Report and Financial Statements

HCL Technologies UK Limited

For the year ended 31 March 2018

Registered number: 08658132

Company Information

Directors	Manish Anand Shiv Kumar Walia Rahul Singh Ajit Kumar
Registered number	08658132
Registered office	Axon Centre Church Road Egham Surrey TW20 9QB United Kingdom
Independent auditor	Ernst and Young LLP 1 More London Place London SE1 2AF
Banker	Deutsche Bank London Branch 6 Bishops Gate London EC2N 4DA

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Strategic report

For the year ended 31 March 2018

Introduction

The directors present their Strategic Report for the year ended 31 March 2018.

Review of business

The Company's principal activities are:

1) To provide services associated with software consultancy, business process outsourcing and infrastructure management services; and
2) to act as holding company for the investment in the shares of companies providing services associated with software consultancy services, business process outsourcing and infrastructure management services.

The results of the company and its key performance indicators are as follows:

	March 2018	March 2017
	£000	£000
Turnover	**284,170**	199,182
Operating profit/(loss)	**13,843**	(1,091)
Profit for the year	**9,484**	2,890
Carrying value of investments	**92,728**	83,157

The Company recorded revenue of £284,170k (2017- £199,182k) principally from increase in services provided to existing customers and certain new customers. Increase in net profit is mainly because of forex gain this year of £4,411k (2017 – loss of £1,661k). Company has provided for impairment of investments in the amount of £168k (2017 - £4,967k) and received £NIL (2017 - £5,343k) dividend this year. During the year the company has made further investments in various group undertakings. Also the company has purchased Licenced IPR of £36,575k during the year to pursue its business activities. Further details are provided in note 12.

Strategic report (continued)

For the year ended 31 March 2018

Principal risks and uncertainties

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

Additional economic uncertainty has arisen as a result of the June 2016 referendum and subsequent triggering of Article 50 of the Lisbon treaty earlier this year, which will result in the UK exiting the EU by March 2019. This did not have adverse impact on the company's business so far and management will further follow up if any measures are necessary to reduce the business risk.

Aside from investments, the Company principally engages in long term and short term financial instruments and mitigates exposure to the associated risks of these instruments in connection with support from the enlarged group that it is a member of. The Company also closely monitors the results of its investments to determine whether the carrying values are appropriate.

1. Employee related risk

Risk

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

HCL's Strategy

The business strategy "Employee First, Customer Second" directs the Company to retain the right skilled professionals at the right place, right time and right cost. Company is continuously focusing on diversity and local sourcing which will also help to mitigate exposure on some of the risks the Company is perceiving in attracting talent.

2. Technology related risks

Risk

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

HCL's Strategy

The Company is not dependant on any single technology or platform. It has developed competencies in various technologies, platforms and operating environments and offers a wide range of technology options to clients to choose from for their needs.

Strategic report (continued)

For the year ended 31 March 2018

3. Competition related risks

Risk

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

HCL's strategy

The Company has been quick to respond to the changing competitive dynamics. Our business model is increasingly shifting from the traditional outsourcing to a non-linear model and growth has been triggered by the alternative outsourcing approach.

4. Business continuity and information security

Risk

The Company is dealing in maintaining, developing and operating time critical Business and IT applications for various customers and any catastrophe may halt business activities and cause irreparable damage to the brand reputation of the Company. Similarly, the vital need for confidentiality and security of confidential data both belonging to clients as well as the Company itself also poses risks of leaks, loss or compromise of information.

HCL's strategy

The Company has put in place a comprehensive business continuity program to ensure that it meets its business continuity and disaster recovery related requirements. There is also an Information Security team to assess and manage the information security and data privacy and related risks by leveraging on People, Processes and Technology.

Financial instruments

The Company's operations expose it to a variety of financial instrument related risks such as foreign exchange risk, credit and liquidity risk. The Company has adequate controls in place that seek to minimise the adverse effects of these financial risks on the Company's financial performance:

1. Foreign exchange rate risk

Foreign exchange rate risk arises from future commercial transactions and recognised assets, investments and liabilities that are denominated in a currency that is not the Company's functional currency. Most of the transactions of the Company are carried out in its functional currency. Ultimate holding company take hedges to minimise risk at the overall group level.

Strategic report (continued)

For the year ended 31 March 2018

2. Credit risk

The Company has no significant concentrations of credit risk and the Company has a large number of customers that are based in the UK. It has policies in place to ensure that the provisions of consulting services are made to renowned customers or those with an appropriate credit history. The Company also has policies and procedures in place for the control and monitoring of its exposure to credit risk. The Company has a dedicated team for the close follow up for realisation from the customers and adequate provision for doubtful debts is created wherever required as per group policy. During the year there was no significant doubtful amount identified for which the Company was required to create a provision.

3. Liquidity risk

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

This report was approved by the board of directors on 19th June 2018 and signed on its behalf.

Mr. Shiv Kumar Walia

Director

Directors' report

For the year ended 31 March 2018

The directors present their report and the financial statements for the year ended 31 March 2018.

Results and Dividends

The profit for the year, after taxation, amounted to £9,484,000 (2017 - £2,890,000).

The directors do not recommend any dividend.

Directors

The directors who served during the year and to the date of the approval of the financial statements were:
Manish Anand
Shiv Kumar Walia
Rahul Singh
Ajit Kumar

Future Developments

The Company in its initial year has generated good business, and the future growth opportunities in the Company are expected from existing as well as new customers. The Company's ability to grow customer relationships, particularly into large accounts, will be critical for its growth in coming years.

Financial Instruments

Details of financial instruments are provided in the strategic report.

Going Concern

The directors have been provided with assurance of continuing financial support by the parent undertaking for a period not less than 12 months from the date of authorising these financial statements for issue and as such believe it is appropriate for the financial statements to be prepared on the going concern basis.

Employees

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

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

Directors' report (continued)

For the year ended 31 March 2018

Disclosure of information to auditor

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

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and

- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Reappointment of auditor

The auditor, Ernst and Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board of directors on 19th June 2018 and signed on its behalf.

Mr. Shiv Kumar Walia
Director

Directors' responsibilities statement

For the year ended 31 March 2018

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company financial statements and then apply them consistently;

- make judgments and accounting estimates that are reasonable and prudent;

- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of HCL Technologies UK Limited

Opinion

We have audited the financial statements of HCL Technologies UK Limited for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you were:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Zishan Nurmohamed (Senior statutory auditor)
For and on behalf of
Ernst & Young LLP, Statutory Auditor
London
12/07/2018

Statement of comprehensive income

For the year ended 31 March 2018

	Note	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Turnover	4	**284,170**	199,182
Cost of sales		**(234,891)**	(169,641)
Gross Profit		**49,279**	29,541
Exceptional item-impairment of investment	5	**(168)**	(4,967)
Administrative expenses		**(39,547)**	(24,004)
Other operating income/(loss)		**4,279**	(1,661)
Operating profit/(loss)	6	**13,843**	(1,091)
Income from shares in group companies		**-**	5,343
Interest receivable and similar income	9	**53**	134
Interest payable and similar charges	10	**(1,868)**	(609)
Profit on ordinary activities before tax		**12,028**	3,777
Tax on profit on ordinary activities	11	**(2,544)**	(887)
Profit for the year		**9,484**	2,890
Other comprehensive income		**-**	-
Total comprehensive income for the year		**9,484**	2,890

The notes on pages 14 to 33 form part of these financial statements

All amounts relate to continuing operations.

Statement of financial position

As at 31 March 2018

	Note		31 March 2018 £000		31 March 2017 £000
Fixed assets					
Intangible assets	12		**36,833**		479
Tangible assets	13		**7,842**		8,345
Investment	14		**92,728**		83,157
			137,403		91,981
Current assets					
Stocks	15	**73**		-	
Debtors: amounts falling due after more than one year	16	**9,979**		4,299	
Debtors: amounts falling due within one year	16	**108,998**		76,766	
Cash at bank	17	**3,103**		5,293	
		122,153		86,358	
Creditors: amounts falling due within one year	18	**(191,161)**		(157,039)	
Net current liabilities			**(69,008)**		(70,681)
Total assets less current liabilities			**68,395**		21,300
Creditors: amounts falling due after more than one year	18		**(19,512)**		-
Net assets			**48,883**		21,300
Capital and reserves					
Called up share capital	20		**32,243**		14,144
Other reserves			**(203)**		(203)
Retained earnings			**16,843**		7,359
Shareholder's Funds			**48,883**		21,300

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on 19th June 2018.

Mr. Shiv Kumar Walia
Director

The notes on pages 14 to 33 form part of these financial statements.

Statement of changes in equity

For the year ended 31 March 2018

	Share capital £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 April 2016	12,614	-	4,469	17,083
Profit for the year	-	-	2,890	2,890
Group reconstruction	-	(203)	-	(203)
Total comprehensive income for the year	-	(203)	2,890	2,687
Shares issued during the year at par value	1,530	-	-	1,530
Total transactions with the owners	1,530	-	-	1,530
At 31 March 2017	14,144	(203)	7,359	21,300
At 1 April 2017	14,144	(203)	7,359	21,300
Profit for the year	-	-	**9,484**	**9,484**
Total comprehensive income for the year	-	-	**9,484**	**9,484**
Shares issued during the year at par value	**18,099**	-	-	**18,099**
Total transactions with the owners	**18,099**	-	-	**18,099**
At 31 March 2018	**32,243**	(203)	**16,843**	**48,883**

The notes on pages 14 to 33 form part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2018

1. Company Information

HCL Technologies UK Limited is a company incorporated in England. The registered office is Axon Centre, Church Road, Egham, Surrey, TW20 9QB United Kingdom.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard 102 and in accordance with applicable accounting standards under the historical cost convention.

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

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

The financial statements contain information about HCL Technologies UK Limited as an individual Company and are not consolidated financial statements. The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare group financial statements as it and its subsidiary undertakings are included in the group financial statements of its parent, HCL Technologies Limited, a Company incorporated in India, which are publicly available.

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of HCL Technologies Limited as at 31 March 2018 and these financial statements may be obtained from the Companies Registry in India.

Notes to the financial statements

For the year ended 31 March 2018

2. Accounting policies (continued)

2.3 Going concern

The directors have been provided with assurance of continuing financial support by the parent undertaking for a period not less than 12 months from the date of authorising these financial statements for issue and as such believe it is appropriate for the financial statements to be prepared on the going concern basis.

2.4 Revenue

Revenue for consultancy services charged on a time and materials basis is recognised when the services are performed. Revenue for sale of licence is recognized upon the transfer of risks and rewards.

Revenue on fixed price contracts is recognised based upon the percentage completion at the balance sheet date.

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to the stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for losses as soon as they are foreseen.

Trade discounts are provided to customers in accordance with the agreed terms and conditions outlined in the customer contract and are discounted for as reduction in revenue.

Dividend income is recognised when the entity's right to receive payment is established.

2.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Income statement over its useful life of 10 years.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Notes to the financial statements

For the year ended 31 March 2018

2. Accounting policies (continued)

2.5 Intangible Fixed Assets (continued)

The estimated useful lives range as follows:

Licensed IPR's	-	10 Years
Customer relationship	-	5 Years
Customer contracts	-	0.33 Years
Technology	-	5 Years

2.6 Tangible Fixed assets

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

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

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

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

Depreciation is provided on the following basis:

Office equipment	-	5 - 7 years
Computer equipment	-	4 - 5 years
Furniture & fixtures	-	7 years
Plant & Equipment	-	10 years
Software	-	3 years

Capital WIP is not depreciated.

2.7 Investments

Investments are measured at cost less accumulated impairment.

Notes to the financial statements

For the year ended 31 March 2018

2. Accounting policies (continued)

2.8 Impairment of assets

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

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

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.10 Financial Instruments

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

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

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

Notes to the financial statements

For the year ended 31 March 2018

2. Accounting policies (continued)

2.10 Financial instruments (continued)

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

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

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

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

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

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

2.11 Deferred costs

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

2.12 Foreign currency translation

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

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Notes to the financial statements

For the year ended 31 March 2018

2. Accounting policies (continued)

2.12 Foreign currency translation (continued)

Foreign-currency denominated monetary assets and liabilities are translated to the relevant functional currency at exchange rates in effect at the balance sheet date. Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of initial transaction.

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

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

2.13 Finance costs

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

2.14 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Income statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.15 Current and Deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also

Notes to the financial statements

For the year ended 31 March 2018

2. Accounting policies (continued)

2.15 Current and Deferred taxation (continued)

recognised in other comprehensive income or directly in equity respectively.

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and

- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

2.16 Operating Leases

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

2.17 Leased Assets: Lessor

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

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

2.18 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

Notes to the financial statements

For the year ended 31 March 2018

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

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

Significant estimates and assumptions are used as follows

Provisions against receivables

Using information available at the balance sheet date, the Directors make assumptions on the estimated debt recovery rates, based on experience, regarding the level of provision required to account for potentially uncollectible receivables £511k (2017-£108k).

Unbilled revenue

Using information available at the balance sheet date, the Directors make assumptions on the estimated unbilled revenue, based on the level of efforts required to account for potential unbilled revenue £21,080k (2017-£14,464k).

Provisions against impairment of goodwill

Using information available at the balance sheet date, the Directors make assumptions on any indication that goodwill have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected goodwill is estimated and compared with its carrying amount. If the estimated net worth amount is lower, the carrying amount is reduced to its estimated business projections amount.

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

4. Turnover

Turnover represents amounts (excluding value added tax) derived from the provision of goods and services to customers and it includes Software services, Business Process Outsourcing(BPO) solutions, and IT Infrastructure services.

Analysis of turnover by country of destination:

	Year ended 31-Mar 2018 £000	Year ended 31-Mar 2017 £000
United Kingdom	**238,356**	162,017
Rest of World	**45,814**	37,165
	284,170	199,182

Notes to the financial statements

For the year ended 31 March 2018

5. Exceptional item- impairment of investment

	Year ended 31-Mar 2018 £000	Year ended 31-Mar 2017 £000
Impairment of investment	(168)	(4,967)
	(168)	(4,967)

The company impaired its investment in HCL Estonia as its net worth is negative during the year.

6. Operating profit

The operating profit is stated after charging/ (crediting)

	Year ended 31-Mar 2018 £000	Year ended 31-Mar 2017 £000
Depreciation	**2,408**	1,762
Amortisation	**2,604**	40
Fees payable to the Company's auditor and its associates for the audit of the company's annual accounts	9	8
Exchange differences (gain)/loss	**(4,411)**	1,661
Operating lease rentals	**899**	134

7. Employees

Staff costs were as follows

	Year ended 31-Mar 2018 £000	Year ended 31-Mar 2017 £000
Wages and salaries	**63,563**	48,887
Social security costs	**4,859**	2,557
Cost of defined contribution scheme	**1,091**	594
	69,513	52,038

Notes to the financial statements

For the year ended 31 March 2018

7. Employees (continued)

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

	Year ended 31-Mar 2018 No.	Year Ended 31-Mar 2017 No.
Technical	947	800
Sales and marketing	87	61
Administration	34	29
	1,068	890

8. Director's remuneration

All the directors of the company are also directors of other group companies within the HCL Technologies Limited group and are also employees of its ultimate parent undertaking as set out in the notes to the accounts. All of these companies together are viewed as one business unit and their remuneration is paid by the ultimate parent undertaking. The directors believe that remuneration applicable towards efforts for this company is negligible.

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

9. Interest receivable and similar income

	Year ended 31-Mar 2018 £000	Year ended 31-Mar 2017 £000
Interest receivable from group companies	49	134
Others	4	-
	53	134

10. Interest payable and similar charges

	Year ended 31-Mar 2018 £000	Year ended 31-Mar 2017 £000
Loans from group undertakings	1,474	514
On bank loans and overdrafts	60	-
Finance costs and other loan interest payable	334	95
	1,868	609

Notes to the financial statements

For the year ended 31 March 2018

11. Taxation on profit on ordinary activities

	Year ended 31-Mar 2018 £000	Year ended 31-Mar 2017 £000
Corporation tax		
Current tax on profits for the year	**2,713**	1,166
Adjustments in respect of previous periods	**(91)**	(125)
Total current tax	**2,622**	1,041
Deferred tax		
Origination and reversal of timing differences	**(153)**	(157)
Impact of rate change	**(18)**	(16)
Adjustments in respect of previous periods	**93**	19
Total deferred tax	**(78)**	(154)
Taxation on profit on ordinary activities	**2,544**	887

Factors affecting tax charge for the Year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19% (2017 - 20%) as set out below:

	Year ended 31-Mar 2018 £000	Year ended 31-Mar 2017 £000
Profit on ordinary activities before tax	**12,028**	3,777
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	**2,285**	755
Effects of		
Permanent differences	**288**	162
Dividend income	**-**	(1069)
Impact of rate change	**(18)**	37
Group Relief received	**-**	(2)
(Write back)/Write off withholding taxes deducted by customer	**(29)**	117
Adjustment in respect of prior periods	**2**	(106)
Foreign tax credit claimed as deduction	**(16)**	-
Impairment of investment	**32**	993
Total tax charge for the year	**2,544**	887

Notes to the financial statements

For the year ended 31 March 2018

12. Intangible assets

	Technology	Customer contracts	Customer relationships	Workforce	Goodwill	Licensed IPR's	Total
	£000	£000	£000	£000	£000	£000	£000
Cost							
At 31 March 2017	-	-	-	341	178	-	519
Additions	2,089	137	437	-	61	36,575	39,299
Disposals	-	-	-	(341)	-	-	(341)
At 31 March 2018	**2,089**	**137**	**437**	**-**	**239**	**36,575**	**39,477**
Amortisation							
At April 2017	-	-	-	40	-	-	40
Charge for the year	590	137	54	(40)	39	1,824	2,604
At 31 March 2018	**590**	**137**	**54**	**-**	**39**	**1,824**	**2,644**
Net book value							
At 31 March 2018	**1,499**	**-**	**383**	**-**	**200**	**34,751**	**36,833**
At 31 March 2017	-	-	-	301	178	-	479

Notes to the financial statements

For the year ended 31 March 2018

13. Tangible Fixed assets

	Office equipment	Plant & equipment	Computer equipment	Fixtures & Fittings	Computer Software	Capitalised Work in Progress	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2017	18	2,963	7,563	41	361	5	10,951
Additions	12	-	881	3	927	106	1,929
Disposals	-	-	(27)	-	-	-	(27)
At 31 March 2018	**30**	**2,963**	**8,417**	**44**	**1,288**	**111**	**12,853**
Depreciation							
At 1 April 2017	8	44	2,348	4	202	-	2,606
Disposals	-	-	(3)	-	-	-	(3)
Charge for the year	3	296	1,794	9	306	-	2,408
At 31 March 2018	**11**	**340**	**4,139**	**13**	**508**	**-**	**5,011**
Net book value							
At 31 March 2018	**19**	**2,623**	**4,278**	**31**	**780**	**111**	**7,842**
At 31 March 2017	10	2,919	5,215	37	159	5	8,345

Notes to the financial statements

For the year ended 31 March 2018

14. Investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 April 2017	88,124
Addition	9,739
Provision for diminution of investments	(5,135)
At 31 March 2018	**92,728**
At 31 March 2017	83,157

Subsidiary undertakings

The directors believe that the book value of investments is supported by their underlying net assets.

During the year company has made additional investments in HCLT Italy S.P.A., HCLT Luxembourg SARL, HCLT Egypt Ltd, HCLT Lithuania UAB, HCLT Taiwan Ltd, ETL Factory Ltd, HCLT Corporate Services Ltd. and Moogsoft (Herd) Inc.

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal Activity
HCLT Germany GMBH	Germany	Ordinary	100%	IT and IT Enabled Services
HCLT B.V.	Netherlands	Ordinary	100%	IT and IT Enabled Services
HCL (Ireland) Information	Ireland	Ordinary	100%	IT and IT Enabled Services
HCLT Belgium BVBA	Belgium	Ordinary	100%	IT and IT Enabled Services
HCLT Sweden AB	Sweden	Ordinary	100%	IT and IT Enabled Services
HCLT Finland Oy	Finland	Ordinary	100%	IT and IT Enabled Services
HCLT SA	Venezuela	Ordinary	100%	IT and IT Enabled Services
HCLT Italy S.P.A.	Italy	Ordinary	100%	IT and IT Enabled Services
HCL Istanbul Bilisim	Turkey	Ordinary	100%	IT and IT Enabled Services
HCLT Greece Single	Greece	Ordinary	100%	IT and IT Enabled Services
HCLT Columbia S.A.S	Colombia	Ordinary	100%	IT and IT Enabled Services
HCLT Luxembourg SARL	Luxembourg	Ordinary	100%	IT and IT Enabled Services
CeleritiFinTech Services Ltd.	UK	Ordinary	49%	IT and IT Enabled Services
HCLT Estonia OU	Estonia	Ordinary	100%	IT and IT Enabled Services
HCLT Czech Republic S.R.O	Czech Republic	Ordinary	100%	IT and IT Enabled Services
Point to Point Ltd.	UK	Ordinary	100%	IT and IT Enabled Services
Point to Point Products Ltd.	UK	Ordinary	100%	IT and IT Enabled Services
Celeritifintech Ltd.	UK	Ordinary	51%	IT and IT Enabled Services
HCL Japan Ltd.	Japan	Ordinary	100%	IT and IT Enabled Services
HCLT Egypt Ltd.	Egypt	Ordinary	100%	IT and IT Enabled Services
HCLT Beijing Co. Ltd.	China	Ordinary	100%	IT and IT Enabled Services
HCLT Thailand Ltd.	Thailand	Ordinary	100%	IT and IT Enabled Services
HCLT Lithuania UAB	Lithuania	Ordinary	100%	IT and IT Enabled Services
HCLT Taiwan Ltd.	Taiwan	Ordinary	100%	IT and IT Enabled Services
ETL Factory Ltd.	UK	Ordinary	100%	IT and IT Enabled Services
HCLT Corporate Services Ltd.	UK	Ordinary	100%	IT and IT Enabled Services

Notes to the financial statements

For the year ended 31 March 2018

14. Investments (continued)

Arrangement with DXC

In November 2015, the Company entered into an arrangement with DXC Technology Company (DXC) to operate and expand the existing Core Banking business of DXC. Under the arrangement, two entities, Celeritifintech Limited and Celeritifintech Services Limited were formed, where Celeritifintech Limited was focusing on account management and delivery governance and Celeritifintech Services Limited was focusing on service delivery and product development

With a view to better leverage the capabilities of the Company and DXC Technology Company (DXC), on September 30, 2017, the Company terminated its existing arrangements with DXC.

The net amount estimated to be received by the Company, on winding up of these entities, as per terms of the termination agreement is considered preliminary because it is subject to final distribution of assets, allocation of liabilities and transfer of customers and employees.

Acquisitions during the year

During the year ended March 31, 2018, the Company made acquisition with a total purchase consideration of £2,950k, including deferred earn-out component of £975k which is dependent on achievement of certain specified performance obligations as set out in the agreement. The Company has paid £1,827k and £148k is payable at March 31, 2018.

The fair value of earn-out liability was estimated by applying discounted cash flow approach and probability adjusted revenue and earnings estimates. The earn-out liability of £975k has been initially fair valued at £749k and recorded as part of the preliminary purchase price allocation. The purchase price of £2,724k after considering fair value of earn-out of £226k has been preliminarily allocated to the acquired assets and liabilities as follows:

	£000
Customer relationship	2,089
Technology	437
Customer contract	137
Goodwill	61
Total purchase consideration	**2,724**

Notes to the financial statements

For the year ended 31 March 2018

14. Investments (continued)

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

	£000	Life (Years)
Customer relationship	2,089	4.25
Technology	437	4.58
Customer contract	137	0.33
Total Intangibles	**2,663**	

The Company is in the process of making a final determination of the fair value of assets and liabilities. Finalization of the purchase price allocation may result in certain adjustments to the above allocation.

As at March 31, 2018, earn out liability has been fair valued at £821k with finance expense of £72k on fair valuation recognized in the statement of income.

Business Purchase of Point to Point Limited during previous year

In November 2016, the company entered into an agreement with Point to Point Limited(P2P) to purchase the business and certain assets of P2P for a consideration of £1. This concerns the business, assets, and liabilities which includes all activities relating to workplace engineering services and other related IT services operated by P2P.

The assets and liabilities acquired are summarised below:

	£000
<u>Assets</u>	
Fixed assets	59
Trade debtors	411
Other current assets	126
Total A	**596**
<u>Liabilities</u>	
Trade creditors	58
Accruals and other payables	70
Deferred income	671
Total B	**799**
Net Assets/(Liability) [A-B]	**(203)**

The difference of £203k between the purchase consideration and the acquired net liabilities is debited to other reserves following group reconstruction.

The business of P2P was transferred to a fellow group company and P2P became dormant resulting in an impairment of £4967k (Note 5).

Notes to the financial statements

For the year ended 31 March 2018

15. Stocks

	31-Mar 2018 £000	31-Mar 2017 £000
Finished goods and goods for resale	73	-
	73	-

16. Debtors

	31-Mar 2018 £000	31-Mar 2017 £000
Due after more than one year		
Deferred costs	2,745	1,221
Prepayments and accrued income	1,997	1,264
Deferred tax	346	268
Net investment in finance leases	4,891	1,546
	9,979	4,299

Including within deferred tax is £323k (2017-£248k), expected to unwind within 12 months of the reporting date.

	31-Mar 2018 £000	31-Mar 2017 £000
Due within one year		
Trade debtors	62,660	39,655
Amounts owed by group undertakings	20,615	21,449
Deferred costs	1,838	1,655
Unbilled receivables	19,332	11,026
Others	735	720
Prepayments and accrued income	1,718	1,674
Net investment in finance leases	2,100	587
	108,998	76,766

17. Cash and cash equivalents

	31-Mar 2018 £000	31-Mar 2017 £000
Cash at bank	3,103	5,293
	3,103	5,293

Notes to the financial statements

For the year ended 31 March 2018

18. Creditors: Amounts falling due within one year

	31-Mar 2018 £000	31-Mar 2017 £000
Trade creditors	6,098	2,325
Amounts owed to group undertakings	139,124	120,487
Corporation tax	1,970	655
Obligations under finance lease & hire purchase contracts	439	439
Taxation and social security	6,960	3,837
Other creditors	11,788	3,758
Accruals and deferred income	24,782	25,538
	191,161	157,039

Creditors: amounts falling due after more than one year

	31-Mar 2018 £000	31-Mar 2017 £000
Trade creditors	18,133	-
Accruals and deferred income	1,379	-
	19,512	-

19. Deferred Taxation

	Deferred tax £000
At 1 April 2017	268
Credit to profit and loss	78
At 31 March 2018	346

Deferred Tax reconciliation

	£000
At the beginning of the year	268
Effect of rate change	18
Change in timing differences	(93)
Deferred tax credit for the year	153
Balance at the end of the year	346

Notes to the financial statements

For the year ended 31 March 2018

19. Deferred Taxation (continued)

The provision for deferred taxation is made up as follows:

	31-Mar 2018 £000	31-Mar 2017 £000
Accelerated capital allowances	3	(14)
Other timing differences	343	282
	346	268

20. Share Capital

	31-Mar 2018 £000	31-Mar 2017 £000
Allotted, called up and fully paid		
46,275,902 (2017 - 21,075,902) ordinary shares of $1 each	32,243	14,144

The company has issued 25,200,000 shares during the year at par value.

21. Pension Commitments

The group operates a defined contribution pension scheme. The pension charge for the year was £ 1,091k (2017 - £594k).

22. Commitments under operating leases

At 31 March 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	31-Mar 2018 £000	31-Mar 2017 £000
Not later than 1 year	553	147
Total	553	147

Notes to the financial statements

For the year ended 31 March 2018

23. Related party transactions

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

24. Controlling party

The immediate parent undertaking of the company is HCL Bermuda Limited. The ultimate parent undertaking and controlling party is HCL Technologies Limited, a company registered in India.

The largest and smallest group of undertakings for which the group financial result has been prepared that include the results of the company is that headed by HCL Technologies Limited. The consolidated financial statements are available to the public and may be obtained from HCL Technologies Limited, Noida, Uttar Pradesh, India