HCL Australia Services Pty Limited

ABN 72 081 196 983

Tier 2 General Purpose Annual Financial Report for the financial year ended 31 March 2021

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Tier 2 General Purpose Annual Financial Report 31 March 2021

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Directors' report

The directors submit their report together with the consolidated financial statements of the Group comprising HCL Australia Services Pty Limited ("the Company") and its subsidiaries for the year ended 31 March 2021.

Directors

The following persons are directors of HCL Australia Services Pty Limited during the financial year and up to the date of this report:

Mr. Prateek Aggarwal
Mr. Sundaram Sridharan
Mr. Subramanian Gopalakrishnan
Mr. Glenn Merchant

Principal activities
The principal activity of the Group during the course of the financial year was to provide IT and IT enabled services to clients.
There were no significant changes in the nature of the activities of the Group during the financial year ended 31 March 2021.

Dividends
No dividend was paid in the financial year 31 March 2021 (2020: Nil)

Review of operations
The consolidated profit after tax for the financial year ended 31 March 2021 is $ 12,686,880 (2020 : $13,279,008). The Group generated total revenue from services of $450,230,842 (2020 : $395,463,062) in the current financial year. Trading conditions remained consistent with those experienced in the prior year.

Significant changes in the state of affairs

a) On 21 September 2020, the Company announced an intention to acquire 100% stake in DWS Limited, a leading Australian IT, business and management consulting group for $158,197,593 payable in cash. The acquisition was completed on 5 January 2021 (the acquisition date) and the Company has paid $158,197,593.
b) On 4 December 2018, the resolution for the liquidation of its 100% subsidiary, Axon Solutions Pty Limited had been passed by the shareholder's and liquidator was appointed. As at March 2021, liquidation is under process, which Management believes will be concluded in the next financial year.
c) Otherwise as stated in point (a) and (b) above, in the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the year under review, not otherwise disclosed in this report or the financial statements.

Matters subsequent to the end of the financial year
As stated above in point (b), apart from the liquidation of its subsidiary Axon Solutions Pty Limited, no matter or circumstance has arisen since 31 March 2021 that has significantly affected, or may significantly affect:

a) The Group's operations in future financial year, or
b) The results of those operations in future financial year, or
c) The Group's state of affairs in future financial year.

Likely developments and expected results of operations

The Group will continue to pursue its policy of increasing profitability and market share during the next financial year.
Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Indemnification and insurance of officers and auditors

The Group has not, since the end of the previous financial year, in respect of any person who is or has been an officer of the Group:
i) Indemnified or made a relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
ii) Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.
The Group has not indemnified its auditors.

Environmental regulation

The Group's operations are not subject to significant environmental regulations under either Commonwealth or State legislation.

Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001.*

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

This report is made in accordance with a resolution of directors.

Mr. Sundaram Sridharan
Director
Date:
Location:

HCL Australia Services Pty Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 March 2021

	Notes	31 March 2021	31 March 2020
		$	$
Revenue from contract with customers	5	456,688,823	401,589,349
Cost of sales		(380,970,657)	(332,088,782)
Gross profit		**75,718,166**	**69,500,567**
Other operating income/ (expenses)	6	1,238,077	(930,187)
Selling and distribution expenses		(33,672,860)	(24,340,816)
Administrative expenses		(23,793,789)	(25,030,472)
Operating profit		**19,489,594**	**19,199,092**
Finance income		82,747	565
Finance costs	7	(350,243)	(160,647)
Profit before income tax		**19,222,098**	**19,039,010**
Income tax expenses	8	(6,535,218)	(5,760,002)
Profit after income tax		**12,686,880**	**13,279,008**
Other comprehensive income for the year (net of tax)		-	-
Total comprehensive income for the year		**12,686,880**	**13,279,008**

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position
As at 31 March 2021

	Notes	31 March 2021	31 March 2020
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	9	38,142,870	3,797,317
Trade and other receivables	10	112,692,510	107,014,916
Contract assets		11,380,094	2,890,008
Inventories	14	386,059	368,062
Deferred cost		6,144,225	2,943,603
Current tax receivable		-	970,141
Total current assets		168,745,758	117,984,047
Non-current assets			
Right-of-use assets	26	6,862,519	2,601,819
Property, plant and equipment	11	8,395,308	6,070,631
Goodwill	12	166,953,433	3,621,361
Other intangible assets	12	43,597,372	1,795,074
Deferred cost		1,047,578	1,235,084
Net deferred tax assets	13	4,186,654	6,802,064
Other receivables	15	4,076,582	2,600,587
Total non-current assets		235,119,446	24,726,620
TOTAL ASSETS		**403,865,204**	**142,710,667**
LIABILITIES			
Current liabilities			
Bank overdraft	18	2,998,391	14,498,909
Borrowings	16	11,000,000	-
Borrowings with related party	17	81,378,000	-
Trade and other payables	19	105,050,613	55,655,436
Contract liabilities	21	8,811,891	5,086,865
Accrued employee costs	20	22,604,049	7,955,315
Lease liabilities		1,216,739	877,255
Income tax payable		3,982,367	-
Total current liabilities		237,042,050	84,073,780
Non-current liabilities			
Accrued employee costs	20	22,510,171	13,149,515
Lease liabilities		6,413,402	1,771,080
Contract liabilities	21	445,907	350,128
Total non-current liabilities		29,369,480	15,270,723
TOTAL LIABILITIES		266,411,530	99,344,503
NET ASSETS		**137,453,674**	**43,366,164**
EQUITY			
Contributed equity	22	81,900,630	500,000
Reserves	23	1,389,581	1,389,581
Retained profits	23	54,163,463	41,476,583
Total equity		**137,453,674**	**43,366,164**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

HCL Australia Services Pty Limited
Consolidated statement of changes in equity
As at 31 March 2021

	Contributed equity	Other equity contribution	Retained earnings	Total
	$	$	$	$
At 1st April 2020	500,000	1,389,581	41,476,583	43,366,164
Issue of capital	81,400,630	-	-	81,400,630
Profit for the year	-	-	12,686,880	12,686,880
Total comprehensive income for the year	-	-	12,686,880	12,686,880
At 31 March 2021	81,900,630	1,389,581	54,163,463	137,453,674

	Contributed equity	Other equity contribution	Retained earnings	Total
	$	$	$	$
At 1st April 2019	500,000	1,389,581	28,197,575	30,087,156
Profit for the year	-	-	13,279,008	13,279,008
Total comprehensive income for the year	-	-	13,279,008	13,279,008
At 31 March 2020	500,000	1,389,581	41,476,583	43,366,164

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

HCL Australia Services Pty Limited
Consolidated statement of cash flows
As at 31 March 2021

	Notes	31 March 2021	31 March 2020
		$	$
Cash flow from operating activities			
Profit before tax for the period		19,222,098	19,039,010
Loss on sale of fixed assets		-	28,382
Depreciation & amortization	11,12	6,350,079	2,520,980
Depreciation on ROU	7	1,099,995	873,178
Interest on lease liability	7	91,534	81,083
Interest on borrowings from bank	7	184,396	-
Other interest cost	7	74,313	79,564
Change in operating assets and liabilities			
Decrease/ (Increase) in trade & other receivables		7,254,263	(12,000,245)
Increase in contract assets		(8,490,086)	(1,664,543)
(Increase) / Decrease in inventories		(17,997)	569,800
Increase in deferred cost		(3,013,116)	(1,745,646)
Increase in contract liabilities		2,502,087	3,586,785
Increase in accrued employee costs		14,479,986	364,450
Increase / (Decrease) in trade & other payables		31,284,298	(2,454,550)
Cash Flow from operating activities		**71,021,850**	**9,278,248**
Tax paid		(6,275,942)	(8,645,747)
Net cash flow from operating activities		**64,745,908**	**632,501**
Cash flow from investing activities			
Purchase for property, plant and equipment	11	(2,775,787)	(888,866)
Purchase consideration for DWS acquisition (net of cash acquired)	3, 12	(149,140,188)	(5,447,412)
Capital work in progress	11	27,868	2,191
Net cash outflow from investing activities		**(151,888,107)**	**(6,334,087)**
Cash flows from financing activities			
Proceeds from issuing share capital	22	81,400,630	-
Repayment of borrowings	16	(28,000,000)	-
Proceeds from short term borrowings	17	81,378,000	-
Interest paid		(258,709)	(79,564)
Payment of lease liabilities including interest	26	(1,531,651)	(945,080)
Net cash inflow/(outflow) from financing activities		**132,988,270**	**(1,024,644)**
Net increase/(decrease) in cash and cash equivalents		45,846,071	(6,726,230)
Cash and cash equivalents at the beginning of the financial year		(10,701,592)	(3,975,362)
Cash and cash equivalents at end of the year	2(g), 9 ,18	**35,144,479**	**(10,701,592)**

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statements **Page**

1 Corporate information

This financial report covers HCL Australia Services Pty Limited ("the Company") and its subsidiaries (together referred as Group). The financial report is presented in the Australian Dollars.

HCL Australia Services Pty Limited is a Company limited by shares, incorporated and domiciled in Australia. Its principal place of business is Level 8, 1 Pacific Highway, North Sydney NSW 2060 and registered office is Level 7, 10 Barrack Street, Sydney NSW 2000.

The financial report of HCL Australia Services Pty Limited for the financial year ended 31 March 2021 was authorized for issued by the directors on _____

The Group is ultimately controlled by HCL Technologies Limited, which is incorporated in India.

2 Summary of significant accounting policies

(a) Basis of preparation

The financial report is a Tier 2 general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards – Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board. The Group is a for-profit, private sector entity which is not publicly accountable. These consolidated financial statements comply with Australian Accounting Standards - Reduced Disclosure Requirements.

The financial report has been prepared on an accrual basis of accounting including the historical cost convention and the going concern assumption. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

Comparative information is reclassified where appropriate to enhance comparability.

(b) Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business for a period of at least twelve months from the date these financial statements are approved. Whilst the Group has continued to record profits from operations of $12,686,880 (2020 : $13,279,008), as at 31 March 2021 it had a working capital deficiency of $68,296,292 (31 March 2020: working capital surplus of $33,910,267) as a result of loan payable amounting to $81,378,000 with a related party, HCL Technologies UK Limited as disclosed in Note 17.

The ability of the Company to continue as a going concern is dependent upon the financial support of its ultimate parent entity, HCL Technologies Limited., without which there is significant doubt in relation to the Company's ability to continue as a going concern. The ultimate parent entity has confirmed its agreement in writing to support the Group financially and operationally for a period of at least 12 months from the date of signing these financial statements to enable the Group to pay its debts as and when they become due and payable.

Additionally, subsequent to year end, in June 2021, the Group has entered into a loan agreement with HCL Technologies UK Limited, which requires the Company to repay the principal amount no later than 5 years from the date of the loan agreement.

After considering the above and the expectation that the Group will continue to trade profitability and generate adequate cash from operations, the directors consider that the Group will continue to fulfil all obligations as and when they fall due for the foreseeable future, being at least twelve months from the date of signing these financial statements, and accordingly consider that the Group's financial statements should be prepared on a going concern basis.

2 Summary of significant accounting policies (continued)

(c) Basis for Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.
If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

(d) Revenue recognition

Revenue from contracts with customers

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

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

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the

2 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

Revenue from contracts with customers (continued)

contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in AASB 15.Revenue from the sale of goods is recognised on the transfer of the control, which generally, coincides with the time of delivery of goods.

Contract balances

- Contract assets

  A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets are recognized where there is excess of revenue over the billings. Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in our consolidated balance sheet. Contract assets primarily relate to unbilled amounts on fixed price contracts using the cost to cost method of revenue recognition. Unbilled receivables represents contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

- Contract liabilities

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

Multiple performance obligations

When a sales arrangement contains multiple obligations, such as services, hardware and Licensed IPs (software) or combinations of each of them, revenue for each element is based on a five-step approach. To the extent a contract includes multiple promised deliverables, judgment is applied to determine whether promised deliverables are capable of being distinct and are distinct in the context of the contract. If these criteria are not met, the promised deliverables are accounted for as a combined performance obligation. For arrangements with multiple distinct performance obligations or series of distinct performance obligations, consideration is allocated among the performance obligations based on their relative standalone selling price. Standalone selling price is the price at which the Group would sell a promised good or service separately to the customer. When not directly observable, we estimate standalone selling price by using the expected cost plus a margin approach. We establish a standalone selling price range for our deliverables, which is reassessed on a periodic basis or when facts and circumstances change. If the arrangement contains obligations related to License of Intellectual property (Software) or Lease deliverable, the arrangement consideration allocated to the Software deliverables, lease deliverable as a group is then allocated to each software obligation and lease deliverable.

Revenue recognition for delivered elements is limited to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified return or refund privileges.

Revenue from certain activities in transition services in outsourcing arrangements are not capable of being distinct or represent separate performance obligation. Revenues relating to such transition activities are classified as Contract liabilities and subsequently recognized over the period of the arrangement. Direct and incremental costs in relation to such transition activities which are expected to be recoverable under the contract and generate or enhance resources of the Company that will be used in satisfying the performance obligation in the future are considered as contract fulfillment costs classified as Deferred contract costs and recognized over the period of arrangement. Certain upfront non-recurring incremental contract acquisition costs and other upfront fees paid to customers are deferred and classified as Deferred contract costs and amortized to revenue or cost, usually on a straight-line basis, over the term of the contract unless revenues are earned and obligations are fulfilled in a different pattern. The undiscounted future cash flows from the arrangement are periodically estimated and compared with the unamortized costs. If the unamortized costs exceed the undiscounted cash flows, a loss is recognized.

2 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

Multiple performance obligations (continued)

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 Group is a principal to the transaction and net of costs when the Group is acting as an agent between the customer and the vendor. Several factors are considered to determine whether the Group is a principal or an agent, most notably being, whether the Group controls the goods or service before it is transferred to customer, latitude in deciding the price being charged to customer. 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, or any other form of variable consideration is estimated using either the sum of probability weighted amounts in a range of possible consideration amounts (expected value), or the single most likely amount in a range of possible consideration amounts (most likely amount), depending on which method better predicts the amount of consideration realizable. Transaction price includes variable consideration only to the extent it is probable that a significant reversal of revenues recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price may involve judgment and are based largely on an assessment of our anticipated performance and all information that is reasonably available to us.

Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in consolidated balance sheet. Contract assets primarily relate to unbilled amounts on those contracts utilizing the cost to cost method of revenue recognition and where the right to consideration is not unconditional. Unbilled receivables represent contracts where the right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

(e) Foreign currency translation

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent group's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(i) Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is 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 (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(ii) Group Companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

2 Summary of significant accounting policies (continued)

(e**) Foreign currency translation (continued)**

(ii) Group Companies (continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(f) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

HCL Australia Services Pty Limited and its wholly-owned Australian controlled entity - Axon Solutions Pty Ltd. implemented the tax consolidation legislation as of 1 November 2011. The head entity, HCL Australia Services Pty Limited and the controlled entity in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group

2 Summary of significant accounting policies (continued)

(f) Income tax (continued)

allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

Until FY18-19, HCL Australia Services Pty Limited used to recognize current tax liabilities or assets not only on its own tax accounts but also on its controlled entity - Axon Solutions Pty Ltd.'s unused tax losses and unused tax credits. Since Axon Australia is still not liquidated and its tax clearance is not yet issued by Australia tax office, tax consolidated group continues to exist. During the current year the Company acquired DWS group and with effect from 5 January 2021 (the acquisition date), these acquired entities also form part of tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entity in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognized as a contribution to (or distribution from) wholly-owned tax consolidated entity.

(g) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, the Group has included bank overdrafts within cash and cash equivalents as they are considered an integral part of the Group’s cash management.

(h) Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less an allowance for impairment. Trade receivables are generally due for settlement within 30 days.

Finance lease receivables are recognized at an amount equal to net investment in the lease, which comprises the present value of the minimum lease payments receivable, plus the present value of an unguaranteed residual value expected to accrue at the end of the lease. Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is evidence that the Group will not be able to collect the amount due according to the original terms of receivables. The amount of the provision is recognized in the consolidated statement of profit or loss and other comprehensive income.

(i) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced.

All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the reporting period in which they are incurred.

Depreciation is calculated on straight-line basis over the estimated useful lives of the assets, as follows:

Category of asset	Useful life (Years)
Computer equipment	2 to 5
Furniture fitting and equipment	5 to 40

2 Summary of significant accounting policies (continued)

(i) Property, plant and equipment (continued)

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(j) Trade and other payables

Trade and other payables are carried at amortized cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Intangible assets and goodwill

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

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit or loss and other comprehensive income in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with infinite lives are tested annually for impairment or assessed whenever there is an indication that the intangible asset may be impaired.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss and other comprehensive income in the expense category consistent with the function of the intangible assets.

The following are the finite lives of the intangible assets in the group:

	Life (Years)	Basis of amortization
Assembled workforce	10.0	On straight line basis
Customer relationships	7.5	In proportion of estimated revenue
Customer contracts	0.5	In proportion of estimated revenue
Intellectual property rights (Brand)	5	On straight line basis

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognised.

2 Summary of significant accounting policies (continued)

(l) Employee benefits

i) Wages and salaries

Short -term employee benefits are expensed as the related service is provided.

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognized in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulated sick leave are recognized when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognized in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

Contributions to the defined contribution fund are recognized as an expense as they become payable.

The amount charged to the statement of profit or loss and other comprehensive income in respect of superannuation represents the contributions made by the Group to the superannuation fund.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognized net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognized as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(n) Impairment of non-financial assets

Goodwill

Goodwill is tested annually, for impairment, or sooner whenever there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Group’s cash generating units (CGU) expected to benefit from the synergies arising from the business combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment occurs when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. Value-in-use is the present value of future cash flows expected to be derived from the CGU. Total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU, pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill recognized in the statement of profit and loss is not reversed in the subsequent period.

2 Summary of significant accounting policies (continued)

(n) Impairment of non-financial assets (continued)

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs. If such assets are considered to be impaired, the impairment to be recognized in the statement of profit and loss is measured by the amount by which the carrying value of the asset exceeds the estimated recoverable amount of the asset.

(o) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(p) Leases

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

Group as a lessee

The Group is a lessee in the case of office space, accommodation for its employees & IT equipment. These leases are evaluated to determine whether it contains a lease based on principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors as defined in AASB 16.

Effective 1 April 2019, all leases with a term of more than 12 months and are not low value leases are recognized as right-of-use assets along with associated lease liabilities, in the consolidated balance sheet.

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

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

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

2 Summary of significant accounting policies (continued)

(p) Leases (continued)

Group as a lessor

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

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

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

(q) Standards not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements. The company is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).

(r) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The Group does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalized (Including any other associated costs directly attributable to the borrowing cost and temporary investment income earned on the borrowings).

(s) Current versus non-current classification

The group presents assets and liabilities in the statement of financial position based on current/non-current classification.

2 Summary of significant accounting policies (continued)

(s) Current versus non-current classification (continued)

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period ,Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(t) Financial Instruments

Recognition

Financial assets and financial liabilities are initially recognized on the balance sheet when the group becomes party to the contractual provisions of the instrument. Recognition is based on the trade date.

Measurement

Financial instruments are initially measured at fair value, plus in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments at amortized cost

A financial instrument is measured at the amortized cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

Financial instrument at Fair Value through Other Comprehensive Income (OCI)

A financial instrument is classified and measured at fair value through OCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
b) The asset's contractual cash flows represent solely payments of principal and interest. Financial instruments included within the OCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in

2 Summary of significant accounting policies (continued)

(t) Financial Instruments (continued)

Measurement (continued)

Financial instrument at Fair Value through Other Comprehensive Income (OCI) (continued)

OCI. On derecognition of the asset, any cumulative gain or loss previously recognized in OCI is reclassified from OCI to statement of profit and loss.

Financial instrument at Fair Value through Profit and Loss

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

Cash and cash equivalents

Cash and cash equivalents are after initial recognition measured at amortized cost. Cash and cash equivalents comprise cash in bank and cash on short notice and money in transit.

Trade and other receivables

Trade and other receivables are after initial recognition measured at amortized cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognized in profit or loss when the trade and other receivables are derecognized or impaired.

Trade and other payables

Trade and other payables are classified as financial liabilities originated by the group and are carried after initial recognition at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the trade and other payables are derecognized or impaired.

Derecognition

i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the group has transferred its rights to receive cash flows from the asset and either;

(a) has transferred substantially all the risks and rewards of the asset, or
(b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2 Summary of significant accounting policies (continued)

(t) Financial Instruments (continued)

Impairment

The group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

i) Assets carried at amortized cost

The Group recognises an allowance for expected credit losses (ECLs) for all trade receivables not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of profit or loss and other comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

ii) Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

(u) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(v) Cash Dividend

The Group recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the Group. As per the corporate laws of Australia, a distribution is authorized when it is approved by the directors. A corresponding amount is recognized directly in equity.

2 Summary of significant accounting policies (continued)

(w) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(x) Inventories

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

i) Raw materials: purchase cost on a first-in/first-out basis.

ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3 Acquisition of subsidiary

On 21 September 2020, the Company announced an intention to acquire 100% stake in DWS Limited, a leading Australian IT, business and management consulting group for $158,197,593 payable in cash. The suite of solutions provided by DWS covers, but not limited to, Digital Transformation, IT, Business and Management Consulting services, Data and Business Analytics, and Robotic Process Automation services. The acquisition has been completed on 5 January 2021 (the acquisition date) and the Company has paid $158,197,593.

Total purchase consideration of $158,197,593 has been preliminary allocated based on management estimates. The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Particulars	Amount ($)	Amount ($)
Working capital:		
Cash and bank balances	9,057,405	
Trade and other receivables	17,230,355	
Contract assets	2,538,122	
Trade and other payables	(15,858,918)	
Accrued employee costs	(17,591,265)	
Lease liabilities	(5,274,456)	
Contract liabilities	(1,318,718)	
Income tax payable	(579,125)	
Total working capital		**(11,796,600)**
Right-of-use assets		4,599,274
Deferred tax liabilities, net		(6,666,288)

3 Acquisition of subsidiary (continued)

Particulars	Amount ($)	Amount ($)
Borrowings		(39,000,000)
Property plant and equipment, net		2,229,135
Intangible assets:		
Customer relationships	27,000,000	
Customer contracts	4,500,000	
Intellectual property rights (Brand)	14,000,000	
Total intangible assets		**45,500,000**
Goodwill		163,332,072
Total purchase consideration		**158,197,593**

The resultant goodwill is considered non-tax deductible. The acquisition is a step towards enhancing the Group presence in the Australia and New Zealand region. The acquisition also helps the Group expand its coverage of clients and use the acquired customer base to offer its expanded portfolio of services.

The Group is in the process of making a final determination of the fair value of assets and liabilities primarily related to certain tax matters. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date, then the acquisition accounting will be revised.'

4 Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial results or the financial position reported in future periods.

Critical accounting estimates and assumptions

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Recovery of deferred tax assets

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

Income taxes

The Group is subject to income taxes in Australia. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

The preparation of financial statements in conformity with AASBs requires management to exercise its judgment in determining taxable profit in order to estimate the Group’s current tax liability. The key judgments involve the process of applying a transfer

4 Critical accounting estimates and judgements (continued)

Income taxes (continued)

pricing methodology to determine an appropriate profit level indicator. Accordingly, management has selected a method which it believes is reasonable based on advice from external professional advisers. The basis of this transfer pricing methodology and selection of profit level indicator is based on arm's length transfer pricing principles in accordance with Australian transfer pricing legislation. Those principles are however subject to the tax authority's review.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Revenue Recognition

The Group determines the amount of revenue to be recognised on certain projects in progress based on the estimated amount of work completed in relation to the projects. This estimation is based on management's assessment of costs incurred as well as an estimation of the percentage of the project completed.

Acquisition of subsidiary - Business combination

The Group has acquired DWS Limited for a consideration transferred and fair value of the assets acquired and liabilities assumed, measured on a provisional basis - Note 3.

5 Revenue from contract with customers

	31 March 2021	31 March 2020
	$	$
Revenue from contract with customers	456,688,823	401,589,349
	456,688,823	**401,589,349**

a) Disaggregate revenue information

	31 March 2021	31 March 2020
	$	$
Contract type		
Fixed price	98,056,482	52,559,867
Time and material	352,174,360	342,903,195
Sale of goods	6,457,981	6,126,287
Total revenue from contract with customers	456,688,823	401,589,349

	31 March 2021	31 March 2020
	$	$
Timing of revenue recognition		
Goods transferred at a point in time	6,457,981	6,126,287
Services transferred over time	450,230,842	395,463,062
Total revenue from contract with customers	456,688,823	401,589,349

b) Contract balances

	31 March 2021	31 March 2020
	$	$
Trade and unbilled receivables including receivables from related parties(Note 10)	104,057,044	99,212,804
Contract assets	11,380,094	2,890,008
Contract liabilities (Note 21)	(9,257,798)	(5,436,993)
	106,179,340	96,665,819

6 Other income/(expenses)

	31 March 2021	31 March 2020
	$	$
Net foreign exchange gain/ (loss)	1,226,477	(901,805)
Gain/(loss) on disposal of asset	701	(28,382)
Commision income on guarantee given	10,899	-
	1,238,077	**(930,187)**

7 Expenses

	31 March 2021	31 March 2020
	$	$
Profit before income tax includes the following specific expenses:		
Depreciation		
Furniture, fittings and equipment	130,409	62,382
Computers	2,521,968	2,243,600
Intangible assets	3,697,702	214,998
Right to use	1,099,995	873,178
Total depreciation	7,450,074	3,394,158
Finance costs		
Interest on borrowings from bank	184,396	-
Interest on lease liability	91,534	81,083
Other interest cost	74,313	79,564
Total finance cost	350,243	160,647
Rental expense relating to operating leases		
Minimum lease payments	397,262	111,464
Net foreign exchange gain/(loss)	1,226,477	(901,805)
Defined contribution superannuation expense	9,950,192	6,979,506
Employee benefits expense	199,670,521	170,942,841
Gain/ (loss) on disposal of asset	701	(28,382)

8 Income tax expense

	31 March 2021	31 March 2020
	$	$
(a) Income tax expense		
Current tax	10,306,860	5,161,029
Deferred tax	(3,261,384)	593,932
Adjustments for current tax of prior periods	269,648	(533,726)
Adjustments for deferred tax of prior periods	(789,494)	538,767
Others	9,588	-
Income tax expense	**6,535,218**	**5,760,002**
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	19,222,098	19,039,010
Tax at the Australian tax rate of 30% (2020 - 30%)	5,766,629	5,711,703
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry items	17,482	7,903
Effect of timing differences	981,551	-
Permanent Difference	45,615	51,991
Non Deductible Items	243,786	(16,636)
	7,055,064	5,754,961
Adjustments for current tax of prior periods	(519,846)	5,041
Income tax expense	6,535,218	5,760,002

9 Current assets - Cash and cash equivalents

	31 March 2021	31 March 2020
	$	$
Cash at bank and on hand	38,142,870	3,797,317
	38,142,870	**3,797,317**

Cash at bank and on hand are bearing floating interest rates at an average of nil%.

10 Current assets - Trade and other receivables

	31 March 2021	31 March 2020
	$	$
Trade receivables		
Unsecured	64,937,026	75,651,137
Provision for expected credit losses	(1,712,336)	(851,105)
	63,224,690	74,800,032
Receivables from related parties	15,303,415	13,450,378
Prepayments and other assets	3,329,901	3,949,033
Employee advances	10,390	191,261
Unbilled receivables	25,528,939	10,962,394
Other Receivables	5,295,175	3,661,818
	112,692,510	**107,014,916**

Effective interest rates and credit risk

The group is not exposed to interest rate risk on these receivable balances as they are non-interest bearing. There is no concentration of credit risk with respect to current receivables as the group has a large number of customers.

The Company's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months. Each customer has a maximum credit limit. The Company seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Company's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. They are stated net of loss allowance.

The Company does not hold any collateral or other credit enhancements over these balances.
Movements in the loss allowance for trade receivables are as follows:

	31 March 2021	31 March 2020
	$	$
At the beginning of the year	851,105	457,680
Impairment losses, net	861,231	393,425
At the end of the year	1,712,336	851,105

Impairment of trade receivables under AASB 9 Financial Instruments

The Company applies the simplified approach to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 31 March 2021 and 31 March 2020 are determined as follows:

As at 31 March 2021	**Current**	**Upto 6 months past due**	**More than 6 months past due**	**Total**
Expected loss rate (%)	0.10	4.39	35.27	2.64
Gross carrying amount ($)	48,329,570	13,585,837	3,021,619	64,937,026
Expected credit losses ($)	49,869	596,686	1,065,781	1,712,336

As at 31 March 2020	**Current**	**Upto 6 months past due**	**More than 6 months past due**	**Total**
Expected loss rate (%)	0.09	0.88	13.05	1.13
Gross carrying amount ($)	45,198,187	26,008,444	4,444,506	75,651,137
Expected credit losses ($)	42,777	228,378	579,950	851,105

11 Non-current assets-Property, plant and equipment

	Furniture, fittings and equipment	Computer equipment	Total
	$	$	$
At 31st March 2021			
Opening net book amount	1,049,911	5,020,720	6,070,631
Additions	464,368	2,311,419	2,775,787
Additions through business combination (Note 3)	2,225,258	3,877	2,229,135
Fixed asset written off	-	(50,430)	(50,430)
Movement in capital work in progress	(22,128)	(5,740)	(27,868)
Depreciation on Assets Written off	-	50,430	50,430
Depreciation	(130,409)	(2,521,968)	(2,652,377)
Net book amount	**3,587,000**	**4,808,308**	**8,395,308**
At 31st March 2021			
Cost	4,901,693	14,724,936	19,626,629
Accumulated depreciation	(1,314,693)	(9,916,628)	(11,231,321)
Net book amount	**3,587,000**	**4,808,308**	**8,395,308**
At 31st March 2020			
Opening net book amount	1,068,677	6,449,643	7,518,320
Additions	48,821	840,045	888,866
Fixed asset written off	(85,090)	(145,542)	(230,632)
Movement in capital work in progress	22,128	(24,319)	(2,191)
Depreciation on Assets Written off	57,757	144,493	202,250
Depreciation	(62,382)	(2,243,600)	(2,305,982)
Net book amount	**1,049,911**	**5,020,720**	**6,070,631**
At 31st March 2020			
Cost	2,234,195	12,465,810	14,700,005
Accumulated depreciation	(1,184,284)	(7,445,090)	(8,629,374)
Net book amount	**1,049,911**	**5,020,720**	**6,070,631**

12 Intangible assets

	Goodwill	Intellectual property rights	Customer contracts	Customer Relationships	Assembled workforce	Total
	$	$		$	$	$
At 31st March 2021						
Opening net book amount	3,621,361	-	-	1,687,205	107,869	5,416,435
Additions through business combination (Note 3)	163,332,072	14,000,000	4,500,000	27,000,000	-	208,832,072
Depreciation	-	(700,000)	(2,152,174)	(769,376)	(76,152)	(3,697,702)
Net book amount	**166,953,433**	**13,300,000**	**2,347,826**	**27,917,829**	**31,717**	**210,550,805**
At 31st March 2021						
Cost	166,953,433	14,000,000	4,500,000	28,826,051	380,741	214,660,225
Accumulated depreciation	-	(700,000)	(2,152,174)	(908,222)	(349,024)	(4,109,420)
Net book amount	**166,953,433**	**13,300,000**	**2,347,826**	**27,917,829**	**31,717**	**210,550,805**
At 31st March 2020						
Opening net book amount	-	-	-	-	184,021	184,021
Additions through business combination	3,621,361	-	-	1,826,051	-	5,447,412
Depreciation	-	-	-	(138,846)	(76,152)	(214,998)
Net book amount	**3,621,361**	**-**	**-**	**1,687,205**	**107,869**	**5,416,435**
At 31st March 2020						
Cost	3,621,361	-	-	1,826,051	380,741	5,828,153
Accumulated depreciation	-	-	-	(138,846)	(272,872)	(411,718)
Net book amount	**3,621,361**	**-**	**-**	**1,687,205**	**107,869**	**5,416,435**

13 Deferred tax assets

Components of deferred tax assets and liabilities as on 31 March 2021

	Opening balance	Recognized in profit and loss	Acquisitions /De-consolidation (Note 3)	Closing balance
	$	$	$	$
Deferred tax assets				
Provision for expected credit losses	255,332	76,031	182,337	513,700
Accrued employee costs	8,018,849	3,454,070	4,168,097	15,641,016
Unrealized gain/loss	143,647	(143,647)	-	-
Provision for Expenses	97,929	(116,258)	2,165,239	2,146,910
Unutilised tax losses	-	(152,197)	630,639	478,442
Gross deferred tax assets (A)	**8,515,757**	**3,117,999**	**7,146,312**	**18,780,068**
Deferred tax liabilities				
Depreciation and amortization	1,031,861	(152,898)	162,600	1,041,563
Deferred Revenue	175,671	90,492	-	266,163
Prepayments	-	180,843	-	180,843
Unrealized gain/loss	-	35,149	-	35,149
Intangibles	506,161	(1,086,465)	13,650,000	13,069,696
Gross deferred tax liabilities (B)	**1,713,693**	**(932,879)**	**13,812,600**	**14,593,414**
Net deferred tax assets (A-B)	**6,802,064**	**4,050,878**	**(6,666,288)**	**4,186,654**

Components of deferred tax assets and liabilities as on 31 March 2020

	Opening balance	Recognized in profit and loss	Acquisitions /De-consolidation	Closing balance
	$	$	$	$
Deferred tax assets				
Provision for expected credit losses	137,304	118,028	-	255,332
Accrued employee costs	8,527,412	(508,563)	-	8,018,849
Deferred Revenue	214,401	(214,401)	-	-
Unrealized gain/loss	15,087	128,560	-	143,647
Provision for Expenses	171,215	(73,286)	-	97,929
Gross deferred tax assets (A)	**9,065,419**	**(549,662)**	**-**	**8,515,757**
Deferred tax liabilities				
Depreciation and amortization	582,841	449,020	-	1,031,861
Deferred Revenue	-	175,671	-	175,671
Intangibles	-	(41,654)	547,815	506,161
Gross deferred tax liabilities (B)	**582,841**	**583,037**	**547,815**	**1,713,693**
Net deferred tax assets (A-B)	**8,482,578**	**(1,132,699)**	**(547,815)**	**6,802,064**

14 Inventories

	31 March 2021	31 March 2020
	$	$
Trading material (at cost)	386,059	368,062

15 Non Current assets- Other receivables

	31 March 2021	31 March 2020
	$	$
Prepayments and other assets	818,154	1,157,790
Unbilled receivables	970,730	-
Other receivables	2,287,698	1,442,797
	4,076,582	**2,600,587**

16 Borrowings

	31 March 2021	31 March 2020
	$	$
Secured bank loan acquired through business combination (Note 3)	39,000,000	-
Repayment	(28,000,000)	-
Current portion of secured bank loan	**11,000,000**	**-**

The main terms of facility are as follows:
1. $20 million total facility with $9 million undrawn as at 31 March 2021 (excluding bank guarantees);
2. Loan facility used for prior acquisitions and working capital;
3. Interest only repayments;
4. Facility term for the loan is till September 2021; and
5. Debt covenants under the facility include interest coverage ratio, leverage ratio and minimum net worth. DWS Group has complied with the covenants throughout the reporting period.

Borrowings are secured over the assets of the DWS group.

17 Borrowings with related party

	31 March 2021	31 March 2020
	$	$
HCL Technologies UK Limited	81,378,000	-

The Company received funding from HCL Technologies UK Limited for an amount of $81,378,000 in December 2020 to assist in the acquisition of the DWS Group. In June 2021 a loan agreement was entered into by the Company and HCL Technologies UK Limited, which requires the Company to repay the principal amount no later than 5 years from the date of the loan agreement. As at balance sheet date the Company did not have the unconditional right to defer payment of the principal amount for a period beyond 12 months from balance date. As a result the loan is recorded as a current liability in the statement of financial position as at 31 March 2021. Interest is applicable at the rate of 3 month bank bill SWAP rate +57 basis points.

18 Bank overdraft

	31 March 2021	31 March 2020
	$	$
Bank overdraft	2,998,391	14,498,909

Bank overdraft is bearing floating interest rate at RBA+0.30%

19 Current liabilities - Trade and other payables

	31 March 2021	31 March 2020
	$	$
Trade payables	3,547,815	1,067,820
Amounts owing to related entities	58,385,515	23,290,993
Other employee payables	14,222,921	10,552,997
Provisions and accruals	9,230,850	12,974,288
Other payables	19,663,512	7,769,338
	105,050,613	**55,655,436**

20 Accrued employee costs

	31 March 2021	31 March 2020
	$	$
Leave encashment		
Opening balance	21,104,830	20,740,380
Add: Liability acquired through business combination (Note 3)	9,529,404	-
Add: Provision	10,907,159	4,753,163
Less: Reversal/payouts	(4,528,280)	(4,388,713)
Closing balance	**37,013,113**	**21,104,830**
Earnout liability		
Opening balance	-	-
Add: Liability acquired through business combination (Note 3)	8,061,861	-
Add: Provision	39,246	-
Less: Reversal/payouts	-	-
Closing balance	**8,101,107**	**-**
	45,114,220	**-**
Current portion	22,604,049	7,955,315
Non current portion	22,510,171	13,149,515
	45,114,220	**21,104,830**

21 Contract liabilities

	31 March 2021	31 March 2020
	$	$
Current	8,811,891	5,086,865
Non-current	445,907	350,128
	9,257,798	**5,436,993**

22 Contributed equity

	31 March 2021	31 March 2020
	$	$
Ordinary shares (81,900,630 shares of $1.00 each)	81,900,630	500,000

(a) The above shares are wholly owned by HCL Bermuda Limited.
(b) On 11 December 2020, the Company issued 81,400,630 ordinary shares to HCL Bermuda Limited of $1.00 each.
(c) Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

23 Reserves and retained profits

	31 March 2021	31 March 2020
	$	$
(a) Other equity contribution		
Other equity contribution at the beginning of the year	1,389,581	1,389,581
Other equity contribution at end of the year	**1,389,581**	**1,389,581**
(b) Retained profits		
Opening retained earnings	41,476,583	28,197,575
Net profit for the year	12,686,880	13,279,008
Balance 31 March	**54,163,463**	**41,476,583**

24 Remuneration of auditors

	31 March 2021	31 March 2020
	$	$
Fees paid to statutory auditors	90,000	22,920

25 Contingencies

The Group has given a financial guarantee for $5,088,308 (2020: $306,988) out of which $4,710,048 was issueed to HCL New Zealand Limited on 16 October 2020 for the performance of all obligations arising under the agreement with Dell financial services. The company charges commission on guarantee @ 0.5% p.a.
Other than that, there is no contingent assets and liabilities as at 31 March 2021 (2020: $Nil).

26 Leases and commitments

a. Leases as lessee AASB 16

The Group leases various offices under non cancellable operating leases expiring within one to five years. The leases have varying terms, escalator clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Information about leases for which the group is a lessee is presented below:

(i) Right-of-use assets

	31 March 2021	31 March 2020
	$	$
Balance as at 1 April	2,601,819	2,343,189
Right-of-use acquired through business combination (Note 3)	4,599,274	-
Additions to right-of-use assets	761,421	1,131,808
Depreciation charged for the year	(1,099,995)	(873,178)
Balance as at 31 March	6,862,519	2,601,819
(ii) Amounts recognised in profit or loss		
Interest on lease liabilities	91,534	81,083
(iii) Amounts recognised in statement of cash flows		
Payment of lease liabilities	1,531,651	945,080
(iv) Reconciliation of lease liability		
Balance as on 1 April	2,648,335	2,380,523
Additions of lease liabilities	1,147,467	1,131,809
Lease liabilities acquired through business combination (Note 3)	5,274,456	-
Payments made	(1,531,651)	(945,080)
Interest expense	91,534	81,083
Balance as at 31 March	7,630,141	2,648,335

b. There is capital commitment as at balance sheet date 31 March 2021 of $1,021,887 (2020: $147,185).

27 Related party transactions

HCL Australia Services Pty Limited is a wholly owned subsidiary of HCL Bermuda Limited, incorporated in Bermuda, which in turn is a subsidiary of HCL Technologies Limited (ultimate holding Company), incorporated in India.

The Group had the following material transactions with related parties during the financial year:

	31 March 2021	31 March 2020
	$	$
Transactions during 1 April to 31 March		
Software Development charges received/receivable from HCL Technologies Limited	6,157,968	16,088,289
Software Development charges received/receivable from related parties	12,368,906	11,431,300
Consulting charges paid /payable to HCL Technologies Limited	163,241,286	130,843,576
Consulting charges paid /payable paid/payable to other related parties	9,234,572	10,379,540
Outstanding Balances as at 31 March		
Account owing by HCL Technologies Limited (note 10)	8,622,513	10,385,236
Account owing by other related entities (note 10)	6,680,902	3,065,142
Deferred cost-HCL Technologies Limited	5,253,270	2,061,472
Payable to HCL Technologies Limited (note 19)	55,798,950	19,461,051
Payable to related entities (note 19)	2,586,565	3,829,942
Borrowings with related party (note 17)	81,378,000	-

28 Compensation to key management personnel

Compensation to key management personnel is $5,553,611.(2020: Nil)
Some of the directors of the Company are also directors and key management personnel in other related entities within the ultimate parent group and all of these companies together are viewed as one business unit and their remuneration is paid by the ultimate parent Company. The directors do not believe that it is practicable to apportion the remuneration paid between their services as directors and key management personnel of the Company and their services as directors and key management personnel of the other group companies within the HCL group.

29 Events occurring after the balance sheet date

Other than as mentioned below and in Note 17 "Borrowings with related party", there has been no matter or circumstance subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

The recent outbreak of COVID19 (Coronavirus) continues to impact the global economy and markets. At this time, the impact of the outbreak on our business has been limited as delivery of our services is uninterrupted, and we have currently not witnessed significant changes in demand, whereas our service delivery is intact and our liquidity remains healthy. However, going forward the COVID19 outbreak may negatively impact amongst others our, workforce, operations, and market demand and liquidity. We will take all necessary actions to keep our operations running and, most importantly, protect our employees, suppliers, customers and all other stakeholders.

30 Group Information

Information about subsidiary

The consolidated financial statements of the group includes:

Name with country of incorporation	31 March 2021	31 March 2020
Axon Solutions Pty Limited, Australia	100%	100%
DWS Limited, Australia	100%	-
DWS (NSW) Pty Limited, Australia	100%	-
DWS Product Solutions Pty Limited, Australia	100%	-
Graeme V. Jones & Associates Pty Limited, Australia	100%	-
Phoenix It & T Consulting Pty Limited, Australia	100%	-
Projects Assured Pty Limited, Australia	100%	-
SDM Sales Pty Limited, Australia	100%	-
Strategic Data Management Pty Limited, Australia	100%	-
Symplicit Pty Limited, Australia	100%	-
Wallis Nominees (Computing) Pty. Limited, Australia	100%	-
DWS (New Zealand) Limited, New Zealand	100%	-

Principal activities

The company was primarily engaged in providing IT and IT enabled services.

a) On 21 September 2020, the Company announced an intention to acquire 100% stake in DWS Limited, a leading Australian IT, business and management consulting group for $158,197,593 payable in cash. The acquisition was completed on 5 January 2021 (the acquisition date) and the Company has paid $158,197,593.

b) On 4 December 2018, the resolution for the liquidation of its 100% subsidiary, Axon Solutions Pty Limited had been passed by the shareholders and a liquidator was appointed. As at March 2021, liquidation is under process, which Management believes will be concluded in the next financial year.

31 Information relating to HCL Australia Services Pty Limited (the Parent)

	31 March 2021	31 March 2020
	$	$
Current assets	134,180,537	115,366,882
Non current assets	239,273,405	24,726,620
Total assets	**373,453,942**	**140,093,502**
Current liabilities	197,511,233	84,073,780
Non current liabilities	19,361,985	15,270,723
Total liabilities	**216,873,218**	**99,344,503**
Contributed equity	81,900,630	500,000
Reserves	1,389,581	1,389,581
Retained profits	73,290,513	38,859,418
Total equity	**156,580,724**	**40,748,999**
Profit of the Parent entity	13,431,091	13,279,008
Total comprehensive income of the Parent entity	13,431,091	13,279,008

HCL Australia Services Pty Limited
Directors' declaration
31 March 2021

In accordance with a resolution of the directors of HCL Australia Services Pty Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of HCL Australia Services Pty Limited for the financial year ended 31 March 2021 are in accordance with the *Corporations Act 2001* , including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2021 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Regulations 2001;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Sundaram Sridharan
Director
Date:
Location: