March 2019

	Current	Upto 6 months past due	Over 6 months past due	Total
Expected loss rate (%)	0.00	0.00	72.56	1.42
Gross carrying amount ($)	3,496,935	3,867,437	147,088	7,511,460
Expected credit losses ($)	2	21	106,724	106,747

9 Non-current asset-Property plant and Equipment

					31 March 2019
	Plant And Machinery	Computer	Laptop	Capital Work in progress IT	Total
Cost					$
At Mar 31	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 Mar 31	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

					31 March 2018
	Plant And Machinery	Computer	Laptop	Capital Work in progress IT	Total
Cost					$
At Mar 31	46,446	174,036	49,784	-	270,266
Acquisition	-	57,799	61,016	21,814	140,629
(Retirement)	-	(89,196)	-	-	(89,196)
At March 31 2018	46,446	142,639	110,800	21,814	321,699
Accumulated Depreciation					
At Mar 31	46,045	169,114	12,270	-	227,429
On asset retire	-	(89,196)	-	-	(89,196)
Depreciation	71	9,358	25,955	-	35,385
At March 31 2018	46,116	89,276	38,225	-	173,618
Net Book Value 2018	330	53,363	72,575	21,814	148,081

	March 2019 $	March 2018 $
10 Current liabilities - Trade and other payables		
Trade payables	112,340	230,611
Payables to related entities	3,683,262	4,875,553
Accrued Expenses	1,643,969	1,302,086
Deferred revenue	1,826	59,326
	5,441,397	6,467,576
11 Provision for employee entitlements		
(a) Leave encashment		
Opening balance	2,038,560	2,038,061
Add: Charge during the year	764,388	598,009
Less: Reversals/payouts	(814,681)	(597,510)
Closing balance	1,988,267	2,038,560
(b) Employee bonus		
Opening balance	278,462	412,801
Add: Charge during the year	332,752	414,464
Less: Reversals/payouts	(328,152)	(548,803)
Closing balance	283,062	278,462
	2,271,329	2,317,022
Current portion	1,107,401	991,958
Non current portion	1,163,928	1,325,064
	2,271,329	2,317,022
12 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.

13 Contingencies

As at 31 March 2019, the Company had no contingent liabilities or assets (FY18 : Nil).

	March 2019	March 2018
	$	$

14 Commitments

(a) Lease commitments: as lessee

Commitments for minimum lease payments in relation to non-cancellable

	March 2019 $	March 2018 $
Within one year	64,914	83,360
Within next one year	-	29,190
Total	64,914	112,550

15 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 2019 $	March 2018 $
Software Development charges received/receivable from related parties	1,378,911	900,116
Consulting charges paid /payable to HCL Technologies Limited	9,265,163	10,460,685
Software Development charges paid/payable to other related parties	3,846,766	5,101,443
Outstanding Balances as at 31 March 2019		
Account owing by related entities	693,878	271,894
Payable to related entities	3,683,262	4,875,553

16 Compensation to key management personnel

Compensation to key management personnel is zero (FY18 : Nil).

Some of the directors 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 services as directors and key management personnel of the other group companies within the HCL group.

17 Events occurring after the balance sheet date

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.