

Report and Financial Statements

HCL Investments (UK) Limited

For the period ended 31 December 2022

Registered number: 07840988

HCL Investments (UK) Limited

Company Information

Directors	Mr. Shiv Kumar Walia Mr. Goutam Rungta Mr. Rahul Singh Mr. Ajit Kumar
Registered number	07840988
Registered office	6 th Floor, 70, Gracechurch Street London EC3V 0XL United Kingdom
Independent auditor	KNAV Limited Hygeia Building, Ground Floor, 66-68 College Road, Harrow, Middlesex, HA1 1BE, United Kingdom
Banker	Deutsche Bank AG London Branch Winchester House 1 Great Winchester Street London EC2N 2DB

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Strategic report

For the period ended 31 December 2022

Introduction

The directors present their strategic report for the period ended 31 December 2022.

Effective 1st April 2022, the Company has changed its financial year as year ending 31st December in order to meet financial compliances. Accordingly, the current financial year of the Company is for nine months period from 1 April 2022 to 31 December 2022 (herein after referred as "Period ended 31 December, 2022"). Accordingly, the figures for the current financial year are not comparable to those of the previous year.

Principal activities

The Company's principal activities are:

1. The Company is providing invoicing and collection services to its step-down subsidiary and is acting as an agent for step-down subsidiary that are providing business process outsourcing services to the end customer.
2. To act as holding Company for the investment in the shares of companies providing services associated with IT and business services, engineering and R & D services and services related to Products and Platforms.

Review of Business

The results of the Company and its key performance indicators (KPI's) are as follows:

	31 December 2022 (9 months) (refer note 2) \$	31 March 2022 (12 months) \$
Turnover	2,362,255	3,575,475
Operating profit	2,325,169	3,559,370
Profit for the period	1,261,689	2,595,030

The Company has recorded turnover of \$2,362,255 (March 2022-\$3,575,475), an annualized decrease of 12% from previous year, principally from decrease in financing volume to its step-down subsidiary. There are no non- financial KPIs that management monitor.

Principal risks and uncertainties

The IT and IT enabled industry thrives on a dynamic and highly competitive business environment, characterised by rapid technological changes and innovations that constantly challenge conventional business models. The Company faces several risks of which prominent ones are discussed below along with the Company's strategy to mitigate these risks.

HCL Investments (UK) Limited

Strategic report (continued)

For the period ended 31 December 2022

Principal risks and uncertainties (continued)

Business continuity risk

Risk

The Company is providing invoicing & collection and financing to its step down subsidiary and therefore is dependent upon the step down subsidiary for business continuity.

HCL's strategy

The HCL Group has put in place a comprehensive business continuity program to ensure that it meets its business continuity and disaster recovery related requirements, therefore the Company perceives that the business continuity risk is not material.

Financial Instruments

The Company's operations also expose it to a variety of financial risks such as foreign exchange rate risk, credit risk, liquidity risk and investment impairment risk. 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 recognized assets and liabilities that are denominated in a currency that is not the Company's functional currency. Ultimate holding Company enters into hedging contracts to minimize risk at overall group level.

As per ultimate holding company's risk management policy, hedges are predominately 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, this company does not undertake any hedges.

2. Credit risk

As per the arrangement, the Company has a financing arrangement with its step-down subsidiary. In case, the step-down subsidiary fails to perform its contractual obligation, there is risk that the Company may not recover the financing volume provided to its step-down subsidiary. The Company 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 receivable from step-down subsidiary.

3. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and short term bank deposits. The Directors do not see any significant exposure to liquidity risk. The Company's liquidity risk is further mitigated through the availability of financing from its ultimate parent undertaking.

Cash flow performance is monitored on an ongoing basis by the Board. Debt facilities have been established at a Group level to fund future cash flow requirements.

The Company also carries material balances due from and to related parties. Exposure to credit and liquidity risk is managed by principally transacting with other wholly owned related parties under central group treasury management.

HCL Investments (UK) Limited

Strategic report (continued)

For the period ended 31 December 2022

4. Investment impairment risk

The most significant financial instrument held by the Company is its investments in subsidiaries. The directors understanding of the risks associated with the investments held by the entity relate to the potential impairment of those investments. To identify any risk of impairment in a timely manner, the Company reviews the financial performance of its investments on a regular basis. To date, all investments have had a strong year and are not exhibiting indicators of impairment. This is expected to continue for the foreseeable future.

This report was approved by the board of directors on 05 April 2023 and signed on its behalf.



Shiv Kumar Walia
Director



Goutam Rungta
Director

HCL Investments (UK) Limited

Directors' report

For the period ended 31 December 2022

The directors present their report and the financial statements for the period ended 31 December 2022.

Results and dividends

The profit for the period, after taxation, amounted to \$1,261,689 (March 2022- \$ 2,595,030).

The Company has not made any political and charitable contributions during the period.

During the period, the Company did not declare any dividend (March 2022- Nil).

Directors

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

Mr. Shiv Kumar Walia

Mr. Rahul Singh

Mr. Ajit Kumar

Mr. Goutam Rungta

Future Developments

The Company has generated turnover as a financing arrangement from the existing contract and the future growth opportunities are expected from its existing customer.

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.

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

HCL Investments (UK) Limited

Directors' report (Continued)

For the period ended 31 December 2022

Reappointment of auditor

The Auditor, KNAV Limited are deemed to be reappointed under section 487(2) of Companies Act 2006.

This report was approved by the board of directors on 05 April 2023 and signed on its behalf.



Shiv Kumar Walia
Director



Goutam Rungta
Director

HCL Investments (UK) Limited

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

For the period ended 31 December 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 Investments (UK) Limited

Opinion

We have audited the financial statements of HCL Investments UK Limited (the 'Company') for the period ended 31st December 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 31st December 2022 and of its profit for the period 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 directors' 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 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 Investments (UK) Limited

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 course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to 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 Director's Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Director's 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 Director's 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 Director's Responsibilities Statement set out on page 6, 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 Investments (UK) Limited

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 and error.

We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations. The primary responsibility for prevention and detection of fraud rests with both those charged with governance of the entity and management.

Based on our understanding of the Company and the industry, discussions with the management, we identified Companies Act 2006, Financial Reporting Standard 102 and UK taxation and legislation 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 the 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 Minutes of the meetings conducted by the Board of Directors;
- enquiry of management of legal matters in the period and use of legal firms thereof;
- evaluation of the selection and application of accounting and policies related to subjective measurements and complex transactions;
- analytical procedures to verify 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;
- 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 ISAs (UK).

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

Independent Auditor's Report to the Members of HCL Investments (UK) Limited

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

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

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 Limited, Statutory Auditor

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

06 April 2023

UAC: 2023-012-UK

HCL Investments (UK) Limited

Statement of profit and loss and other comprehensive income

For the period ended 31 December 2022

		Period ended 31 December 2022 (9 months) (refer note 2)	Year ended 31 March 2022 (12 months)
	Note	\$	\$
Turnover	4	<u>2,362,255</u>	<u>3,575,475</u>
Administrative expenses		<u>(37,086)</u>	<u>(9,086)</u>
Operating profit	5	2,325,169	3,566,389
Interest receivable and similar income	8	3,140	900
Interest payable and similar charges	9	<u>(794,331)</u>	<u>(377,213)</u>
Profit before taxes		1,533,978	3,190,076
Tax on profits	10	<u>(272,289)</u>	<u>(595,046)</u>
Profit for the period/year		1,261,689	2,595,030
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the period/year		<u>1,261,689</u>	<u>2,595,030</u>

The notes on pages 14 to 23 form part of these financial statements.

All amounts relate to continuing operations.

HCL Investments (UK) Limited

Registered number-07840988

Statement of financial position

As at 31 December 2022

	Note	31 December 2022 \$	31 March 2022 \$
Fixed assets			
Investments	11	<u>10,097,518</u>	<u>10,097,518</u>
Current assets			
Debtors: amounts falling due after one year	12	43,267,224	50,908,289
Debtors: amounts falling due within one year	12	23,137,833	21,271,030
Cash at bank	13	<u>14,986,711</u>	<u>6,150,392</u>
		81,391,768	78,329,711
Creditors: amounts falling due within one year	14	<u>(41,454,118)</u>	<u>(39,653,750)</u>
Net current assets		39,937,650	38,675,961
Net assets		<u>50,035,168</u>	<u>48,773,479</u>
Capital and reserves			
Called up share capital	15	10,665,712	10,665,712
Share premium	16	29,101,666	29,101,666
Retained earnings		<u>10,267,790</u>	<u>9,006,101</u>
Shareholder's funds		<u>50,035,168</u>	<u>48,773,479</u>

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on 05 April 2023.



Shiv Kumar Walia
Director



Goutam Rungta
Director

The notes on pages 14 to 23 form part of these financial statements

HCL Investments (UK) Limited

Statement of changes in equity

For the period ended 31 December 2022

	Share capital	Share premium	Retained earnings	Total equity
	\$	\$	\$	\$
At 1 April 2021	10,665,712	29,101,666	6,411,071	46,178,449
Profit for the year	-	-	2,595,030	2,595,030
Total comprehensive income for the year	-	-	2,595,030	2,595,030
At 31 March 2022	<u>10,665,712</u>	<u>29,101,666</u>	<u>9,006,101</u>	<u>48,773,479</u>
	Share capital	Share premium	Retained earnings	Total equity
	\$	\$	\$	\$
At 1 April 2022	10,665,712	29,101,666	9,006,101	48,773,479
Profit for the period	-	-	1,261,689	1,261,689
Total comprehensive income for the period	-	-	1,261,689	1,261,689
At 31 December 2022	<u>10,665,712</u>	<u>29,101,666</u>	<u>10,267,790</u>	<u>50,035,168</u>

The notes on pages 14 to 23 form part of these financial statements

HCL Investments (UK) Limited

Notes to the financial statements

For the period ended 31 December 2022

1. Company information

HCL Investments (UK) Limited is a Company incorporated in England. The registered office is 70, 6th Floor, Gracechurch Street, London, EC3V 0XL, England.

2. Accounting policies

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 functional and presentational currency is US Dollars (USD). Monetary amounts in these financial statements are rounded to the nearest \$.

The financial statements contain information about HCL Investments (UK) Limited as an individual Company and are not consolidated financial statements. The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare group financial statements as it and its subsidiary undertakings are included in the group financial statements of its parent, HCL Technologies Limited, a Company incorporated in India, which are publicly available at the website of the company at <https://www.hcltech.com>.

Effective 1st April 2022, the Company has changed its financial year as year ending 31st December in order to meet financial compliances. Accordingly, the current financial year of the Company is for nine months period from 1 April 2022 to 31 December 2022 (herein after referred as "Period ended 31 December, 2022"). Accordingly, the figures for the current financial year are not comparable to those of the previous year. Previous year's figures have been regrouped or reclassified, wherever considered necessary, to conform with the current period's presentation.

2.1 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 Instrument.

This information will be included in the consolidated financial statements of its ultimate parent, HCL Technologies Limited as at 31 March 2023 and these financial statements could be obtained from the Companies registry in India or will be available at company's website at <https://www.hcltech.com>.

Notes to the financial statements

For the period ended 31 December 2022

2. Accounting policies(continued)

2.2 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.

2.3 Turnover

As a part of arrangement between the company, "State Street HCL Services (India) Private Limited" ("Step-down subsidiary") and the end customer of the step-down subsidiary, the Company has agreed to provide discount to the end customer on behalf of the step-down subsidiary and would recover this discount from step-down subsidiary over the period of the contract with end customer. The Company believes that the said discount is in nature of financing. The Company is recovering annual return on the financing, which is being presented as part of turnover. Further, the Company is providing invoicing & collection services and is acting as an agent for step-down subsidiary as a part of above arrangement, the fee for which is negligible.

2.4 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.5 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 profit and loss and other comprehensive income.

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 profit and loss and other comprehensive income.

2.6 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, loans to and from related parties and investments.

Notes to the financial statements

For the period ended 31 December 2022

2. Accounting policies(continued)

2.6 Financial instruments (continued)

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 statement of profit and loss and other comprehensive income.

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.

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.

2.7 Foreign currency translation

The financial statements of the Company are presented in USD.

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 and other comprehensive income. 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.

Notes to the financial statements

For the period ended 31 December 2022

2 Accounting policies(continued)

2.7 Foreign currency translation (continued)

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.

2.8 Interest income

Interest income is recognized in the statement of profit and loss and other comprehensive income using the effective interest method.

2.9 Finance cost

Finance costs are charged to the statement of profit and loss and other comprehensive income 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.

2.10 Current and deferred taxation

The tax expense for the period/year comprises current and deferred tax. Tax is recognized in the statement of profit and loss and other comprehensive income, except that a change attributable to an item of income and expense recognized as other comprehensive income or to an item recognized directly in equity is also recognized 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 recognized in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

Financial assets that are measured at cost and amortized 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 recognized in the statement of profit and loss and other comprehensive income.

For financial assets measured at amortized 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. 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.

Notes to the financial statements

For the period ended 31 December 2022

2.10 Current and deferred taxation (Continued)

Deferred tax balances are not recognized in respect of permanent differences except in respect of business combinations, when deferred tax is recognized 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.

2.11 Unbilled revenue

Revenue recognised but not billed to customers is classified as Unbilled receivable. Unbilled receivable represents contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

2.12 Deferred costs

Certain upfront non-recurring costs are incurred in the initial phase of outsourcing contracts and contract acquisition. Costs that are directly attributable to a contract are capitalised when it is virtually certain that the contract will be awarded and the contract will result in future net cash inflows with a present value of at least equal to all amounts recognised as an asset. Deferred costs are included within debtors and are amortised on a systematic basis over the life of the contract.

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.

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. Amounts provided are \$6,549k (March 2022- \$10,989).

Provisions against impairment of investments

Using information available at the balance sheet date, the Directors make assumptions on any indication that those investments have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected investment is estimated and compared with its carrying amount. If the estimated net worth amount is lower, the carrying amount is reduced to its estimated net worth amount. No provision is recorded against investments.

Notes to the financial statements

For the period ended 31 December 2022

4. Analysis of turnover

Turnover represents interest received on financing from step down subsidiary and an immaterial fee for invoicing & collection on behalf of step down subsidiary (excluding Value Added Tax).

Analysis of turnover by geographical market:

	Period ended 31 December 2022 (9 months) (refer note 2) \$	Year ended 31 March 2022 (12 months) \$
India	2,362,255	3,575,475
	<u>2,362,255</u>	<u>3,575,475</u>

5. Operating profit

The operating profit is stated after charging:

	Period ended 31 December 2022 (9 months) (refer note 2) \$	Year ended 31 March 2022 (12 months) \$
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	11,500	6,000
	<u>11,500</u>	<u>6,000</u>

6. Employees

The average monthly no. of employees during the period is Nil (March 2022-Nil).

7. Directors' remuneration

In addition to being directors of the company, the directors hold roles in the wider HCL group outside of the UK. Furthermore, all the HCL entities in the UK are viewed as one business unit and it is impracticable to identify accurately remuneration they receive for services to each entity separately. Therefore, directors' remuneration disclosure has not been included in these financial statements. Full remuneration of the directors is disclosed in the financial statements of HCL Technologies UK Limited and HCL Technologies Limited which are the companies that pays remuneration and their financial statements are publically available at the website of its ultimate parent company, "HCL Technologies Limited".

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

Notes to the financial statements

For the period ended 31 December 2022

8. Interest receivable and similar income

	Period ended 31 December 2022 (9 months) (refer note 2) \$	Year ended 31 March 2022 (12 months) \$
Interest receivable from group companies	2,547	900
Others	593	-
	<u>3,140</u>	<u>900</u>

9. Interest payable and similar charges

	Period ended 31 December 2022 (9 months) (refer note 2) \$	Year ended 31 March 2022 (12 months) \$
Interest payable to group companies	789,457	370,194
On bank loan and overdrafts*	4,874	7,019
	<u>794,331</u>	<u>377,213</u>

*Interest on bank loan and overdrafts were shown in Administrative expenses in the previous year's financial statements which has been re-classed to Interest payable and similar charges for better presentation.

10. Tax on profit

	Period ended 31 December 2022 \$	Year ended 31 March 2022 \$
Corporation Tax		
Current tax charge for the period/year	291,456	606,115
Adjustments in respect of previous periods	(19,167)	(11,118)
Non-Deductible expenses		49
Total tax	<u>272,289</u>	<u>595,046</u>

Notes to the financial statements

For the period ended 31 December 2022

10. Tax on Profit (Continued)

Factors affecting tax charge for the period/year

The tax charge is equal to profit multiplied by the standard rate of corporation tax in the UK of 19% (March 2022- 19%)

	Period ended 31 December 2022 \$	Year ended 31 March 2022 \$
Profit before tax	1,533,978	3,190,076
Profit multiplied by standard rate of corporation tax in the UK of 19% (March 2022 -19%)	291,456	606,115
Others		
Adjustment in respect of prior periods	(19,167)	(11,118)
Non-Deductible expenses	-	49
Total tax charge for the financial period/year	<u>272,289</u>	<u>595,046</u>

Tax losses are non-operational in nature and remains unrecognised on grounds of uncertainty over expected non-operational profits to offset tax losses.

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 Company has no deferred tax asset /liability at the balance sheet date.

11. Investments

	Investments in subsidiary \$
Cost or Net book value	
At 1 April 2022	10,097,518
At 31 December 2022	<u>10,097,518</u>
At 31 December 2022	<u>10,097,518</u>
At 31 March 2022	<u>10,097,518</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Notes to the financial statements

For the period ended 31 December 2022

11. Investments (Continued)

Name	Country of incorporation	Class of shares	Holding	Principal activity	Registered address
State Street HCL Holdings (UK) Ltd.	England and Wales	Ordinary	49%	Holding company	6 th Floor, 70, Gracechurch Street, London, EC3V 0XL, United Kingdom

The Company owns 49% of the voting rights and 100% of the dividend rights of State Street HCL Holdings (UK) Limited.

There is no change in percentage of holdings of the subsidiary undertaking in comparison to previous year.

12. Debtors:

	31 December 2022 \$	31 March 2022 \$
Amounts falling due after one year:		
Deferred cost	43,267,224	50,908,289
	<u>43,267,224</u>	<u>50,908,289</u>
Amounts falling due within one year:		
Amounts owed by group undertakings	103,303	64,287
Trade debtors	6,218,176	-
Corporation Tax	78,645	31,052
Unbilled receivables	6,549,627	10,987,609
Deferred cost	10,188,082	10,188,082
	<u>23,137,833</u>	<u>21,271,030</u>

Amount owed by group undertakings includes short term loans due from group undertakings incur interest at LIBOR + variable bps, are unsecured, and have no fixed date of repayment.

During the previous year the company changed the method used to calculate the amortisation of the upfront discount. On the assessment of the change, it was noted that the amortisation charge remained in line with the charge that would have been recognised under the previous method.

* The step down subsidiary has entered into a business process outsourcing arrangement with its customer and as a part of said arrangement, the step down subsidiary is required to pass an upfront discount to the customer. The Company has agreed to pass this discount on behalf of the step down subsidiary and will recover this from the step down subsidiary over the period of the arrangement between the customer and the step down subsidiary. The Company considered this as financing and is charging interest from the step down subsidiary.

13. Cash and cash equivalents

	31 December 2022 \$	31 March 2022 \$
Cash at bank	14,986,711	6,150,392
	<u>14,986,711</u>	<u>6,150,392</u>

Notes to the financial statements

For the period ended 31 December 2022

14. Creditors: amounts falling due within one year

	31 December 2022 \$	31 March 2022 \$
Trade Creditors	-	24,889
Amounts owed to group undertakings	41,133,433	39,450,956
Other Taxes	304,170	165,429
Accruals and deferred income	16,516	12,476
	<u>41,454,118</u>	<u>39,653,750</u>

Amount owed to group undertakings includes short term loans taken from group companies which accumulate interest LIBOR + variable bps, are unsecured and are repayable on demand.

15. Share capital

	31 December 2022 \$	31 March 2022 \$
Allotted, called up and fully paid up		
6,925,100 (March 2022- 6,925,100) ordinary shares of £1 each	10,665,712	10,665,712
	<u>10,665,712</u>	<u>10,665,712</u>

16. Share premium

The share premium reserve includes all proceeds from share issues where proceeds have exceeded par value.

17. Related party transactions

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

18. Controlling party

The immediate parent undertaking of the Company is Axon Solutions Limited, a company incorporated in England. The ultimate parent undertaking and controlling party is HCL Technologies Limited, a company incorporated in India.

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

19. Post balance sheet events

There is no material subsequent event.