# HCL TECHNOLOGIES (PTY) LIMITED
**(Formerly known as HCL Axon (Proprietary) Ltd.)**
(Registration number 2009/003046/07)

**Annual Financial Statements**
for the year ended
31 March 2020

Audited Annual financial statements
in compliance with Companies Act of South Africa

**HCL Technologies (PTY) Limited (Formerly known as HCL Axon (Proprietary) Ltd.)**
(Registration number 2009/003046/07)
**Audited Annual Financial Statements for the year ended March 31,2020**

## General Information

| | |
|---|---|
| **Country of incorporation and domicile** | South Africa |
| **Nature of business and principal activities** | Sale, purchase, distribution, license, lease, services, manpower deployment, maintenance and consultancy of all kind, related to information technology. |
| **Directors** | Mr. Prateek Aggarwal (Indian citizen)<br>Ms. Balungile Phili (South African citizen) appointed as Executive Director effective 1st August 2019.<br>Mr. Sundaram Sridharan (Singapore citizen)<br>Ms. Nima Pravin Gagjee (South African citizen) |
| **Registered office** | GMI House, Harlequins Office Park,<br>164 Totius Street,<br>Groenkloof, Pretoria, 0027 |
| **Business address** | 2nd Floor, ABB Park<br>The Crescent<br>3 Eglin Road, Sunninghill<br>2157, South Africa |
| **Postal address** | PO Box 619<br>Pretoria<br>0001 |
| **Holding company** | Anzospan Investment Proprietary Limited<br>(Incorporated in South Africa) |
| **Ultimate holding company** | HCL Technologies Limited<br>(Incorporated in India) |
| **Auditors** | KPMG<br>Chartered Accountants |
| **Company registration number** | 2009/003046/07 |
| **Preparer of Annual Financial Statements** | Deepak Gupta<br>(Associated Chartered Accountant of India) |

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## Approval of Annual Financial Statements

The audited annual financial statements set out on pages 7 to 34 were approved by the board of directors on 9 September, 2020.

| | |
|---|---|
| *Prateek Aggarwal* | *Sridharan S* |
| **Prateek Aggarwal** | **Sundaram Sridharan** |
| **Authorised Director** | **Authorised Director** |

# Directors' Report

## 1. Directors' responsibilities

The directors are required by the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards.

The responsibility of the external auditors is to express an independent opinion on the fair presentation of the Annual Financial Statements based on their audit of the company. The board is satisfied that the external auditors were independent of the company during period under review.

The board is satisfied that the Annual Financial Statements fairly present the financial position, the results of operations and cash flows in accordance with International Financial Reporting Standards and the Companies Act of South Africa and supported by reasonable and prudent judgements consistently applied.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risks of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risks across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by the management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

## 2. Incorporation

The company was incorporated on 16th February, 2009 and obtained its certificate to commence business on the same day.

## 3. Business and operations

The company is engaged in sale, purchase, distribution, license, lease, services, manpower deployment, maintenance and consultancy of all kind related to information technology.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

The board is of the opinion that the company is financially sound and operates a going concern. The annual financial statements have accordingly been prepared on this basis.

## 4. Review of operations

The results of operations for the year are set out in the statement of comprehensive income. A net loss of ZAR (50,855,044) (2019: Profit ZAR 57,282,921) was recorded for the year under review.

## 5. Going Concern

The company earned a loss for the period ended 31 March 2020 of R (50,855,044) as compared to profit in last year ended 31 March 2019 – R 57,282,921 and as at that date its total assets exceeded its total liabilities by R 412,076,171(31 March 2019 – R 594,680,703). In addition, current assets exceed current liabilities by R 106,256,678 (31 March 2019 – R 346,648,793). The loss solely resulted from a once of Share Based Payment charge and does not impact the company's future profitability. Based on our current knowledge and available information, we do not expect COVID19 to have an impact on our ability to continue as a going concern in the future. Accordingly, the financial statements have been prepared on a going concern basis.

## Directors' Report - continued

### 6. Share capital

Nil shares were issued during the year. Unissued shares are under control of the Board of directors.

### 7. Directors

Particulars of the directors as on 31st March, 2020 are given below in the attached table.

| S.No | Name of Directors | Citizenship | Director Type | Date of Appointment |
|---|---|---|---|---|
| 1 | Prateek Aggarwal | India | Non-Executive | 24-10-2018 |
| 2 | Sundaram Sridharan | Singapore | Non-Executive | 31-03-2016 |
| 3 | Nima Pravin Gagjee | South Africa | Non-Executive | 04-09-2019 |
| 4 | Balungile Phili | South Africa | Executive | 01-08-2019 |

### 8. Holding company

Anzospan Investments Proprietary Limited, incorporated in South Africa is the holding company.

### 9. Ultimate holding company

The company's ultimate holding company is HCL Technologies Limited incorporated in India.

### 10. Dividends

Dividend of ZAR 234,925,230 (2019: R 31,785,450) paid during the year to the shareholders.

### 11. Subsequent events

Apart from potential impacts of coronavirus Covid-19 which is given in Note 35 to the financial statements, no material fraud or circumstances has occurred between the accounting date and date of this report which significantly affect the financial position of the company or the results of its operations.

### 12. Auditor

KPMG were first appointed as auditor of the Company in 2020 upon the resignation of Ernst & Young. KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

Prateek Aggarwal

Sridharan S

| | |
|---|---|
| **Prateek Aggarwal** | **Sundaram Sridharan** |
| **Authorised Director** | **Authorised Director** |

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# Independent Auditor's Report

## To the shareholders of HCL Technologies (Pty) Ltd

## Report on the audit of the financial statements

### *Opinion*

We have audited the financial statements of HCL Technologies (Pty) Ltd (the company) set out on pages 7 to 34, which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of HCL Technologies (Pty) Ltd as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other matter

The financial statements of the company as at and for the year ended 31 March 2019, were audited by another auditor who expressed an unmodified opinion on those financial statements on 9 July 2020.

### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the document titled "HCL Technologies (Pty) Ltd Annual Financial Statements for the year ended 31 March 2020", which includes the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the directors for the financial statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, 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.

### *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 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.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

KPMG Inc.

Per N Jina
Chartered Accountant (SA)
Registered Auditor
Director
9 September 2020

## Statement of comprehensive income for the year ended 31 March 2020

| | Note | 31 March 2020 ZAR | 31 March 2019 ZAR |
|---|---|---|---|
| Revenue from contract with customers | 2 | 980,704,730 | 847,902,903 |
| Cost of sales | 3 | (886,852,807) | (680,802,690) |
| **Gross Profit** | | **93,851,924** | **167,100,213** |
| Other income | 4 | 391,921 | 16,633,293 |
| Selling and distribution expenses | 3 | (61,999,838) | (51,165,630) |
| Administrative expenses | 3 | (51,287,139) | (52,553,702) |
| **Operating profit** | | **(19,043,132)** | **80,014,175** |
| Finance cost | 5 | (621,640) | (644,914) |
| **(Loss)/profit before taxation** | | **(19,664,771)** | **79,369,261** |
| Taxation | 6 | (31,190,273) | (22,086,340) |
| (Loss)/profit after taxation | | **(50,855,044)** | **57,282,921** |
| Other comprehensive income | | - | - |
| Total comprehensive (loss)/income for the year | | **(50,855,044)** | **57,282,921** |

## Statement of Financial Position as at 31 March 2020

| | Note | 31 March 2020 ZAR | 31 March 2019 ZAR |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Property , Plant and Equipment | 7 | 124,296,465 | 73,156,934 |
| Right of use assets | 25 | 714,342 | - |
| Intangible Assets | 8 | 3,175,882 | 1,583,503 |
| Goodwill | 9 | 124,730,903 | 118,714,119 |
| Non-Current Receivables | 10 | 42,603,740 | 52,844,038 |
| Deferred Contract Cost | 11 | 6,706,344 | 4,812 |
| Deferred tax assets (Net) | 12 | 6,581,825 | 2,925,677 |
| | | **308,809,501** | **249,229,083** |
| **Current Assets** | | | |
| Cash and Cash Equivalents | 13 | 68,607,123 | 253,893,437 |
| Receivable from Ultimate Holding Company and Fellow Subsidiaries | 14 | 16,526,212 | 21,321,518 |
| Inventories | 15 | 547,425 | 12,851,810 |
| Contract Assets | | 251,853 | 1,374,334 |
| Unbilled Receivables | 16 | 58,391,090 | 38,713,085 |
| Trade Receivables | 17 | 235,919,329 | 166,693,415 |
| Other Receivables | 17 | 35,750,322 | 34,947,600 |
| Finance Lease Receivables | 18 | 13,062,512 | 42,053,374 |
| Deferred Contract Cost | 11 | 19,307,183 | 16,638,796 |
| | | **448,363,049** | **588,487,369** |
| **Total Assets** | | **757,172,550** | **837,716,452** |
| **Equity and Liabilities** | | | |
| **Equity** | | | |
| Share Capital | 19 | 87,000,000 | 87,000,000 |
| Share Based Payment Reserve | 20 | 103,175,741 | - |
| Retained Earnings | | 221,900,429 | 507,680,703 |
| | | **412,076,170** | **594,680,703** |
| **Liabilities** | | | |
| **Non-Current Liabilities** | | | |
| Contract Liability | 21 | 2,954,290 | 1,197,173 |
| Provisions | 22 | 35,718 | - |
| | | **2,990,008** | **1,197,173** |
| **Current Liabilities** | | | |
| Loan from Fellow Subsidiaries | 23 | 11,038,250 | 9,499,550 |
| Owed to Ultimate Holding Company and Fellow Subsidiaries | 24 | 112,976,740 | 134,402,647 |
| Trade and Other Payables | 25 | 185,823,536 | 68,447,823 |
| Contract Liability | 21 | 22,844,841 | 20,009,491 |
| Lease Liability | 26 | 669,530 | - |
| Income Tax Payable | 27 | 1,903,810 | 2,747,960 |
| Provisions | 22 | 6,849,665 | 6,731,105 |
| | | **342,106,372** | **241,838,576** |
| **Total Equity and Liabilities** | | **757,172,550** | **837,716,452** |

**Statement of changes in equity for the year ended 31 March 2020**

| | Share Capital | Share Based Payment Reserve | Retained Earnings | Total Equity |
|---|---|---|---|---|
| | ZAR | | ZAR | ZAR |
| **At April 1, 2018** | 87,000,000 | - | 482,183,232 | 569,183,232 |
| Total comprehensive Income | - | - | 57,282,921 | 57,282,921 |
| Dividend Paid (Note-1) | - | - | (31,785,450) | (31,785,450) |
| **Balance at March 31, 2019** | **87,000,000** | **-** | **507,680,703** | **594,680,703** |
| **At April 1, 2019** | 87,000,000 | - | 507,680,703 | 594,680,703 |
| Total comprehensive Expense | - | - | (50,855,044) | (50,855,044) |
| Dividend Paid (Note-1) | - | - | (234,925,230) | (234,925,230) |
| Share based payment expense | - | 103,175,741 | - | 103,175,741 |
| **Balance at March 31, 2020** | **87,000,000** | **103,175,741** | **221,900,429** | **412,076,170** |

Note-1- Company has paid two interim dividends for the year 2019-20. Amount of dividend paid on 18-04-2019 at the rate of ZAR 2.30 per equity share of face value ZAR 1 each amounts to ZAR 199,926,000 and dividend paid on 06-12-2019 at the rate of ZAR 0.40 per equity share of face value ZAR 1 each amounts to ZAR 34,999,230.

**HCL Technologies (PTY) Limited (Formerly known as HCL Axon (Proprietary) Ltd.)**
(Registration number 2009/003046/07)
**Annual Financial Statements for the year ended 31 March 2020**

## Statement of Cash Flows for the year ending 31 March 2020

| | Note | 31 March 2020 ZAR | 31 March 2019 ZAR |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(Loss) before tax | | (19,664,771) | 79,369,261 |
| **Adjusted for :** | | | |
| Depreciation and amortization | | 21,276,001 | 13,540,803 |
| Depreciation for right of use asset | | 575,823 | - |
| Interest income | | (4,971,370) | (18,211,051) |
| Loss on sale of fixed assets | | 12,068 | 5,977 |
| Unrealized foreign currency gains and losses | | 432,301 | 1,700,556 |
| Share based payment charge | | 103,175,741 | - |
| Provision for Bad debts/ (written back) | | 2,314,721 | (441,098) |
| Investment written off | | - | 17,236,800 |
| Interest expenses | | 445,132 | 420,606 |
| **Cash inflows before working capital changes** | | 103,595,646 | 93,621,854 |
| **Movement in working capital changes** | | | |
| (Increase) / Decrease in Trade and other receivables | | (45,975,247) | (47,929,545) |
| (Increase) / Decrease in Receivable from fellow subsidiaries | | 3,788,181 | (5,256,040) |
| (Increase) / Decrease in Inventories | | 12,304,384 | (11,465,781) |
| (Increase) / Decrease in Unbilled receivable | | (18,555,523) | (10,013,502) |
| Increase in Non-current receivables | | 3,538,766 | (23,692,323) |
| Increase / (Decrease) in Owed to ultimate holding company and fellow subsidiaries | | (21,629,922) | (89,019,012) |
| Increase / (Decrease) in Trade and other payables | | 118,335,016 | 33,838,559 |
| Decrease in contract liability | | 4,592,468 | (3,144,827) |
| Increase / (Decrease) in Provisions | | 133,316 | (3,517,492) |
| **Cash flow from/(used in) operations** | | 160,127,085 | (66,578,109) |
| Income Tax paid | | (36,652,995) | (25,252,371) |
| **Net cash inflow / (outflow) from operating activities** | | 123,474,090 | (91,830,480) |
| **Cash flows from investing activities** | | | |
| Purchase of fixed assets | | (70,582,745) | (66,539,763) |
| Paymnet on account of business combination | | (8,491,593) | - |
| Interest income | | 4,921,316 | 18,121,051 |
| **Net cash used in investing activites** | | (74,153,023) | (48,418,712) |
| **Cash flows from financing activities** | | | |
| Payment of lease liabilities | | (620,635) | - |
| Repayment of loan from fello subsidiaries | | 1,000,000 | - |
| Movement in unsecured loans | | - | 1,185,100 |
| Movement in unsecured loan to fellow subsidiaries | | - | 183,755 |
| Interest paid | | (61,516) | (881) |
| Dividend Paid | | (234,925,230) | (31,785,450) |
| **Net cash used in financing activites** | | (234,607,381) | (30,417,476) |
| Net decrease in cash and cash equivalents | | (185,286,314) | (170,666,668) |
| Cash and cash equivalents at the beginning of the year | | 253,893,437 | 424,560,105 |
| **Cash and cash equivalents at the end of the year *** | **13** | 68,607,123 | 253,893,437 |

*Cash and cash equivalent represent balance with bank.

# Accounting policies

## 1. Presentation of Annual Financial Statements

The Annual Financial Statements set out on pages 7 to 32 are prepared on the historical cost basis. The company's significant accounting policies conform with International Financial Reporting Standards.

The company's financial statements are presented in South African Rand (ZAR), which is also its functional currency.

### 1.1 Property, plant and equipment

Plant and equipment is initially recorded at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. Cost also includes borrowing costs and any fair value gains or losses on qualifying cash flow hedges of plant and equipment that are transferred from the hedging reserves.

Subsequent expenditure relating to property, plant and equipment that has already been recognized is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All repair and maintenance expenses are recognized in profit or loss when incurred.

Depreciation is recorded by a charge to statement of comprehensive income computed on a straight-line basis so as to write off the cost of the assets over their expected useful lives.

| | |
|---|---|
| Plant and machinery | 10 years |
| Office equipment | 5 years |
| Computer equipment | 4 to 5 years |
| Furniture and fittings | 7 years |

Property, plant and equipment under construction and cost of assets not ready for use at the year-end are disclosed as "Under Construction".

The residual values, estimated useful lives and depreciation methods of plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognized in the profit or loss when the changes arise.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gains or losses on derecognition of the asset is included in the Statement of Comprehensive Income in the year in which the item is disposed. Where the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is written down to its recoverable amount through the statement of comprehensive income

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### 1.2 Tax

**Current tax**
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

**Deferred Tax**
Deferred tax is provided, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax. The principle temporary differences arise from depreciation on plant and equipment, provisions and tax losses carried forward. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which to utilise the deferred tax asset.

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes
levied by the same tax authority.

### 1.3 Leases

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

## Accounting policies

**1.3 Leases (continued)**

**Company as a lessee**

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

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

Right-of-use asset represents the Company's right to control the underlying assets under lease and the lease liability is the obligation to make the lease payments related to the underlying asset under lease. Right-of-use asset is measured initially based on the lease liability adjusted for any initial direct costs, prepaid rent, and lease incentives. Right-of-use asset is depreciated based on straight line method over the lease term or useful life of right-of-use asset, whichever is less. Subsequently, right-of-use asset is measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of lease liability.

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

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

**Company as a lessor**

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which they are earned or contingency is resolved.

Leases in which the company transfers substantially all the risk and benefits of ownership of the asset are classified as finance leases. Assets given under finance lease are recognized as a receivable at an amount equal to the present value of lease receivable. After initial recognition, the company apportions lease rentals between the principal repayment and interest income so as to achieve a constant periodic rate of return on the net investment outstanding in respect of the finance leases. The interest income is recognized in the statement of profit and loss. Initial direct costs such as legal cost, brokerage cost etc. are recognized immediately in the statement of profit and loss.

When arrangements include multiple performance obligations, the company allocates the consideration in the contract between the lease components and the non-lease components on a relative standalone selling price basis.

**Transition to IFRS 16**

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

The Company has adopted IFRS 16, effective 1 April 2019 using the modified retrospective approach which involves recognizing new right-of-use assets and lease liabilities on its balance sheet. Comparative information has not been adjusted and continues to be reported under IAS 17. As a result of the Company's adoption of this new standard, all leases are recorded on the balance sheet. The Company has also elected the practical expedients, not to reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. The Company has used a

## Accounting policies

**1.3 Leases (continued)**

**Transition to IFRS 16 (continued)**

single discount rate to a portfolio of leases with reasonably similar characteristics. The Company has elected the lessee practical expedient to combine lease and non-lease components and account for the combined unit as a single lease component in case there is no separate payment defined under the contract, and to use the recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases").

As a result of adoption of IFRS 16, the Company recognized additional lease liabilities of ZAR 2,371,522 and right-of-use assets of ZAR 2,258,391 as on 1 April 2019.

The difference between the lease obligations (operating lease commitments) disclosed as of March 31, 2019 under IAS 17 and the value of the lease liabilities as of April 1, 2019 is primarily on account of discounting the lease liabilities to the present value in accordance with IFRS 16. The weighted average incremental borrowing rate of 3.5% has been applied to lease liabilities recognized in the balance sheet at the date of initial application, in respect of leases classified as operating leases as per IAS 17.

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

| | As reported 31 March 2019 | Adoption of IFRS 16 | Balance as on 1 April 2019 |
|---|---|---|---|
| Other Payables | (23,938,918) | 122,552 | (23,816,366) |
| Right-of-use assets | - | 2,248,970 | 2,248,970 |
| Lease Liability | - | 2,371,522 | 2,371,522 |

**1.4 Intangible assets**

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

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the Statement of Comprehensive Income in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Comprehensive Income in the expense category consistent with the function of the intangible assets. The following are the finite lives of the intangible assets in the company.

| Category | Finite lives |
|---|---|
| Customer Relationship | 10 years |
| Intellectual Property | 5 years |
| Software Application | 3 years |
| Order Backlog | 3 years |

**1.5 Business combinations and goodwill**

Business combinations are accounted using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within

## Accounting policies (continued)

**1.5 Business combinations and goodwill (continued)**

equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

**1.6 Financial instruments**

<u>Financial assets</u>

All financial assets are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value measured on initial recognition of financial asset. Purchase and sale of financial assets are accounted for at trade date.

*Cash and cash equivalents*
Cash and cash equivalents in the balance sheet comprise cash in banks and short-term deposits and investments with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.
For the purposes of the cash flow statement, cash and cash equivalents are considered net of outstanding bank overdrafts that are repayable on demand and are considered part of the Company's cash management system. In the balance sheet, bank overdrafts are presented under borrowings within current liabilities.

*Financial assets at amortized cost*
A financial asset is measured at the amortized cost if both the following conditions are met:
a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in other income in the statement of profit and loss. The losses arising from impairment are recognized in the statement of profit and loss. This category includes cash and bank balances, loans, unbilled receivables, trade and other receivables.

*Financial assets at Fair Value through Other Comprehensive Income (OCI)*
A financial asset is classified and measured at fair value through OCI if both of the following criteria are met:
a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
b) The asset's contractual cash flows represent solely payments of principal and interest

Financial asset included within the OCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in OCI. Interest income is recognized in statement of profit and loss for debt instruments. On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from OCI to statement of profit and loss.

*Financial assets at Fair Value through Profit and Loss*
Any financial asset, which does not meet the criteria for categorization at amortized cost or at fair value through other comprehensive income, is classified at fair value through profit and loss. Financial assets included at the fair value through profit and loss category are measured at fair value with all changes recognized in the statement of profit and loss.

## Accounting policies (continued)

### 1.6 Financial instruments (continued)

*Equity investments*
All equity instruments are initially measured at fair value and are subsequently re-measured with all changes recognized in the statement of profit and loss. In limited circumstances, investments, for which sufficient, more recent information to measure fair value is not available cost represents the best estimate of fair value within that range.

*Derecognition of financial assets*
A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired, or the entity has transferred its rights to receive cash flows from the asset.

*Impairment of financial assets*
The entity recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit and loss. Lifetime ECL allowance is recognized for trade receivables with no significant financing component. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case they are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date is recognized in statement of profit and loss.

Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The subsequent measurement of financial liabilities depends on their classification, as described below:

*Financial liabilities at fair value through profit or loss*
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition. Changes in fair value of such liability are recognized in the statement of profit or loss.

*Financial liabilities at amortized cost*
The Company's financial liabilities at amortized cost includes trade payables, borrowings including bank overdrafts and other payables.

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method except for deferred consideration recognized in a business combination which is subsequently measured at fair value through profit and loss. Gains and losses are recognized in the statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

*Derecognition*
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

*Offsetting of financial instruments*
Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis to realize the assets and settle the liabilities simultaneously.

### 1.7 Provisions

Provisions are recognised where the company has a present legal or constructive obligation as a result of a past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The company recognises the estimated liability on all products still under warranty at the balance sheet date. This provision is calculated based on service histories. Employee entitlements to annual leave are recognised when leave accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

### 1.8 Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income. Such balances are translated at year end exchange rates unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used.

## Accounting policies (continued)

### 1.9 Revenue recognition

Revenue from contracts with customers

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

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

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

Revenue from the sale of goods is recognised on the transfer of the significant risks and rewards of ownership, which generally, coincides with the time of delivery of goods.

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

Other income

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

**Contract balances**

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

### 1.10 Retirement benefits

The company’s contribution to the defined contribution plan is charged to the Statement of comprehensive income in the year to which it relates.

## Accounting policies (continued)

### 1.11 Fair value measurement

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers

### 1.12 Impairment

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses of continuing operations are recognised in the Statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

The following criteria are also applied in assessing impairment of assets:

**Goodwill**
Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

**Intangible assets**
Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

## Accounting policies (continued)

### 1.13 Inventories

Stock in trade, stores and spares are valued at the lower of the cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Cost of stock in trade procured for specific projects is assigned by identification of individual costs of each item. Cost of stock in trade, that are interchangeable and not specific to any project and cost of stores and spare parts are determined using the weighted average cost formula.

### 1.14 Value Added Tax

Expenses and assets are recognised net of the amount of Value Added Tax, except:

**i)** When the Value Added Tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the Value Added Tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

**ii)** When receivables and payables are stated with the amount of Value Added Tax included.

The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### 1.15 Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts, where applicable. For cash subjected to restriction, where applicable, assessments are made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

### 1.16 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

### 1.17 Equity settled Share based payment

**Share based payment arrangements**
The grant date fair value of equity-settled share-based payment arrangements granted is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is not true-up for differences between expected and actual outcomes.

### 1.18 Significant accounting judgements and estimates

**Judgements**
In the process of applying the accounting policies, management has made no judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

**Estimation uncertainty**
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, within the next financial year, are discussed below.

**Depreciation rates**
Property, plant and equipment are depreciated on a straight line basis over the expected useful lives of the various classes of assets, after taking into account residual values. During the year management revised the estimated useful life of assets as stated in note 1.1.

**Trade accounts receivable**
The impairment provisions for trade receivables and other receivables are based on assumptions about expected credit losses. The Company uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Company's historical

## Accounting policies (continued)

### 1.18 Significant accounting judgements and estimates (continued)

experience and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss.

**Impairment of goodwill**
Determining whether goodwill is impaired requires an estimation of the value of the cash-generating unit to which goodwill has been allocated. The value in use is determined via a discounted cash flow which requires the directors to forecast cash flows, growth into perpetuity and a weighted average cost of capital.

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

### 1.19 New Standards and Interpretations

**Standards and interpretations effective and adopted in the current financial year**

**Changes in accounting policy and disclosures**

The Company applied IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in the current fiscal year 2019-20, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

**IFRS 16 Leases**

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

**Definition of a lease**

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRS INT 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in IFRS 16.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRS INT 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

**As a lessee**

As a lessee, the Company leases many assets including property, production equipment and IT equipment. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS(I) 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

## Accounting policies (continued)

### 1.19 New Standards and Interpretations (continued)

Leases classified as operating leases under IAS 17
Previously, the Company classified property leases and IT equipment as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities' incremental borrowing rates applicable to the leases as at 1 April 2019. Right-of-use assets are measured at either:

i.) their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the applicable incremental borrowing rates at the date of initial application: The Company applied this approach to its largest property lease; or

ii.) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: The Company applied this approach to all other leases.

Leases classified as finance leases under IAS 17

The Company leases a number of items of production equipment. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of use asset and the lease liability at 1 April 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

**Impact on financial statements**

**Impact on transition***

As a result of adoption of IFRS 16, the Company recognized additional lease liabilities of ZAR 2,371,522 and right-of-use assets of ZAR 2,258,391 as on 1 April 2019.

The difference between the lease obligations (operating lease commitments) disclosed as of March 31, 2019 under IAS 17 and the value of the lease liabilities as of April 1, 2019 is primarily on account of discounting the lease liabilities to the present value in accordance with IFRS 16. The weighted average incremental borrowing rate of 3.5% has been applied to lease liabilities recognized in the balance sheet at the date of initial application, in respect of leases classified as operating leases as per IAS 17.

| | **1 April 2019**<br>**R** |
|---|---|
| Right-of-use assets – property, plant and equipment | 2,248,970 |
| Lease liabilities | 2,371,522 |
| Other payables and accruals | 122,552 |

**Standards and interpretations not yet effective**

Up to the date of issue of these financial statements, the International Accounting Standards Board (IABS) has issued a number of amendments and a new standard, which are not yet effective for the year ended 31 March 2020 and which have not been adopted in these financial statements. These include the following which may be relevant to the Company.

| | Effective for accounting periods beginning on or after |
|---|---|
| Amendments to References to Conceptual Framework in IFRS Standards | 1 April 2020 |
| Definition of a Business (Amendments to IFRS 3) | 1 April 2020 |
| Classification of liabilities as current or non-current (Amendments to IAS 1) | 1 April 2020 |

The Company is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

**Notes to the financial statements (Continued)**

| | | 31 March 2020 ZAR | 31 March 2019 ZAR |
|---|---|---|---|
| 2 | **Revenue from contract with customers** | | |
| | **Total revenue comprises:** | | |
| | Service Income | 881,626,441 | 767,501,721 |
| | Sale of goods* | 75,596,250 | 18,252,876 |
| | Sale under capital lease | 16,531,294 | 55,467,972 |
| | Interest income on leased assets | 6,950,745 | 6,680,334 |
| | | **980,704,730** | **847,902,903** |
| | *Sale of goods comprises of sale of IT hardware items to customers | | |
| | **Timing of revenue recognition** | | |
| | Goods transferred at a point in time | 99,078,289 | 80,401,182 |
| | Services transferred over time | 881,626,441 | 767,501,721 |
| | **Total revenue from contract with customers** | **980,704,730** | **847,902,903** |
| 3 | **The companys' profit before tax is arrived at after charging:** | | |
| | Depreciation on plant and equipment | 19,431,145 | 11,197,723 |
| | Depreciation on ROU | 1,165,178 | - |
| | Amortization of intangibles assets | 1,844,857 | 2,343,079 |
| | Operating lease expense | 277,167 | 1,477,989 |
| | Auditor's remuneration | 185,200 | 148,175 |
| | Provision for Bad debts/(written back) | 2,314,721 | (441,098) |
| | Consulting Charges | 426,065,936 | 368,464,738 |
| | Share based payment expense | 103,175,741 | - |
| | Cost of goods sold | 71,793,134 | 61,651,398 |
| | Loss on sale of capital assets | 12,068 | 5,977 |
| | **Employee Benefits** | | |
| | Salaries | 175,937,105 | 163,465,152 |
| | Bonus | 5,951,020 | 4,190,997 |
| | Pension costs - defined contribution plan | 937,624 | 1,392,057 |
| 4 | **Other Income** | | |
| | Interest income | 4,983,439 | 18,217,028 |
| | Exchange loss (Net) | (4,591,517) | (1,583,735) |
| | | **391,921** | **16,633,293** |
| 5 | **Finance costs** | | |
| | **Interest Expense** | | |
| | On loan from fellow subsidiaries | 383,617 | 419,725 |
| | Cash credit from bank | - | 881 |
| | Interest expense on lease liability | 61,516 | - |
| | Fair value changes on liabilities carried at fair value through profit and loss | 79,664 | - |
| | Bank charges | 95,678 | 169,754 |
| | Late payment | 1,165 | 54,553 |
| | | **621,640** | **644,914** |
| 6 | **Taxation** | | |
| | The major components of income tax expenses | | |
| | **Current Income Tax:** | | |
| | Current Income Tax Charge | 30,457,050 | 23,247,036 |
| | Prior year under/(excess) provision | 5,351,793 | (248,119) |
| | **Deferred tax:** | | |
| | Relating to origination and reversal of temporary differences | (4,092,419) | (1,350,188) |
| | Deferred tax Prior year under provision | (526,151) | 437,611 |
| | | **31,190,273** | **22,086,340** |
| | **Reconciliation of tax expense and the accounting profit** | | |
| | Accounting profit/(loss) before income tax | (19,664,771) | 79,369,261 |
| | Statutory income tax rate of 28% (2019: 28%) | (5,506,138) | 22,223,392 |
| | Adjustments in respect of current income tax of previous years | 5,351,793 | (248,119) |
| | Adjustments in respect of deferred income tax of previous years | (526,151) | 437,611 |
| | Non-deductible expenses for tax purposes: | 29,374,226 | 665 |
| | Tax on interest income for tax purposes: | (886) | (349,585) |
| | Others | 2,497,429 | 22,376 |
| | At the effective income tax rate of 28% (2018: 28**%)** | **31,190,273** | **22,086,340** |
| | Income tax expense reported in the statement of profit or loss | **31,190,273** | **22,086,340** |

**Notes to the financial statements (Continued)**

**7. Property, Plant and Equipment**

| | Computer Equipment (ZAR) | Plant Machinery (ZAR) | Office Equipment (ZAR) | Furniture and Fittings (ZAR) | Under Construction (ZAR) | Total (ZAR) |
|---|---|---|---|---|---|---|
| **At 01 April 2018** | **27,413,222** | **221,400** | **759,369** | **1,775,917** | **265,078** | **30,434,986** |
| Additions | 62,890,944 | - | - | 539,158 | 1,617,521 | 65,047,623 |
| Disposal | (10,340) | - | - | - | - | (10,340) |
| **At March 31, 2019** | **90,293,826** | **221,400** | **759,369** | **2,315,075** | **1,882,599** | **95,472,269** |
| | | | | | | |
| **At 01 April 2019** | **90,293,826** | **221,400** | **759,369** | **2,315,075** | **1,882,599** | **95,472,269** |
| Additions | 6,756,947 | - | 380,272 | - | 63,445,525 | 70,582,745 |
| Disposal | (1,199,563) | - | - | - | - | (1,199,563) |
| **At March 31, 2020** | **95,851,210** | **221,400** | **1,139,641** | **2,315,075** | **65,328,124** | **164,855,450** |

**Accumulated Depreciation**

| | Computer Equipment (ZAR) | Plant Machinery (ZAR) | Office Equipment (ZAR) | Furniture and Fittings (ZAR) | Under Construction (ZAR) | Total (ZAR) |
|---|---|---|---|---|---|---|
| **At March 31, 2018** | **(8,921,349)** | **(64,418)** | **(748,082)** | **(1,388,126)** | **-** | **(11,121,975)** |
| Depreciation Charged during the year | (10,959,358) | (22,140) | (11,287) | (204,938) | - | (11,197,723) |
| Retirement | 4,363 | - | - | - | - | 4,363 |
| **At March 31, 2019** | **(19,876,344)** | **(86,558)** | **(759,369)** | **(1,593,064)** | **-** | **(22,315,335)** |
| Depreciation Charged during the year | (19,115,921) | (22,140) | (36,143) | (256,941) | - | (19,431,145) |
| Retirement | 1,187,495 | - | - | - | - | 1,187,495 |
| **At March 31, 2020** | **(37,804,770)** | **(108,698)** | **(795,512)** | **(1,850,005)** | **-** | **(40,558,985)** |
| | | | | | | |
| **Net Book Value** | | | | | | |
| **At March 31, 2020** | **58,046,440** | **112,702** | **344,129** | **465,070** | **65,328,124** | **124,296,465** |
| **At March 31, 2019** | **70,417,482** | **134,842** | **-** | **722,011** | **1,882,599** | **73,156,934** |

**8. Intangible Assets**

| | Customer Relationship (ZAR) | Software Application (ZAR) | Total (ZAR) |
|---|---|---|---|
| **At March 31, 2018** | **17,375,385** | **547,782** | **17,923,167** |
| Additions | - | 1,492,140 | 1,492,140 |
| **At March 31, 2019** | **17,375,385** | **2,039,922** | **19,415,307** |
| Additions | 3,437,235 | - | 3,437,235 |
| **At March 31, 2020** | **20,812,620** | **2,039,922** | **22,852,542** |

**Accumulated Amortisation**

| | Customer Relationship (ZAR) | Software Application (ZAR) | Total (ZAR) |
|---|---|---|---|
| **At March 31, 2018** | **(15,058,667)** | **(430,058)** | **(15,488,725)** |
| Amortisation. charge for the year | (1,737,538) | (605,541) | (2,343,079) |
| **At March 31, 2019** | **(16,796,205)** | **(1,035,599)** | **(17,831,804)** |
| Amortisation. charge for the year | (840,533) | (1,004,323) | (1,844,856) |
| **At March 31, 2020** | **(17,636,738)** | **(2,039,922)** | **(19,676,660)** |
| | | | |
| **Net Book Value** | | | |
| **At March 31, 2020** | **3,175,882** | **(0)** | **3,175,882** |
| **At March 31, 2019** | **579,180** | **1,004,323** | **1,583,503** |

**The gross carrying amount of fully depreciated property plant & equipment & intangible's, that is still in use as at 31st March 2020 is ZAR 5,774,833.**

| | 31 March 2020 ZAR | 31 March 2019 ZAR |
|---|---|---|
| **9. Goodwill** | | |
| Opening balance | 118,714,119 | 118,714,119 |
| Goodwill arising from business combinations | 5,054,358 | - |
| Deferred tax | 962,426 | - |
| | **124,730,903** | **118,714,119** |

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

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

The Company recorded a total liability of ZAR 9,887,484 including withholding taxes amounting to ZAR 1,289,672. ZAR 5,588,578 has been paid by company during the year in June'19.

Rest remains a liability of ZAR 4,298,906 is payable after one-year end as per the agreement. These payables have been fair valued at initial recognition. At the year end the amount is again fair valued at ZAR 4,272,352 and the difference of ZAR 26,555 is booked as interest expense.

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

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

| Asset description | Amount (ZAR) | Life (Years) | Basis of amortization |
|---|---|---|---|
| Customer relationships | 3,437,235 | 10 | In proportion of estimated revenue |
| Goodwill | 6,016,784 | - | |

Impairment testing for cash generating units ("CGU") containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

## Notes to the financial statements (Continued)

| | | 31 March 2020 ZAR | 31 March 2019 ZAR |
|---|---|---|---|
| **9** | **Goodwill (continued)** | | |
| | The aggregate carrying amounts of goodwill allocated | 124,730,903 | 118,714,119 |
| | | **124,730,903** | **118,714,119** |

The recoverable amount of the unit was based on its value in use, determined by discounting the future cash flows that generated from the business acquired. Value in use was computed based on the following key assumptions:

i.) Cash flows were projected based on the financial year ended 31 March 2020 actual operating results and the Company's 5-years business plan, with average net margin applied of 9% (2019: 9%) per annum for the years 2020 to 2024.
ii.) The terminal value was estimated using the perpetuity growth model, with a weighted average growth rate to perpetuity of 2% (2019: 2%).
iii.) A pre-tax discount rate of 8% (2019: 8%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on an industry average weighted average cost of capital.

With regard to the assessment of value in use of this CGU, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying values of this CGU to differ materially from its recoverable amount except for the changes in the prevailing operating environment, the impact of which is not expected to be significant.

| | | 31 March 2020 ZAR | 31 March 2019 ZAR |
|---|---|---|---|
| **10** | **Non-Current Receivables** | | |
| | Finance lease receivables | 38,085,175 | 42,759,676 |
| | Deposits | 352,393 | 469,126 |
| | Prepaid Expenses | 4,166,172 | 9,615,236 |
| | | **42,603,740** | **52,844,038** |
| **11** | **Deferred Contract Cost** | | |
| | **Non Current** | | |
| | Deferred Contract Cost - group (refer note 31 (d)) | 464,552 | - |
| | Deferred Contract Cost - Non group | 6,241,792 | 4812 |
| | | 6,706,344 | 4812 |
| | **Currect** | | |
| | Deferred Contract Cost - group (refer note 31 (d)) | 17,817,436 | 16,658,237 |
| | Deferred Contract Cost - Non group | 1,489,747 | (19,441) |
| | | 19,307,183 | 16,638,796 |
| | | **26,013,527** | **16,643,608** |

**12 Deferred Tax**

Deferred tax relates to the following:

| | Statement of Financial Position | | Statement of Comprehensive Income | |
|---|---|---|---|---|
| | 31 March 2020 | 31 March 2019 | 31 March 2020 | 31 March 2019 |
| Intangible assets | - | - | - | 648,681 |
| Obsolete Inventory | 765,398 | 70,830 | (694,568) | 70,830 |
| Contract liability / Deferred contract cost (Net) | 7,194,522 | 7,907,006 | 712,484 | 4,749,733 |
| Bonus provision | 1,133,949 | 1,155,137 | 21,188 | (79,340) |
| Other current assets | 812,652 | 115,886 | (696,765) | 115,886 |
| Leave pay provision | 767,656 | 729,780 | (37,876) | (22,684) |
| Bad debts provision | - | - | - | (1,540,622) |
| Provision for doubtful debts | 1,934,083 | 1,447,992 | (486,091) | 1,447,992 |
| Other provisions | 9,916 | - | (9,916) | (115,887) |
| Net Prepayment | (707,905) | (3,121,470) | (2,413,565) | (2,691,074) |
| IPR amortization cost | (889,247) | (162,170) | (235,348) | (162,170) |
| Leases | (4,439,200) | (5,217,314) | (778,113) | (1,508,768) |
| **Deferred tax benefit / (expense)** | - | - | **(4,618,570)** | **912,577** |
| **Net deferred tax assets / (liabilities)** | **6,581,825** | **2,925,677** | | - |

| | 31 March 2020 | 31 March 2019 |
|---|---|---|
| Reflected in the statement of financial position as follows: | | |
| Deferred tax assets | 12,618,177 | 11,426,631 |
| Deferred tax liabilities | (6,036,352) | (8,500,954) |
| **Deferred tax assets** | **6,581,825** | **2,925,677** |
| Reconciliation of deferred tax assets, net | | |
| **As of 1 April 2018** | 2,925,677 | 2,013,100 |
| Intangibles in relation to Acquisition | (962,422) | - |
| Tax income (expense) during the year recognized in profit and loss | 4,618,570 | (912,577) |
| **As at 31 March 2019** | **6,581,825** | **2,925,677** |

| | | 31 March 2020 | 31 March 2019 |
|---|---|---|---|
| **13** | **Cash and cash equivalents** | | |
| | Cash at Bank | 43,607,123 | 38,893,437 |
| | Term Deposit | 25,000,000 | 215,000,000 |
| | | **68,607,123** | **253,893,437** |

There is an undrawn borrowing facility of ZAR 25,000,000 which is available for future operation activities and settling capital commitments. There is no restriction on use of this facility.

| | | 31 March 2020 | 31 March 2019 |
|---|---|---|---|
| **14** | **Receivable from ultimate Holding company and fellow subsidiary** | | |
| | Trade Receivable-group (refer note 31 (d)) | 16,236,239 | 20,081,600 |
| | Short term Loans-group (refer note 31 (d)) | - | 1,000,000 |
| | Interest receivable on Loan-group (refer note 31 (d)) | 289,973 | 239,918 |
| | | **16,526,212** | **21,321,518** |

Trade receivables from group companies are generally non-interest bearing and are generally on 60 to 90 day terms.

**Notes to the financial statements (Continued)**

| | | 31 March 2020 ZAR | 31 March 2019 ZAR |
|---|---|---|---|
| **15** | **Inventories** | | |
| | Inventory in hand | 3,280,988 | 13,104,775 |
| | Less: Provision for inventory | (2,733,563) | (252,965) |
| | | **547,425** | **12,851,810** |

Inventories are hardware as component requirement that are used to support the installation of the company's service to customers. These are mainly servers, storage devices, backup devices & networking equipment which are purchased from vendor & bill will be billed to the customer as & when project requiment will be received.

| | | 31 March 2020 ZAR | 31 March 2019 ZAR |
|---|---|---|---|
| **16** | **Unbilled Receivables** | | |
| | Unbilled Receivables | 58,828,629 | 38,930,835 |
| | Accrued Revenue | (437,539) | (217,750) |
| | | **58,391,090** | **38,713,085** |
| **17** | **Trade and other receivables** | | |
| | Trade receivables | 245,129,248 | 173,588,613 |
| | Less: Provision for doubtful debt | (9,209,919) | (6,895,198) |
| | | **235,919,329** | **166,693,415** |
| | Other receivables | 38,652,650 | 35,361,481 |
| | Less: Provision for other current assets | (2,902,328) | (413,881) |
| | | **35,750,322** | **34,947,600** |

Trade receivables are generally non-interest bearing and are generally on 30 days terrms

**As at March 31, 2020 the ageing analysis of trade receivables is as follows:**

| Total | Neither past due nor impaired (Up to 30 | Past due but not impaired | | |
|---|---|---|---|---|
| | | 31-60 Days | 61-180 Days | 180> Days |
| 206,852,010 | 148,211,373 | 58,640,637 | 14,166,436 | 14,900,883 |

**As at 31 March 2020**

| | Current | Upto 6 months past due | Over 6 months past due | Total |
|---|---|---|---|---|
| Expected credit loss rate (%) | 0.44 | 1.38 | 50.43 | 3.76 |
| Gross carrying amount (ZAR) | 157,421,292 | 72,807,073 | 14,900,883 | **245,129,248** |
| Expected credit loss (ZAR) | 690,613 | 1,005,328 | 7,513,979 | **9,209,919** |

**As at March 31, 2019 the ageing analysis of trade receivables is as follows:**

| Total | Neither past due nor impaired (Up to 30 | Past due but not impaired | | |
|---|---|---|---|---|
| | | 31-60 Days | 61-180 Days | 180> Days |
| 166,693,415 | 151,896,424 | 4,294,590 | 5,968,250 | 4,534,151 |

**As at 31 March 2019**

| | Current | Upto 6 months past due | Over 6 months past due | Total |
|---|---|---|---|---|
| Expected credit loss rate (%) | 0.14 | 1.89 | 54.36 | 3.97 |
| Gross carrying amount (ZAR) | 136,160,165 | 25,999,099 | 11,429,349 | **173,588,613** |
| Expected credit loss (ZAR) | 189,871 | 492,625 | 6,212,702 | **6,895,198** |

**18 Financial Leases**

The future minimum sub lease payments expected to be received under non cancellable sub lease of equipments and applicable software licences are as follows:-

**31 March, 2020**

| Year | Minimum Lease Rent Receivable | Present Value of Lease Rent Receivable | Interest Included in Lease Rent Receivable |
|---|---|---|---|
| 2020-21 | 17,306,977 | 13,062,512 | 4,244,465 |
| 2021-22 | 16,472,958 | 13,342,346 | 3,130,612 |
| 2022-23 | 15,982,487 | 14,147,127 | 1,835,360 |
| 2023-24 | 10,900,681 | 10,476,243 | 424,437 |
| 2024-25 | 128,775 | 119,459 | 9,316 |
| **Total** | **60,791,878** | **51,147,687** | **9,644,190** |

**31 March, 2019**

| Year | Minimum Lease Rent Receivable | Present Value of Lease Rent Receivable | Interest Included in Lease Rent Receivable |
|---|---|---|---|
| 2019-20 | 48,080,477 | 42,053,374 | 6,027,686 |
| 2020-21 | 14,266,514 | 10,537,562 | 3,728,952 |
| 2021-22 | 13,673,360 | 10,980,786 | 2,692,574 |
| 2022-23 | 13,866,560 | 12,272,916 | 1,593,645 |
| 2023-24 | 9,320,734 | 8,968,412 | 352,321 |
| **Total** | **99,207,645** | **84,813,050** | **14,395,178** |

**Notes to the financial statements (Continued)**

| | 31 March 2020 ZAR | 31 March 2019 ZAR |
|---|---|---|
| **19 Share capital** | | |
| **Authorized** | | |
| 200,000,000 (2018 : 20,000,000) ordinary shares of ZAR 1 each | 200,000,000 | 200,000,000 |
| **Issued** | | |
| 87,000,000 (2018: 87,000,000) ordinary shares of ZAR 1 each | **87,000,000** | **87,000,000** |

**20 Share Based Payment Reserve**

| | | |
|---|---|---|
| Share Based Payment Reserve | **103,175,741** | **-** |

During the year ended March 31, 2020, for meeting the requirements of Broad-Based Black Economic Empowerment Act of South Africa and attaining the requisite shareholding requirement of 51.8% black ownership in HCL Technologies Pty Limited (operating entity), necessary restructuring took place, wherein Axon Group Limited (part of HCL group) donated its 30% holding in Anzospan Investment Pty Limited to HCL Foundation Trust and Anzospan Investment Pty Limited sold its 24% shares held in HCL Technologies South Africa Pty Limited each to HCL BEE Trust and HCL Ownership Trust respectively, created for the benefit of black people.

The aforesaid transaction is considered as equity-settled share-based payment transaction and gives rise to a share based payment expense based on BEE credentials received by the company as a result of the same. Since there are no vesting condition in the transaction, the underlying instruments is measured at fair value and share based expense are recognized immediately at the grant date.
The fair value of the share based payment plan has been measured using a Monte Carlo simulation. The inputs used in the measurement of fair value at the grant date of the equity settled share based payment plan were as follows:

| | |
|---|---|
| Valuation date | 31 January 2020 |
| Settlement date | 31 March 2025 |
| Call option exercise date | 31 March 2037 |
| Annual dividend yield | 10% |
| Interest Rate | 10.75% |
| Equity value of operating company | ZAR 405 M |

**21 Contract liability**

| | | |
|---|---|---|
| Current | 22,844,841 | 20,009,491 |
| Non-Current | 2,954,290 | 1,197,173 |
| | **25,799,131** | **21,206,663** |

Contract liabilities : A contract liability arises when there is excess billing over the revenue recognized.

**22 Provisions**

| | | |
|---|---|---|
| **Current** | | |
| Leave encashment | 2,741,629 | 2,606,358 |
| Bonus | 4,126,360 | 4,125,491 |
| LD/SLA Violation | (18,324) | (744) |
| Provision for income tax | | |
| | **6,849,665** | **6,731,105** |
| **Non Current** | | |
| Bonus | 35,718 | - |
| | **35,718** | **-** |

| **Movement of provisions** | **Leave encashment** | **Bonus** | **LD/SLA Violation** | **Total** |
|---|---|---|---|---|
| Opening | 2,606,358 | 4,125,491 | (744) | (744) |
| Charge during the year | 135,271 | 4,511,810 | - | - |
| Payout/reversal of provsions during the year | - | (4,510,941) | (17,580) | (17,580) |
| Closing Balance | **2,741,629** | **4,126,360** | **(18,324)** | **(18,323)** |

The provision for leave pay represents the potential liability for leave days accrued, and not utilised by staff members. The provision is expected to be utilised through employee leave days or, under exceptional circumstances, to be paid to relevant employees.

The bonus provision represents the potential liability to certain staff members for bonuses calculated based on the company's financial year performance. The amounts of the bonuses are uncertain, as the bonuses are awarded at the holding company's discretion.

These are mainly liquidity damages provision provided in the cases where customer suffers consequential damages because of services performed by the company, and these damages are to be borne by the company.

**Notes to the financial statements (Continued)**

| | 31 March 2020 ZAR | 31 March 2019 ZAR |
|---|---|---|

**23 Loan from Fellow Subsidiaries**

| | | |
|---|---|---|
| Axon Solutions Limited (refer note 31 (d)) | 11,038,250 | 9,499,550 |
| | **11,038,250** | **9,499,550** |

The Company entered into unsecured short-term loan facility agreement with Axon Solutions Limited in amount of GBP 500,000. This loan intended for the Company working capital and will be payable on demand with interest of LIBOR rate + 200 bps per annum.

**24 Owed to ultimate Holding company and fellow subsidiary**

| | | |
|---|---|---|
| Trade payables - group (refer note 31 (d)) | 110,508,454 | 132,663,622 |
| Interest payable on Loan - group (refer note 31 (d)) | 2,468,286 | 1,739,025 |
| | **112,976,740** | **134,402,647** |

The trade payable are non-interest bearing and are normally settled in 60 to 90 days terms.

**25 Trade and other payables**

| | | |
|---|---|---|
| Trade payables | 134,226,766 | 30,846,232 |
| Accruals | 7,036,641 | 831,853 |
| VAT Payable | 22,740,885 | 12,830,820 |
| Other payables | 21,819,244 | 23,938,918 |
| | **185,823,536** | **68,447,823** |

a) Trade payables are non interest bearing and are normally settled on 60-day terms.
b) VAT liability is paid within a period of one month from date of recognition.

**26 Leases**

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

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

| | | |
|---|---|---|
| **Building** | | |
| **At 01 April 2019** | **-** | **-** |
| Transition impact of IFRS 16 | 2,248,970 | - |
| Additions | - | - |
| Disposal | (384,384) | |
| Charges for the year | (1,150,244) | - |
| **At March 31, 2020** | **714,342** | **-** |

The reconciliation of lease liabilities is as follows:

| | | |
|---|---|---|
| **At 01 April 2019** | - | - |
| Transition Impact of IFRS 16 | 2,371,522 | - |
| Additions | - | - |
| Amounts recognized in statement of comprehensive income as interest expense | 61,516 | - |
| Payment of lease liability | (1,212,268) | - |
| Disposals/terminations | (551,240) | - |
| **At March 31, 2020** | **669,530** | **-** |

The following table presents a maturity analysis of expected undiscounted cash flows for lease liabilities as on 31 March 2020:

| | | |
|---|---|---|
| **Particulars** | | |
| Not later than one year | 680,458 | - |
| Between one and three years | - | - |
| **Total Lease Payments** | **680,458** | **-** |
| Imputed Interest | 10,928 | - |
| **Total Lease Liabilities** | **669,530** | **-** |

**27 Income Tax Payable**

| | | |
|---|---|---|
| Advance Tax | (26,056,699) | (62,063,545) |
| Income Tax Provisions | 27,960,509 | 64,811,505 |
| | **1,903,810** | **2,747,960** |

## Notes to the financial statements (Continued)

### 28 Commitments

**a) Capital commitments**

Capital commitment are for estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) as at the balance sheet date March 31, 2020 amounting to ZAR 2,563,781 (2019: ZAR 288,102)

### 29 Financial instrument risk management

Financial instruments carried on the statement of financial position include cash and cash equivalents, trade receivables, trade payables and borrowings. The main purpose of the financial liabilities is to raise finance for the company's operations. The financial assets arise from normal business transactions.

The main risks arising from the company's financial instruments are interest rate risk, credit risk, foreign currency risk and liquidity risk.

The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because in changes in the market interest rates. Company's exposure to the risk of changes in market interest rates relates primarily to the company's debt with floating interest rates.

| Increase / (decrease) in basis points | Effect on loss for the year increase / (decrease) (in ZAR) | |
|---|---|---|
| | 31 March 2020 | 31 March 2019 |
| 100 | 110,383 | 84,996 |
| -100 | (110,383) | (84,996) |

**Credit risk**

Credit risk is the risk that a counter party will not meet its obligation under a financial instrument or customer contract, leading to financial loss. The company is exposed to credit risk from its operating activities (primarily for trade receivables and loan notes) and from its financing activities, including deposit with banks and financial institutions, foreign exchange transactions and other financial instruments.

Customer credit risk is managed by each business unit subject to company's policy, procedures and control relating to customer credit risk management. Credit limit are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating scorecard. The requirement for impairment is analysed on an individual basis for major clients. Additionally, a large number of minor receivables is grouped into homogeneous groups and assessed for impairment collectively.

**Exposure to credit risk**

At the balance sheet date, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet as disclosed under Note 11 to the financial statements.

No collateral is held for these receivables as these receivables are considered to be reputable and credit worthy.

**Financial assets that are neither past due nor impaired**

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with a good payment record with the Company. Cash and cash equivalents, are placed with reputable financial institutions.

**Financial assets that are either past due or impaired**

Information regarding financial assets that are either past due or impaired is disclosed in Note 17 (trade receivables).

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company's exposure to the risk of changes in foreign exchange rates relates primarily to operating activities (when revenue or expenses are denominated in a different currency to the company's functional currency).

**Foreign currency sensitivity**

The following table demonstrates the sensitivity to a reasonable possible change in the exchange rate, with all other variables held constant, of the company's profit before tax due to changes in the fair value of monetary assets and liabilities.

**Notes to the financial statements (Continued)**

**29 Financial instrument risk management (Continued)**

| | 31 March 2020 | | 31 March 2019 | |
|---|---|---|---|---|
| | Change in Rate | Effect on profit before tax ZAR | Change in Rate | Effect on profit before tax ZAR |
| EUR | 20% | (1,628) | 12% | (54,303) |
| GBP | 16% | (1,322,411) | 14% | (4,073,336) |
| INR | -11% | 74,009 | -14% | 37,834 |
| CAD | 0% | - | 18% | (245,040) |
| MYR | 0% | - | 16% | (3,920) |
| USD | 23% | 871,152 | 22% | 1,307,265 |
| BRL | -7% | 332,779 | 4% | (186,329) |
| CLP | -2% | (213) | 9% | (25,920) |
| CNY | 17% | (3,014) | 15% | (76,204) |
| SEK | 13% | (1,349) | 10% | (84,240) |
| PLN | 0% | - | 9% | (83,095) |
| AED | 0% | - | 22% | (741,089) |
| AUD | 0% | - | 13% | (23,788) |
| CHF | 0% | - | 17% | (150,787) |
| RUB | 0% | - | 8% | (21,094) |
| SAR | 0% | - | 22% | (178,396) |
| SGD | 0% | - | 18% | (107,218) |

| | | | | |
|---|---|---|---|---|
| EUR | -20% | 1,628 | -12% | 54,303 |
| GBP | -16% | 1,322,411 | -14% | 4,073,336 |
| INR | 11% | (74,009) | 14% | (37,834) |
| CAD | 0% | - | -18% | 245,040 |
| MYR | 0% | - | -16% | 3,920 |
| USD | -23% | (871,152) | -22% | (1,307,265) |
| BRL | 7% | (332,779) | -4% | 186,329 |
| CLP | 2% | 213 | -9% | 25,920 |
| CNY | -17% | 3,014 | -15% | 76,204 |
| SEK | -13% | 1,349 | -10% | 84,240 |
| PLN | 0% | - | -9% | 83,095 |
| AED | 0% | - | -22% | 741,089 |
| AUD | 0% | - | -13% | 23,788 |
| CHF | 0% | - | -17% | 150,787 |
| RUB | 0% | - | -8% | 21,094 |
| SAR | 0% | - | -22% | 178,396 |
| SGD | 0% | - | -18% | 107,218 |

The movement on the pre-tax effect is a result of a change in the fair value of monetary assets and liabilities denominated in currencies other than the functional currency of the entity.

**Liquidity risk**

The company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The company's objective is to maintain a balance between continuity of funding and flexibility through use of loans from group companies.

| **Liabilities** | | 1 Year | 2-5 Year | Over 5 Year | Total |
|---|---|---|---|---|---|
| **March 31, 2020** | | | | | |
| Loan from fellow subsidiaries | 2.5% p.a. | 11,038,250 | - | - | 11,038,250 |
| Owed to ultimate holding company fellow subsidiaries | Interest free | 112,976,740 | - | - | 112,976,740 |
| Trade and other payables | Interest free | 185,823,536 | - | - | 185,823,536 |
| Lease liability | Interest free | 669,530 | - | - | 669,530 |
| Provisions | Interest free | 6,849,665 | 35,718 | - | 6,885,383 |
| **March 31, 2019** | | | | | |
| Loan from fellow subsidiaries | 2.5% p.a. | 9,499,550 | - | - | 9,499,550 |
| Owed to ultimate holding company fellow subsidiaries | Interest free | 134,402,647 | - | - | 134,402,647 |
| Trade and other payables | Interest free | 68,447,822 | - | - | 68,447,822 |
| Provisions | Interest free | 6,731,105 | - | - | 6,731,105 |

**Fair value**

At March 31, 2020 the carrying amounts of cash, trade receivables, trade payables, approximate their fair values due to the short term maturities of these assets and liabilities.

## Notes to the financial statements (Continued)

### 30 Classification of Financial Instrument

| 31 March 2020 | Loans and receivables / (financial liabilities at amortized cost) ZAR | Non-financial assets / liabilities ZAR | Total ZAR |
|---|---|---|---|
| **Assets** | | | |
| Trade and other receivables | 235,919,329 | 35,750,322 | 271,669,650 |
| Cash and cash equivalents | 68,607,123 | - | 68,607,123 |
| Contract asset | 251,853 | - | 251,853 |
| Unbilled receivable | 58,391,090 | - | 58,391,090 |
| Finance Lease Receivable | 51,147,687 | - | 51,147,687 |
| Deferred contract cost | - | 26,013,527 | 26,013,527 |
| | **414,317,082** | **61,763,849** | **476,080,931** |
| **Liabilities** | | | |
| Loan from fellow subsidiaries | 11,038,250 | - | 11,038,250 |
| Owed to parent and fellow subsidiaries | 112,976,740 | - | 112,976,740 |
| Trade and other payables | 163,082,652 | 22,740,885 | 185,823,537 |
| Lease liability | 669,530 | - | 669,530 |
| Contract liability | - | 24,744,921 | 24,744,921 |
| **Total** | **287,767,172** | **47,485,806** | **335,252,978** |

| 31 March 2019 | Loans and receivables / (financial liabilities at amortized cost) ZAR | Non-financial assets / liabilities ZAR | Total ZAR |
|---|---|---|---|
| **Assets** | | | |
| Trade and other receivables | 166,693,415 | 34,947,600 | 201,641,015 |
| Receivable from fellow subsidiaries | 21,321,518 | - | 21,321,518 |
| Cash and cash equivalents | 253,893,437 | - | 253,893,437 |
| Contract asset | 1,374,334 | - | 1,374,334 |
| Unbilled receivable | 38,713,085 | - | 38,713,085 |
| Finance Lease Receivable | 84,813,050 | - | 84,813,050 |
| Deferred contract cost | - | 16,643,608 | 16,643,608 |
| | **566,808,839** | **51,591,208** | **618,400,047** |
| **Liabilities** | | | |
| Loan from fellow subsidiaries | 9,499,550 | - | 9,499,550 |
| Owed to parent and fellow subsidiaries | 134,402,647 | - | 134,402,647 |
| Trade and other payables | 55,617,002 | 12,830,820 | 68,447,822 |
| Contract liability | - | 1,197,173 | 1,197,173 |
| **Total** | **199,519,199** | **14,027,993** | **213,547,191** |

### 31 Related Party Transactions

a) **Related parties where control exists**

**Holding company**
Anzospan Investment Proprietary Limited

**Ultimate holding company**
HCL Technologies Limited

b) **Related parties with whom transactions have taken place during the year**
**Ultimate holding company**
HCL Technologies Limited

## Notes to the financial statements (Continued)

### 31 Related Party Transactions (continued)

**Fellow Subsidiaries**

HCL Axon Solutions (Shanghai) Co. Ltd.
Axon Solutions Inc
Axon Solutions Limited
CeleritiFintech Limited
FILIAL ESPAÑOLA DE HCL TECHNOLOGIES, S.L.
HCL America Inc.
HCL Australia Services Pty. Limited
HCL (Brazil) Technologia da informacao Ltda.
HCL (Ireland) Information Systems Limited
HCL (Netherlands) BV
HCL (New Zealand) Limited, New Zealand
HCL Argentina s.a.
HCL Axon Malaysia Sdn Bhd-Software Division
HCL Axon Solutions (Shanghai) Co., Ltd Tianjin Branch
HCL Axon Solutions (Shanghai) Co., Ltd., Beijing Branch
HCL Axon Technologies Inc.-SD (fly Axon Solutions (Canada) I
HCL Belgium NV
HCL Arabia LLC
HCL GmbH
HCL Great Britain Limited
HCL Hong Kong SAR Limited
HCL Hungary Kft
HCL İstanbul Bilişim Teknolojileri Limited Şirketi
HCL Japan Limited
HCL Mexico S. de R.L.
HCL Poland Sp.z.o.o.
HCL Singapore Pte Limited
HCL Sweden AB
HCL Technologies (Shanghai) Limited
HCL Technologies B.V
HCL Technologies Beijing Co., Ltd.
HCL Technologies Belgium BVBA
HCL Technologies Chile Spa
HCL Technologies Colombia SAS
HCL Technologies Denmark Apps
HCL Technologies Germany GmbH
HCL Technologies Greece Single Member P.C.
HCL Technologies Italy SPA
HCL Technologies Limited - Russia Branch
HCL Technologies Limited- Swiss Branch
HCL Technologies Limited- UAE Branch
HCL Technologies Middle East FZ- LLC
HCL Technologies Middle East FZ LLC Dubai Branch
HCL Technologies Norway AS
HCL Technologies South Africa (Proprietary) Limited
HCL Technologies Sweden (IOMC)
HCL Technologies UK Limited
HCL Technologies Taiwan Ltd
HCL Technologies Limited Israel
HCL Technologies Limited - ME Branch
HCLTechnologiesLtd .Sucursal EM Portugal
HCL Technologies Ltd UAE
HCL Latin America Holding, LLC, Panama Branch
PT. HCL Technologies Indonesia

**Notes to the financial statements (Continued)**

**C ) Transactions with related parties during the year in ordinary course of business**

| Particulars | Fellow Subsidiaries | | Ultimate holding company | |
|---|---|---|---|---|
| | Year Ended March 31 2020 | Year Ended March 31 2019 | Year Ended March 31 2020 | Year Ended March 31 2019 |
| | ZAR | ZAR | ZAR | ZAR |
| **Interest expenses** | | | | |
| Axon Solutions Limited | 383,617 | 419,725 | | - |
| **Total** | **383,617** | **419,725** | | **-** |
| **Insurance expenses** | | | | |
| HCL Technologies Limited | - | - | 250,473 | 309,495 |
| **Total** | **-** | **-** | **250,473** | **309,495** |
| **Marketing Cost** | | | | |
| HCL Great Britain Limited | 37,967,111 | 28,018,401 | - | - |
| HCL Technologies Middle E | - | 3,068,694 | - | |
| **Total** | **37,967,111** | **31,087,095** | **-** | **-** |
| **Consulting charges** | | | | |
| HCL Technologies Limited | | | 386,803,678 | 323,613,703 |
| Axon Solutions Inc | - | (168,479) | - | - |
| Axon Solutions Limited | 814,144 | (182,255) | - | - |
| FILIAL ESPAÑOLA DE HCL TECHNOLOGIES, S.L. | - | 21,005 | - | - |
| HCL (Brazil) Technologia da informacao Ltda. | (394,250) | 6,097,178 | - | - |
| HCL Technologies Colombia SAS | 538,347 | - | - | - |
| HCL America Inc. | 3,473,949 | 798,338 | - | - |
| HCL Argentina s.a. | 114,882 | - | - | - |
| HCL CANADA INC | 323,920 | - | - | - |
| HCL Axon Solutions (Shanghai) Co., Ltd., Beijing Branch | 409,637 | 500,932 | - | - |
| HCL Axon Technologies Inc.-SD (fly Axon Solutions (Canada) I | 613,842 | 2,733,057 | - | - |
| HCL GmbH | 524,011 | 458,070 | - | - |
| HCL Great Britain Limited | 1,591,867 | 3,417,921 | - | - |
| HCL Hungary Kft | 20,006 | - | - | - |
| HCL Mexico S. de R.L. | 12,998 | - | - | - |
| HCL Singapore Pte Limited | 54,857 | 623,735 | - | - |
| HCL Technologies (Shanghai) Limited | 735,000 | 240,306 | - | - |
| HCL Technologies B.V | 882,788 | (284,566) | - | - |
| HCL Technologies Chile Spa | - | 329,452 | - | - |
| HCL Technologies Denmark Apps | - | 2,379,383 | - | - |
| HCL Technologies South Africa (Proprietary) Limited | 129,344 | - | - | - |
| Axon Solutions (Shanghai) Co. Ltd. | 18,255 | 19,024 | - | - |
| HCL Australia Services Pty. Limited | 268,685 | 400,754 | - | - |
| HCL Axon Malaysia Sdn Bhd-Software Division | 534,635 | 403,034 | - | - |
| HCL Technologies Ltd Finland Branch | 397,023 | - | - | - |
| HCL Technologies Italy SPA | 28,411 | - | - | - |
| HCL Technologies Finland Oy | 346,298 | - | - | - |
| HCL Poland Sp.z.o.o. | 1,393,486 | 1,224,600 | - | - |
| HCL İstanbul Bilişim Teknolojileri Limited Şirketi | 11,728 | - | - | - |
| HCL Belgium NV | 12,008 | - | - | - |
| HCL Technologies Beijing Co., Ltd. | 297,191 | 175,250 | - | - |
| HCL Technologies UK Limited | 1,689,537 | 4,349,446 | - | - |
| HCL Technologies Germany GmbH | 93,627 | 3,042,870 | - | - |
| HCL Technologies Belgium BVBA | 65,233 | 183,725 | - | - |
| HCL Japan Limited | - | 1,523,910 | - | - |
| HCL Technologies Middle East FZ LLC Dubai Branch | - | 226,342 | - | - |
| HCL Technologies Ltd Ireland | 489,457 | 9,434 | - | - |
| HCL Technologies Limited- Swiss Branch | 21,110 | 873,643 | - | - |
| HCL Tech Limited, Moscow | - | 248,549 | - | - |
| HCLTechnologies Sweden AB | 241,838 | 807,722 | - | - |
| HCL Technologies Vietnam | 1,112,238 | - | - | - |
| HCL AXON MALAYSIA SDN BHD | 42,085 | 24,625 | - | - |
| HCL Technologies Lithuania UAB | 127,180 | - | - | - |
| HCL Technologies Greece Single Member P. | 41,083 | - | - | - |
| HCL Technologies France SAS | 15,539 | - | - | - |
| HCL Technologies Limited - ME Branch | 373,900 | - | - | - |
| HCL Technologies Limited Israel | 107,322 | - | - | - |
| HCL New Zealand Ltd. | 30,837 | - | - | - |
| HCL Arabia LLC | 120,801 | - | - | - |
| HCL TECHNOLOGIES MIDDLE EAST FZ LLC | 30,335 | - | - | - |
| HCL Technologies Taiwan Ltd | 87,369 | - | - | - |
| HCL Latin America Holding, LLC, Panama Branch | 241,310 | - | - | - |
| **Total** | **18,083,864** | **30,477,005** | **386,803,678** | **323,613,703** |
| **Software services** | | | | |
| HCL Technologies Limited (IOMC) Infra Division | 583,176 | 2,137,621 | - | - |
| HCL (New Zealand) Limited, New Zealand | 45,764 | 71,544 | - | - |
| HCL America Inc. | 365,694 | 4,242,414 | - | - |
| HCL Australia Services Pty. Limited | 2,943,178 | 830,470 | - | - |
| HCL Axon Technologies Inc.-SD (fly Axon Solutions (Canada) I | 138,289 | 203,517 | - | - |
| HCL Great Britain Limited | 361,452 | 96,514 | - | - |
| HCL Hong Kong SAR Limited | 14,151 | 11,381 | - | - |
| HCL Technologies Germany Gmbh | 71,230 | - | - | - |
| HCL Technologies Limited- Swiss Branch | 1,235 | 23,853 | - | - |
| HCL Technologies B.V | 6,993 | 1,042,167 | - | - |
| HCL Technologies Italy SPA | 1,254,457 | - | - | - |
| Hcl (Brazil) Tecnologia D | - | 54,249 | - | - |
| HCL Technologies South Africa (Proprietary) Limited | 538,207 | 110,522 | - | - |
| HCL Tech Limited, Moscow | 23,976 | 252,508 | - | - |
| HCL Tech. Belgium BVBA | - | 982,291 | - | - |
| HCL Technologies Ltd UAE | 239,370 | 1,135,438 | - | - |
| HCL Singapore Pte Limited | 2,597,628 | 3,250,430 | - | - |
| HCL Technologies Middle E | 343,700 | 390,484 | - | - |
| HCL Axon Tech.(Shanghai) | 434,490 | 2,120,860 | - | - |
| **Total** | **9,962,992** | **16,956,263** | **4,865,352** | **216,119** |

## Notes to the financial statements (Continued)

**C ) Transactions with related parties during the year in ordinary course of business**

| Particulars | Fellow Subsidiaries | | Ultimate holding company | |
|---|---|---|---|---|
| | Year Ended March 31 2020 | Year Ended March 31 2019 | Year Ended March 31 2020 | Year Ended March 31 2019 |
| | ZAR | ZAR | ZAR | ZAR |
| HCL Argentina s.a. | 164,424 | - | - | - |
| HCL Technologies Denmark ApS | 53,770 | - | - | - |
| HCL Technologies (Shanghai) Limited | - | 75,777 | - | - |
| HCL Mexico S. de R.L. | 18,163 | | - | - |
| HCL Technologies Colombia SAS | 11,880 | | - | - |
| HCLTechnologiesLtd .Sucursal EM Portugal | 945,993 | | - | - |
| HCL Technologies UK Limited | 16,067,214 | 12,649,081 | - | - |
| PT. HCL Technologies Indonesia | 47,939 | - | - | - |
| **Total** | **27,272,376** | **29,681,122** | **4,865,352** | **216,119** |
| **Interest income** | | | | |
| Anzospan Investments (PTY) Limited | 50,055 | 90,000 | | - |
| **Total** | **50,055** | **90,000** | **-** | **-** |

**d) Outstanding balances with related parties**

| Particulars | As at 31 March 2020 ZAR | As at 31 March 2019 ZAR |
|---|---|---|
| **Owed to ultimate holding company and fellow Subsidiaries** | | |
| Axon Solutions Limited | 554,855 | 350,998 |
| HCL (Brazil) Technologia da informacao Ltda. | 4,151,550 | 4,888,409 |
| HCL America Inc. | 1,386,350 | 1,366,874 |
| HCL Axon Malaysia Sdn Bhd-Software Division | 281,449 | - |
| HCL Axon Solutions (Shanghai) Co., Ltd., Beijing Branch | - | 276,604 |
| HCL GmbH | - | 458,070 |
| HCL Great Britain Limited | 10,416,017 | 16,126,398 |
| HCL CANADA INC | 217,428 | - |
| HCL Singapore Pte Limited | 54,857 | 581,415 |
| HCL Technologies (Shanghai) Limited | 184,753 | 131,678 |
| HCL Technologies B.V | 224,092 | - |
| HCL Technologies Chile Spa | - | 299,320 |
| HCL Technologies Vietnam Company Limited | 57,750 | - |
| HCL Technologies Limited | 92,258,232 | 106,520,156 |
| Axon Solutions (Shanghai) Co. Ltd. | 21,572 | - |
| HCL Technologies Sweden AB | - | 785,933 |
| HCL Poland Sp.z.o.o. | - | 897,798 |
| HCLT Limited Israel | 107,322 | - |
| HCL Technologies Taiwan Ltd | 87,369 | - |
| HCL Technologies Beijing Co., Ltd. | 69,374 | 131,893 |
| HCL Technologies UK Limited | 34,020 | 2,974,846 |
| HCL AXON TECH. INC - SD | 0 | 1,406,487 |
| HCL Technologies Ltd.-Ireland Branch | 276,283 | 9,434 |
| HCL Technologies Ltd.- Swiss Branch | 10,702 | 873,643 |
| HCL Technologies Ltd.- Moscow Branch | - | 268,991 |
| HCL Australia Services Pty. Ltd. | 114,481 | 186,385 |
| HCL Technologies Middle East FZ-LLC | - | 3,113,427 |
| HCL Technologies Middle East FZ-LLC- Dubai Branch | - | 209,080 |
| HCL AXON MALAYSIA SDN BHD | - | 24,623 |
| **Total(X)** | **110,508,454** | **141,882,462** |
| **Interest payable** | | |
| Axon Group Limited UK | 504,812 | 434,443 |
| Axon Solutions Limited | 1,963,474 | 1,304,582 |
| **Total (Y)** | **2,468,286** | **1,739,025** |
| **Total (X)+(Y)** | **112,976,740** | **143,621,487** |

## Notes to the financial statements (Continued)

**d) Outstanding balances with related parties (Continued)**

| Particulars | As at 31 March 2020 ZAR | As at 31 March 2019 ZAR |
|---|---|---|
| **Short Term Loans** | | |
| Axon Solutions Limited | 11,038,250 | 9,499,550 |
| **Total** | **11,038,250** | **9,499,550** |
| **Trade receivable** | | |
| HCL Technologies Limited | 4,918,370 | 182,593 |
| Anzospan Investments (PTY) Limited | - | 4,802,403 |
| JSP Consulting Sdn Bhd | 7,641 | 7,641 |
| HCL Tech Denmark ApS | 53,770 | - |
| HCL TECHNOLOGIES MEXICO, | 18,163 | - |
| HCL Technologies Germany Gmbh | 112,193 | - |
| HCLTechnologiesLtd .Sucursal EM Portugal | 51,853 | - |
| HCL Technologies Limited - Russia Branch | 23,976 | 114,824 |
| Axon Solutions Limited | 5,913 | 9,815 |
| HCL (Brazil) Technologia da informacao Ltda. | 94,092 | 94,092 |
| HCL America Inc. | 2,073,201 | 2,347,303 |
| HCL Argentina s.a. | 166,470 | 4,861 |
| HCL Australia Services Pty. Limited | 550,255 | 813,252 |
| HCL Axon Technologies Inc.-SD (fly Axon Solutions (Canada) I | - | 48,581 |
| HCL Great Britain Limited | 343,158 | - |
| HCL Singapore Pte Limited | 92,027 | 1,147,393 |
| HCL Technologies (Shanghai) Limited | 638,824 | 638,824 |
| HCL Technologies Chile Spa | 9,640 | 9,864 |
| HCL Technologies Colombia SAS | 39,325 | 28,233 |
| HCL Technologies Norway AS | (7,789) | (6,320) |
| HCL Technologies South Africa (Proprietary) Limited | 107,641 | 443,170 |
| HCL Technologies UK Limited | 3,925,721 | 4,663,349 |
| HCL Technologies Limited- Swiss Branch | 1,235 | - |
| HCL Technologies B.V | 9,081 | 16,510 |
| HCL Technologies Italy SPA | 442,061 | - |
| PT. HCL Technologies Indonesia | 53,632 | 5,693 |
| HCL Technologies Belgium BVBA | - | 982,291 |
| HCL Technologies Ltd.- UAE Branch | (229,639) | 554,485 |
| HCL Technologies Middle East FZ-LLC | (108,258) | 390,484 |
| HCL Axon Solutions (Shanghai) Co. Ltd. | 2,555,350 | 2,120,860 |
| **Total(A)** | **15,947,908** | **19,420,198** |
| **Short term deposits** | | |
| Anzospan Investments (PTY) Limited | - | 1,000,000 |
| **Total(B)** | **-** | **1,000,000** |
| **Other receivables** | | |
| Axon Solutions (Shanghai) Co. Ltd. | 70,509 | 70,509 |
| HCL Technologies (Shanghai) Limited | 217,822 | 217,822 |
| HCL Technologies Limited | - | 252,369 |
| HCL America Inc. (Axon) | - | 38,434 |
| HCL Technologies UK Ltd. | - | 72,842 |
| HCL Technologies B.V. | - | 9,426 |
| **Total(C)** | **288,331** | **661,402** |

## Notes to the financial statements (Continued)

**d) Outstanding balances with related parties (Continued)**

| Particulars | As at 31 March 2020 ZAR | As at 31 March 2019 ZAR |
|---|---|---|
| **Interest receivable on short term deposit** | | |
| Anzospan Investments (PTY) Limited | 289,973 | 239,918 |
| **Total(D)** | **289,973** | **239,918** |
| **Receivable from fellow Subsidiaries (A+B+C+D)** | **16,526,212** | **21,321,518** |
| **Deferred contract cost- Current** | | |
| HCL Technologies Limited | 18,281,988 | 16,658,237 |
| **Total** | **18,281,988** | **16,658,237** |

**Terms and conditions of transactions with related parties**

Outstanding balances at year-end are unsecured, interest free (except loan from parent company) and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended March 31, 2020, the company has not recorded any impairment of receivables relating to amounts owed by related parties.

### 32 Retirement benefits

All eligible employees are members of the HCL Axon S.A. 319 Proprietary Ltd Pension Fund defined contribution plan administered by Liberty. The plan is governed by the Pension Funds Act of 1956. Pension contributions are made by employees with HCL Axon S.A. 319 Proprietary Ltd contributing an equal amount plus administration costs of the fund. Pension costs relating to contributions recognised in the current financial year are reflected under employee benefits in Note 3.

### 33 Capital management

| | 31 March 2020 ZAR | 31 March 2019 ZAR |
|---|---|---|
| Share capital | 87,000,000 | 87,000,000 |
| Accumulated profit | 221,900,429 | 507,680,703 |
| | **308,900,429** | **594,680,703** |

Capital includes equity shares and equity attributable to the equity holders of the parent. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustment to it, in light of change in economic conditions.To maintain the capital structure, the company may issue new shares.

### 34 Remuneration to directors and key management personnel

Some of the directors and key management personnel of the Company are also directors and key management personnel in other group companies within the HCL group and all of these companies together are viewed as one business unit and their remuneration is paid by the ultimate parent Company. No separate or additional remuneration is paid to these directors for their role as directors of this Company or any other companies in the South African group and therefore no disclosure is required for these directors.

Non-executive directors' (Luyolo Poswa) fees reflect their services as directors and services on various sub-committees on which they serve. Total remuneration paid for their services in current Period is ZAR Nil ( PY ZAR Nil), non-executive directors do not earn attendance fees.

Executive directors' (Balungile Phili) fees, appointed on 1 August 2019, reflect their services as directors and services on various sub-committees on which they serve. Total remuneration paid for their services in current Period is ZAR 673,426.

Non-executive directors do not participate in any incentive schemes or plans of any kind.

### 35 Subsequent Event

Other than the matter mentioned below, there have been no significant subsequent events since the year ended 31 March'20 that would have material impact on the statement of financial position of the Company as shown in these financial statements.
The recent outbreak of COVID19 (Coronavirus) continues to impact the global economy and markets. At this time, the impact of the outbreak on our business has been limited as delivery of our services is uninterrupted, and we have currently not witnessed significant changes in demand, whereas our service delivery is intact and our liquidity remains healthy. However, going forward the COVID19 outbreak may negatively impact amongst others our, workforce, operations, and market demand and liquidity. We will take all necessary actions to keep our operations running and, most importantly, protect our employees, suppliers, customers and all other stakeholders.

### 36 Going Concern

The company earned a for the period ended 31 March 2020 of R (50,855,044) as compared to profit in last year ended 31 March 2019 – R 57,282,921 and as at that date its total assets exceeded its total liabilities by R 412,076,171(31 March 2019 – R 594,680,703). In addition, current assets exceed current liabilities by R 106,256,678 (31 March 2019 – R 346,648,793). The loss solely resulted from a once of Share Based Payment charge and does not impact the company’s future profitability. Based on our current knowledge and available information, we do not expect COVID19 to have an impact on our ability to continue as a going concern in the future. Accordingly, the financial statements have been prepared on a going concern basis.