2018-19 Annual report

of HCL Technologies B.V. (Netherland)

Address: Prinses Margrietplantsoen 50,unit E9.02
's- Gravenhage

Initialed
for identification purposes only
Ernst & Young Accountants LLP

Building a better
working world

Table of contents

Director's report

Total number of pages in this report: 21

Initialed
for identification purposes only
Ernst & Young Accountants LLP

EY Building a better working world

1 Directors' report

I. Business development and environment

Core business and review
HCL Technologies B.V. (Netherland) ("the Company") is a wholly owned subsidiary of HCL Technologies UK Limited, United Kingdom. The Company forms part of the HCL group, and the ultimate parent company is HCL Technologies Limited registered in India.

The Company is active in the sectors of software-led IT solutions, externally controlled infrastructure management.

Annual yield
During the financial year the turnover of the Company has increased to € 96,481,446 in comparison to € 77,444,784 in the previous financial year. Due to decrease in revenue, the profit margin has decreased as compared to the previous financial year . The annual profit amounted to 3,303,287.

II. Company situation

Financial situation

Fixed assets and depreciation
The depreciation was conducted according to the linear depreciation method. Deductions are recorded pro-rata for acquisitions and disposals. For the financial year, the depreciation amounted to € 58,562 (2017/18: € 12,768).

Share Capital in FY 2018/19
As on March 31, 2019, the capital stock and capital surplus together amount to € 100,000.

Cash flow
During the financial year there was net cash inflow of NIL (2017/18: NIL).

Ratios:
The solvency ratio and current ratio of the company as on 31 March 2019 is 0.18and 1.20 (2017/2018: 0.08 and 1.07) respectively.

Performance development

Development of sales: Satisfactory development of sales due to the strong market conditions.

Development of costs: The operating costs increased commensurate to the overall business of the Company.

Development of profits: The profits before taxes amounted to € 4,434,882. After income taxes, there was a profit for the financial year of € 3,303,287.

Personnel

Number and structure of employees
For the financial year, the average number of employees were 767 which comprised of 665 men and 102 women in the Company (2017/18: 426).

Personnel guidelines
The Company offers continuing education and training for handicapped employees. If the handicap occurs after entering the Company, the Company is obligated to continue employing this individual and adequately qualifying this

employee. The Company is also obligated to regularly communicate relevant internal news and decisions. If decisions are made that affect the employees, the employees' opinions will be considered during the decision process.

Risks influencing development
The software industry is continuing to grow in a dynamic and strongly competitive environment. This sector is characterized by fast technological changes and innovations that constantly challenge the existing and conventional business models.

Dependencies/concentrations
The group led by the parent company, HCL Technologies Ltd. in India, which HCL Technologies B.V. (Netherland) belongs to, maintains a broad customer base to ensure the independence from individual clients, special services, or geographical factors.

Human resources
Keeping with the parent Company, the Company approved an initiative by the name of "Employee first". Together with other measures, the goal of this initiative is to make the Company an attractive employer.

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

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

2. 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 the customers have more choices of technology, vendors and service models which force every entity to perform to their best capabilities and to enhance them.

HCL Group 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 is being triggered by the alternative outsourcing approach.

3. Business continuity & 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 pose risks of leaks, loss or compromise of information.

Initialed
for identification purposes only
Ernst & Young Accountants LLP
Building a better working world

HCL Group 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 & Technology

Risk Appetite and Management.
As part of its risk management measures, the Company is continually monitoring the most common risk associated with the software industry i.e. frequent changes in technologies. In the Company's opinion, company is well versed to adopt the changes in technologies via research and development which is done centrally by the parent company. Hence, adoption of changes in technologies offers adequate coverage for the financial consequences of the Company's business. The financial impact of this risk can't be quantified.

Further, ultimate holding company i.e. HCL Technologies Limited will provide financial support (if required) to HCL Technologies B.V. (Netherland) to meet any of its financial liability. The Company believes that the support from the parent company also offers adequate coverage to finance its current and future financial obligations.

Research and Development
As the Company has the function of a sales office, the research and development is done centrally by HCL Technologies Limited.

III. Prognosis of future development

The Directors believe that future profits will be created through the positive business development. In order to sustain the business operations, the parent company is obligated to provide financial support if needed. The company will focus on three catogeries of service for development of business :

Software Services : Information Technology ("IT") services such as custom application development and maintenance, technology services, product engineering, and package implementation.

Infrastructure Services : Infrastructure related IT enabled services such as Remote Infrastructure Management ("RIM"), data center operations, end user computing, network management, and security management.

Business Process Outsourcing Services : IT enabled services such as technical helpdesk, back office services, transaction processing, and call center services.

Below are the brief out look on business:

1. **Outlook on R&D :**

The research and development is done centrally by the parent company, HCL Technologies Ltd.

2. **Outlook on business (e.g. expectation of sales, customers, etc.), including but not limited to:**

The Company has strong customer base in the Netherlands and primarily having 66 active engagements with the well known customers.

Many of the engagements are pan European in nature so delivering services to multiple countries within EU region. As Netherlands is conveniently located within EU region and given its strong economic performance, is a good hub for our growth in EU region. Plus, in order to service clients in the region, the Company will invest in a local talent pool more as opposed to delivering from global delivery centers. The Company requires significant amount of local consulting capability and program management capability to manage such large client engagements. The Company has recently started the process to set-up a small delivery center in The Hague to service the clients across the region in the new wave of "Customer Experience Service Delivery" and to help clients to become more digitized organizations.This will create more employment opportunities in the region and will ultimately lead more jobs in the local market. Immediately, we do anticipate new jobs to be fulfilled from the local market either through direct recruitment or on a contract basis from our local partners.

2.1 Strategy of financing and expected or planned future financing

The Company may require investment funds mostly on two fronts – operational expense of the company and sales/marketing investments.

2.2 Strategy of human resources and expected or planned future changes to human resources

The Company is expecting to have growth in the business in Netherland as well as in EU regions, hence it is expected that more employment opportunities may result in the company.

2.3 Known future circumstances which significantly influence the profitability or recoverability

The Company is consistently growing year on year and also expecting good business opportunities which will result not only in growth of the company but also growth of the region. The company is focusing on the following:

- Engagement of local talent people more as opposed to delivering from global delivery centers.
- Significant amount of local consulting capability and program management capability need to be added to our overall portfolio
- To pursue and explore inorganic means to acquire capability to meet our revenue goals and also capability objectives

The Board of Managing Directors

Bejoy George | Shiv Walia | Manish Anand | Subramanian Gopalakrishnan

HCL Technologies B.V. (Netherland),

Date: -----------

Initialed
for identification purposes only
Ernst & Young Accountants LLP

EY Building a better working world

FINANCIAL STATEMENTS

For the financial year 01-04-2018 to 31-03-2019

2. Balance sheet as at March 31, 2019

All amounts in € after appropriation of result

Assets

		March 31, 2019	March 31, 2018
Fixed assets			
Tangible fixed assets	Note (1)	621,587	192,626
Intangible fixed assets	Note (1)	15,898	
Financial fixed assets	Note (2)	239,251	95,417
		876,736	288,043
Current assets			
Receivables	Note (3)	37,498,469	47,808,236
Inventories	Note (4)	64,542	242,026
Cash at bank		-	-
Total assets		38,439,747	48,338,305

Shareholder's equity and liabilities

		March 31, 2019	March 31, 2018
Shareholder's equity	Note (5)		
Share capital		100,000	100,000
Retained earnings		6,981,668	3,678,381
		7,081,668	3,778,381
Current liabilities	Note (6)	20,896,688	38,304,511
Short term borrowing		10,461,391	6,255,413
Total shareholder's equity and liabilities		38,439,747	48,338,305

Initialed
for identification purposes only
Ernst & Young Accountants LLP

EY Building a better working world

3. Profit and loss account
for the financial year ended March 31, 2019

		March 31, 2019	March 31, 2018
Net turnover	Note (7)	96,481,446	77,444,784
Cost of Sales	Note (8)	(44,368,826)	(46,639,944)
Total operating income		**52,112,620**	**30,804,840**
Wages and salaries	Note (9)	(40,360,576)	(22,921,827)
Depreciation		(58,562)	(12,768)
General cost	Note (10)	(7,576,140)	(4,280,215)
Total operating expenses		**(47,995,278)**	**(27,214,810)**
Financial income and (expense)	Note (11)	317,540	(186,822)
Profit before taxation		4,434,882	3,403,208
Income taxes	Note (12)	(1,131,595)	(867,806)
Net profit		**3,303,287**	**2,535,402**

Initialed
for identification purposes only
Ernst & Young Accountants LLP

EY Building a better working world

4. Statement of Cash Flows

for the financial year ended March 31, 2019

	March 31, 2019	March 31, 2018
Operating activities		
Profit (Loss) before tax	4,434,882	3,403,208
Adjustments to reconcile net income with net cash provided by operating activities:		
-Depreciation and amortization	58,562	12,768
- interest expenses	54,516	73,630
- Loss on disposal of fixed asset	102	-
-income tax paid	(975,217)	(341,207)
- Change in receivables	12,054,541	(36,821,202)
-Change in inventories	177,484	(240,426)
-Changes in current/ non current assets	(1,888,606)	(2,737,885)
- Change in long term and short term liabilities	(17,450,814)	32,428,830
Net cash used in operating activities	**(3,534,550)**	**(4,222,284)**
Investing activities		
- Purchase of fixed assets	(504,671)	(193,217)
- Insurance claim received	1,148	
Net cash flow from investing activities	**(503,523)**	**(193,217)**
Financing activities		
-Proceed (Repayment) of Short term loan	4,205,978	4,205,413
-Payment of Interest on loan	(167,905)	-
Net cash flow from financing activities	**4,038,073**	**4,205,413**
Change in cash	-	**(210,088)**
Cash at beginning of financial year	-	**210,088**
Cash at end of financial year	-	-

5 Notes to the Financial Statements

General

The Company forms part of the HCL group, the ultimate parent is HCL Technologies Ltd. at Uttar Pradesh, India. HCL Technologies B.V. registered at Prinses Margrietplnts 50, unit E9.02 's-Gravenhage is a wholly owned subsidiary of HCL Technologies UK limited, United Kingdom.

The registration number of HCL Netherlands B.V. is 58805206.

Basis for preperation of the Financial Statements

(i) The financial statements are prepared in accordance with Part 9 of Book 2 of the Dutch civil code.

(ii) The current year figures are comparable to those of previous year.

(iii) The reporting and functional currency of the company is Euro.

Accounting Policies

(iv) Use of estimates

The preparation of financial statements in conformity with Dutch GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Examples of such estimates include estimates of expected contract costs to be incurred to complete software development, provision for doubtful debts and estimated useful life of fixed assets. Actual results could differ from these estimates. Any revision in accounting estimates is recognised prospectively in current and future periods.

(v) Fixed assets

Fixed assets are stated at the cost of acquisition including incidental costs related to acquisition and installation.

Fixed assets under construction and cost of assets not ready for use at the year-end are disclosed as capital work- in-progress.

(vi) Depreciation of fixed assets

Depreciation of fixed assets is provided on the straight-line method based on estimated useful lives as estimated by the management. Depreciation is charged on pro-rata basis for assets purchased / sold during the year.

Category of asset	Useful life (Years)
Computer and Networking equipment	4 to 5

(vii) Operating Leases

Lease payments under an operating lease are recognised as an expense in the profit and loss account on straight - line basis over the lease term.

(viii) Revenue recognition

Revenue from software services comprises income from time and material and fixed price contracts. Revenue with respect to time and material contracts is recognized as related services are performed. Revenue from fixed price contracts and fixed time frame contracts is recognized in accordance with the percentage completion method under which the sales value of performance, including earnings thereon, is recognized on the basis of cost incurred in respect of each contract as a

proportion of total cost expected to be incurred. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses are made during the year in which a loss becomes probable based on current contract estimates. Revenue from sale of licenses for the use of software applications is recognized on transfer of title in the user license. Revenue from annual service contracts is recognized on a pro rata basis over the period in which such services are rendered. Income from revenue sharing agreements is recognized when the right to receive is established.

Earnings in excess of billing are classified as unbilled revenues, while billing in excess of earnings are classified as unearned revenue. Incremental revenue from existing contracts arising on future sales of the customers' products will be recognized when it is earned. Revenue and related direct costs from transition services in outsourcing arrangements are deferred and recognized over the period of the arrangement. Certain upfront non-recurring costs incurred in the initial phases of outsourcing contracts and contract acquisition costs, are deferred and amortized usually on a straight line basis over the term of the contract. The Company periodically estimates the undiscounted cash flows from the arrangement and compares it with the unamortized costs. If the unamortized costs exceed the undiscounted cash flow, a loss is recognized.

The Company accounts for volume discounts and pricing incentives to customers. The discount terms in the Company's arrangements with customers generally entitle the customer to discounts, if the customer completes a specified level of revenue transactions. In some arrangements, the level of discount varies with increases in the levels of revenue transactions. The Company recognizes discount obligations as a reduction of revenue based on the ratable allocation of the discount to each of the underlying revenue transactions that result in progress by the customer toward earning the discount.

Revenues are shown net of sales tax; value added tax, service tax and applicable discounts and allowances. The revenue is recognized net of discounts and allowances.

(ix) Expenditure

Expenses are accounted for on the accrual basis and provisions are made for all known losses and liabilities. The cost of services for software development is charged to profit and loss account in the same year.

(x) Foreign exchange transactions

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Foreign currency Realised gains and losses on foreign exchange transactions are recognised in the profit and loss account. Foreign currency monetary assets and liabilities are translated at the financial year end rate whereas non monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of transaction and resultant gains/losses on foreign exchange translations are recognised in the profit and loss account.

(xi) Employee benefits

The Company and employees contribute to the social security scheme in accordance with the local statutory requirements. The employees of the Company are entitled to compensated absences. The Company records an obligation for compensated absences in the period in which the employee renders the service that increase this entitlement. The Company measures the expected cost of compensated absence as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet

(xii) Pension

The Company has defined contributory pension plans covering all its employees. Pension obligations are funded through annual premiums.

(xiii) Taxation

Company tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the financial statements and profit calculated for taxation purposes, and with which deferred tax assets (if applicable) are only valued in so far as their realisation is likely. The Deferred tax is on account of difference in written down value of fixed assets due to different rates prescribed in Companies act and income tax act.

(xiv) Provisions and Contingent liabilities

A provision is recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

(xv) Inventory

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 identifying 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.

(xvi) Risks

- Financial risk management

The Company's operations expose it to a variety of financial risks that include foreign exchange rate risks, credit risks and liquidity risks. The group has adequate controls in place that seek to minimise the adverse effects of these financial risks on the company's financial performance.

- Foreign exchange rate risk

Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the company's functional currency. Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Exchange differences arising on the settlement of mo netary items, or on reporting such monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

- Credit risk

The Company has no significant concentrations of credit risk as the company has a large number of customers base. 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 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 amount identified for which the company is required to create the provision.

- 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.

(xvii) Notes to offsetting

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

(xviii) Notes to the statement of cash flows

The Company applies the indirect method. The statement of cash flows is derived from the profit and loss account and other changes between the opening and closing balance sheets, eliminating the effect of currency translation differences.

(xvix) Transactions with related parties

Transactions with related parties are assumed when a relationship exists between the Company and a natural person or entity that is affiliated with the Company. This includes, amongst others, the relationship between the Company and its subsidiaries, shareholders, directors and key management personnel.

There have been no transactions with related parties that have not been carried on normal market terms.

Notes to the balance sheet as at 31 March 2019

Fixed assets (1)

a) Tangible fixed assets

	March 31, 2019	March 31, 2018
Machinery and equipment	593,105	152,570
	593,105	152,570

Initialed
for identification purposes only
Ernst & Young Accountants LLP

Building a better working world

Movements in these items were as follows:

	Machinery and equipment	
	March 31, 2019	March 31, 2018
Opening acquisition cost	165,519	1,453
New acquisitions for the year	500,106	164,066
Disposal for the year	(1,332)	-
Closing acquisition cost	664,293	165,519
Opening accumulated depreciation	(12,949)	(181)
Disposal for the year	82	-
Depreciation for the year	(58,321)	(12,768)
Closing accumulated depreciation	(71,188)	(12,949)
Net Block	593,105	152,570

Tangible fixed assets are:

- Valued at purchase price less accumulated depreciation;
- Depreciated linearly with a fixed percentage of the purchased price, based on the estimated economoic lifetime.

b) Capital Work in Process

	March 31, 2019	March 31, 2018
Opening aculstion cost	40,056	10,904
New addition for the year	28,482	40,056
Transferred to fixed assets for the year	(40,056)	(10,904)
Closing acquisition cost	28,482	40,056

c) Intangible fixed assets

	March 31, 2019	March 31, 2018
Software	15,898	-
	15,898	-

Movements in these items were as follows:

	Software	
	March 31, 2019	March 31, 2018
Opening acquisition cost	-	-
New acquisitions for the year	16,139	-
Disposal for the year	-	-
Closing acquisition cost	16,139	-
Opening accumulated depreciation	-	-
Disposal for the year	-	-
Depreciation for the year	(241)	-
Closing accumulated depreciation	(15,898)	-
Net Block	(15,898)	-

Intangible fixed assets are:

- valued at purchase price less accumulated depreciation;
- depreciated linearly with a fixed percentage of the purchase price, based on the estimated economic lifetime.

Initialed
for identification purposes only
Ernst & Young Accountants LLP

EY Building a better working world

Financial fixed assets (2)

	March 31, 2019	March 31, 2018
Deferred Cost	105,454	68,929
Deposits	-	26,488
Finance Lease Receivables	61,904	-
Prepaid Expenses	71,893	-
	239,251	95,417

Receivables (3)

	March 31, 2019	March 31, 2018
Trade Receivable	11,968,490	24,687,199
Amount receivables from group companies	19,246,780	18,582,612
Other amount receivables	6,283,199	4,538, 425
	37,498,469	47,808,236

Other receivables can be broken down as follows:

	March 31, 2019	March 31, 2018
Unbilled receivables - Group Companies	190,246	-
Unbilled receivables	4,374,020	2,648,847
Employee receivables	198,454	110,519
Advance to supplier	-	37,371
Deferred cost	428,424	1,477,499
Prepaid expenses	906,493	198,084
Deposits	62,523	39,293
Finance lease receivable	79,337	-
Other current assets	43,702	26,812
	6,283,199	4,538,425

Inventory (4)

	March 31, 2019	March 31, 2018
Finished goods	64,452	242,026
	64,452	242,026

Shareholder's equity (5)

	Share Capital	Retained Earnings	Total
Balance at April 1, 2018	100,000	3,678,381	3,778,381
Profit for the year 2018/19	-	3,303,287	3,303,287
Balance at March 31, 2019	100,000	6,981,668	7,081,668

Current liabilities (6)

	March 31, 2019	March 31, 2018
Trade creditors/suppliers	634,556	1,401,194
Amounts payable to group companies	10,048,843	23,416,074
Taxes and social security contributions	3,043,470	4,873,566
Deferred tax liability	15,987	22,521
Other and accrued liabilities	7,153,832	8,591,156
	20,896,688	38,304,511

For amounts payable to group companies there is no interest rate, nor securities is received against the payable.
All the amounts in deferred tax liability is of current nature.

The taxes and social security charges payable recognised in the balance sheet can be broken down as follows:

	March 31, 2019	March 31, 2018
VAT payable	1,049,991	3,462,468
Payroll tax	696,409	467,701
Social security contribution	230,736	34,570
Pension payable	106,653	112,059
Corporate income tax payable	959,681	796,768
	3,043,470	4,873,566

The other and accrued liabilities recognised in the balance sheet can be broken down as follows:

	March 31, 2019	March 31, 2018
Accrued employee cost and vacation	1,047,343	258,645
Accrued bonus	1,128,262	799,120
Provision and accruals	2,807,985	2,021,349
Deferred revenue	607,211	3,319,302
Other Current Liabilities	1,563,031	2,192,740
	7,153,832	8,591,156

Notes to the Profit and loss account

Net turnover (7)

	For the financial year ended March 31, 2019		
	Third Parties	Inter-Company	Total
Standard software services	63,356,196	31,624,302	94,980,498
Sale of goods	809,908	691,040	15,00,948
	64,166,104	32,315,342	96,481,446

Initialed
for identification purposes only
Ernst & Young Accountants LLP

EY Building a better working world

	For the financial year ended March 31, 2018		
	Third Parties	Inter-Company	Total
Standard software services	54,031,592	22,875,905	76,907,497
Sale of goods	537,287	-	537,287
	54,568,879	22,875,905	77,444,784

Geographical wise revenue for the financial year ended March 31, 2019 is as below:

Geography	For the financial year ended March 31, 2019	For the financial year ended March 31, 2018
America	1,083,991	1,415,519
Europe	91,155,768	71,450,805
India	4,023,058	4,380,440
Others	218,629	198,020
	96,481,446	77,444,784

Finance Lease: In case of assets given on lease

The Company has given IT equipments to its customers on a finance lease basis. The future lease receivables in respect of assets given on finance lease are as follows:

	Total minimum lease payments receivable	Interest included in minimum lease payments receivable	Present value of minimum lease payments receivable
As on 31 March 2019			
Not later than one year	81,102	1,765	79,337
Later than one year and not later than 5 years	67,122	5,218	61,904
	148,224	6,983	141,241
As on 31 March 2018			
Not later than one year	-	-	-
Later than one year and not later than 5 years	-	-	-
	-	-	-

Cost of Sales (8)

	For the financial year ended March 31, 2019	For the financial year ended March 31, 2018
Consulting charges group	32,543,721	35,036,541
Consulting charges Others	10,004,686	10,765,269
Cost of goods sold	1,405,798	590,797
Annual maintenance charges	302,135	155,932
Hosting charges	112,486	91,405
	44,368,826	46,639,944

Initialed
for identification purposes only
Ernst & Young Accountants LLP

EY Building a better working world

Wages and salaries (9)

	For the financial year ended March 31, 2019	For the financial year ended March 31, 2018
Wages and salaries	35,521,529	20,408,596
Social Security contributions	4,839,047	2,513,231
	40,360,576	22,921,827

The wages & salary charges recognised in the statement of Profit & loss can be broken down as follows

Wages and Salaries

	For the financial year ended March 31, 2019	For the financial year ended March 31, 2018
Wages & salary	34,179,102	19,460,812
Bonus	1,342,427	947,784
	35,521,529	20,408,596

Social Security contribution

	For the financial year ended March 31, 2019	For the financial year ended March 31, 2018
Long term employee benefits	3,912,651	1,801,026
Other benefits	436,979	251,624
Staff welfare	489,417	460,581
	4,839,047	2,513,231

General Cost (10)

	For the financial year ended March 31, 2019	For the financial year ended March 31, 2018
Travel cost	4,408,918	2,554,878
Establishment & maintenance	577,826	413,447
Communication	147,467	46,010
Marketing Cost	33,630	16,492
Miscellaneous Expense	346,379	208,157
Other operating expense	2,061,920	1,029,089
Bad debt write off	-	12,142
	7,576,140	4,280,215

The other opertaing expense recognised in the statement of Profit & loss can be broken down as follows:

Other operating expenses

	For the financial year ended March 31, 2019	For the financial year ended March 31, 2018
Legal & professional costs	734,968	428,845
Other administration & general costs	(6,745)	291,686
Audit Fee	50,187	35,000
Recruitment fees	1,116,476	273,558
Subscription Fee	166,932	-
Loss on sale of capital assets	102	-
	2,061,920	1,029,089

Interest & other Income (11)

	For the financial year ended March 31, 2019	For the financial year ended March 31, 2018
Gain on foreign exchange fluctuation	392,704	(85,169)
Interest income	-	19
	392,704	(85,150)

Interest & other expense (11)

	For the financial year ended March 31, 2019	For the financial year ended March 31, 2018
Interest on short term loan	57,335	78,950
Bank charges	15,616	22,722
Other Expenses	2,213	-
	75,164	101,672

Income taxes (12)

The tax charge in the profit and loss account can be broken down as follows:

	For the financial year ended March 31, 2019	For the financial year ended March 31, 2018
Taxes on profit for the financial year	1,138,130	845,274
Deferred tax	(6,535)	22,532
	1,131,595	867,806

The effective tax rate for the financial year is 25.66% (2017/18: 24.84%).

Workforce (13)

The average number of staff employed by the company in 2018/19 was 767 (2017/18: 426) comprises of 665 men and 102 women and all employees are located in the Netherlands.

Initialed
for identification purposes only
Ernst & Young Accountants LLP

Building a better working world

Employee Benefit Plan (14)

In Netherland employee and employer contribute towards the pensions depending upon the age and the salary of the employee. This scheme is known as defined contribution scheme. A defined contribution scheme means that HCL makes a pension premium available which depends on employee salary and age. Since every inhabitant of the Netherlands is entitled to a state old-age pension, the so-called "AOW", this must be taken into account in relation to pension accrual with HCL. This is done by deducting the AOW offset from the pensionable salary.

Remuneartion to Board (15)

There is no remuneration paid to Board because members are assigned to another Group entity.

Equity Interests (16)

(Ultimate) Parent company

HCL Technologies Limited, is the ultimate parent company of HCL Technologies B.V. (Netherland) and includes the financial data of HCL Technologies B.V. (Netherland) in its consolidated financial statements.

Commitments and contingencies (17)

Operating leases – the company as lessee

The Company has a rent agreement concerning five office buildings with an annual rent of € 211,764 ; € 79,464 ; € 14,448 ; € 32,508 and € 12,960. The rent is indexed yearly, the remaining duration of this agreement are 2 ; 4 ; 4 ; 4 and 11 months respectively.

The Company has concluded operating leases as lessee relating to Office Premises. The future minimum lease payments can be broken down as follows:

	March 31, 2019	March 31, 2018
Less than 1 year	89,314	177,049
Between 1 and 5 years	-	42,140
More than 5 years	-	-
Total	**89,314**	**219,189**

The Company has a rent agreement concerning parking spaces with an annual rent of € 18,000 The rent is indexed yearly, the remaining duration of this agreement is 4 months.

Other commitments not shown in the balance sheet

No guarantees have been issued by the Company for members of the Board of Managing Directors, its group companies or subsidiaries.

All commitments to related parties are included in the balance sheet.

Audit fees (18)

The costs of the Company for the external auditor, the audit organisation and the entire network to which the audit organisation belongs charged to the financial year are set out below:

	Ernst and Young Accountants LLP	Other than Ernst and Young Accountants LLP
Audit of Financial statements	50,187	
Total	**50,187**	-

~~Initialed~~
for identification purposes only
Ernst & Young Accountants LLP

EY Building a better working world

Subsequent Events (19)

The Company has evaluated all the subsequent events through ---------- , which is the date on which these financial statements were issued, and no events have occurred from the balance sheet date through that date that would have material impact on the financial statements. The management has decided to merge HCL Netherland BV into HCL Technologies BV subsequent to financials year 2018-19.

6 Other information

Articles of Association provisions governing profit appropriation

In accordance with the Company's Articles of Association the result is at the disposal of the Shareholder's meeting. The Company can only distribute profits to its' shareholder and other entitled entities, as far as Shareholder's equity exceeds the total of the issued and paid-up share capital together with the statutory and legal reserves. The proposal is to add current period's results to the retained earnings and this is already processed as such in the financial statements.

The Board of Managing Directors

Bejoy George **Shiv Walia** **Manish Anand** **Subramanian Gopalakrishnan**

Date: --------

Initialed
for identification purposes only
Ernst & Young Accountants LLP

EY Building a better working world