Report and Financial Statements
HCL Great Britain Limited

For the year ended 31 March 2018

Registered number: 03299523

HCL Great Britain Limited

Company Information

Directors	Mr Prahlad Rai Bansal Mr Anil Chanana Mr Shiv Walia Mr Rahul Singh Mr Ajit Kumar
Registered number	03299523
Registered office	Axon Centre Church Road Egham Surrey TW20 9QB United Kingdom
Independent auditor	Ernst & Young LLP 1 More London Place London SE1 2AF
Banker	Deutsche Bank London Branch 6 Bishopsgate London EC2N 4DA

Contents

Strategic report

For the year ended 31 March 2018

Introduction

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

Principal activities

During the financial year, the Company's principal activity was the provision of IT and IT enabled services.

Review of business

The results of the Company and its key performance indicators ("KPI") are as follows:

	31 March 2018 £000	31 March 2017 £000
Turnover	**161,291**	259,934
Operating profit	**6,303**	9,656
Profit for the financial year	**12,033**	19,418

The Company recorded revenue of £161 million (2017- £260 million), registering a decline in revenue of 38% annualized during the year over the previous year. The revenue has declined mainly on account of completion of various customer contracts and transfer some of the contracts to HCL Technologies U.K. Limited. Gross and operating profit as percentage of revenue has increased mainly on account of better utilisation of resources. The result of the company shows a profit of £12 million (2017: £19.4 million), the company also declared a dividend of £28.5 million (2017: £31.7 million).

Principal risks and uncertainties

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

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

Strategic report (continued)

For the year ended 31 March 2018

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

1. Employee related risk

Risk

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

HCL's strategy

The business strategy "Employee First, Customer Second" directs us to retain the right skilled professionals at the right place, right time and right cost. Our continued focus on diversity and local sourcing will also help mitigate exposure to some of the risks we perceive in attracting talent.

2. Technology related risk

Risk

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

HCL's strategy

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

3. Competition related risk

Risk

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

Strategic report (continued)

For the year ended 31 March 2018

HCL's strategy

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

4. Business continuity and information security

Risk

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

HCL's strategy

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

Financial Instruments

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

1. **Foreign exchange rate risk**

   Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the Company's functional currency. The company takes hedges to minimise risk at the company level.

2. **Credit risk**

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

Strategic report (continued)

For the year ended 31 March 2018

3. **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and short term bank deposits. The Directors do not see any significant exposure to liquidity risk. The Company's liquidity risk is further mitigated through the availability of financing from its ultimate parent undertaking and a fellow subsidiary Company namely, HCL EAS Limited, which is provided on an on-going basis, if required. The Company also has an overdraft facility from its banker which can be used as and if required.

Cash flow performance is monitored on an ongoing basis by the Board. Debt facilities have been established at a Group level to fund future cash flow requirements.

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

Mr Shiv Walia
Director

Directors' report

For the year ended 31 March 2018

The directors have pleasure in presenting their report and the audited financial statements of the Company for the year ended 31 March 2018.

Results and dividends

The profit for the year, after taxation, amounted to £12,033,000 (2017 - £19,418,000).

During the year, the Company declared and paid an interim dividend of £28,534,502 (2017 - £31,705,002).

Directors

The directors who served during the year and to the date of approving the financial statements were:

Mr Prahlad Rai Bansal
Mr Anil Chanana
Mr Shiv Walia
Mr Rahul Singh
Mr Ajit Kumar

Future developments

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

Going concern

The Company is profitable and has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Company is well placed to manage its financial risk successfully.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the reports and financial statements.

Financial instruments

Details of financial instruments are provided in the strategic report.

Directors' report (continued)

For the year ended 31 March 2018

Employees

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

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

Disclosure of information to auditor

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

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Reappointment of auditor

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

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

Mr Shiv Walia
Director

Directors' responsibilities statement

For the year ended 31 March 2018

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent Auditor's Report to the Members of HCL Great Britain Limited

Opinion

We have audited the financial statements of HCL Great Britain Limited for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

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

Basis for Opinion

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

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

Independent Auditor's Report to the Members of HCL Great Britain Limited (Continued)

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report to the Members of HCL Great Britain Limited (Continued)

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent Auditor's Report to the Members of HCL Great Britain Limited (Continued)

Use of our report

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

Ernst & Young LLP

Zishan Nurmohamed (Senior statutory auditor)

For and on behalf of

Ernst & Young LLP, Statutory Auditor

London

12/07/2018

Statement of comprehensive income

For the year ended 31 March 2018

	Note	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Turnover	4	**161,291**	259,934
Cost of sales		**(119,376)**	(207,815)
Gross profit		**41,915**	52,119
Administrative expenses		**(32,211)**	(43,535)
Other operating (expenses)/ income		**(3,401)**	1,072
Operating profit	5	**6,303**	9,656
Income from shares in group companies		**7,235**	12,117
Interest receivable	7	**14**	49
Interest payable and similar charges	8	**(275)**	(526)
Profit before tax		**13,277**	21,296
Tax on profit	9	**(1,244)**	(1,878)
Profit for the year		**12,033**	19,418
Other comprehensive income		**-**	-
Total comprehensive income for the year		**12,033**	**19,418**

The notes on pages 15 to 35 form part of these financial statements.

All amounts relate to continuing operations.

Statement of financial position

As at 31 March 2018

	Note		31 March 2018 £000		31 March 2017 £000
Fixed assets					
Tangible assets	11		**4,948**		2,622
Investments	12		**5,453**		5,453
			10,401		8,075
Current assets					
Stocks	13	**768**		564	
Debtors: amounts falling due after more than one year	14	**4,892**		8,445	
Debtors: amounts falling due within one year	14	**57,075**		94,667	
Cash at bank and in hand	15	**3,528**		7,825	
		66,263		111,501	
Creditors: amounts falling due within one year	16	**(45,329)**		(70,936)	
Net current assets			**20,934**		40,565
Total assets less current liabilities			**31,335**		48,640
Creditors: amounts falling due after more than one year	18		**(209)**		(1,012)
Net assets			**31,126**		47,628
Capital and reserves					
Called up share capital	19		**10,568**		10,568
Other reserves	20		**4,151**		4,151
Retained earnings			**16,407**		32,909
Shareholder's fund			**31,126**		47,628

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

Mr Shiv Walia
Director

The notes on pages 15 to 35 form part of these financial statements.

Statement of changes in equity

For the year ended 31 March 2018

	Share capital £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 April 2016	10,568	4,151	45,196	59,915
Profit for the year	-	-	19,418	19,418
Total comprehensive income for the year	-	-	19,418	19,418
Dividends: Equity capital	-	-	(31,705)	(31,705)
Employee share options	-	-	-	-
Total transactions with the owners	-	-	(31,705)	(31,705)
At 31 March 2017	10,568	4,151	32,909	47,628
At 1 April 2017	**10,568**	**4,151**	**32,909**	**47,628**
Profit for the year	-	-	**12,033**	**12,033**
Total comprehensive income for the year	-	-	**12,033**	**12,033**
Dividends : Equity capital	-	-	**(28,535)**	**(28,535)**
Total transactions with the owners	-	-	**(28,535)**	**(28,535)**
At 31 March 2018	**10,568**	**4,151**	**16,407**	**31,126**

The notes on pages 15 to 35 form part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2018

1. **Company information**

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

2. **Accounting policies**

2.1 Basis of preparation of financial statements

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

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

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

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

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

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

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

Notes to the financial statements

For the year ended 31 March 2018

2. Accounting policies (continued)

2.3 Going concern

The company is profitable and has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographical areas and industries. As a consequence, the Directors believe that the Company is well placed to manage its financial risk successfully.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements.

2.4 Revenue

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

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

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to the stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for losses as soon as they are foreseen. Amounts recoverable on contracts are included in trade debtors and represent turnover in excess of bills raised.

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

2.5 Tangible fixed assets

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

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

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

Notes to the financial statements

For the year ended 31 March 2018

2. Accounting policies (continued)

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

The estimated useful lives range as follows:

Furniture, fixtures and office equipment	5 - 7 years
Computer and networking equipment	4 - 5 years
Software	3 years

Capital WIP is not depreciated.

2.6 Operating leases

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

2.7 Leased assets: Lessor

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

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

2.8 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Impairment of assets

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

Notes to the financial statements

For the year ended 31 March 2018

2. Accounting policies (continued)

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

2.10 Stocks

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

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

2.11 Foreign currency translation

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

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Foreign-currency denominated monetary assets and liabilities are translated to the relevant functional currency at exchange rates in effect at the balance sheet date. Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of initial transaction.

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

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

2.12 Deferred costs

Certain upfront non-recurring costs are incurred in the initial phases of outsourcing contracts and contract acquisition. Costs that are directly attributable to a contract are capitalised when the contract will result in future net cash inflows with a present value at least equal to all amounts recognised as an asset.

Notes to the financial statements

For the year ended 31 March 2018

2. Accounting policies (continued)

Deferred costs are included within debtors and are amortised on a straight-line basis over the life of the contract, starting from the date when the contract commences.

2.13 Share based payments

The company participates in a number of equity-settled, share-based compensation plans of its ultimate parent company, HCL Technologies Limited. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options at the date of grant. Fair value is determined by the Black-Scholes pricing model. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the Statement of comprehensive income, with a corresponding adjustment to reserves.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and the share premium of ultimate holding company when the options are exercised.

2.14 Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations. The contributions are recognised as an expense in the Income statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.15 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.16 Current and deferred taxation

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

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

Notes to the financial statements

For the year ended 31 March 2018

2. Accounting policies (continued)

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

2.17 Finance costs

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

2.18 Financial instruments

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

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

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

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

Notes to the financial statements

For the year ended 31 March 2018

2. Accounting policies (continued)

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

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in Statement of comprehensive statement as "exchange gain (losses)". Foreign exchange forward contracts are purchased to mitigate the risk of changes in foreign exchange rates.

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

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

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

Notes to the financial statements

For the year ended 31 March 2018

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

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

Significant estimates and assumptions are used as follows

Provisions against receivables

Using information available at the balance sheet date, the Directors make assumptions on the estimated debt recovery rates, based on experience, regarding the level of provision required to account for potentially uncollectible receivables £339,384 (2017-£730,599).

Unbilled revenue

Using information available at the balance sheet date, the Directors make assumptions on the estimated unbilled revenue, based on the level of efforts required to account for potential unbilled revenue £8,015,359 (2017-£14,787,860).

Notes to the financial statements

For the year ended 31 March 2018

4. Analysis of turnover

Turnover represents amounts (excluding value added tax) derived from the provision of goods and services to customers and includes software led IT solutions, remote infrastructure management and business process outsourcing.

Analysis of turnover by country of destination:

	Year ended 31 March 2018	Year ended 31 March 2017
	£000	£000
United Kingdom	96,106	179,014
Rest of the World	65,185	80,920
	161,291	259,934

5. Operating profit

The operating profit is stated after charging/(crediting) :

	Year ended 31 March 2018	Year ended 31 March 2017
	£000	£000
Depreciation of tangible fixed assets	1,622	1,819
Fees payable to the Company's auditor and its associates for the audit of the company's annual accounts	46	46
Operating lease rentals	2,894	3,306
Exchange differences	3,401	(1,072)

Notes to the financial statements

For the year ended 31 March 2018

6. Directors and employees

Staff costs including directors' remuneration, were as follows:

		Year ended 31 March 2018	Year ended 31 March 2017
		£000	£000
Wages and salaries		**52,801**	65,847
Social security costs		**6,172**	7,878
Cost of defined contribution scheme	23	**1,411**	1,589
		60,384	75,314

Directors' remuneration

	Year ended 31 March 2018	Year ended 31 March 2017
	£000	£000
Directors' emoluments	**774**	592
Company contributions to defined contribution pension schemes	**15**	6
Share based payments	**-**	-
	789	598

During the year retirement benefits were accruing to directors £14,746(2017 -£5,904) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £639,078(2017 – £454,230).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8,703(2017 -£Nil).

All other directors are also directors/employees in other group companies within the HCL group of companies and all of these companies together are viewed as one business unit, and their remuneration is paid by the ultimate parent undertaking/other group company. The directors believe that remuneration applicable towards efforts for this company is negligible.

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

Notes to the financial statements

For the year ended 31 March 2018

6. Directors and employees (continued)

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

	Year ended 31 March 2018	Year ended 31 March 2017
	No.	No.
Technical	462	686
Sales and marketing	101	128
Administration	44	74
	607	888

7. Interest receivable

	Year ended 31 March 2018	Year ended 31 March 2017
	£000	£000
Other interest receivable	14	49
	14	49

8. Interest payable and similar charges

	Year ended 31 March 2018	Year ended 31 March 2017
	£000	£000
Bank interest payable	213	311
Other loan interest payable	58	166
Loans from group undertakings	4	49
	275	526

Notes to the financial statements

For the year ended 31 March 2018

9. Taxation on profit on ordinary activities

	Year ended 31 March 2018	Year ended 31 March 2017
	£000	£000
Corporation tax		
Current tax on profits for the year/ period	1,357	1,141
Adjustments in respect of previous years/ periods	(140)	439
Total current tax	1,217	1580
Deferred tax		
Origination and reversal of timing differences	(65)	724
Adjustment in respect of previous years/ periods	92	(426)
Total deferred tax	27	298
Taxation on profit on ordinary activities	1,244	1,878

Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19%(2017 -20%). The differences are explained below:

	Year ended 31 March 2018	Year ended 31 March 2017
	£000	£000
Profit on ordinary activities before tax	13,277	21,296
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20 %)	2,523	4,259
Effects of:		
Permanent differences	29	31
Dividend income	(1,375)	(2,423)
Share based payment	11	1
Impact of rate change	(76)	(3)
Foreign tax credit claim	172	-
WHT provision	8	-
Adjustment in respect of prior years	(48)	13
Total tax charge for the year	1,244	1,878

Notes to the financial statements

For the year ended 31 March 2018

9. Taxation on profit on ordinary activities (continued)

Factors that may affect future tax charges

Announcements have been made by the Chancellor of the Exchequer of proposed changes to corporation tax rates that will have an effect on the future tax charge of the company. Reductions in the corporation tax rate to 19% from 1 April 2017 and 17% from 1 April 2020 have been announced and substantively enacted at the balance sheet date.

10. Dividends

	31 March 2018 £000	31 March 2017 £000
Dividends paid	28,535	31,705
	28,535	31,705

11. Tangible fixed assets

	Furniture and fittings £000	Office equipment £000	Computer equipment £000	Software £000	Capital work in progress £000	Total £000
Cost or valuation						
At 1 April 2017	837	371	11,231	2,642	98	15,179
Additions	651	588	1,817	931	-	3,987
Disposal	(164)	(118)	(3,980)	(261)	(39)	(4,562)
At 31 March 2018	1,324	841	9,068	3,312	59	14,604
Depreciation						
At 1 April 2017	707	306	9,153	2,391	-	12,557
Charge for the year	64	79	1,059	420	-	1,622
Disposal	(164)	(118)	(3,980)	(261)	-	(4,523)
At 31 March 2018	607	267	6,232	2,550	-	9,656
Net book value						
At 31 March 2018	717	574	2,836	762	59	4,948
At 31 March 2017	130	65	2,078	251	98	2,622

Notes to the financial statements

For the year ended 31 March 2018

12. Investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 April 2017	5,453
At 31 March 2018	5,453
Impairment	
At 1 April 2017	-
Charge for the year	-
At 31 March 2018	-
At 31 March 2018	**5,453**
At 31 March 2017	5,453

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of Shares	Holding	Principal activity
HCL (Netherlands) BV	Netherlands	Ordinary	100 %	IT and IT Enabled services
HCL Sweden AB	Sweden	Ordinary	100 %	IT and IT Enabled services
HCL GmbH	Germany	Ordinary	99.61 %	IT and IT Enabled services
HCL Belgium NV	Belgium	Ordinary	100 %	IT and IT Enabled services

There is no change in percentage of holdings of subsidiary undertaking in comparison to previous year.

13. Stocks

	31 March 2018 £000	31 March 2017 £000
Finished goods and goods for resale	768	564

Notes to the financial statements

For the year ended 31 March 2018

14. Debtors

	31 March 2018 £000	31 March 2017 £000
Due after more than one year		
Deferred tax	**1,205**	1,232
Deferred costs	**2,305**	6,023
Other debtors	**1,376**	1,139
Net investment in finance leases	**6**	51
	4,892	8,445

Including within deferred tax is £617,930(2017-£622,297), expected to unwind within 12 months of the reporting date.

	31 March 2018 £000	31 March 2017 £000
Due within one year		
Trade debtors	**16,384**	23,537
Amounts owed by group undertakings	**28,827**	46,162
Other debtors	**5,596**	12,291
Deferred costs	**2,323**	5,496
Prepayments and accrued income	**1,945**	2,849
Net investment in finance leases	**317**	2,437
Tax recoverable	**1,683**	1,661
Unrealised gain on forward contracts	**-**	234
	57,075	94,667

Amounts owed by group undertakings are interest free, unsecured and have no fixed date of repayment.

Notes to the financial statements

For the year ended 31 March 2018

14. Debtors (continued)

The maturity of net investment in finance leases is as follows:

	31 March 2018 £000	31 March 2017 £000
Gross investment:		
Within one year	323	2,794
Within two to five years	7	64
	330	2,858
Less: finance income allocated to future periods	(7)	(370)
	323	2,488

	31 March 2018 £000	31 March 2017 £000
Net investment:		
Within one year	317	2,437
Within two to five years	6	51
	323	2,488

15. Cash and cash equivalents

	31 March 2018 £000	31 March 2017 £000
Cash at bank and in hand	3,528	7,825
	3,528	7,825

Notes to the financial statements

For the year ended 31 March 2018

16. Creditors: Amounts falling due within one year

	31 March 2018 £000	31 March 2017 £000
Trade creditors	**3,123**	2,343
Amounts owed to group undertakings	**19,617**	25,732
Corporation tax	**492**	220
Taxation and social security	**2,847**	3,664
Other creditors	**3,636**	10,215
Accruals and deferred income	**15,614**	28,762
	45,329	70,936

17. Deferred tax

	Deferred Tax £000
At 1 April 2017	**1,232**
Charged to profit and loss	**(27)**
At 31 March 2018	**1,205**

The amount charged to the profit and loss account is analysed as follows:

	£000
Impact of rate change	**(75)**
Change in timing differences	**48**
	(27)

The deferred tax asset is made up as follows:

	31 March 2018 £000	31 March 2017 £000
Arrears of capital allowances over depreciation	**598**	619
Share based payment scheme	**57**	62
Accrued salary and pension liability	**550**	551
	1,205	1,232

Notes to the financial statements

For the year ended 31 March 2018

17. Deferred Tax (continued)

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has been recognised in the financial statements.

	31 March 2018 £000	31 March 2017 £000
Unrecognised deferred tax asset		
Tax losses	373	373
	373	373

The unrecognised deferred tax assets arises from non-trading loan relationships. The directors consider that it is less likely than not that there will be sufficient non trading taxable profits in the future to realise the deferred tax asset on gross amount carried forward of £2,194,148 (2017 – £2,194,148), and therefore the asset has not been recognised in the financial statements.

18. Creditors: Amounts falling due after more than one year

	31 March 2018 £000	31 March 2017 £000
Accruals and deferred income	209	1,012
	209	1,012

19. Share capital

	31 March 2018 £000	31 March 2017 £000
Allotted, called up and fully paid		
10,568,334 - Ordinary shares of £1 each	10,568	10,568

20. Other reserves

This reserve contains movements on the employee share option scheme.

Notes to the financial statements

For the year ended 31 March 2018

21. Share based payments

Pursuant to the approval of the shareholders, the ultimate parent undertaking, HCL Technologies Limited, operated the 1999, 2000 and 2004 stock option plan ("1999 plan", "2000 plan" and "2004 plan"). This was an equity-settled incentive scheme for employees in the shares of the ultimate parent undertaking, HCL Technologies Limited. A reconciliation of option movements over the year to 31 March 2018, and period to 31 March 2017, is shown below:

	31 March 2018 Weighted average exercise price (pence)	**31 March 2018 (Number)**	31 March 2017 Weighted average exercise price (pence)	31 March 2017 (Number)
Outstanding at the beginning of the year	**18**	**20,250**	20	46,370
Forfeited during the year	**18**	**-**	20	(20,420)
Exercised during the year	**18**	**(1,090)**	20	(4,400)
Expired during the year	**18**	**-**	20	(1,300)
Transfer in	**18**	**-**	20	-
Transfer out	**18**	**-**	20	-
Outstanding at the end of the year	**18**	**19,160**	20	20,250

At 31 March 2018, the number of exercisable options was 19,160(31 March 2017: 20,250), with a weighted average price of 18p (31 March 2017: 20p).

There are eight shares per option. For options outstanding at the end of the year, the range of exercise prices and weighted average remaining expected and contractual life are as follows:

	Weighted average exercise price 2018 (pence)	**Number of shares 2018**	**Weighted average contractual remaining life 2018**	**Weighted average exercise price 2017 (pence)**	**Number of shares 2017**	**Weighted average contractual remaining life 2017**
ESOP – 2004	**2**	**153,280**	1.40	2	162,000	2.40

The weighted average share price during the year for options exercised over the year was £ 74.33(2017 – £73.20). The fair values of the options were calculated using the Black-Scholes option pricing model. There were no performance conditions attached to the share options. No share options were granted during the year (2017 – Nil).

Notes to the financial statements

For the year ended 31 March 2018

21. Share based payments (continued)

The expected volatility is based on trend-based historical volatility based on actively traded stock of the Company.

The total cost for the year relating to employee share based payment plans was £ Nil (2017 - £ Nil), all of which related to equity-settled share-based payment transactions. The cumulative amount is included in share options reserve charged as an expense to the profit and loss account.

22. Capital commitments

At 31 March 2018, the company had a contractual capital commitment of £1,325,767 (31 March 2017: £412,294).

23. Pension commitments

The group operates a defined contribution pension scheme. The pension charge for the year was £ 1,411,011(2017 - £1,588,561). The balance outstanding at 31 March 2018 was £ 97,571(2017- £101,491).

24. Commitments under operating leases

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

	31 March 2018 £000	31 March 2017 £000
Not later than 1 year	**740**	2,024
Later than 1 year and not later than 5 years	**2,942**	686
Later than 5 years	**2,996**	155
Total	**6,678**	2,865

Notes to the financial statements

For the year ended 31 March 2018

25. Fair value measurement

The Company records derivative financial instruments at fair value. The Company determines fair value based on the price it would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

The prescribed fair value hierarchy and related valuation methodologies are as follows:

Level 1 – Quoted inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are directly or indirectly observable in active markets.

Level 3 – Valuations derived from valuation techniques, in which one or more significant inputs are unobservable inputs which are supported by little or no market activity.

The fair value of derivative contracts at 31 March 2018 was an asset of £ Nil (2017: £234,252). All derivative financial instruments are classified as level 2 instruments.

26. Related party transactions

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

27. Controlling party

The Company is a subsidiary undertaking of HCL America Inc., a company incorporated in the USA. The Company's ultimate parent undertaking and controlling party is HCL Technologies Limited, a company incorporated in India.

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

28. Subsequent event

On 1st April 2018 the company has entered into an agreement resulting into change in the ownership structure where HCL Technologies UK Limited has purchased 100% shareholding of the company from HCL America Inc.