

Powerteam, LLC. d/b/a PowerObjects

Financial Statements

Years ended March 31, 2017 and March 31, 2018

With report of Independent Auditors

Powerteam, LLC. d/b/a PowerObjects

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Independent auditor's report

To the Board of Directors of Powerteam, LLC

We have audited the financial statements of Powerteam LLC, which comprise the statement of financial position as at March 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



S.R. BATLIBOI & Co. LLP

Chartered Accountants

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Other matters

This report covering the financial statements of the Company for the year ended March 31, 2018 is intended for the information and use of the board of directors of the Company and HCL Technologies Limited, the ultimate holding company to comply with the financial reporting requirement in India. These financial statements have been prepared in all material respects in accordance with the basis of preparation as set out in Note 2 (a) to the financial statements of the company, which describes the basis of accounting and the related audit covered by the report was carried out following U.S. GAAP. Use of these financial statements or the related audit report for any other purpose will be subject to the above explanation.

For **S.R. BATLIBOI & CO. LLP**

Chartered Accountants

CAI Firm Registration Number: 301003E/E300005


per Nilangshu Katriar
Partner

Membership No. 58814
Place: Gurugram, India
Date: August 10, 2018



Powerteam, LLC. d/b/a PowerObjects
Balance Sheet
Amount in USD, except share and per share data

	As of March 31	
	2017	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$1,020,493	\$211,135
Accounts receivable, net	6,277,833	9,511,038
Unbilled revenue	1,781,191	3,106,035
Short term loan	5,000,000	1,050,000
Other current assets	231,511	238,168
Total current assets	14,311,028	14,116,376
Non current assets		
Deferred income taxes, net	770,568	356,979
Property and equipment, net	481,694	796,879
Goodwill	24,710,000	24,710,000
Intangibles, net	4,625,707	2,908,073
Total Assets	\$44,898,997	\$42,888,307
LIABILITIES & EQUITY		
Current liabilities		
Accounts payable	\$620,322	\$655,094
Accrued employee cost	1,273,726	1,382,791
Accrued liabilities	877,938	89,599
Income taxes payable	2,940,667	4,307,362
Total current liabilities	5,712,653	6,434,846
Stakeholders' equity		
Common stock par value \$5 per share: authorised 250 shares, issued and outstanding 250 shares and 250 shares as of March 31, 2016 and 2017, respectively	1,250	1,250
Additional paid in capital	36,012,075	36,012,075
Retained earnings	3,173,019	440,136
Total stakeholders' equity	39,186,344	36,453,461
Total Liabilities & Equity	\$44,898,997	\$42,888,307

See accompanying notes.

Date: August 10, 2018



Powerteam, LLC. d/b/a PowerObjects
Statements of Income
Amount in USD, except share and per share data

	Year ended March,31 2017	Year ended March,31 2018
Revenues	\$47,779,310	\$66,775,980
Cost of revenues (exclusive of depreciation and amortization)	25,504,939	39,340,219
Gross Profit	22,274,371	27,435,761
Selling, general and administration expenses	15,631,007	21,606,634
Depreciation and amortisation	2,061,587	1,919,007
Other income, net	(59,143)	(156,029)
Finance cost	3,458	3,658
Income before income taxes	4,637,462	4,062,491
Provision for income taxes	2,173,925	1,795,374
Net Income	\$2,463,537	\$2,267,117
Earnings per share (EPS)		
Basic	\$9,854	\$9,068
Diluted	\$9,854	\$9,068

See accompanying notes.

Date: August 10, 2018



Powerteam, LLC. d/b/a PowerObjects
Statements of Equity
Amount in USD, except share and per share data

	Common Stock		Additional Paid-	Retained	Total
	No. of stock	Par value	In Capital	Earnings	
Balance as at April 1, 2016	250	\$1,250	\$36,012,075	\$709,482	\$36,722,807
Net income	-	-	-	2,463,537	2,463,537
Balance as at March 31, 2017	250	1,250	36,012,075	3,173,019	39,186,344
Net income	-	-	-	2,267,117	2,267,117
Dividends paid	-	-	-	5,000,000	5,000,000
Balance as at March 31, 2018	250	\$1,250	\$36,012,075	\$440,136	\$36,453,461

See accompanying notes.

Date: August 10, 2018

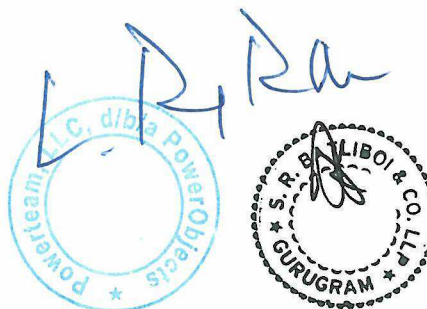


Powerteam, LLC. d/b/a PowerObjects
Statements of Cash Flows
Amount in USD, except share and per share data

	Year ended Mar 31, 2017	Year ended Mar 31, 2018
Cash flows from operating activities		
Net income	\$2,463,537	\$2,267,117
<i>Adjustments to reconcile net income to net cash from operating activities</i>		
Depreciation and amortisation	2,061,587	1,919,007
Deferred income taxes	(770,568)	413,589
Change in current assets and liabilities		
Accounts receivables and unbilled revenue	(4,021,265)	(4,558,049)
Other current assets	(24,301)	(6,657)
Accounts payable	386,315	34,772
Accrued employee cost	(269,500)	109,065
Accrued liabilities	701,540	(788,339)
Income Taxes Payable	2,940,667	1,366,695
Net cash provided by operating activities	3,468,012	757,200
Cash flows from investing activities		
Short term loan extended to related party	(3,050,000)	-
Proceeds from loan extended to related party	-	3,950,000
Purchase of property and equipment	(89,510)	(516,558)
Net cash used in investing activities	(3,139,510)	3,433,442
Cash flows from financing activities		
Dividends Paid	-	(5,000,000)
Net cash used in financing activities	-	(5,000,000)
Net change in cash and cash equivalents	328,502	(809,358)
Cash and cash equivalents, beginning of period	691,991	1,020,493
Cash and cash equivalents at the end of the period	\$1,020,493	\$211,135

See accompanying notes.

Date: August 10, 2018



Powerteam, LLC. d/b/a PowerObjects
Notes to Financial Statements
March 31, 2018
(Amount in USD, except share and per share data)

1. Organization and Nature of Operations

Powerteam, LLC. d/b/a PowerObjects, (the "Company") is a professional services company providing service, support, education and add-ons for Microsoft Dynamics Customer Relationship Management (MSCRM) software.

On October 28, 2015, PowerTeam, Inc. was acquired by HCL America Inc. The company was reorganized as a wholly owned subsidiary of HCL America as a Delaware limited Liability Corporation under the name Powerteam, LLC.

2. Summary of Significant Accounting Policies

a. Basis of preparation and Principles of Consolidation

The accompanying financial statements are prepared on the basis of U. S. generally accepted accounting principles ("U.S. GAAP").

The Company uses the United States Dollar ('\$' or 'USD') as its reporting currency.

The ultimate holding company is "HCL Technologies Limited" which is domiciled in India, accordingly section 2(41) of the Companies Act, 2013 requires all companies to have their financial year ending on March 31.

b. Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses that are reported and disclosed in the financial statements and accompanying notes. These estimates are based on management's best knowledge of current events, historical experience, actions that the Company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Significant estimates and assumptions are used, but not limited to accounting for costs expected to be incurred to complete performance under IT service arrangements, allowance for uncollectible accounts receivables and unbilled revenue, accrual of warranty costs, income taxes, valuation of share-based compensation, future obligations under employee benefit plans and performance incentives, the useful lives of property, equipment and intangible assets, impairment of property, equipment, intangibles and goodwill, estimates used to determine the fair value of assets acquired, including intangible assets and goodwill, and liabilities assumed in business combinations, valuation allowances for deferred tax assets, and other contingencies and commitments. Changes in estimates are reflected in the financial statements in the period in which the changes are made. Actual results could differ from those estimates.

c. Functional currency and translation

Functional currency of the company is US dollars. Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

Foreign currency denominated monetary assets and liabilities are re-measured at the rates of exchange in effect at the balance sheet dates. Foreign currency translation gains and losses are recorded in the accompanying statement of income within other income.

d. Revenue Recognition

The Company generates revenues primarily from professional services provided to assist customers with their use



Powerteam, LLC. d/b/a PowerObjects
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March 31, 2018
(Amount in USD, except share and per share data)

of Microsoft Dynamics Customer Relationship Management (MSCRM) software, hosted services contracts for customers with MSCRM, and from the resale of third-party licenses and software. The Company provides post-contract customer support and other professional services. The Company also generates subscription revenues from its own internally developed proprietary MSCRM add-ons. The Company uses written contracts to document the elements and obligations of arrangements with its customers.

The Company recognizes revenue when all of the following conditions are satisfied: (1) persuasive evidence of an arrangement exists; (2) service has been delivered to the customer; (3) amount of the fees to be paid by the customer is fixed or determinable; and (4) collection of the fees is reasonably assured or probable.

Revenue with respect to time-and-material contracts is recognized as the related services are performed.

In instances when revenue is derived from sales of third-party vendor services, material or licenses, revenue is recorded on a gross basis when the Company is a principal to the transaction and net of costs when the Company is acting as an agent between the customer and the vendor. Several factors are considered to determine whether the Company is a principal or an agent, most notably whether the Company is the primary obligor to the customer, has established its own pricing, and has inventory and credit risks.

Revenue is recognized net of discounts and allowances, value-added and service taxes, and includes reimbursement of out-of-pocket expenses, with the corresponding out-of-pocket expenses included in cost of revenues.

Volume discounts and pricing incentives to customers are accounted for as a reduction of revenue using the guidance in ASC - 605-50, Accounting for Consideration Given by a Vendor to a Customer (including a Reseller of the Vendor's Products). Volume discount earned and due is reduced from the receivable balance.

e. Property and Equipment

Property and equipment is recorded at historical cost less accumulated depreciation. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in the statements of income.

Depreciation is provided using the straight-line method, based on useful lives of the assets which are as follows:

<u>Asset Description</u>	<u>Asset life (in years)</u>
Software	3
Furniture and fixtures	7 to 10
Office Equipment	5 to 7

Leasehold improvements are amortized on a straight-line basis over the shorter of the lease period or the estimated useful life of the asset. The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors.



Powerteam, LLC. d/b/a PowerObjects
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Based on this assessment there was no impairment at March 31, 2017 and March 31, 2018.

f. Leases

Property and equipment taken on lease are evaluated to determine whether they are capital or operating leases in accordance with Financial Accounting Standard Board's (FASB) guidance on ASC 840, 'Accounting For Leases'.

Operating lease income and expense is recognized on a straight-line basis over the term of the lease.

g. Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each balance sheet date, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. If it is determined that it is more likely than not that future tax benefits associated with a deferred income tax asset will not be realized, a valuation allowance is provided. The effect on deferred income tax assets and liabilities due to change in the tax rates is recognized in income in the period that includes the enactment date. Provision for income taxes also includes the impact of provisions established for uncertain income tax positions, as well as the related interest and penalties.

h. Earnings per share

Basic and Diluted earnings per share are computed using the weighted average number of equity shares outstanding during the period.

i. Employee Benefits

Defined contribution plan

The Company operates a defined contribution plan covering substantially all employees and these costs are charged through the statements of income as incurred. The plan provides that employees who have completed three months of service can voluntarily contribute a percentage of their earnings.

Company matches the first 4% of gross compensation contributed to the plan by each employee. Employer contributions are discretionary and are determined and authorized by the Board of Directors each plan year.

Compensated absences

The employees of the Company are entitled to compensated absences. The employees can carry forward up to the specified portion of the unutilized accumulated compensated absences and utilize it in future periods or receive cash at retirement or termination of employment. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The Company measures the expected cost of compensated absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

j. Adoption of Pushdown accounting

The Company has chosen to adopt pushdown accounting and therefore goodwill and intangibles arising on acquisition has been reported on the balance sheet of the acquired company (i.e. Powerteam, LLC).



Powerteam, LLC. d/b/a PowerObjects
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March 31, 2018
(Amount in USD, except share and per share data)

On October 28, 2015, HCL America Inc., the wholly owned subsidiary of HCL Technologies Limited, acquired 100% equity interest of Minneapolis-based Powerteam, LLC – a North American professional services firm providing service, support, education and add-ons for Microsoft Dynamics CRM. The total purchase price for the acquisition was \$41,356,766, including deferred earn-out component of \$13,500,000 dependent on achievement of certain specified performance obligations as set out in the agreement and is payable in tranches over a three year period ending November 2018.

This earn-out liability was considered probable and initially fair valued at \$8,157,000 and recorded as part of the purchase price allocation. The purchase price of \$36,013,472 has been allocated to the acquired assets and liabilities as follows:

	<u>Amount</u>
Net working capital	2,936,615
Property plant and equipment	666,857
Customer relationship	6,500,000
Customer contract	500,000
Brand	700,000
Goodwill	24,710,000
Total purchase consideration	<u>36,013,472</u>

Based on satisfaction of the performance obligation as set out in agreement, during the year ended March 31, 2018, HCL America Inc. has paid earn out liability of \$2,464,833 for the second tranche, including finance charge of \$822,025 which was recognized in the statement of income of HCL America Inc. for the difference between the earn out liability initially recorded for the second tranche and the amount paid.

The balance earn out liability has been fair valued at \$3,769,682, including finance expense of \$1,301,459 on reassessment of fair valuation recognized in statements of income of HCL America Inc.

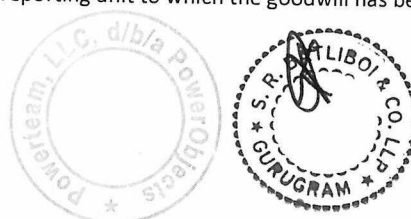
In addition to the purchase consideration, \$5,000,000 held in escrow account by HCL America Inc. is payable to the selling shareholders of Powerteam, LLC in tranches of \$2,500,000 each over a two year period. Payment of this amount is contingent upon the selling shareholders continuing to be the employees of Powerteam, LLC on the payment date. This consideration is being accounted for as post acquisition employee compensation expense in accordance with ASC 805 on "Business Combination".

During the year ended March 31, 2018 and March 31, 2017, HCL America Inc. has paid \$2,500,000 in each year based on satisfaction of the employment condition.

k. Goodwill and intangibles

Goodwill

Goodwill is not amortized but is reviewed for impairment annually or more frequently if indicators arise. Goodwill is tested annually on March 31, for impairment, or sooner when circumstances indicate impairment may exist, using a fair-value approach at the reporting unit level. A reporting unit is the operating segment, or a business, which is one level below that operating segment (the "component" level) if discrete financial information is prepared and regularly reviewed by the management at that level. Components are aggregated as a single reporting unit if they have similar economic characteristics. In accordance with ASC topic 350, "Intangibles - Goodwill and Other", all assets and liabilities of the acquired businesses including goodwill are assigned to reporting units. The evaluation is based upon a comparison of the estimated fair value of the reporting unit to which the goodwill has been assigned



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with the sum of the carrying value of the assets and liabilities for that reporting unit. The fair value used in this evaluation is estimated based upon discounted future cash flow projections for the reporting unit. These cash flow projections are based upon a number of estimates and assumptions.

Intangibles

The intangible assets with definite lives are amortized over the estimated useful life of the assets as under:

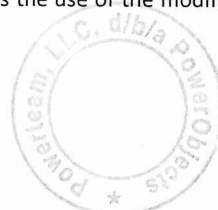
Asset Description	Asset Life (in years)
Customer relationship	5.8
Customer contract	0.6
Brand	3

I. Recently issued accounting pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers", which will replace most existing revenue recognition guidance in US GAAP. The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and therefore could affect the timing of revenue recognition for certain transactions of the Company. The ASU will be effective for the year ended March 31, 2020, using either one of two methods: (i) retrospectively to each prior reporting period presented with the option to elect certain practical expedients as defined in the ASU, or (ii) retrospectively with the cumulative effect of initially applying the ASU recognized at the date of initial application and providing certain additional disclosures as defined in the ASU. Early adoption is permitted for the year ended March 31, 2018. The Company is currently in the process of evaluating the impact of adopting ASU 2014-09 on its financial statements, the implementation approach to be used, changes to its accounting system and processes, and additional disclosure requirements that may be necessary.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01 (ASU 2016-01) "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." This guidance makes targeted improvements to existing US GAAP for financial instruments, including requiring equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; requiring entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset and requiring entities to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as "own credit") when the organization has elected to measure the liability at fair value in accordance with the fair value option. ASU 2016-01 is effective for the year ended March 31, 2020. Early adoption of the own credit provision is permitted. The Company is currently evaluating the impact that the adoption of this standard will have on its financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02) "Leases (Topic 842)". ASU 2016-02 requires the identification of arrangements that should be accounted for as leases by Lessees. In general, lease arrangements exceeding a twelve month term, must now be recognized as assets and liabilities on the balance sheet of the lessee. Under ASU No. 2016-02, a right-of-use asset and lease obligation will be recorded for all leases, whether operating or financing, while the income statement will reflect lease expense for operating leases and amortization/interest expense for financing leases. The balance sheet amount recorded for existing leases at the date of adoption of ASU No. 2016-02 must be calculated using the applicable incremental borrowing rate at the date of adoption. In addition, ASU No. 2016-02 requires the use of the modified retrospective method, which



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will require adjustment to all comparative periods presented in the consolidated financial statements. The new standard is effective for the year ended March 31, 2021, including interim periods within those annual years. The Company is currently evaluating the impact that the adoption of this new standard will have on its financial statements and the implementation approach to be used.

In March 2016, the FASB issued Accounting Standards Update No. 2016-08 (ASU 2016-08) "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)". ASU 2016-08 clarifies the implementation guidance on principal versus agent considerations. The amendments in this guidance do not change the core principle of the guidance in Topic 606. The amendments are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations, including indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customer. The amendments in this Update affect the guidance in Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments are the same as the effective date and transition requirements of Update 2014-09. The Company is currently evaluating the impact that the adoption of this standard will have on its financial statements.

In April 2016, the FASB issued Accounting Standard Update No. 2016-10 (ASU 2016-10), Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing. ASU 2016-10 clarifies the implementation guidance on identifying performance obligations and licensing. The amendments in this guidance are intended to improve the operability and understandability of the licensing implementation guidance. It includes implementation guidance on determining whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property or a right to access the entity's intellectual property. The amendments in this Update affect the guidance in Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments are the same as the effective date and transition requirements of Update 2014-09. The Company is currently evaluating the impact that the adoption of this standard will have on its financial statements.

In May 2016, the FASB issued Accounting Standard Update No. 2016-12 (ASU 2016-12), Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients. ASU 2016-12 clarifies the implementation guidance on identifying performance obligations and licensing. The amendments in this guidance are intended to improve the operability and understandability of the licensing implementation guidance. It also addresses certain issues in the new revenue recognition guidance on assessing collectability, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition. The amendments in this Update affect the guidance in Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments are the same as the effective date and transition requirements of Update 2014-09. The Company is currently evaluating the impact that the adoption of this standard will have on its financial statements.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13 (ASU 2016-13) "Financial Instruments—Credit Losses" which require a financial asset (or a Company of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is to be deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The amendments are effective for the year ended March 31, 2022. The amendment should be applied through a modified retrospective approach. Early adoption is permitted starting first quarter of year ended March 2020. The Company is currently in the process of evaluating the impact that adoption of this standard will have on its financial statements.



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In August 2016, the FASB issued Accounting Standards Update No. 2016-15 (ASU 2016-15) "Classification of Certain Cash Receipts and Cash Payments". The amendments in this Update apply to all entities that are required to present a statement of cash flows under Topic 230. The amendments are an improvement to GAAP because they provide guidance for each of the eight issues, thereby reducing the current and potential future diversity in practice. The amendments in this Update are effective for the year ended March 31, 2020. The amendments in this Update should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Company is currently in the process of evaluating the impact that adoption of this standard will have on its financial statements.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18 (ASU 2016-18) "Restricted Cash - Statement of Cash Flows (Topic 230)". Diversity exists in the classification and presentation of changes in restricted cash on the statement of cash flows. This Update requires that the amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update are effective for the year ended March 31, 2020. Early adoption is permitted, any adjustments should be reflected as of the beginning starting first quarter of that year. The amendments in this Update should be applied using a retrospective transition method to each period presented. The Company is currently in the process of evaluating the impact that adoption of this standard will have on its financial statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04 (ASU 2017-04) "Intangibles—Goodwill and Other (Topic 350)", Simplifying the Test for Goodwill Impairment, which eliminates Step 2 of the goodwill impairment test that had required a hypothetical purchase price allocation. Rather, entities should apply the same impairment assessment to all reporting units and recognize an impairment loss for the amount by which a reporting unit's carrying amount exceeds its fair value, without exceeding the total amount of goodwill allocated to that reporting unit. Entities will continue to have the option to perform a qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendments in this Update are effective for the year ended March 31, 2023. The Company is currently in the process of evaluating the impact that adoption of this standard will have on its financial statements.

In March 2017, the FASB issued Accounting Standards Update No. 2017-07 (ASU 2017-07) "Compensation—Retirement Benefits (Topic 715)", Under generally accepted accounting principles (GAAP), defined benefit pension cost and postretirement benefit cost (net benefit cost) comprise several components that reflect different aspects of an employer's financial arrangements as well as the cost of benefits provided to employees. The amendments in this Update require that an employer disaggregate the service cost component from the other components of net benefit cost. The amendments also provide explicit guidance on how to present the service cost component and the other components of net benefit cost in the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization. The amendments in this Update are considered an important part of the Board's continuing efforts to improve the accounting and presentation related to defined benefit pension or other post retirement benefit plans. The amendments in this Update are effective for the year ended March 31, 2020. The Company is currently in the process of evaluating the impact that adoption of this standard will have on its financial statements.

In May 2017, the FASB issued Accounting Standards Update No. 2017-09 (ASU 2017-09) "Compensation—Stock Compensation (Topic 718)". The amendments in this Update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. This Update to provide clarity and reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to a change to the terms or conditions of a share-based payment award. The amendments are effective for the year ended March 31, 2019, including interim periods. Early



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adoption is permitted. Amendments in this Update should be applied prospectively to an award modified on or after the adoption date. The Group is currently in the process of evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

In August 2017, the FASB issued Accounting Standards Update No. 2017-12 (ASU 2017-12) "Derivatives and Hedging (Topic 815)". The amendments in this Update more closely align the results of cash flow and fair value hedge accounting with risk management activities through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results in the financial statements. The amendments address specific limitations in current GAAP by expanding hedge accounting for both nonfinancial and financial risk components and by refining the measurement of hedge results to better reflect an entity's hedging strategies. Thus, the amendments will enable an entity to include the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is presented. The amendments are effective for the year ended March 31, 2021. Early application is permitted in any interim period after issuance of the Update. The Group is currently in the process of evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

3. Financial Instruments and Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash equivalents, accounts receivables and unbilled revenue. In the management's opinion, as of March 31, 2017 and March 31, 2018, there was no significant risk of loss in the event of non-performance of the counterparties to these financial instruments, other than the amounts already provided for in the financial statements.

The customers of the Company are primarily corporations based in the United States of America and accordingly, trade receivables are concentrated in the United States of America. The Company periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivable.

4. Cash and Cash Equivalents:

The cash and cash equivalents as of March 31, 2017 and March 31, 2018 are as follows:

	March 31, 2017	March 31, 2018
Bank Balances	\$1,020,493	\$211,135
Total	\$1,020,493	\$211,135

5. Short term loan

The Company has given short term loan to HCL America and the amount of loan due from HCL America is amounting \$5,000,000 and \$1,050,000 as of March 31, 2017 and March 31, 2018, respectively, at the effective interest rate of LIBOR plus 100 basis points. Short term Loan is repayable on demand.



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6. Other Current Assets

As of March 31, 2017 and March 31, 2018, other current assets comprise the following:

	March 31, 2017	March 31, 2018
Security deposits	\$44,642	\$100,761
Prepaid expense	84,533	83,682
Others	29,350	53,725
Interest receivables - related party	72,986	-
	\$231,511	\$238,168

7. Property and Equipment

Property and equipment at March 31, 2017 and March 31, 2018 consist of the following:

	March 31, 2017	March 31, 2018
Leasehold improvements	\$10,540	\$128,303
Software	8,306	8,306
Equipment	825,992	1,016,005
Furniture and fixtures	484,947	693,729
	1,329,785	1,846,343
Less: Accumulated depreciation	(848,091)	(1,049,463)
Property and equipment Net	\$481,694	\$796,880

Depreciation expense was \$202,943 and \$201,372 for the years ended March 31, 2017 and March 31, 2018, respectively.

8. Intangibles:

The allocation of values for Intangibles are as follows:

	March 31, 2017			March 31, 2018		
	Gross Carrying amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationship	\$6,500,000	\$2,243,738	\$4,256,262	\$6,500,000	\$3,728,038	\$2,771,962
Customer contract	500,000	500,000	-	500,000	500,000	-
Brand	700,000	330,555	369,445	700,000	563,889	136,111
	\$7,700,000	\$3,074,293	\$4,625,707	\$7,700,000	\$4,791,927	\$2,908,073

Amortization expense for the years ended March 31, 2017 and March 31, 2018 is \$1,858,644 and \$1,717,635 respectively.



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The estimated annual amortization expense schedule for intangible assets based on current balance is as follows:

Year ending March 31,	
2019	\$1,344,323
2020	924,034
2021	533,096
2022	106,620
	<u><u>\$2,908,073</u></u>

9. Employee Benefits Plans:

Total contributions by the Company to the plan for the periods ended March 31, 2017 and March 31, 2018 was \$822,369 and \$1,121,911 respectively.

10. Allowances for Accounts Receivable

Trade receivables due from customers are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Trade receivables are stated at the amount billed to the customer. Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. The Company estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience of accounts written offs, and other factors as necessary.

11. Accrued Liabilities

As of March 31, 2017 and March 31, 2018, accrued liabilities comprise the following:

Accrued liabilities	March 31, 2017	March 31, 2018
Accrued vacation	\$3,875	\$5,190
Advance from customers	715,893	-
Provision for customers discount	28,551	-
Other current liabilities	129,619	84,409
Accrued liabilities	<u>\$877,938</u>	<u>\$89,599</u>

12. Equity Shares

The Company has only one class of capital stock referred to herein as equity shares. Par value of each equity share outstanding as of March 31, 2018 is \$ 5.

Voting

Each holder of equity shares is entitled to one vote per share.

Liquidation

In the event of liquidation of the Company, the holders of equity shares shall be entitled to receive all of the



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remaining assets of the Company, after distribution of preferential amounts, if any. Such amounts will be in proportion to the number of equity shares held by the stockholders.

Dividend

Dividend declared and paid by the Company are in \$. During the year company has paid dividend of \$5,000,000 to it's holding company HCL America Inc.

13. Other Income (Expenses), Net:

For the years ended March 31, 2017 and March 31, 2018, other income, net consists of:

	Year ended March 31, 2017	Year ended March 31, 2018
Interest income	74,539	143,007
Foreign exchange gain (loss) , net	(29,782)	2,721
Miscellaneous income	14,386	10,301
Other income, net	59,143	156,029

14. Income taxes:

For the years ended March 31, 2017 and March 31, 2018 income taxes consists of:

	Year ended March 31, 2017	Year ended March 31, 2018
Current taxes	\$2,944,493	\$1,381,785
Deferred taxes	(770,568)	413,589
Total taxes	\$2,173,925	\$1,795,374

The reconciliation between the Company's provision for income tax and amount computed by applying the statutory income tax rate in USA is as follows:

	Year ended March 31, 2017	Year ended March 31, 2018
Income before taxes	\$4,637,462	\$4,062,491
Average enacted tax rate in USA	38.97%	36.38%
Expected tax expense	1,807,219	1,478,099
Permanent differences	69,405	-
Rate difference	-	181,866
Others	(11,586)	135,409
Prior year taxes	308,887	-
Total Taxes	\$2,173,925	\$1,795,374



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The tax returns subject to examination by the tax authorities in USA where the Company conducts business. The examination may result in assessment of additional taxes that are resolved with the authorities. Resolution of these matters involves some degree of uncertainty; accordingly, the Company recognizes income tax liability that it believes will ultimately result from proceedings.

The components of the deferred tax balance as of March 31, 2017 and 2018 are as follows:

	March 31, 2017	March 31, 2018
Deferred tax assets:		
Accrued employees costs	\$496,391	\$368,275
Depreciation and amortization	274,177	137,449
Total deferred tax assets	\$770,568	\$505,724
Deferred tax liabilities:		
Depreciation and amortization	-	148,745
Total deferred tax liabilities	-	\$148,745
Net deferred tax assets	\$770,568	\$356,979

15. Earning per equity share

The following is the reconciliation of the weighted average number of equity shares used in the computation of basic and diluted EPS:

	Year ended March 31, 2017	Year ended March 31, 2018
Weighted average number of equity shares outstanding used in computing basic EPS	250	250
Dilutive effect of stock options	NIL	NIL
Weighted average number of equity and equity equivalent shares outstanding used in computing diluted EPS	250	250

16. Related Party Transactions:

The Company has entered into transactions with the following related parties:

- a. Ultimate holding company
- b. Holding company and
- c. Affiliates of the Company

The related party transactions are categorized as follows:

Revenues:

The related parties to whom these services were provided and the corresponding amounts of revenue earned are as follows:



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	Year ended March 31, 2017	Year ended March 31, 2018
Holding Company:		
HCL America Inc.	907,914	2,260,455
HCL Axon Technology Inc.	330,446	895,792
HCL Technologies UK Ltd	104,461	78,425
Total	1,342,821	3,234,672

Interest received on short term loan:

Interest received from HCL America Inc. on short term loan totaling \$70,804 and \$131,935 for the years ending on March 2017 and year ended on March 2018, respectively.

Accounts receivable:

Accounts receivable include amounts due from Holding company, HCL America Inc. totaling \$1,008,399 and \$1,070,509 as at the end of March 2017 and March 2018, respectively, from HCL Axon Technology Inc. totaling \$330,446 and \$526,925 as at the end of March 2017 and March 2018 respectively and from HCL Technologies UK Ltd totaling \$104,461 and \$119,024 as at the end of March 2017 and March 2018 respectively.

Accounts payable:

Accounts payable includes amounts due to ultimate holding company HCL Technologies Ltd. totaling \$176,187 as at end of March 2018 and due to HCL America Inc. totaling \$ 127,268 as at the end of March 2018.

Short term loan:

Short term loan include amounts due from Holding Company, HCL America Inc. in respect of short term loan totaling \$5,000,000 and \$1,050,000 as at the end of March 2017 and March 2018, respectively.

Other current assets:

Other current assets include amounts due from Holding Company, HCL America Inc. in respect of interest on short term loan totaling \$72,986 and \$58,678 as at the end of March 2017 and March 2018, respectively.

Other current liabilities:

Other current liabilities include amounts due to Holding Company, HCL America Inc. in respect of income tax liability paid on behalf of the Company totaling \$2,933,477 as at the end of March 2018.



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17. Leases:

The company has taken office facilities on lease under non-cancellable operating lease agreements. Future Minimum lease payments as of March 31, 2018 for such non-cancellable operating leases are as follows:

Years ending March 31.

2019	\$606,720
2020	669,838
2021	680,497
2022	670,274
2023	451,231
2024	191,418
	<u>3,269,979</u>

Rental expenses under operating leases are amortized on the straight line method. The expense for the year ended March 31, 2017 and for the year ended March 31, 2018 amounts to \$581,398 and \$548,217 respectively.

18. Segment Reporting

The entity's operations predominantly relate to IT services in United States of America. Accordingly no disclosure for segment reporting has been included in these financials statements.

19. Subsequent Events

The Company has evaluated subsequent events through April 1, 2018 up to the date the financial statements were available to be issued.

20. Previous Year Comparative

Previous year figures have been regrouped/reclassified to the current year's classification wherever necessary.

