

Report and Financial Statements

HCL Insurance BPO Services Limited

For the year ended 31 March 2022

Registered Number: 05301492

HCL Insurance BPO Services Limited

Company Information

Directors	Mr. Neeraj Prasad Mr. Sugata Gupta Mr. Vijay Mallya Mr. Shiv Kumar Walia
Registered number	05301492
Registered office	HCL House, 28-36, Eastern Road, Romford, Essex, England, RM1 3PJ, United Kingdom
Independent auditor	KNAV Hygeia Building, Ground floor 66-68 College Road Harrow, Middlesex HA1 1BE, UK
Banker	Deutsche Bank London Branch, Winchester House, 1 Great Winchester Street, London, EC2N 2DB

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HCL Insurance BPO Services Limited

Strategic report

For the year ended 31 March 2022

Introduction

The directors present their Strategic Report for the year ended 31 March 2022.

Principal Activities:

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

Review of Business

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

	31 March 2022	31 March 2021
	£000	£000
Turnover	20,290	20,694
Gross Profit	7,004	3,715
Operating profit/(loss)	<u>2,913</u>	<u>(293)</u>

The Company recorded revenue of £20,290k (2021- £20,694k). The profit for FY 22 has increased mainly on account of waiver of payment of GBP 1,275k and one time revenue of GBP 925k on account of policy administration services in 2021.

There are no non-financial KPIs that management monitor.

Principal risks and uncertainties

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

The UK left the EU on 31st December 2020. Aside from resultant foreign exchange movements this did not have any adverse impact on the company's business so far and management will further follow up if any measures are necessary to reduce potential business risk.

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

Strategic report

For the year ended 31 March 2022

Principal risks and uncertainties (continued)

1. Employee related risk

Risk

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

Strategy

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

2. Technology related risk

Risk

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

Strategy

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

3. Competition related risks

Risk

The overall market growth is slowing and more and more competitors are vying with each other for market share. The line is diminishing between the traditional IT services players and non-traditional players. Now customers have more choice of technology, vendors and service models which force every entity to perform to their best capabilities and to enhance them.

Strategy

The Company is responding to the changing competitive dynamics. Our business model is increasingly shifting from the traditional outsourcing to a non-linear model.

4. Business continuity & information security

Risk

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

Strategic report(continued)

For the year ended 31 March 2022

Principal risks and uncertainties (continued)

4. Business continuity & information security (continued)

Strategy

The Company has put in place comprehensive business continuity and GDPR programmes to ensure that it meets its business continuity, disaster recovery and regulatory requirements. HCL has an Information Security team to assess and manage the information security, data privacy and related risks by leveraging on people, processes and technology. The Company has a dedicated Information Security Manager who reports to the Director of Risk and Compliance.

5. Operating and financial risks

Risk

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

Strategy

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

Financial instruments

The Company's operations expose it to a variety of financial instrument related risks such as foreign exchange risk, credit risk and liquidity risk. The hedging decisions are managed by the ultimate holding company at the group level and there are no hedge instruments/ contracts entered by the company. The Company has adequate controls in place that seek to minimise the adverse effects of these financial risks on the Company's financial performance.

1. Foreign exchange rate risk

Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the Company's functional currency. Most of the transactions of the Company are carried out in its functional currency. The ultimate parent company takes hedges to minimise risk at overall group level. As per ultimate holding company's risk management policy, hedges are predominantly taken by ultimate parent company to hedge foreign currency risk. In certain cases, to address specific risks, hedges may be taken at subsidiary level. However, the company does not undertake any hedges itself.

2. Credit risk

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

Strategic report(continued)

For the year ended 31 March 2022

3. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and short term bank deposits. The Directors do not see any significant liquidity risk involved. The Company's liquidity risk is further mitigated through the funding commitments from its ultimate parent undertaking. The Company also has an overdraft facility from its banker which can be used as and when required.

Cash flow performance is monitored on an ongoing basis by the Board.

Impact of Covid

There is no impact of Covid on the operations of the company during the financial year.

This report was approved by the board of directors on 21 July 2022 and signed on its behalf.



Neeraj Prasad
Director



Sugata Gupta
Director

Directors' report

For the year ended 31 March 2022

The directors present their report and the financial statements for the year ended 31 March 2022.

Results and dividends

The profit for the year, after taxation, amounted to £2,977k (2021 – loss of £247k).

The company has not made any political and charitable contributions during the year.

The directors have not recommended any dividend (2021: £ Nil).

Directors

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

Mr. Sugata Gupta

Mr. Vijay Mallya

Mr. Subramanian Gopalakrishnan (Resigned with effect from 20 January 2022)

Mr. Neeraj Prasad

Mr. Shiv Kumar Walia (Appointed with effect from 2 February 2022)

Future developments

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

Employees

The Company is committed to its equal opportunity policy which follows best practice, based on equal opportunities for all employees, irrespective of race, religion, gender, colour, age, national origin, pregnancy, sexual orientation and physical ability etc. and offers appropriate training and career development for disabled staff. The policy governs all areas of employment and includes apprenticeship, pre-apprenticeship, and/ or on the job training.

The Company is also committed to providing employees with information on matters of concern on a regular basis. The Company has various platforms to provide the information and to invite views and suggestions from employees to address their concerns.

Further, during the financial year under review no principal decision has been taken nor any policy has been formulated/ modified which may have any adverse impact on the employees of the Company.

Going Concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have made an assessment of future cash flows for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, either through its operations or funding from its ultimate parent company, HCL Technologies Limited, to meet its liabilities as they fall due for that period. HCL Technologies Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

HCL Insurance BPO Services Limited

Directors' report (continued)

For the year ended 31 March 2022

Financial Instruments

Details of financial instruments are provided in the Strategic Report.

Disclosure of information to auditor

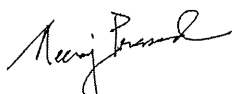
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

Reappointment of auditor

The auditors KNAV are deemed to be reappointed under section 487(2) of the Companies Act 2006.

This report was approved by the board of directors on 21 July 2022 and signed on its behalf.



Neeraj Prasad
Director



Sugata Gupta
Director

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

For the year ended 31 March 2022

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of HCL Insurance BPO Services Limited (the 'company') for the year ended 31 March 2022, which comprise the Statement of Profit and Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 7], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit is capable of detecting irregularities, including fraud

We design our procedures so as to obtain sufficient appropriate audit evidence that the financial statements are not materially misstated due to non-compliance with laws and regulations or due to fraud or error.

We are not responsible for preventing non-compliance and cannot be expected to detect noncompliance with all laws and regulations – this responsibility lies with management with the oversight of the Directors.

Based on our understanding of the Company and industry, discussions with management, we identified Companies Act 2006, Financial Reporting Standard 102, UK taxation legislation and the Financial Conduct Authority's regulations as having a direct effect on the amounts and disclosures in the financial statements.

As part of the engagement team discussion about how and where the Company's financial statements may be materially misstated due to fraud, we did not identify any areas with an increased risk of fraud.

Our audit procedures included:

- enquiry of management about the Company's policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances of non-compliance;
- examining supporting documents for all material balances, transactions and disclosures;
- review of the Board of directors minutes;
- enquiry of management of any legal matters and review of the relevant legal and professional nominal ledger;
- evaluation of the selection and application of accounting policies related to subjective measurements and complex transactions;
- analytical procedures to identify any unusual or unexpected relationships;
- testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and
- review of accounting estimates for biases

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

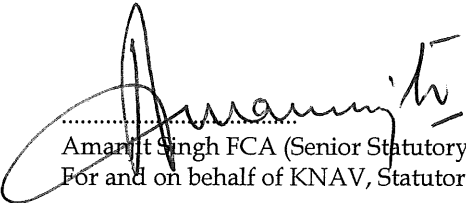
Independent Auditor's Report to the Members of HCL Insurance BPO Services Limited (continued)

The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud because fraud may involve sophisticated and carefully organised schemes designed to conceal it, including deliberate failure to record transactions, collusion or intentional misrepresentations being made to us.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



.....
Amanjit Singh FCA (Senior Statutory Auditor)
For and on behalf of KNAV, Statutory Auditor

Hygeia Building
Ground Floor
66-68 College Road
Harrow
Middlesex
HA1 1BE

Date: 21 July 2022

Statement of profit and loss and other comprehensive income

For the year ended 31 March 2022

	Note	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Turnover	4	20,290	20,694
Cost of sales		<u>(13,286)</u>	<u>(16,979)</u>
Gross profit		7,004	3,715
Distribution costs		(85)	(61)
Administrative expenses		(4,008)	(3,640)
Operating foreign exchange income /(expense)		2	(307)
Operating profit/(loss)	5	<u>2,913</u>	<u>(293)</u>
Interest receivable and similar income	8	69	56
Interest payable and similar charges	9	<u>(5)</u>	<u>(10)</u>
Profit/(loss) before tax		2,977	(247)
Tax on profit/(loss)	10	<u>-</u>	<u>-</u>
Profit/(loss) for the year		2,977	(247)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		<u>2,977</u>	<u>(247)</u>

The notes on pages 15 to 27 form part of these financial statements.

All amounts related to continuing operations, refer note 2.3.

HCL Insurance BPO Services Limited
Registered number: 05301492

Statement of financial position

As at 31 March 2022

	Note	31 March 2022 £000	31 March 2021 £000
Fixed assets			
Tangible assets	11	<u>769</u>	<u>1,158</u>
Current assets			
Debtors: amounts falling after more than one year	12	286	302
Debtors: amounts falling within one year	12	8,946	7,808
Cash at bank	13	<u>2,873</u>	<u>2,327</u>
		12,105	10,437
Current Liabilities:			
Creditors: amounts falling within one year	14	<u>(2,915)</u>	<u>(4,491)</u>
Net current assets		<u>9,190</u>	<u>5,946</u>
Total assets less current liabilities		9,959	7,104
Creditors: amounts falling due after more than one year	14	(6)	-
Provision for liabilities			
Other provisions	15	(237)	(365)
Net assets		<u><u>9,716</u></u>	<u><u>6,739</u></u>
Capital and reserves			
Called up share capital	16	8,110	8,110
Retained earnings		<u>1,606</u>	<u>(1,371)</u>
Shareholder's funds		<u><u>9,716</u></u>	<u><u>6,739</u></u>

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on 21 July 2022.



Neeraj Prasad
Director



Sugata Gupta
Director

The notes on pages 15 to 27 form part of these financial statements.

HCL Insurance BPO Services Limited

Statement of changes in equity

For the year ended 31 March 2022

	Share capital £000	Retained losses £000	Total equity £000
At 1 April 2020	8,110	(1,124)	6,986
Comprehensive income for the year			
Loss for the year	-	(247)	(247)
Total comprehensive loss for the year	-	(247)	(247)
At 31 March 2021	8,110	(1,371)	6,739
At 1 April 2021	8,110	(1,371)	6,739
Comprehensive income for the year			
Profit for the year	-	2,977	2,977
Total comprehensive income for the year	-	2,977	2,977
At 31 March 2022	8,110	1,606	9,716

The notes on page 15 to 27 form part of these financial statements

Notes to the financial statements

For the year ended 31 March 2022

1. Company information

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

2. Accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Companies Act 2006 under the historical cost convention.

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

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

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of HCL Technologies Limited as at 31 March 2022 and these financial statements may be obtained from the Registrar of Companies in India and the consolidated financial statement of ultimate parent company, HCL Technologies Limited a company incorporated in India, which are publicly available at <https://www.hcltech.com>.

2.3 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have made an assessment of future cash flows for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, either through its operations or funding from its ultimate parent company, HCL Technologies Limited, to meet its liabilities as they fall due for that period. HCL Technologies Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts.

Notes to the financial statements

For the year ended 31 March 2022

2. Accounting policies (continued)

2.3 Going concern (continued)

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2.4 Turnover

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

2.5 Tangible fixed assets

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

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

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

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

The estimated useful life ranges as follows:

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

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

2.6 Impairment of assets

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

Notes to the financial statements

For the year ended 31 March 2022

2. Accounting policies (continued)

2.6 Impairment of assets (continued)

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

2.7 Operating leases: Lessee

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

2.8 Financial instruments

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

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

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

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

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

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

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

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

Notes to the financial statements

For the year ended 31 March 2022

2. Accounting policies (continued)

2.8 Financial instruments (continued)

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

2.9 Defined contribution pension plan

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

2.10 Foreign currency translation

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

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Foreign-currency denominated monetary assets and liabilities are translated to the relevant functional currency at exchange rates in effect at the balance sheet date. Exchange differences arising on settlement or translation of monetary items are recognised in the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of initial transaction.

Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

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

2.11 Interest income

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

2.12 Deferred costs

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

Notes to the financial statements

For the year ended 31 March 2022

2. Accounting policies (continued)

2.13 Taxation

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

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

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

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

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

2.14 Finance costs

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

2.15 Leased Assets: Lessor

Where assets leased to a third party give rights approximating to ownership (finance leases), the assets are treated as if they had been sold outright. The amount removed from the fixed assets is the net book value on disposal of the asset. The profit on disposal, being the excess of the present value of the minimum leases payments over net book value is credited to profit or loss.

Lease payments are analysed between capital and interest components so that the interest element of the payment is credited to profit or loss over the term of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts owed by the lessee.

2.16 Share based payment

Share-based compensation represents the cost related to share-based awards granted to employees. The Company measures share-based compensation cost at grant date, based on the estimated fair value of the award and recognizes the cost on a straight line basis (net of estimated forfeitures) over the employee's requisite service period for an award with service condition. The Company estimates the fair value of stock options using option pricing model. The cost is recorded in the statement of profit or loss with corresponding increase in "Amount owed to group undertakings".

Notes to the financial statements

For the year ended 31 March 2022

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

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

Significant estimates and assumptions are used as follows

Unbilled revenue

Using information available at the balance sheet date, the Directors make assumptions on the estimated unbilled revenue, based on the level of efforts required to account for potential unbilled revenue £778k (2021-£593k).

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

4. Analysis of turnover

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

5. Operating profit/ (loss)

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

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Operating lease	558	579
Tangible fixed assets – depreciation	484	535
Fees payable to the Company's auditor and its associates for the audit of the company's annual accounts	10	10
Operating foreign exchange (income)/ expense	(2)	307

Notes to the financial statements

For the year ended 31 March 2022

6. Employees

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

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Wages and salaries	8,161	10,362
Social security costs	730	875
Cost of defined contribution scheme	362	439
	<u>9,253</u>	<u>11,676</u>

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

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Operations	249	307
Administration and support	1	2
	<u>250</u>	<u>309</u>

7. Directors' remuneration

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Directors' emoluments	372	317
Company contribution to defined contribution pension scheme	13	13
	<u>385</u>	<u>330</u>

During the year remuneration was provided to one director and retirement benefits of £13k were accruing in respect of the defined contribution pension scheme.

All directors are eligible to receive shares under the long term incentive scheme. One director's cost is recognised in this entity. Refer to Note 17 for further details.

Notes to the financial statements

For the year ended 31 March 2022

7. Directors' remuneration (Continued)

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

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

8. Interest receivable and similar incomes

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Interest receivable from group companies	68	54
Other interest receivable	-	1
	<u>68</u>	<u>55</u>

9. Interest payable and similar charges

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Bank charges	5	10
	<u>5</u>	<u>10</u>

Notes to the financial statements

For the year ended 31 March 2022

10. Tax on profit/(loss)

Factors affecting tax charge for the year

The tax assessed for the year is at the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Profit/(loss) before tax	2,977	(247)
Profit/ (loss) multiplied by standard rate of corporation tax in the UK of 19% (2021 -19%)	566	(47)
Effects of:		
Utilisation of previously unrecognised losses		
Other timing differences relating to unabsorbed losses on which deferred tax has not been recognised	(488)	73
Adjustments for which no Deferred tax assets was recognised	(78)	(26)
Total tax charge for the year	-	-

The unrecognised deferred tax comprises:

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Tax losses	1,100	1,695
Decelerated capital allowances	654	600
Other timing differences	25	62
	1,779	2,357

Unrecognised deferred tax assets

A deferred tax asset of £1,100k (2021: £1,695k) in respect of losses carried forward; £25k (2021: £62k) in respect of other timing differences and £654k (2021: £600k) on decelerated capital allowances has not been recognised in the financial statements. The directors consider that there will not be sufficient taxable profits in the future to realise the deferred tax asset.

Factors that may affect future tax charges

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date, there would be no change, as no deferred tax asset/ liability has been set up the company as at balance sheet date.

Notes to the financial statements

For the year ended 31 March 2022

11. Tangible Fixed Assets

	Office equipment & plant and machinery £000	Fixtures and fittings £000	Computer equipment £000	Software £000	Capitalised work in progress £000	Total £000
Cost or valuation						
At 1 April 2021	575	764	1,660	1,198	-	4,197
Additions	2	-	93	-	-	94
Disposal	-	-	-	(110)	-	(110)
At 31 March 2022	577	764	1,753	1,088	-	4,182
Depreciation						
At 1 April 2021	478	588	884	1,089	-	3,039
Charge for the year	37	51	303	93	-	484
Disposal	-	-	-	(110)	-	(110)
At 31 March 2022	515	639	1,187	1,072	-	3,413
Net book value						
At 31 March 2022	62	125	566	16	-	769
At 31 March 2021	97	176	776	109	-	1,158

12. Debtors

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Due after more than one year		
Prepayments and accrued income	18	34
Deposits	268	268
	286	302

Included in debtors due after more than one year are deposits against the lease facility which are for more than 5 years and prepayments and accrued income which will realise in more than one year.

Notes to the financial statements

For the year ended 31 March 2022

12. Debtors (continued)

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Due within one year		
Trade debtors	2,344	1,444
Amounts owed by group undertakings	5,500	5,529
Other Debtors	50	-
Prepayments and accrued income*	1,052	835
	<u>8,946</u>	<u>7,808</u>

Amounts owed by group undertakings include short term loans to group companies which incur interest at various interest rates based upon LIBOR+ variable bps, are unsecured, and are repayable within a year unless mutually agreed otherwise.

* Accrued income was included under other debtors in the previous year and has been reclassified to Prepayments and accrued income which is the true reflection of the asset.

13. Cash and cash equivalents

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Cash at bank	<u>2,873</u>	<u>2,327</u>
	<u>2,873</u>	<u>2,327</u>

14. Creditors: Amounts falling due within one year

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Trade creditors	218	116
Other taxes & social security costs	183	188
Other creditors	613	591
Accruals and deferred income	1,253	2,764
Amounts owed to group undertakings	648	832
	<u>2,915</u>	<u>4,491</u>

Amount owed to group undertaking are repayable on demand and interest free.

Creditors: amounts falling due after more than one year

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Amounts owed to group undertakings	<u>6</u>	<u>-</u>
	<u>6</u>	<u>-</u>

Notes to the financial statements

For the year ended 31 March 2022

15. Provision for liabilities

	Dilapidation costs £000
Provision for dilapidation costs	
At 1 April 2021	365
Transferred during the year	(128)
At 31 March 2022	<u>237</u>

The Company's provisions include a provision for dilapidation costs relating to a rental property. The dilapidations provision will be utilised at such a time as the Company vacates its existing premises.

16. Share capital

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Allotted, called up and fully paid up		
8,110,000 Ordinary share of £1 each	<u>8,110</u>	<u>8,110</u>
	<u>8,110</u>	<u>8,110</u>

17. Share based payment

In November 2021, the ultimate holding company, HCL Technologies Limited (HCLT) instituted the Restricted Stock Unit Plan 2021 to provide equity-based incentives to all eligible employees of the HCLT and its subsidiaries. The Plan is administered by the Nomination and Remuneration Committee (NRC) of HCLT through a controlled Trust. A maximum of 11,100,000 Restricted stock units (RSU) may be granted under the Plan. Each RSU granted under the plan entitles the holder to one equity share of HCLT at an exercise price, which is approved by the Nomination and Remuneration Committee.

On 20 December 2021, NRC has granted RSUs to the eligible employees of HCLT and its subsidiaries under the Plan. Subsequent to this grant, the Trust acquired 6,320,000 shares from secondary market for the purpose of implementation of the Plan. Each RSU granted under the above plan entitles the holder to one equity share of the Company at an exercise price of GBP0.02.

All RSUs will vest if the employee continues to be in service on the roles of the Company or its subsidiaries on the vesting date.

The total cost for the year relating to employee share based payment plans was £5k.

Notes to the financial statements

For the year ended 31 March 2022

18. Pension commitments

The Company operates a defined contribution pension scheme. The pension charge for the year amounted to £362k (2021 - £439k). Contributions totalling £63k (2021 - £70k) were payable to the independently administered fund at the reporting date and are included in creditors.

19. Commitments under operating leases

The company leases office accommodation for its employees under operating lease agreements. The lease rental expense recognised in the statement of comprehensive income for the year is £558k (2021- £579k).

At 31 March 2022, the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Not later than 1 year	583	535
Later than 1 year and not later than 5 years	2,188	2,140
Later than 5 years	267	803
	<u>3,088</u>	<u>3,478</u>

20. Related party transactions

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

21. Controlling party

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

The largest and smallest group of undertaking for which the group financial results have been prepared that include the results of the Company is that headed by HCL Technologies Limited. The consolidated financial statements are available to the public on the company's website at <https://www.hcltech.com>.

22. Post balance sheet events

There is no material subsequent event.