

**HCL AXON (PROPRIETARY) LIMITED**  
(Registration number 2009/003046/07)

**Audited Annual Financial Statements**  
as on  
31 March 2019

**HCL Axon Proprietary Limited**  
(Registration number 2009/003046/07)

**Audited Annual Financial Statements for the year ended March 31, 2019**

**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	Prateek Aggarwal (Indian citizen) (Appointed on 24 <sup>th</sup> Oct 2018) Nima Pravin Gagjee (South African citizen) Sundaram Sridharan (Singapore citizen) Anil Kumar Chanana (Indian citizen) (Resigned on 24 <sup>th</sup> Oct 2018)
Registered office	GMI House, Harlequins Office Park, 164 Totius Street, Groenkloof, Pretoria, 0027
Business address	2nd Floor, ABB Park The Crescent 3 Eglin Road, Sunninghill 2157, South Africa
Postal address	PO Box 619 Pretoria 0001
Holding company	Anzospa Investment Proprietary Limited (Incorporated in South Africa)
Ultimate holding company	HCL Technologies Limited (Incorporated in India)
Auditors	Ernst & Young Inc. Chartered Accountants
Company registration number	2009/003046/07
Preparer of Annual Financial Statements	Deepak Gupta (Associated Chartered Accountant of India)

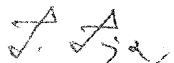
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**Approval of Annual Financial Statements**

The audited annual financial statements set out on pages 7 to 32 were approved by the board of directors on 09/07 2019.



Prateek Aggarwal  
Director



Sundaram Sridharan  
Director

## **Independent Auditor's Report**

*To the Shareholders of HCL Axon (Proprietary) Limited*

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the financial statements of *HCL Axon (Proprietary) Limited* ('the company') set out on pages 7 to 32, which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and 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 Axon (Proprietary) Limited* as at 31 March 2019, 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements of the company and in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the company and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the 5<sup>th</sup> and 6<sup>th</sup> page of the document titled "HCL Proprietary Limited Audited Annual Financial Statements for the year ended 31 March 2019", 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 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.

*Ernst & Young Inc*

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Director - Donovan van Straaten  
Registered Auditor  
9 July 2019

86 Kellner Street  
Westdene  
Bloemfontein  
9301  
South Africa

## **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 16<sup>th</sup> 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 profit of ZAR 57,282,921 (2018: Profit ZAR 76,949,249) was recorded for the year under review.

### **5. Share capital**

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

**HCL Axon Proprietary Limited**

(Registration number 2009/003046/07)

**Audited Annual Financial Statements for the year ended March 31, 2019**

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**Directors' Report - continued**

**6. Directors**

Particulars of the directors as on 31<sup>st</sup> March, 2019 are given on page 1.

**7. Holding company**

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

**8. Ultimate holding company**

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

**9. Dividends**

Dividend of ZAR 31,785,450 paid during the year to the shareholders.

**10. Subsequent events**

No material fact or circumstance has occurred between the accounting date and the date of this report.



**Prateek Aggarwal**  
Director



**Sundaram Sridharan**  
Director

**HCL Axon Proprietary Limited**

(Registration number 2009/003046/07)

**Audited Annual Financial Statements for the year ended March 31, 2019****Statement of comprehensive income for the year ended March 31, 2019**

	Note	31 March 2019 ZAR	31 March 2018 ZAR
Revenue from contract with customers	2	847,902,903	777,773,290
Operating costs	3	(784,576,573)	(689,436,390)
		63,326,330	88,336,900
Other income/(expense)	4	16,633,291	16,425,023
Operating profit		79,959,621	104,761,923
Finance cost	5	(590,360)	(498,660)
Profit before taxation		79,369,261	104,263,263
Taxation	6	(22,086,340)	(27,314,014)
Profit after taxation		57,282,921	76,949,249
Total comprehensive income for the year		<b>57,282,921</b>	<b>76,949,249</b>



**HCL Axon Proprietary Limited**  
(Registration number 2009/003046/07)  
**Audited Annual Financial Statements for the year ended March 31, 2019**

**Statement of Financial Position as at March 31, 2019**

	Note	31 March 2019 ZAR	31 March 2018 ZAR
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	7	73,156,934	19,313,011
Intangible Assets	8	1,583,503	2,434,442
Goodwill		118,714,119	118,714,119
Investment in Subsidiaries	9	-	17,236,800
Non-Current Receivables	10	52,844,038	29,151,381
Deferred Contract Cost		4,812	5,145
Deferred tax assets (Net)	19	2,925,677	2,013,100
		<b>249,229,083</b>	<b>188,867,998</b>
<b>Current Assets</b>			
Trade Receivables	11	166,693,415	132,488,162
Other Receivables	11	34,947,600	21,079,940
Deferred Contract Cost	12	16,638,796	9,040,204
Finance Lease Receivables	30	42,053,374	50,609,899
Receivable from Ultimate Holding Company and Fellow Subsidiaries	13	21,321,518	15,975,478
Inventories	14	12,851,810	1,386,028
Cash and Cash Equivalents	15	253,893,437	424,560,105
Contract Assets		1,374,334	-
Unbilled Receivables	17	38,713,085	28,699,584
		<b>588,487,369</b>	<b>683,839,400</b>
<b>Total Assets</b>		<b>837,716,452</b>	<b>872,707,398</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share Capital	18	87,000,000	87,000,000
Retained Income		507,680,703	482,183,232
		<b>594,680,703</b>	<b>569,183,232</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Contract Liability		1,197,173	4,342,000
		<b>1,197,173</b>	<b>4,342,000</b>
<b>Current Liabilities</b>			
Loan from Fellow Subsidiaries		9,499,550	8,314,450
Owed to Ultimate Holding Company and Fellow Subsidiaries	20	134,402,647	222,186,056
Trade and Other Payables	21	88,457,314	53,431,652
Income Tax Payable	16	2,747,960	5,001,411
Provisions	22	6,731,105	10,248,597
		<b>241,838,576</b>	<b>299,182,166</b>
<b>Total Equity and Liabilities</b>		<b>837,716,452</b>	<b>872,707,398</b>

**HCL Axon Proprietary Limited**

(Registration number 2009/003046/07)

**Audited Annual Financial Statements for the year ended March 31, 2019****Statement of changes in equity for the year ended March 31, 2019**

	<b>Share Capital ZAR</b>	<b>Retained Income ZAR</b>	<b>Total Equity ZAR</b>
<b>At April 1, 2017</b>	87,000,000	485,273,983	572,273,983
Total comprehensive Income	-	76,949,249	76,949,249
Dividend Paid (Note-1)	-	(80,040,000)	(80,040,000)
<b>Balance at March 31, 2018</b>	<b>87,000,000</b>	<b>482,183,232</b>	<b>569,183,232</b>
<b>At April 1, 2018</b>	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)
<b>Balance at March 31, 2019</b>	<b>87,000,000</b>	<b>507,680,703</b>	<b>594,680,703</b>

Note-1- Company has paid interim dividend for the year 2018-19 at the rate of ZAR 0.37 per equity share of face value ZAR.1 each.

**HCL Axon Proprietary Limited**

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**Audited Annual Financial Statements for the year ended March 31, 2019****Statement of Cash Flows for the period year March 31, 2019**

	Note	31 March 2019 ZAR	31 March 2018 ZAR
<b>Cash flows from operating activities</b>			
Profit before tax		79,369,261	104,263,263
<b>Adjusted for :</b>			
Depreciation and amortization		13,540,803	8,235,662
Interest income		(18,217,026)	(19,232,519)
Loss on sale of fixed assets		5,977	-
Unrealized foreign currency gains and losses		1,700,556	(7,448,466)
Provision for Bad debts written back		(441,098)	-
Investment written off		17,236,800	-
Interest expenses		420,606	319,070
<b>Cash inflows before working capital changes</b>		93,615,879	86,137,010
<b>Movement in working capital changes</b>			
(Increase) / Decrease in Trade and other receivables		(47,929,545)	(24,741,413)
(Increase) / Decrease in Receivable from fellow subsidiaries		(5,256,040)	(4,068,925)
(Increase) / Decrease in Inventories		(11,465,781)	293,936
(Increase) / Decrease in Unbilled receivable		(10,013,502)	17,311,953
(Increase) / Decrease in Unbilled receivable from ultimate holding company and fellow subsidiaries		-	184,964
Increase in Non-current receivables		(23,692,323)	78,654,396
Increase / (Decrease) in Owed to ultimate holding company and fellow subsidiaries		(89,019,012)	127,515,649
Increase / (Decrease) in Trade and other payables		33,838,559	(36,203)
Decrease in contract liability		(3,144,827)	4,342,000
Increase / (Decrease) in Provisions		(3,517,492)	(4,187,417)
<b>Cash flow from/(used in) operations</b>		(66,584,084)	281,405,950
Income Tax paid		(25,252,371)	(36,829,188)
<b>Net cash inflow / (outflow) from operating activities</b>		(91,836,455)	244,576,762
<b>Cash flows from investing activities</b>			
Purchase of fixed assets		(66,539,763)	(4,313,675)
Sale of Fixed Assets		-	1,497,697
Interest income		18,127,026	18,247,797
<b>Net cash used in investing activities</b>		(48,412,737)	15,431,819
<b>Cash flows from financing activities</b>			
Movement in unsecured loans		1,185,100	-
Movement in unsecured loan to fellow subsidiaries		183,755	-
Interest paid		(881)	(4,918)
Dividend Paid		(31,785,450)	(80,040,000)
<b>Net cash from / (used in) financing activities</b>		(30,417,476)	(80,044,918)
Net Increase / (decrease) in cash and cash equivalents		(170,666,668)	179,963,663
Cash and cash equivalents at the beginning of the year		424,560,105	244,596,442
<b>Cash and cash equivalents at the end of the year *</b>	15	253,893,437	424,560,105

\*Cash and cash equivalent represent balance with bank.

## **Accounting policies**

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### **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.

Company has used exemptions in accordance with IFRS 10.4 and has not consolidated its subsidiary (HCL South Africa Share Ownership Trust), and is consolidated with its parent entity (Anzospan Investment Proprietary Ltd.)

The company uses the ZAR as its reporting currency.

#### **1.1 Property, plant and equipment**

Plant and equipment is initially recorded at cost. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use.

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".

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.

#### **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, using the liability method, 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**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- There is a change in contractual terms, other than a renewal or extension of the arrangement;
- A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- There is a change in the determination of whether fulfilment is dependent on a specified asset; or
- There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c), or d) and at the date of renewal or extension period for scenario b).

**Accounting policies (continued)**

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**1.3 Leases (continued)**

**Company as lessor**

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 a finance lease are recognized as a receivable at an amount equal to the net investment in the leased assets. 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.

**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 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.

## Accounting policies (continued)

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### 1.6 Financial instruments

#### Financial assets

Trade receivables that do not contain a significant financial component or for which the Company has applied the practical expedient of not adjusting the effect of a significant financial component are measured at the transaction price determined under IFRS 15. All the other financial assets are initially recognised at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss. Regular way purchases and sales of financial assets are recognised on the trade date, that is, the date when the Company commits to purchase or sell the assets.

#### (a) Classification and measurement

##### (i) Under IFRS 9

Debt instruments are measured at amortised cost using the effective interest rate method, subject to impairment if the assets are held for the collection of contractual cash flows where those contractual cash flows represent solely payments of principal and interest.

Debt instruments are measured at fair value through other comprehensive income if the assets' contractual cash flows represent solely payments of principal and interest and the assets are held for collection of contractual cash flows and for selling the financial assets. Such financial assets are subsequently measured at fair value with any gains or losses from changes in fair value recognised in other comprehensive income, except for impairment losses and reversal, foreign exchange gains and losses and interest calculated using the effective interest rate method which are recognised in the statement of profit or loss. The cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to the statement of profit or loss when the financial asset is derecognised.

Debt instruments that do not meet the criteria for amortised cost or as financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. Interest income for these financial assets is included in finance income.

##### (ii) Under IAS 39

Financial assets are classified as financial assets at fair value through profit or loss if held for trading, or upon initial recognition are designated as at fair value through profit or loss. Such investments are recognised initially at fair value, with transaction costs taken directly to the statement of profit or loss, and are subsequently remeasured at fair value. Gains and losses from changes in the fair value are recognised in the statement of profit or loss as they arise, together with the related interest income and expenses and dividends.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less impairment allowances.

#### (b) Impairment

##### (i) Under IFRS 9

The Company applies the expected credit loss model on all the financial assets that are subject to impairment, financial guarantee contracts, contract assets under IFRS 15 and lease receivables under IAS 17. For trade receivables and contract assets without a significant financial component, the Company applies the simplified approach which requires impairment allowances to be measured at lifetime expected credit losses.

For other financial assets, impairment allowances are recognised under the general approach where expected credit losses are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, the Company is required to provide for credit losses that result from possible default events within the next 12 months. For those credit exposures where there has been a significant increase in credit risk since initial

**Accounting policies (continued)**

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**1.6 Financial instruments (continued)**

recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

The Company considers a default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more appropriate default criterion should be applied.

(ii) Under IAS 39

The Company recognises losses for impaired loans promptly where there is objective evidence that an impairment of a loan or a portfolio of loans has occurred. Impairment allowances are assessed either individually for individually significant loans or collectively for loan portfolios with similar credit risk characteristics including those individually assessed balances for which no impairment provision is made on an individual basis.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

If there is objective evidence that an impairment loss has been incurred for unquoted equity investments measured at cost less impairment, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

(c) Derecognition (under IFRS 9 and IAS 39)

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Company has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities

The Company's financial liabilities include trade and bills and other payables, bank overdraft, accruals and amounts due to group companies. Financial liabilities are recognised when the company becomes a party to the contractual provision of the instrument.

Financial liabilities are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expire.

**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)**

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**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 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**1.11 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)**

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**1.12 Investments**

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises the purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired by the issue of shares or the other securities, the acquisition cost is the fair value of securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

**1.13 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.

**1.14 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.

**Accounting policies (continued)**

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**1.15 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.

**1.16 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.

**Fair value measurement of contingent consideration**

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. Where the contingent consideration meets the definition of a derivative and thus financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows.

The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

**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 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.

**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.

**1.17 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 15 and IFRS 9 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 2018-19, 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.

**Accounting policies (continued)**

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**1.17 New Standards and Interpretations (continued)**

IFRS 15 Revenue from Contracts with Customers

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

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies

the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company has elected to apply the standard to contracts that are not completed as at 1 April 2018.

IFRS 9 Financial Instruments

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

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

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

Changes to Classification and measurement

On 1 April 2018, the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its contract liabilities into the appropriate IFRS 9 categories.

There has been no impact on the Company's accounting for financial liabilities that are designated at fair value through profit or loss and Company does not have such liabilities.

Changes to the impairment model

IFRS 9 requires the Company to record expected credit losses on all of its financial assets measured at amortised cost or fair value through other comprehensive income.

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

**(i) Trade receivables**

The Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. Future cash flows for each group of receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information.

## **HCL Axon Proprietary Limited**

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### **Audited Annual Financial Statements for the year ended March 31, 2019**

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#### **Accounting policies (continued)**

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##### **1.17: New Standards and Interpretations (continued)**

Management has closely monitored the credit qualities and the collectability of the trade receivables. Trade receivables in dispute are assessed individually for impairment to determine whether specific loss allowance

provisions are required. The adoption of the simplified expected credit loss approach under IFRS 9 has not resulted in any additional impairment loss for trade receivables as at 1 April 2018.

##### **(ii) Other financial assets carried at amortised cost**

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

Management has closely monitored the credit qualities and the collectability of other financial assets at amortised cost and considers that the expected credit loss is immaterial.

##### **Standards and interpretations not yet effective**

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's future accounting periods.

Standard/ Interpretation: Effective date: years beginning on or after

##### **IFRS 16 Leases (effective 01 January 2019)**

On January 13, 2016, the international accounting standards board issue the final version of IFRS 16 Leases. IFRS 16 will replace the existing leases standard, IAS 17 Leases, and related interpretations. The standard sets out the principal for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract i.e. the lessee and the lessor. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of Profit and Loss. The standard also contains enhanced disclosure requirements for lessees. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. The company is currently evaluating the impact that the adoption of this new standard will have on its financial statements.

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**Audited Annual Financial Statements for the year ended March 31, 2019**
**Notes to the financial statements (Continued)**

	31 March 2019 ZAR	31 March 2018 ZAR
<b>2 Revenue from contract with customers</b>		
<b>Total revenue comprises:</b>		
Service Income	767,501,721	737,191,669
Sale of goods*	18,252,876	27,501,952
Sale under capital lease	55,467,972	4,890,187
Interest income on leased assets	6,680,334	8,189,482
	<b>847,902,903</b>	<b>777,773,290</b>
*Sale of goods comprises of sale of IT hardware items to customers		
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	80,401,182	40,581,621
Services transferred over time	767,501,721	737,191,669
<b>Total revenue from contract with customers</b>	<b>847,902,903</b>	<b>777,773,290</b>
<b>3 Operating costs</b>		
<b>Operating costs include:</b>		
Depreciation on plant and equipment	11,197,723	6,069,362
Amortization of intangibles assets	2,343,079	2,166,300
Operating lease expense	1,477,989	1,749,718
Auditor's remuneration	148,175	162,993
Provision for Bad debts/(written back)	(441,098)	(13,592,276)
Consulting Charges	368,464,738	349,223,372
Cost of goods sold	61,651,398	27,518,988
<b>Employee Benefits</b>		
Salaries	163,465,152	169,107,466
Bonus	4,190,997	1,333,550
Pension costs - defined contribution plan	1,392,057	868,290
<b>4 Other Income / (expenses)</b>		
Exchange loss (Net)	(1,583,735)	(2,807,496)
Interest on income tax refund		894,722
Interest income	18,217,026	18,337,797
	<b>16,633,291</b>	<b>16,425,023</b>
<b>5 Finance costs</b>		
<b>Interest Expense</b>		
On loan from fellow subsidiaries	419,725	314,152
Cash credit from bank	881	4,918
Bank charges	169,754	179,590
	<b>590,360</b>	<b>498,660</b>
<b>6 Taxation</b>		
The major components of income tax expenses		
<b>Current Income Tax:</b>		
Current Income Tax Charge	23,247,036	41,226,421
Adjustments in respect of current income tax of previous year		(1,613,084)
Prior year under provision	(248,119)	
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	(1,350,188)	(12,299,323)
Deferred tax Prior year under provision	437,611	
	<b>22,086,340</b>	<b>27,314,014</b>
<b>Reconciliation of tax expense and the accounting profit</b>		
Accounting profit before income tax	79,369,261	104,263,263
Statutory income tax rate of 28% (2018: 28%)	22,223,392	29,193,714
Adjustments in respect of current income tax of previous years	(248,119)	(1,613,084)
Adjustments in respect of deferred income tax of previous years	437,611	
Non-deductible expenses for tax purposes:	665	(16,092)
Tax on interest income for tax purposes:	(349,585)	(250,524)
Others	22,376	
At the effective income tax rate of 28% (2018: 28%)	<b>22,086,340</b>	<b>27,314,014</b>
Income tax expense reported in the statement of profit or loss	<b>22,086,340</b>	<b>27,314,014</b>

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 2017	26,256,125	221,400	768,033	1,775,917	1,762,775	30,784,250
Additions	3,943,335	-	-	-	-	3,943,335
Disposal	(2,786,238)	-	(8,664)	-	(1,497,697)	(4,292,599)
At March 31, 2018	27,413,222	221,400	759,369	1,775,917	265,078	30,434,986
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

Accumulated Depreciation

	Computer Equipment (ZAR)	Plant Machinery (ZAR)	Office Equipment (ZAR)	Furniture and Fittings (ZAR)	Under Construction (ZAR)	Total (ZAR)
At 01 April 2017	(5,925,653)	(42,278)	(690,703)	(1,188,880)	-	(7,847,514)
Depreciation Charged during the year	(5,781,934)	(22,140)	(66,043)	(199,246)	-	(6,069,363)
Retirement	2,786,238	-	8,664	-	-	2,794,902
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)

Net Book Value

At March 31, 2019	70,417,482	134,842	-	722,011	1,882,599	73,156,934
At March 31, 2018	18,491,873	156,982	11,287	387,791	265,078	19,313,011

8. Intangible Assets

	Order backlog (ZAR)	Customer Relationship (ZAR)	Intellectual Property (ZAR)	Software Application (ZAR)	Total (ZAR)
At 01 April 2017	771,028	17,375,385	2,500,000	177,442	20,823,855
Additions	-	-	-	370,340	370,340
At March 31, 2018	771,028	17,375,385	2,500,000	547,782	21,194,195
Additions	-	-	-	1,492,140	1,492,140
At March 31, 2019	771,028	17,375,385	2,500,000	2,039,922	22,686,335

Accumulated Amortisation

	Order backlog (ZAR)	Customer Relationship (ZAR)	Intellectual Property (ZAR)	Software Application (ZAR)	Total (ZAR)
At 01 April 2017	(771,028)	(13,321,129)	(2,500,000)	(1,296)	(16,593,453)
Amortisation charge for the year	-	(1,737,538)	-	(428,762)	(2,166,300)
At March 31, 2018	(771,028)	(15,058,667)	(2,500,000)	(430,058)	(18,759,753)
Amortisation charge for the year	-	(1,737,538)	-	(605,541)	(2,343,079)
At March 31, 2019	(771,028)	(16,796,205)	(2,500,000)	(1,035,599)	(21,102,832)

Net Book Value

At March 31, 2019	-	579,180	-	1,004,323	1,583,503
At March 31, 2018	-	2,316,718	-	117,724	2,434,442

The gross carrying amount of fully depreciated property plant & equipment & intangible's, that is still in use as at 31st March 2019 is ZAR 2,921,020.

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

	31 March 2019 ZAR	31 March 2018 ZAR
<b>9 Investment in Subsidiaries</b>		
100% Interest in issued share capital of HCL South Africa Share Ownership Trust Incorporated in South Africa		17,236,800
		<b>17,236,800</b>
<b>10 Non-Current Receivables</b>		
Finance lease receivables	42,759,676	25,663,356
Deposits	469,126	118,200
Prepaid Expenses	9,615,236	3,369,825
	<b>52,844,038</b>	<b>29,151,381</b>
<b>11 Trade and other receivables</b>		
Trade receivables	173,588,613	139,824,458
Less: Provision for doubtful debt	(6,895,198)	(7,336,296)
	<b>166,693,415</b>	<b>132,488,162</b>
Other receivables	35,361,481	21,493,821
Less: Provision for other current assets	(413,881)	(413,881)
	<b>34,947,600</b>	<b>21,079,940</b>
Trade receivables are generally non-interest bearing and are generally on 30 days terms		
<b>Impairment of trade receivables under IFRS 9 for the year ended 31 March 2019</b>		
The Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses have also incorporated forward looking information. The loss allowance as at 31 March 2019 is determined as follows:		
<b>As at March 31, 2019 the ageing analysis of trade receivables is as follows:</b>		
	Neither past due nor impaired (Up to 30 days)	Past due but not impaired
Total		31-60 Days 61-180 Days 180+ Days
166,693,415	151,896,424	4,294,590 5,968,250 4,534,151
<b>As at 31 March 2019</b>		
	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
<b>As at March 31, 2018 the ageing analysis of trade receivables is as follows:</b>		
	Neither past due nor impaired (Up to 30 days)	Past due but not impaired
Total		31-60 Days 61-180 Days 180+ Days
132,488,162	91,060,413	27,100,509 14,741,619 (414,379)
<b>12 Deferred Contract Cost</b>		
Deferred Contract Cost - group		16,658,237 8,872,830
Deferred Contract Cost - Non group		(19,441) 167,374
		<b>16,638,796 9,040,204</b>
<b>13 Receivable from ultimate Holding company and fellow subsidiary</b>		
Trade Receivable-group		20,081,600 14,825,560
Short term Loans-group		1,000,000 1,000,000
Interest receivable on Loan-group		239,918 149,918
		<b>21,321,518 15,975,478</b>
<b>14 Inventories</b>		
Inventory in hand		13,104,775 1,386,028
Less: Provision for inventory		(252,965)
		<b>12,851,810 1,386,028</b>
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 requirement will be received.		
<b>15 Cash and cash equivalents</b>		
Cash at Bank	38,893,437	96,560,105
Term Deposit	215,000,000	328,000,000
	<b>253,893,437</b>	<b>424,560,105</b>
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.		
<b>16 Income Tax Payable</b>		
Advance Tax	(62,063,545)	(80,174,301)
Income Tax Provisions	64,811,505	85,175,712
	<b>2,747,960</b>	<b>5,001,411</b>

**HCL Axon Proprietary Limited**  
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**Audited Annual Financial Statements for the year ended March 31, 2019**

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

	<b>31 March 2019</b>		<b>31 March 2018</b>	
	<b>ZAR</b>		<b>ZAR</b>	
<b>17 Unbilled Receivables</b>				
Unbilled Receivables	38,930,835		30,334,457	
Accrued Revenue	(217,750)		(1,634,873)	
	<b>38,713,085</b>		<b>28,699,584</b>	
<b>18 Share capital</b>				
<b>Authorized</b>				
200,000,000 (2018: 20,000,000) ordinary shares of ZAR 1 each	200,000,000		200,000,000	
<b>Issued</b>				
87,000,000 (2018: 87,000,000) ordinary shares of ZAR 1 each	<b>87,000,000</b>		<b>87,000,000</b>	
<b>19 Deferred Tax</b>				
Deferred tax relates to the following:				
	<b>Statement of Financial Position</b>		<b>Statement of Comprehensive Income</b>	
	<b>31 March 2019</b>	<b>31 March 2018</b>	<b>31 March 2019</b>	<b>31 March 2018</b>
Intangible assets	-	(648,681)	648,681	486,511
Obsolete inventory	70,830	-	70,830	-
Contract liability / Deferred contract cost (Net)	7,907,006	3,157,271	4,749,733	2,210,662
Bonus provision	1,155,137	1,234,478	(79,340)	(1,196,848)
Other current assets	115,886	-	115,886	-
Leave pay provision	729,780	752,464	(22,684)	(132,667)
Bad debts provision	-	1,540,622	(1,540,622)	(2,854,378)
Provision for doubtful debts	1,447,992	-	1,447,992	-
Other provisions	-	115,887	(115,887)	-
Net Prepayment	(3,121,470)	(430,396)	(2,691,074)	(430,396)
IPR amortization cost	(162,170)	-	(162,170)	-
Leases	(5,217,314)	(3,708,545)	(1,508,768)	14,216,439
Deferred tax expense / (benefit)	-	-	912,577	12,299,323
Net deferred tax assets / (liabilities)	<b>2,925,677</b>	<b>2,013,100</b>	<b>-</b>	<b>-</b>
Reflected in the statement of financial position as follows:				
Deferred tax assets			11,426,631	6,800,721
Deferred tax liabilities			(8,500,954)	(4,787,621)
Deferred tax assets			<b>2,925,677</b>	<b>2,013,100</b>
Reconciliation of deferred tax assets, net				
As of 1 April 2018			2,013,100	(10,286,223)
Tax income (expense) during the year recognized in profit and loss			(912,577)	(12,299,323)
As at 31 March 2019			<b>2,925,677</b>	<b>2,013,100</b>
<b>20 Owed to ultimate Holding company and fellow subsidiary</b>				
Trade payables - group			132,663,622	221,050,511
Interest payable on Loan - group			1,739,025	1,135,545
			<b>134,402,647</b>	<b>222,186,056</b>
<b>21 Trade and other payables</b>				
Trade payables			30,846,232	13,506,158
Accruals			831,853	3,269,694
Advance received from customer			-	17,831
VAT Payable			12,830,820	11,267,724
Other payables			23,938,918	17,375,761
Contract liability			20,009,491	7,994,484
			<b>88,457,314</b>	<b>53,431,652</b>
<b>22 Provisions</b>				
Leave encashment			2,606,358	2,687,371
Bonus			4,125,491	4,408,849
LD/SLA Violation			(744)	3,152,377
			<b>6,731,105</b>	<b>10,248,597</b>
<b>Movement of provisions</b>	<b>Leave encashment</b>	<b>Bonus</b>	<b>LD/SLA Violation</b>	<b>Total</b>
Opening	2,687,371	4,408,849	3,152,377	10,248,597
Charge during the year	1,882,504	3,290,838	-	5,173,342
Payout/reversal of provisions during the year	(1,963,517)	(3,574,196)	(3,153,121)	(8,690,834)
Closing Balance	<b>2,606,358</b>	<b>4,125,491</b>	<b>(744)</b>	<b>6,731,105</b>



**HCL Axon Proprietary Limited**

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**Audited Annual Financial Statements for the year ended March 31, 2019****Notes to the financial statements (Continued)****22 Provisions (continued)**

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. The bonuses are expected to be settled within 1 year.

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.

**23 Commitments****a) Operating lease commitments**

The company has entered into operating leases consisting of land and buildings. These leases are non-cancellable and have remaining lease terms of between 1 and 5 years. Certain leases include a clause for renewal, and a clause to enable upward revision of the rental charges on an annual basis based on prevailing market conditions.

The future minimum lease payments under non-cancellable operating leases are as follows:

	31 March 2019 ZAR	31 March 2018 ZAR
Not later than One Year	1,525,013	809,775
Later than one year but not later than five years	1,249,168	1,126,819
	<u>2,774,181</u>	<u>1,936,594</u>

**b) Capital commitments**

There are capital commitments at the balance sheet date March 31, 2019 amounting to ZAR 288,102 (2018: ZAR 112,824)

**24 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 of 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 2019	31 March 2018
100	84,996	73,145
-100	(84,996)	(73,145)

**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.

**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.

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**Audited Annual Financial Statements for the year ended March 31, 2019****Notes to the financial statements (Continued)****24 Financial instrument risk management (Continued)****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 11 (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.

	31 March 2019		31 March 2018	
	Change in Rate	Effect on profit before tax ZAR	Change in Rate	Effect on profit before tax ZAR
EUR	12%	(54,303)	2%	(22,365)
GBP	14%	(4,073,336)	0%	62,174
INR	-14%	37,834	14%	(4,766)
CAD	18%	(245,040)	0%	-
MYR	16%	(3,920)	1%	(3,137)
USD	22%	1,307,265	-11%	(5,236,731)
BRL	4%	(186,329)	-16%	13,675
CLP	9%	(25,920)	3%	1,060
CNY	15%	(76,204)	-3%	38,827
NOK	0%	-	0%	-
SEK	10%	(84,240)	-5%	553
PLN	9%	(83,095)	100%	(542,134)
TRY	0%	-	100%	(15,755)
AED	22%	(741,089)	0%	-
AUD	13%	(23,788)	0%	-
CHF	17%	(150,787)	0%	-
RUB	8%	(21,094)	0%	-
SAR	22%	(178,396)	0%	-
SGD	18%	(107,218)	0%	-

EUR	-12%	54,303	-2%	22,365
GBP	-14%	4,073,336	0%	(62,174)
INR	14%	(37,834)	-14%	4,766
CAD	-18%	245,040	0%	-
MYR	-16%	3,920	-1%	3,137
USD	-22%	(1,307,265)	11%	5,236,731
BRL	-4%	186,329	16%	(13,675)
CLP	-9%	25,920	2%	(949)
CNY	-15%	76,204	3%	(38,827)
SEK	-10%	84,240	5%	(553)
PLN	-9%	83,095	-2%	13,063
TRY	0%	-	18%	(2,911)
AED	-22%	741,089	0%	-
AUD	-13%	23,788	0%	-
CHF	-17%	150,787	0%	-
RUB	-8%	21,094	0%	-
SAR	-22%	178,396	0%	-
SGD	-18%	107,218	0%	-

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.

Notes to the financial statements (Continued)

24 Financial instrument risk management (Continued)

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
<b>March 31, 2019</b>					
Loan from holding company	2.5% p.a.	-	-	-	-
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
Current Tax Payable	Interest free	2,747,960	-	-	2,747,960
Provisions	Interest free	6,731,105	-	-	6,731,105
<b>Liabilities</b>		<b>1 Year</b>	<b>2-5 Year</b>	<b>Over 5 Year</b>	<b>Total</b>
<b>March 31, 2018</b>					
Loan from holding company	2.5% p.a.	-	-	-	-
Loan from fellow subsidiaries	2.5% p.a.	8,314,450	-	-	8,314,450
Owed to ultimate holding company fellow subsidiaries	Interest free	222,186,056	-	-	222,186,056
Trade and other payables	Interest free	45,437,168	-	-	45,437,168
Current Tax Payable	Interest free	5,001,411	-	-	5,001,411
Provisions	Interest free	10,248,597	-	-	10,248,597

Fair value

At March 31, 2019 the carrying amounts of cash, trade receivables, trade payables, approximate their fair values due to the short term maturities of these assets and liabilities.

25 Classification of Financial Instrument

31 March 2019

Assets

	Loans and receivables / (financial liabilities at amortized cost) ZAR	Non-financial assets / liabilities ZAR	Total ZAR
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
<b>Total</b>	<b>566,808,839</b>	<b>51,591,208</b>	<b>618,400,047</b>

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	-	21,206,663	21,206,663
<b>Total</b>	<b>199,519,199</b>	<b>34,037,483</b>	<b>233,556,682</b>

31 March 2018

Assets

	Loans and receivables / (financial liabilities at amortized cost) ZAR	Non-financial assets / liabilities ZAR	Total ZAR
Trade and other receivables	132,488,162	21,079,940	153,568,102
Receivable from fellow subsidiaries	15,975,478	-	15,975,478
Cash and cash equivalents	424,560,105	-	424,560,105
Unbilled receivable	28,699,584	-	28,699,584
Finance Lease Receivable	76,273,255	-	76,273,255
Deferred contract cost	-	9,045,349	9,045,349
<b>Total</b>	<b>677,996,584</b>	<b>30,125,289</b>	<b>708,121,873</b>

Liabilities

Loan from fellow subsidiaries	8,314,450	-	8,314,450
Owed to parent and fellow subsidiaries	222,186,056	-	222,186,056
Trade and other payables	34,151,613	11,267,724	45,419,337
Contract liability	-	12,336,484	12,336,484
<b>Total</b>	<b>264,652,119</b>	<b>23,604,208</b>	<b>288,256,327</b>

**HCL Axon Proprietary Limited**

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**Audited Annual Financial Statements for the year ended March 31, 2019**

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

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**26 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

**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) Tecnologia 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) )  
HCL Belgium NV  
HCL GmbH  
HCL Great Britain Limited  
HCL Hong Kong SAR Limited  
HCL Hungary Kft  
HCL Istanbul Bilisim Teknolojileri Limited Sirketi  
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  
PT. HCL Technologies Indonesia

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**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	Year Ended	Year Ended	Year Ended
	March 31 2019	March 31, 2018	March 31 2019	March 31, 2018
	ZAR	ZAR	ZAR	ZAR
<b>Interest expenses</b>				
Axon Solutions Limited	419,725	314,152	-	-
<b>Total</b>	<b>419,725</b>	<b>314,152</b>	<b>-</b>	<b>-</b>
<b>Insurance expenses</b>				
HCL Technologies Limited	-	-	309,495	92,129
<b>Total</b>	<b>-</b>	<b>-</b>	<b>309,495</b>	<b>92,129</b>
<b>Marketing Cost</b>				
HCL Great Britain Limited	28,018,401	23,676,076	-	-
HCL Technologies Middle E	3,068,694	-	-	-
<b>Total</b>	<b>31,087,095</b>	<b>23,676,076</b>	<b>-</b>	<b>-</b>
<b>Consulting charges</b>				
HCL Technologies Limited	-	-	323,613,703	307,806,717
Axon Solutions Inc	(168,479)	3,659	-	-
Axon Solutions Limited	(182,255)	(641,723)	-	-
FILIAL ESPANOLA DE HCL TECHNOLOGIES, S.L.	21,005	-	-	-
HCL (Brazil) Tecnologia da Informacao Ltda.	6,097,178	95,593	-	-
HCL America Inc.	798,338	1,093,647	-	-
HCL Axon Solutions (Shanghai) Co., Ltd., Beijing Branch	500,932	672,024	-	-
HCL Axon Technologies Inc.-SD (fly Axon Solutions (Canada) I	2,733,057	-	-	-
HCL GmbH	458,070	367,908	-	-
HCL Great Britain Limited	3,417,921	10,309,938	-	-
HCL Singapore Pte Limited	623,735	-	-	-
HCL Technologies (Shanghai) Limited	240,306	-	-	-
HCL Technologies B.V.	(284,666)	165,478	-	-
HCL Technologies Chile Spa	329,452	38,130	-	-
HCL Technologies Denmark Apps	2,379,383	322,933	-	-
HCL Technologies South Africa (Proprietary) Limited	-	3,599,642	-	-
Axon Solutions (Shanghai) Co. Ltd.	19,024	64,039	-	-
HCL Australia Services Pty. Limited	400,754	43,058	-	-
HCL Axon Malaysia Sdn Bhd-Software Division	403,034	238,004	-	-
HCL (Netherlands) BV	-	45,698	-	-
HCL Technologies Italy SPA	-	115,243	-	-
HCL Technologies Sweden (IOMC)	-	134,050	-	-
HCL Poland Sp.z o.o.	1,224,600	542,134	-	-
HCL Istanbul Bilisim Teknolojileri Limited Sirketi	-	15,755	-	-
HCL Belgium NV	-	47,958	-	-
HCL Technologies Beijing Co., Ltd.	175,250	112,162	-	-
HCL Technologies UK Limited	4,349,446	2,928,013	-	-
HCL Technologies Germany GmbH	3,042,870	-	-	-
HCL Technologies Belgium BVBA	183,725	-	-	-
HCL Japan Limited, Japan	1,523,910	-	-	-
HCL Technologies Middle East FZ LLC Dubai Branch	226,342	-	-	-
HCL Technologies Ltd.Ireland	9,434	-	-	-
HCL Technologies Ltd Swis	873,643	-	-	-
HCL Tech Limited, Moscow	248,549	-	-	-
HCL Technologies Sweden AB	807,722	-	-	-
HCL AXON MALAYSIA SDN BHD	24,625	-	-	-
<b>Total</b>	<b>30,477,005</b>	<b>20,313,243</b>	<b>323,613,703</b>	<b>307,806,717</b>
<b>Software services</b>				
HCL Technologies Limited	-	-	216,119	546,147
Axon Solutions Limited	-	292,835	-	-
CeleritiFintech Limited	-	809,065	-	-
HCL Technologies Limited (IOMC) Infra Division	2,137,621	-	-	-
HCL (New Zealand) Limited, New Zealand	71,544	-	-	-
HCL America Inc.	4,242,414	6,253,202	-	-
HCL Australia Services Pty. Limited	830,470	1,493,937	-	-
HCL Axon Technologies Inc.-SD (fly Axon Solutions (Canada) I	203,517	141,968	-	-
HCL Great Britain Limited	96,514	479,459	-	-
HCL Hong Kong SAR Limited	11,381	141,253	-	-
Axon Solutions Inc	-	158,464	-	-
HCL (Ireland) Information Systems Limited	-	14,109	-	-
HCL Hungary Kft	-	41,521	-	-
HCL Technologies Germany GmbH	-	92,787	-	-
HCL Technologies Greece Single Member P.C	-	210,095	-	-
HCL Japan Limited	-	505,787	-	-
HCL Technologies Limited- Swiss Branch	23,853	18,538	-	-
HCL Technologies B.V	1,042,167	442,729	-	-
HCL Technologies Italy SPA	-	1,347,240	-	-
Hcl (Brazil) Tecnologiad	54,249	-	-	-
HCL Technologies South A	110,522	-	-	-
HCL Tech Limited, Moscow	252,508	-	-	-
HCL Tech, Belgium BVBA	982,291	-	-	-
HCL Technologies Ltd UAE	1,135,438	-	-	-
HCL Singapore Pte Limited	3,250,430	-	-	-
HCL Technologies Middle E	390,484	-	-	-
HCL Axon Tech.(Shanghai)	2,120,860	-	-	-
<b>Total</b>	<b>16,956,263</b>	<b>12,442,989</b>	<b>216,119</b>	<b>546,147</b>

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**Audited Annual Financial Statements for the year ended March 31, 2019****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	Year Ended	Year Ended	Year Ended
	March 31 2019	March 31, 2018	March 31 2019	March 31, 2018
	ZAR	ZAR	ZAR	ZAR
HCL Singapore Pte Limited	-	1,812,155	-	-
HCL Sweden AB	-	149,165	-	-
HCL Technologies (Shanghai) Limited	75,777	180,593	-	-
HCL Technologies Limited - Russia Branch	-	153,085	-	-
HCL Technologies Middle East FZ- LLC	-	185,512	-	-
HCL Technologies UK Limited	12,649,081	1,353,333	-	-
PT. HCL Technologies Indonesia	-	29,347	-	-
<b>Total</b>	<b>29,681,122</b>	<b>16,306,179</b>	<b>216,119</b>	<b>546,147</b>
<b>Interest income</b>				
Anzospin Investments (PTY) Limited	90,000	90,000	-	-
<b>Total</b>	<b>90,000</b>	<b>90,000</b>	<b>-</b>	<b>-</b>

**d) Outstanding balances with related parties**

Particulars	As at 31 March 2019 ZAR	As at 31 March 2018 ZAR
<b>Owed to ultimate holding company and fellow Subsidiaries</b>		
Axon Solutions Limited	350,998	77,750
HCL (Brazil) Tecnologia da Informacao Ltda.	4,888,409	79,109
HCL America Inc.	1,366,874	986,870
HCL Axon Malaysia Sdn Bhd-Software Division	-	242,537
HCL Axon Solutions (Shanghai) Co., Ltd., Beijing Branch	276,604	925,507
HCL GmbH	458,070	26,744
HCL Great Britain Limited	16,126,398	25,262,177
HCL (Netherlands) BV	-	45,183
HCL Singapore Pte Limited	581,415	-
HCL Technologies (Shanghai) Limited	131,678	233,041
HCL Technologies B.V.	-	164,515
HCL Technologies Chile Spa	299,320	37,318
HCL Technologies Greece Single Member P.C.	-	186,462
HCL Technologies Limited	106,520,156	189,132,255
Axon Solutions (Shanghai) Co. Ltd.	-	63,315
HCL Technologies Sweden AB	785,933	-
Axon Solutions Inc	-	3,659
HCL Technologies South Africa (Proprietary) Limited	-	59,306
HCL Poland Sp.z.o.o.	897,798	533,675
HCL Istanbul Bilişim Teknolojileri Limited Şirketi	-	15,843
HCL Belgium NV	-	47,315
HCL Technologies Beijing Co., Ltd.	131,893	110,353
HCL Technologies UK Limited	2,974,846	2,817,577
HCL AXON TECH. INC - SD	1,406,487	-
HCL Technologies Ltd.-Ireland Branch	9,434	-
HCL Technologies Ltd.-Swiss Branch	873,643	-
HCL Technologies Ltd - Moscow Branch	268,991	-
HCL Australia Services Pty. Ltd.	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	-
<b>Total(X)</b>	<b>141,882,462</b>	<b>221,050,511</b>
<b>Interest payable</b>		
Axon Group Limited UK	434,443	380,245
Axon Solutions Limited	1,304,582	755,300
<b>Total (Y)</b>	<b>1,739,025</b>	<b>1,135,545</b>
<b>Total (X)+(Y)</b>	<b>143,621,487</b>	<b>222,186,056</b>

**HCL Axon Proprietary Limited**

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**Audited Annual Financial Statements for the year ended March 31, 2019****Notes to the financial statements (Continued)****d) Outstanding balances with related parties (Continued)**

Particulars	As at 31 March 2019 ZAR	As at 31 March 2018 ZAR
<b>Short Term Loans</b>		
Axon Solutions Limited	9,499,550	8,314,450
<b>Total</b>	<b>9,499,550</b>	<b>8,314,450</b>
<b>Trade receivable</b>		
HCL Technologies Limited	182,593	548,190
Anzospan Investments (PTY) Limited	4,802,403	4,802,403
JSP Consulting Sdn Bhd	7,641	7,641
HCL (Ireland) Information Systems Limited	-	3,457
HCL Hungary Kft	-	41,521
HCL Japan Limited	-	505,792
HCL Technologies Germany GmbH	-	47,485
HCL Technologies Greece Single Member P.C.	-	210,095
HCL Technologies Limited - Russia Branch	114,824	16,492
Axon Solutions Inc	-	11,029
Axon Solutions Limited	9,815	776,564
CeleritiFintech Limited	-	(102,963)
HCL (Brazil) Tecnologia da informacao Ltda.	94,092	39,843
HCL (New Zealand) Limited	-	19,115
HCL America Inc.	2,347,303	2,809,738
HCL Argentina s.a.	4,861	7,085
HCL Australia Services Pty. Limited	813,252	700,108
HCL Axon Technologies Inc. SD (fly Axon Solutions (Canada) I	48,581	45,659
HCL Great Britain Limited	-	112,795
HCL Istanbul Bilisim Teknolojileri Limited Şirketi	-	(147,101)
HCL Singapore Pte Limited	1,147,393	268,621
HCL Technologies (Shanghai) Limited	638,824	661,707
HCL Technologies Chile Spa	9,864	9,379
HCL Technologies Colombia SAS	28,233	28,855
HCL Technologies Norway AS	(6,320)	(5,160)
HCL Technologies South Africa (Proprietary) Limited	443,170	1,312,042
HCL Technologies UK Limited	4,663,349	(227,878)
HCL Technologies Limited- Swiss Branch	-	18,538
HCL Technologies B.V	16,510	442,729
HCL Technologies Italy SPA	-	1,347,239
PT. HCL Technologies Indonesia	5,693	5,693
HCL Technologies Belgium BVBA	982,291	-
HCL Technologies Ltd.- UAE Branch	554,485	-
HCL Technologies Middle East FZ-LLC	390,484	-
HCL Axon Solutions (Shanghai) Co. Ltd.	2,120,860	-
<b>Total(A)</b>	<b>19,420,198</b>	<b>14,316,713</b>
<b>Short term deposits</b>		
Anzospan Investments (PTY) Limited	1,000,000	1,000,000
<b>Total(B)</b>	<b>1,000,000</b>	<b>1,000,000</b>
<b>Other receivables</b>		
Axon Solutions (Shanghai) Co. Ltd.	70,509	70,509
HCL Technologies (Shanghai) Limited	217,822	217,822
HCL Technologies Limited	252,369	184,258
HCL Technologies South Africa (Proprietary) Limited	-	36,258
HCL America Inc. (Axon)	38,434	-
HCL Technologies UK Ltd.	72,842	-
HCL Technologies B.V.	9,426	-
<b>Total(C)</b>	<b>661,402</b>	<b>508,847</b>

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

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

Particulars	As at 31 March 2019 ZAR	As at 31 March 2018 ZAR
<b>Interest receivable on short term deposit</b>		
Anzspan Investments (PTY) Limited	239,918	149,918
<b>Total (D)</b>	<b>239,918</b>	<b>149,918</b>
<b>Receivable from fellow Subsidiaries (A+B+C+D)</b>	<b>21,321,518</b>	<b>15,975,478</b>
<b>Deferred contract cost</b>		
HCL Technologies Limited	16,658,237	8,872,830
<b>Total</b>	<b>16,658,237</b>	<b>8,872,830</b>
<b>Investment in Subsidiaries</b>		
HCL South Africa Share Ownership Trust	-	17,236,800
<b>Total</b>	<b>-</b>	<b>17,236,800</b>

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

The sales to and purchase from related parties are made at terms equivalent to those that prevail in arm's length transactions. 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, 2019, the company has not recorded any impairment of receivables relating to amounts owed by related parties.

**27 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.

**28 Capital management**

	31 March 2019 ZAR	31 March 2018 ZAR
Share capital	87,000,000	87,000,000
Accumulated profit	507,680,703	482,183,232
	<b>594,680,703</b>	<b>569,183,232</b>

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.

**29 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. The directors do not believe that it is practicable to apportion the remuneration paid between their services as directors and key management personnel of the Company and their services as directors and key management personnel of the other group companies within the HCL group.

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.

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



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**Audited Annual Financial Statements for the year ended March 31, 2019****Notes to the financial statements (Continued)****30 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, 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
<b>Total</b>	<b>99,207,645</b>	<b>84,813,050</b>	<b>14,395,178</b>

**31 March 2018**

Year	Minimum Lease Rent Receivable	Present Value of Lease Rent Receivable	Interest Included in Lease Rent Receivable
2018-19	56,146,789	50,609,899	5,536,889
2019-20	25,872,156	24,477,762	1,394,394
2020-21	717,516	694,112	23,405
2021-22	175,051	164,068	10,983
2022-23	364,157	327,415	36,742
<b>Total</b>	<b>83,275,669</b>	<b>76,273,256</b>	<b>7,002,413</b>