

HCL Technologies Limited and Subsidiaries

Condensed Consolidated Financial Statements

For The Three and Six Month Periods ended September 30, 2016 and 2015

With Review Report of Independent Auditors

HCL Technologies Limited and Subsidiaries

Table of Contents

	Page
Review Report of Independent Auditors	1
Condensed Consolidated Financial Statements	
Condensed Consolidated Balance Sheets	2
Condensed Consolidated Statements of Income.....	4
Condensed Consolidated Statements of Comprehensive Income.....	5
Condensed Consolidated Statements of Cash Flows	6
Notes to Condensed Consolidated Financial Statements	7

Review Report of Independent Auditors

The Board of Directors
HCL Technologies Limited

We have reviewed the condensed consolidated financial information of HCL Technologies Limited and subsidiaries, which comprise the condensed consolidated balance sheet as of September 30, 2016, and the related condensed consolidated statements of income and comprehensive income for the three month and six month periods ended September 30, 2015 and 2016 and cash flows for the six month periods ended September 30, 2015 and 2016.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of the condensed financial information in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in conformity with U.S. generally accepted accounting principles.

Auditor's Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial information referred to above for it to be in conformity with U.S. generally accepted accounting principles.

Report on Condensed Balance Sheet as of March 31, 2016

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of HCL Technologies Limited and subsidiaries as of March 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine months ended March 31, 2016 (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 28, 2016. In our opinion, the accompanying condensed consolidated balance sheet of HCL Technologies Limited and subsidiaries as of March 31, 2016, is consistent, in all material respects, with the consolidated balance sheet from which it has been derived.

Ernst & Young Associates LLP

Gurgaon, India
October 21, 2016

HCL Technologies Limited and Subsidiaries
Condensed Consolidated Balance Sheets
Amount in thousands, except share and per share data

	March 31, 2016	As of September 30, 2016 (Unaudited)
ASSETS		
Current assets		
Cash and cash equivalents	\$110,069	\$186,578
Term deposits with banks	1,298,073	1,352,954
Deposits with corporation	299,615	300,199
Accounts receivable, net	1,165,295	1,176,740
Unbilled revenue	452,971	384,487
Investment securities, available for sale	80,959	78,781
Inventories	39,913	44,422
Other current assets	323,839	362,388
Total current assets	3,770,734	3,886,549
Deferred income taxes	279,964	304,846
Investments in affiliates	24,434	22,074
Other investments	-	1,798
Property and equipment, net	652,407	1,080,757
Intangible assets, net	60,643	56,190
Goodwill	908,120	879,566
Other assets	305,406	268,977
Total assets (a)	\$6,001,708	\$6,500,757

See accompanying notes.

HCL Technologies Limited and Subsidiaries
Condensed Consolidated Balance Sheets
Amount in thousands, except share and per share data

	March 31, 2016	As of September 30, 2016 (Unaudited)
LIABILITIES AND EQUITY		
Current liabilities		
Current portion of capital lease obligations	\$14,955	\$10,456
Accounts payable	137,013	254,365
Short term borrowings	32,359	2,138
Current portion of long term debt	5,950	13,974
Accrued employee costs	241,974	269,898
Deferred revenue	167,961	169,197
Income taxes payable	157,129	179,452
Other current liabilities	715,952	747,084
Total current liabilities	1,473,293	1,646,564
Long term debt	108,566	73,594
Capital lease obligations, net of current portion	2,729	12
Deferred income taxes	16,015	31,187
Accrued employee costs	108,483	124,640
Deferred revenue	50,461	45,872
Other liabilities	12,989	84,462
Total liabilities (a)	\$1,772,536	\$2,006,331
Commitments and contingencies (Note 21)		
HCL Technologies Limited Shareholders' Equity		
Equity shares, ₹ 2 par value, authorized 1,500,000,000 shares		
Issued and outstanding 1,410,381,314 and 1,410,911,594 shares as of March 31, 2016 and September 30, 2016, respectively	57,286	57,302
Additional paid-in capital	711,027	712,544
Shares application money pending allotment	7	7
Retained earnings	4,098,241	4,401,376
Accumulated other comprehensive loss	(669,298)	(704,420)
HCL Technologies Limited Shareholders' Equity	4,197,263	4,466,809
Noncontrolling interest	31,909	27,617
Total equity	4,229,172	4,494,426
Total liabilities and equity	\$6,001,708	\$6,500,757

(a) Consolidated assets at March 31, 2016 and September 30, 2016 include assets totaling \$29,317 and \$37,741, respectively, of certain variable interest entities (VIE's) that can only be used to settle the liabilities of those VIEs. Consolidated liabilities at March 31, 2016 and September 30, 2016, include liabilities of certain VIEs for which the VIEs creditors do not have recourse to HCL Technologies Limited and Subsidiaries (See Note 8).

See accompanying notes.

HCL Technologies Limited and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Amount in thousands

	Three months ended		Six months ended	
	September, 30 (Unaudited)		September, 30 (Unaudited)	
	2015	2016	2015	2016
Revenues	\$1,544,519	\$1,722,397	\$3,082,033	\$3,413,048
Cost of revenues (exclusive of depreciation and amortization)	1,031,574	1,144,219	2,044,251	2,253,881
Gross profit	512,945	578,178	1,037,782	1,159,167
Selling, general and administrative expenses	193,180	202,645	389,772	407,670
Depreciation and amortization	20,708	28,926	40,257	56,944
Other income, net	(40,919)	(36,728)	(77,705)	(78,677)
Finance cost	3,957	1,605	7,340	5,807
Income before income taxes	336,019	381,730	678,118	767,423
Provision for Income taxes	72,287	80,381	135,755	161,323
Net income	263,732	301,349	542,363	606,100
Net income (loss) attributable to noncontrolling interest	31	107	2	(383)
Net income attributable to HCL Technologies Limited shareholders	\$263,701	\$301,242	\$542,361	\$606,483
Earnings per equity share				
Basic	\$0.19	\$0.21	\$0.39	\$0.43
Diluted	\$0.19	\$0.21	\$0.38	\$0.43
Weighted average number of equity shares used in computing earnings per equity share				
Basic	1,406,092,785	1,410,857,724	1,405,948,558	1,410,730,274
Diluted	1,412,745,610	1,412,305,547	1,412,592,417	1,412,178,190

HCL Technologies Limited and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Amount in thousands

	Three months ended September 30, (Unaudited)		Six months ended September 30, (Unaudited)	
	2015	2016	2015	2016
Net income attributable to HCL Technologies Limited shareholders	\$263,701	\$301,242	\$542,361	\$606,483
Add : Noncontrolling interest	31	\$107	2	(\$383)
Other comprehensive income (loss) net of taxes:				
Change in cash flow hedges, net of taxes for three months \$1,009, (\$3,803) and six month \$1,611, (\$4,860), periods ended September 30, 2015 and 2016, respectively.	(4,456)	15,526	(6,850)	20,046
Change in unrealized gain (loss) on securities available for sale, net of taxes for three month (\$217), (\$122) and six month \$20, (\$30) periods ended September 30, 2015 and 2016, respectively.	(473)	(154)	5	92
Change in unrealized gain (loss) on defined benefit plan, net of taxes for three month NIL, (\$10) and six month (\$321), (\$722) periods ended September 30, 2015 and 2016, respectively.	(42)	27	1,077	(736)
Change in foreign currency translation	(103,067)	26,376	(125,296)	(54,524)
Other comprehensive income (loss)	(108,038)	41,775	(131,064)	(35,122)
Add: Comprehensive loss attributable to non-controlling interest	-	(1,033)	-	(3,909)
Total comprehensive income	\$155,694	\$342,091	\$411,299	\$567,069

HCL Technologies Limited and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Amount in thousands

	Six months ended	
	September 30, (Unaudited)	
	2015	2016
Cash flows from operating activities		
Net income	\$542,363	\$606,100
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>		
Depreciation and amortization	40,257	56,944
Deferred income taxes	(42,007)	(15,877)
Gain on sale of property and equipment	(667)	(42)
Stock based compensation expense, net	1,993	-
Loss on divestment of stake in affiliate	2,040	-
Excess tax benefit related to stock options exercise	(3,008)	(1,546)
Gain on sale of investment securities	(3,015)	(3,069)
Equity in (earnings) loss of affiliates	(625)	1,016
Others, net	(5,076)	7,482
Changes in assets and liabilities, net of effects of acquisitions		
Accounts receivable and unbilled revenue	(1,334)	29,288
Other assets	41,822	653
Accounts payable	(10,327)	(1,952)
Accrued employee costs	43,914	48,961
Other liabilities	59,161	76,437
Net cash provided by operating activities	665,491	804,395
Cash flows from investing activities		
Investment in term deposit with banks	(1,024,424)	(1,027,642)
Proceeds from term deposit with banks on maturity	768,463	966,521
Increase in entrusted loan receivable	(645)	(1,212)
Decrease in entrusted loan receivable	-	3,787
Investment in term deposits with corporation	(115,921)	(116,319)
Proceeds from term deposits with corporation on maturity	89,222	114,228
Purchase of property and equipment	(86,708)	(318,420)
Proceeds from sale of property and equipment	1,494	15,088
Purchase of investment securities	(564,362)	(619,573)
Proceeds from sale of investment securities	545,670	624,464
Purchase of other investment	-	(1,879)
Acquisition of business, net of cash acquired	(6,517)	(1,412)
Investment in equity method investee	(200)	(880)
Proceeds from sale of equity investments	1,600	-
Net cash used in investing activities	(392,328)	(363,249)
Cash flows from financing activities		
Payment of principal under capital lease obligations	(2,044)	(740)
Proceeds from short term borrowings	1,046	29,973
Repayment of short term borrowings	(46,340)	(57,167)
Proceeds from entrusted loan	645	1,212
Repayment of entrusted loan	-	(3,787)
Proceeds from long term debt	14,967	2,512
Repayment of long term debt	(4,835)	(24,061)
Payment for deferred consideration on business acquisition	-	(2,652)
Repayment of redeemable secured non – convertible debentures	533	-
Proceeds from issuance of equity shares	(23)	9
Proceeds from subscription of shares pending allotment	32	7
Dividend paid	(235,342)	(303,253)
Excess tax benefit related to stock options exercise	3,008	1,546
Net cash used in financing activities	(268,353)	(356,401)
Effect of exchange rate changes on cash and cash equivalents	(20,428)	(8,236)
Net increase in cash and cash equivalents	(15,618)	76,509
Cash and cash equivalents at the beginning of the period	134,114	110,069
Cash and cash equivalents at the end of the period	\$118,496	\$186,578

See accompanying notes.

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

1. ORGANIZATION AND NATURE OF OPERATIONS

HCL Technologies Limited (the "Company" or the "Parent Company") along with its subsidiaries (hereinafter collectively referred to as the "Group") is primarily engaged in providing a range of software development services, business process outsourcing services and IT infrastructure services. The Company was incorporated in India in November 1991. The Group leverages its offshore infrastructure and professionals to deliver solutions across select verticals including financial services, manufacturing (automotive, aerospace, Hi-tech, semi conductors), telecom, retail and consumer products, media, publishing and entertainment, public services, energy and utility, healthcare, and travel, transport and logistics.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and principles of consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of HCL Technologies Limited and its subsidiaries prepared on the basis of U. S. generally accepted accounting principles ("U.S. GAAP") for interim financial reporting to reflect the financial position and results of operations of the Group. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. Accordingly, these unaudited interim condensed financial statements should be read in conjunction with the Group's historical annual consolidated financial statements and accompanying notes. The unaudited interim condensed consolidated financial statements reflect all adjustments (of a normal and recurring nature) which the management considers necessary for a fair presentation of such statements for these periods. The results for the interim periods presented are not necessarily indicative of the results that may be expected for the full year or for any subsequent period.

The accompanying balance sheet as of March 31, 2016 is derived from audited financial statements but does not include all of the financial information and footnotes required by US GAAP for complete financial statements.

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

These unaudited condensed consolidated financial statements include the accounts of all subsidiaries which are more than 50% owned and controlled by the Company. In addition, relationships with other entities are reviewed to assess if the Company is the primary beneficiary in any variable interest entity. If it is determined that the Company is the primary beneficiary, then that entity is consolidated. All intercompany accounts and transactions are eliminated on consolidation. Non controlling interest represents the non controlling partner's interest in the proportionate share of net assets and results of operations of the Company's majority owned subsidiaries.

Issuance of shares by a subsidiary to third parties reduces the proportionate ownership interest of the Company in the subsidiary. A change in the carrying value of the investment in such subsidiary due to direct sale of un-issued equity shares is accounted for as a capital transaction and is recognized in equity when the transaction occurs.

The Group accounts for investments by the equity method where its investment in the voting stock gives it the ability to exercise significant influence over the affiliate. In the case of investments in Limited Liability Partnerships (LLPs), significant influence is presumed to exist where the Company has more than a 5% partnership interest. The excess of the cost over the underlying net equity of investments in affiliates is allocated to identifiable assets based on the fair value at the date of acquisition. The unassigned residual value of the excess of the cost over the underlying net equity is recognized as goodwill.

The Group's equity in the profits (losses) of affiliate is included in the condensed consolidated statements of income unless the carrying amount of an investment is reduced to zero and the Group is under no guaranteed obligation or otherwise committed to provide further financial support. The Group's share of net assets of affiliate is included in the carrying amount of the investment in the consolidated balance sheet.

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

(b) Use of estimates

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

(c) Functional currency and translation

The functional currency of each entity in the Group is its respective local currency except for four subsidiaries outside India which use the Indian Rupee ('INR') as their functional currency. The functional currency of the Parent Company is INR. The translation from functional currency into USD (the reporting currency) for assets and liabilities is performed using the exchange rates in effect at the balance sheet date, and for revenue, expenses and cash flows is performed using an appropriate daily weighted average exchange rate for the respective periods. The gains (losses) resulting from such translation are reported as a component of 'other comprehensive income (loss)'.

Foreign currency denominated monetary assets and liabilities are re-measured into the functional currency at exchange rates in effect at the balance sheet date. Foreign currency transaction gains and losses are recorded in the condensed consolidated statement of income within 'other income'. Any difference in intercompany balance arising because of elimination of intercompany transaction is recorded in 'other comprehensive income (loss)'.

(d) Revenue recognition

Contracts involving provision of services

Revenue is recognized when persuasive evidence of an arrangement exists, services have been rendered, the fee is determinable and collectability is reasonably assured. Contracts can be primarily categorized as time –and- material or fixed price contracts.

Time-and-material contracts

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

Fixed Price contracts

Revenue related to fixed price contracts providing maintenance and support services, is recognized over the term of the contract.

Revenue from technology integration and complex network building contracts is recognized in accordance with the Percentage-Of-Completion (POC) method. Under the POC method, progress towards completion is measured based on either achievement of specified contract milestones, cost incurred as a proportion of estimated total cost or other measures of progress when available. If circumstances arise that change the original estimates of revenues, costs, or extent of progress towards completion, revisions are made to the estimates. These revisions may result in increase or decrease in estimated revenues or costs, and such revisions are reflected in income in the period in which the circumstances that gave rise to the revision become known to the management. If at any time these estimates indicate that the contract will be unprofitable, the entire estimated loss for the remainder of the contract is recorded immediately.

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

Revenue related to other fixed price contracts is recognized in accordance with the proportionate performance method. The input (efforts expended) method is used to measure progress towards completion, as there is a direct relationship between input and productivity. Costs are recorded as incurred over the contract period. Any revision in cost to complete would result in increase or decrease in revenue and income and such changes are recorded in the period in which they are identified. Provisions for estimated losses, if any, on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates. Contract losses are determined to be the amount by which the estimated total cost to complete exceeds the estimated total revenues that will be generated by the contract and are included in Cost of revenues and classified in Other accrued liabilities.

In arrangements involving sharing of customer revenues, revenue is recognized when the amounts are known and the right to receive is established. Incremental revenue from existing contracts arising on future sales to the customers is recognized when it is earned and collectability is reasonably assured.

Revenues from unit-priced contracts are recognized as transactions are processed based on objective measures of output.

Revenue from product sales are shown net of sales tax and applicable discounts and allowances. Revenue related to product with installation services that are critical to the product is recognized when installation of product at customer site is completed and accepted by the customer. If the revenue for a delivered item is not recognized for non receipt of acceptance from the customer, the cost of the delivered item is also deferred. Revenue from maintenance services is recognized ratably over the period of the contract.

Multiple-element arrangements

When a sales arrangement contains multiple elements, such as services, hardware and software products and licenses, revenue for each element is based on a selling price hierarchy. The selling price for a deliverable is based on its vendor specific objective evidence ('VSOE') if available, third party evidence ('TPE') if VSOE is not available, or estimated selling price ('ESP') if neither VSOE nor TPE is available. The best estimate of selling price is established considering internal factors such as margin objectives, pricing practices and customer segment pricing strategies. Consideration is also given to market conditions such as competitor pricing strategies. In multiple-element arrangements, revenue is allocated to each separate unit of accounting using the relative selling price of each of the deliverables in the arrangement based on the aforementioned selling price hierarchy. If the arrangement contains more than one software deliverable, the arrangement consideration allocated to the software deliverables as a group is then allocated to each software deliverable using the guidance for recognizing software revenue, as amended.

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.

Each deliverable in an arrangement is evaluated to determine whether it represents a separate unit of accounting. A deliverable constitutes a separate unit of accounting when it has standalone value and there is no customer-negotiated refund or return right for the delivered element. If the arrangement includes a customer-negotiated refund or return right relative to the delivered item and the delivery and performance of the undelivered item is considered probable and substantially in the Company's control, the delivered element constitutes a separate unit of accounting. In instances when the aforementioned criteria are not met, the deliverable is combined with the undelivered elements and the allocation of the arrangement consideration and revenue recognition is determined for the combined unit as a single unit. Allocation of the consideration is determined at inception of the arrangement on the basis of the relative selling price of each unit.

Revenue from activities in transition services not having standalone value in outsourcing arrangements is deferred and recognized over the period of the arrangement. Direct and incremental costs in relation to such an arrangement are also deferred to the extent of revenue. Certain upfront nonrecurring incremental

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

contract acquisition costs incurred in the initial phases of outsourcing contracts are deferred and amortized, 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 cash flows from the arrangement are periodically estimated and compared with the unamortized costs. If the unamortized costs exceed the undiscounted cash flow, a loss is recognized.

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 whether the Group is the primary obligor to the customer, has established its own pricing, and has inventory and credit risks.

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

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

For services accounted for under the POC method, cost and earnings in excess of billing are classified as unbilled revenue, while billing in excess of cost and earnings are classified as deferred revenue.

Revenue from sales-type leases is recognized when risk of loss has been transferred to the client and there are no unfulfilled obligations that affect the final acceptance of the arrangement by the client. Revenue from operating leases is accounted on a straight-line basis as service revenue over the rental period. Interest attributable to sales-type leases and direct financing leases included therein is recognized on an accrual basis using the effective interest method.

(e) Inventories

Inventories represent items of finished goods that are specific to execute composite contracts of software services and IT infrastructure management services and also include finished goods which are interchangeable and not specific to any project. Inventory is carried at the lower of cost or net realizable value. The net realizable value is determined with reference to selling price of goods less the estimated cost necessary to make the sale. Cost of goods that are procured for specific projects is assigned by specific identification of their individual costs. Cost of goods which are interchangeable and not specific to any project is determined using weighted average cost formula. Inventories also include goods held by customer care department at customer's site for which risk and rewards have not been transferred to customers.

(f) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation which is computed using the straight-line method over the estimated useful lives of the assets, which are as follows:

<u>Asset description</u>	<u>Asset life (in years)</u>
Buildings	20
Computer and networking equipment	4 to 5
Software	3
Furniture, fixtures and office equipment	5 to 7
Plant and equipment	10 to 17
Vehicles	5

Assets acquired under capital leases are capitalized as assets by the Group at the lower of the fair value of the leased property or the present value of the related lease payments. Assets under capital leases are depreciated over the shorter of the lease term or the estimated useful life of the assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease period or the estimated

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

useful life of the asset. The cost of software obtained for internal use is capitalized and amortized over the estimated useful life of the software. Certain software which include the right to modify, enhance or exploit are depreciated in proportion to the expected benefits over the useful life which could range up to 15 years.

Advances paid towards the acquisition of property and equipment and cost of property and equipment not put to use before balance sheet date are classified as capital work-in-progress (Note 6).

(g) Leases

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

When substantially all the risks and rewards of property ownership have been transferred to the Company, as determined by the test criteria in FASB's guidance on ASC 840, the lease qualifies as a capital lease. Capital leases are capitalized at the lower of the net present value of the total amount of rent payable under the leasing agreement (excluding finance charges) or the fair market value of the leased asset. Capital lease assets are depreciated on a straight-line basis, over a period consistent with the Group's normal depreciation policy for tangible fixed assets, but not exceeding the lease term. Interest charges are expensed over the period of the lease in relation to the carrying value of the capital lease obligation.

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

The Group also provides certain equipment to its customers in certain infrastructure arrangements. Such arrangements are evaluated under ASC 840-10-15, "Determine Whether an Arrangement Contains a Lease", to determine whether they contain embedded leases and upon the satisfaction of the test, FASB guidance given in ASC 840-10 on Leases is applied for determining the classification of the lease.

(h) Impairment of long-lived assets and long-lived assets to be disposed off

In accordance with the provisions of ASC Topic 360, "Accounting for Impairment or Disposal of Long Lived Assets", long-lived assets, other than goodwill, are tested for impairment based on undiscounted cash flows and, if impaired, written down to fair value based on either discounted cash flows or appraised values.

(i) Investment securities

Investment securities consist of available-for-sale debt securities and other investments.

Available-for-sale securities having a readily determinable fair value are carried at fair value based on quoted market prices. Temporary unrealized gains and losses, net of the related tax effect, are excluded from income and are reported as a separate component of 'other comprehensive income (loss)', until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a first-in-first-out method and are included in earnings.

Other investments for which sufficient more recent information to measure fair value are not available are measured at cost.

For individual securities classified as either available-for-sale or held-to-maturity, the Group determines whether a decline in fair value below the carrying value is other than temporary. If it is probable that the Group will be unable to collect all amounts due according to the contractual terms of a debt security, an other-than-temporary impairment is considered to have occurred. If the decline in fair value is judged to be other than temporary, the cost basis of the individual security is written down to its fair value representing the new cost basis and the amount of the write-down is included in earnings i.e., accounted for as a realized loss.

(j) Research and development

Expenditure incurred on equipment and facilities acquired or constructed for research and development activities and having alternative future uses is capitalized as property and equipment. All other expenses incurred on research and development are expensed as incurred.

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

(k) Cash equivalents, deposits with banks and restricted cash

The Group considers all highly liquid investments with an original maturity of three months or less, at the date of purchase/investment, to be cash equivalents. Restricted cash represents margin money deposits against guarantees, letters of credit and bank balance earmarked towards unclaimed dividend (See Notes 12 and 13 for additional information). Restrictions on margin money deposits are released on the expiry of the term of guarantees and letters of credit.

Term deposits with banks and corporations represent term deposits earning fixed rate of interest with maturities ranging from more than three months to twelve months at the date of purchase/investment. Interest on investments in bank deposits and corporations is recognized on an accrual basis.

(l) Income taxes

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

(m) Earnings per share

Basic earnings per share are computed using the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the period, using the treasury stock method for options except where results would be anti-dilutive.

(n) Stock based compensation

Stock-based compensation represents the cost related to stock-based awards granted to employees. The Company measures stock-based compensation cost at grant date, based on the estimated fair value of the award and recognizes the cost on a straight line basis (net of estimated forfeitures) over the employee's requisite service period for an award with only service condition and for an award with both service and performance condition on a straight line basis over the requisite service period for each separately vesting portion of the award, as if award was in substance, multiple awards. The Company estimates the fair value of stock options using the Black-Scholes valuation model. The cost is recorded in cost of revenue and selling, general and administrative expenses in the condensed consolidated statement of income based on the employees' respective function.

The Company has elected to use the "with and without" method in determining the order in which tax attributes are utilized. As a result, the Company only recognizes tax benefit from share-based awards in additional paid-in capital if an incremental tax benefit is realized after all other tax attributes currently available to the Company have been utilized.

(o) Employee benefits

Defined contribution plan

Contribution to defined contribution plans is recognised as expense when employees have rendered services entitling them to such benefits.

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

Defined benefit plan

Provident fund:

Employees in India receive benefits from a provident fund. The employee and employer each make monthly contributions to the plan. A portion of the contribution is made to the provident fund trust managed by the Group; while the balance contribution is made to the Government administered Pension fund. The Group has an obligation to fund any shortfall on the yield of the Trust's investments over the administered interest rates.

Gratuity:

Employees in India are entitled to benefits under the Gratuity Act, a defined benefit retirement plan covering eligible employees of the Group. This plan provides for a lump-sum payment to eligible employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and tenure of employment (subject to a maximum amount as prescribed under the Gratuity Act). The Group has unfunded gratuity obligations.

Compensated absences:

The employees of the Group are entitled to compensated absences. The employees can carry forward up to the specified portion of the unutilized accumulated compensated absences and utilize it in future periods or receive cash at retirement or termination of employment. The Group records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The Group measures the expected cost of compensated absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. The Group recognizes accumulated compensated absences based on actuarial valuation. Non-accumulating compensated absences are recognized in the period in which the absences occur. The Group recognizes actuarial gains and losses immediately in the statement of income.

(p) Dividend

Final dividend proposed by the Board of Directors is recognized upon approval by the shareholders who have the right to decrease but not increase the amount of dividend recommended by the Board of Directors. Interim dividends are recognized on declaration by the Board.

(q) Derivative and hedge accounting

Foreign exchange forward contracts and options are purchased to mitigate the risk of changes in foreign exchange rates associated with forecast transactions denominated in certain foreign currencies. In accordance with FASB guidance ASC 815, "Accounting for Derivative Instruments and Hedging Activities", the Group recognizes all derivatives as assets or liabilities measured at their fair value, regardless of the purpose or intent of holding them. Changes in fair value for derivatives not designated in a hedge accounting relationship are marked to market at each reporting date and the related gains (losses) are recognized in the condensed consolidated statement of income as 'foreign exchange gains (losses)'.

The foreign exchange forward contracts and options in respect of forecasted transactions which meet the hedging criteria are designated as cash flow hedges. Changes in the derivative fair values that are designated as effective cash flow hedges are deferred and recorded as component of accumulated 'other comprehensive income (loss)' until the hedged transaction occurs and are then recognized as 'other income' in the condensed consolidated statement of income. The ineffective portion of hedging derivatives is immediately recognized in the condensed consolidated statement of income as part of 'other income'.

In respect of derivatives designated as hedges, the Group contemporaneously and formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also formally assesses both at the inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item.

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

Hedge accounting is discontinued prospectively from the last testing date when (1) it is determined that the derivative financial instrument is no longer effective in offsetting changes in the fair value or cash flows of the underlying exposure being hedged; (2) the derivative financial instrument matures or is sold, terminated or exercised; or (3) it is determined that designating the derivative financial instrument as a hedge is no longer appropriate. When hedge accounting is discontinued the deferred gains or losses on the cash flow hedge remain in 'other comprehensive income (loss)' until the forecast transaction occurs. Any further change in the fair value of the derivative financial instrument is recognized in current period earnings.

See Note 10 for additional information.

(r) Goodwill and intangibles

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

Intangible assets are initially valued at fair market value using generally accepted valuation methods appropriate for the type of intangible asset. Intangible assets with definite lives are amortized over the estimated useful lives and are reviewed for impairment, if indicators of impairment arise. The evaluation of impairment is based upon a comparison of the carrying amount of the intangible asset with the estimated future undiscounted net cash flows expected to be generated by the asset. If estimated future undiscounted cash flows are less than the carrying amount of the asset, the asset is considered impaired. The impairment expense is determined by comparing the estimated fair value of the intangible asset to its carrying value, with any shortfall from fair value recognized as an expense in the current period. The intangible assets with definite lives are amortized over the estimated useful life of the assets as under:

<u>Asset description</u>	<u>Asset life (in years)</u>
Customer relationships	1 to 10
Customer contracts	0.5 to 10
Technology	2.5 to 15
Non-compete agreements	3 to 5
Intellectual property rights	4
Brand and contractors database and others	2 to 5

(s) Recently issued accounting pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers", which will replace most existing revenue recognition guidance in U.S. GAAP. The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and therefore could affect the timing of revenue recognition for certain transactions of the Group. The ASU will be effective for the Group for annual reporting periods beginning after March 31, 2018, including interim periods within that reporting period, using either one of two methods: (i) retrospectively to each prior reporting period presented with the option to elect certain practical expedients as defined in the ASU, or (ii) retrospectively with the cumulative effect of initially applying the ASU recognized at the date of initial application and providing certain additional disclosures as defined in

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

the ASU. Early adoption is permitted for annual reporting periods beginning after March 31, 2017. The Group is currently in the process of evaluating the impact of adopting ASU 2014-09 on its consolidated financial statements, the implementation approach to be used, changes to its accounting system and processes, and additional disclosure requirements that may be necessary.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01 (ASU 2016-01) "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." This guidance makes targeted improvements to existing US GAAP for financial instruments, including requiring equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; requiring entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset and requiring entities to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as "own credit") when the organization has elected to measure the liability at fair value in accordance with the fair value option. ASU 2016-01 is effective for annual reporting periods, and interim periods within those years beginning after March 31, 2019. Early adoption of the own credit provision is permitted. The Group is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02) "Leases (Topic 842)". ASU 2016-02 requires the identification of arrangements that should be accounted for as leases by Lessees. In general, for lease arrangements exceeding a twelve month term, these arrangements must now be recognized as assets and liabilities on the balance sheet of the lessee. Under ASU No. 2016-02, a right-of-use asset and lease obligation will be recorded for all leases, whether operating or financing, while the income statement will reflect lease expense for operating leases and amortization/interest expense for financing leases. The balance sheet amount recorded for existing leases at the date of adoption of ASU No. 2016-02 must be calculated using the applicable incremental borrowing rate at the date of adoption. In addition, ASU No. 2016-02 requires the use of the modified retrospective method, which will require adjustment to all comparative periods presented in the consolidated financial statements. The new standard is effective for annual reporting period beginning after March 31, 2020, including interim periods within those fiscal years. The Group is currently evaluating the impact that the adoption of this new standard will have on its consolidated financial statements and the implementation approach to be used.

In March 2016, the FASB issued Accounting Standards Update No. 2016-05 (ASU 2016-05) "Derivatives and Hedging - Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships". The term novation, as it relates to derivative instruments, refers to replacing one of the parties to a derivative instrument with a new party. The amendments in this guidance clarify that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument under Topic 815 does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. The amendments in this guidance are effective for financial statements issued for fiscal years beginning after March 31, 2018, and interim periods within those fiscal years. An entity has the option to apply ASU 2016-05 on either a prospective basis or a modified retrospective basis. Early adoption is permitted. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements and the implementation approach to be used.

In March 2016, the FASB issued Accounting Standards Update No. 2016-07 (ASU 2016-07) "Investments—Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting". Among other things, the amendments in ASU 2016-07 eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after March 31, 2017. The amendments should be applied prospectively upon their effective date to increases in the level of

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

ownership interest or degree of influence that result in the adoption of the equity method. Earlier application is permitted. The Group is currently in the process of evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

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

In March 2016, the FASB issued Accounting Standards Update No. 2016-09 (ASU 2016-09) "Compensation—Stock Compensation (Topic 718)" as part of its Simplification Initiative. ASU 2016-09 identifies areas for simplification involving several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. The amendments are effective for annual periods beginning after March 31, 2018, and interim periods within those annual periods. Early adoption is permitted but all of the guidance must be adopted in the same period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Group is currently in the process of evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

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

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

In June 2016, the FASB issued Accounting Standards Update No. 2016-13 (ASU 2016-13) "Financial Instruments—Credit Losses" which require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is to be deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The amendments are effective for annual periods beginning after March 31, 2021, and interim periods within those annual periods. The amendment should be applied through a modified retrospective approach.

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

Early adoption is permitted starting first quarter of the fiscal 2020. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

In August 2016, the FASB issued Accounting Standards Update No. 2016-15 (ASU 2016-15) "Classification of Certain Cash Receipts and Cash Payments" The amendments in this Update apply to all entities that are required to present a statement of cash flows under Topic 230 . The amendments are an improvement to GAAP because they provide guidance for each of the eight issues, thereby reducing the current and potential future diversity in practice. The amendments in this Update are effective for annual periods beginning after March 31, 2019, and interim periods within those annual periods. The amendments in this Update should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable.

3. FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Group to concentration of credit risk consist principally of cash equivalents, short term deposits with banks and corporations, accounts receivables, unbilled revenue, finance lease receivable, investment securities and derivative instruments. The cash resources of the Group are invested with mutual funds, banks, financial institutions and corporations after an evaluation of the credit risk. By their nature, all such financial instruments involve risks, including the credit risk of non-performance by counterparties. In the management's opinion, as of March 31, 2016 and September 30, 2016, there was no significant risk of loss in the event of non-performance of the counterparties to these financial instruments, other than the amounts already provided for in the financial statements.

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

4. TRANSFER OF FINANCIAL ASSETS

The Group has revolving accounts receivables based facilities of \$125,000 permitting it to sell certain accounts receivables to banks on a non-recourse basis in the normal course of business. The aggregate maximum capacity utilized by the Group at any time during the nine months ended March 31, 2016 and the six months ended September 30, 2016 was \$26,201 and \$24,874, respectively. Gains or losses on sale are recorded at the time of transfer of these accounts receivables and are immaterial. The Group has retained servicing obligations, which are limited to collection activities related to the non-recourse sales of accounts receivables. The Group has immaterial outstanding service obligation.

The Group has sold finance lease receivables of \$17,137 and \$13,995 during the nine months ended March 31, 2016 and the six months ended September 30, 2016, respectively, on non-recourse basis. Gains or losses on the sales are recorded at the time of transfer of these finance lease receivables and are immaterial. The Group has immaterial outstanding service obligation.

5. ACQUISITIONS/ARRANGEMENTS IN PREVIOUS PERIOD

Trygstad Technical Services Inc.

In August 2015, the Group acquired certain business of Trygstad Technical Services Inc., a US based service provider of IT consulting services and solutions. With this acquisition the Group enhanced its ability to provide additional value and turnkey solutions to the ecosystem of large Independent Software Vendors (ISVs).

The total purchase price for the acquisition was \$9,874, including deferred earn-out component of \$3,000 dependent on achievement of certain specified performance obligations as set out in the agreement over a period of one year from the closing date. The Group has paid, \$6,874 of the purchase price.

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

The earn-out liability was considered probable and initially fair valued at \$2,652 and recorded as part of the purchase price allocation. The purchase price of \$9,526 has been allocated to the acquired assets and liabilities as follows:

	Amount
Net working capital	\$24
Customer relationship	539
Customer contract	816
Goodwill	8,147
Total purchase consideration	\$9,526

The resultant goodwill is tax deductible over the period of 15 years and has been allocated to the software segment.

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

	Amount	Life (Years)
Customer relationship	\$539	4.8
Customer contract	816	1.11
Total Intangibles	\$1,355	

During the six months ended September 30, 2016, the Group has made a payment of \$3,000 based on satisfaction of the performance obligation as set out in agreement. The \$348 difference between the amount the fair value recorded and the amount paid was recognized in the statement of income.

Concept to Silicon Systems (C2SiS)

In October 2015, the Group acquired 100% equity interest of a Bengaluru-based engineering services firm, Concept to Silicon Systems (C2SiS). With this strategic acquisition, the Group is able to leverage C2SiS's capability in areas such as system-on-chip and physical design.

Purchase consideration payable for the acquisition was \$1,884 out of which \$1,765 has been paid till March 31, 2016 and the balance has been paid during the six months period ended September 30, 2016.

The purchase price of \$1,884 has been allocated to the acquired assets and liabilities as follows:

	Amount
Net working capital	\$501
Customer contract	192
Goodwill	1,191
Total purchase consideration	\$1,884

The resultant goodwill is not tax deductible and has been allocated to the software segment.

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

	Amount	Life (Years)
Customer contract	\$192	0.9
Total Intangibles	\$192	

In addition to the purchase consideration, \$1,061 is payable to selling shareholders in tranches over a two year period. Payment of this amount is contingent upon achieving certain specified targets and the selling shareholder continuing to be the employee of the subsidiary on the payment date. This consideration is being accounted for as post acquisition employee compensation expense in accordance with ASC 805 on "Business combination".

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

Powerteam LLC

In October 2015, the Group acquired 100% equity interest of Minneapolis-based Power team LLC - a North American professional services firm providing service, support, education and add-ons for Microsoft Dynamics CRM. This acquisition enables the Group to take advantage of the rapidly-growing global CRM market.

Total purchase price for the acquisition was \$41,356 which includes deferred earn-out component of \$13,500 dependent on achievement of certain specified performance obligations as set out in the agreement and is payable in tranches over a three year period ending June 2018. The Group has paid, \$27,856 through September 30, 2016.

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

	Amount
Net working capital	\$2,937
Property plant and equipment	666
Customer relationship	6,500
Customer contract	500
Brand	700
Goodwill	24,710
Total purchase consideration	\$36,013

The resultant goodwill is tax deductible over the period of 15 years and has been allocated to the software segment.

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

	Amount	Life (Years)
Customer relationship	\$6,500	5.8
Customer contract	500	0.6
Brand	700	3.0
Total Intangibles	\$7,700	

As at September 30, 2016, the earn out liability has been fair valued at \$8,848 with finance expense of \$691 on reassessment of fair valuation recognized in statement of income.

In addition to the purchase consideration, \$5,000 which is currently held in escrow account, is payable to the selling shareholders in tranches over two year period. Payment of this amount is contingent upon the selling shareholders continuing to be the employees of the subsidiary on the payment date. This consideration is being accounted for as post acquisition employee compensation expense in accordance with ASC 805 on "Business combination".

Arrangement with Computer Science Corporation (CSC)

In November 2015, the Group entered into an arrangement with Computer Science Corporation (CSC) to operate and expand the existing Core Banking business of CSC. Under the arrangement, two entities, Celeritifintech Limited and Celeritifintech Services Limited have been formed, where Celeritifintech Limited would be focusing on account management and delivery governance and Celeritifintech Services Limited would be focusing on service delivery and product development.

The Group owns 51% interest in Celeritifintech Limited and is obligated to contribute \$32,045 over a period of two years. As at September 30, 2016, the Group has contributed \$3,437 in cash. CSC has contributed right to exploit and sub license its core banking, cards, payments and default management solutions and its existing business and customers in exchange for 49% interest. The fair value of CSC's contribution has been allocated to intangibles of \$23,331, with the residual \$9,257 accounted for as goodwill. The resultant goodwill is not tax deductible and has been allocated to the software segment.

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

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

	<u>Amount</u>	<u>Life (Years)</u>
Technology	14,336	5-15
Customer relationships	8,995	10
Total Intangibles	\$23,331	

The Group has majority shareholding in Celeritifintech Limited, and is consolidating this entity in its Group accounts pursuant to ASC 810 "Consolidation".

The Group owns a 49% interest in Celeritifintech Services Limited and is obligated to contribute \$21,363 over a period of two years. As at September 30, 2016, the Group has contributed \$2,292 in cash. CSC has contributed right to exploit and sub license its core banking, cards, payments and default management solutions, and its existing business and customers in exchange for 51% interest.

Investment in Celeritifintech Services Limited is accounted on equity investment method as the Group has the ability to exercise significant influence over this entity.

Point to Point (P2P)

In January 2016, the Group has acquired 100% equity interest of Point to Point Limited and Point to Point Products Limited (jointly referred as Point to Point or P2P), UK's leading end-user cloud solutions design, implementation and delivery specialists.

Acquisition of P2P augments the Group's capability in virtualized desktop technologies such as Citrix, Microsoft and Lakeside.

The total purchase consideration is \$10,033 out of which \$10,024 has been paid and the balance \$9 is payable as at September 30, 2016.

The purchase price of \$10,033 has been allocated to the acquired assets and liabilities as follows:

	<u>Amount</u>
Net working capital	\$1,261
Property plant and equipment	84
Customer relationship	1,266
Customer contract	466
Brand	146
Goodwill	6,810
Total purchase consideration	\$10,033

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

	<u>Amount</u>	<u>Life (Years)</u>
Customer relationship	\$1,266	4.11
Customer contract	466	0.11
Brand	146	2.0
Total Intangibles	\$1,878	

The resultant goodwill is not tax deductible and has been allocated to the Infrastructure Services segment.

In addition to the purchase consideration, \$2,760 is payable over two years from the closing date, of which \$1,319 payable after one year, and is currently held in escrow account. The payment of \$2,760 is contingent upon the selling shareholders and certain key employees continuing to be the employees of the subsidiary on the payment date. This consideration is being accounted for as post acquisition employee compensation expense in accordance with ASC 805 on "Business combination".

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

HCL Training and Staffing Services Private Limited (HCLTSS)

In February 2016, the Company acquired 100% equity interest of HCLTSS for total purchase consideration of \$355. The acquisition enables the Company to supplement its capabilities in hiring of trained resources.

Purchase consideration of \$355 has been allocated to net liabilities of \$338 with the residual \$693 allocated to goodwill. The resultant goodwill is not tax deductible and has been allocated to the Infrastructure Services segment.

IT Division of Volvo

In March 2016, the Group has acquired the IT divisions of Volvo IT AB ('Volvo IT'), a subsidiary of AB Volvo, the holding company of the Volvo Group, providing IT services to the Volvo group as well as non-Volvo group customers.

This acquisition enables the Group to create a market leading position in the Nordics and France, gives it a differentiated offering in Mainframe services and provides it with significant domain capabilities to serve the it's global automotive and manufacturing customers.

Total purchase price for the acquisition was \$134,852 which has been paid on March 31, 2016.

The purchase price of \$134,852 has been preliminarily allocated to the acquired assets and liabilities as follows:

	Amount
Property, plant and equipment	\$33,946
Customer relationship	8,391
Goodwill	92,515
Total purchase consideration	\$134,852

The resultant goodwill has been allocated to the Infrastructure Services segment .Out of total goodwill, \$84,724 is tax deductible over the period of 10 years

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

	Amount	Life (Years)
Customer relationship	\$8,391	10.0
Total Intangibles	\$8,391	

The purchase price allocation remains preliminary because the valuation of property, plant and equipment is not final.

As per shareholders agreement, certain items of working capital including employee obligations, unbilled revenue etc. will also be transferred to the Group. All these along with certain leases that have not yet been novated to the Group are not part of the purchase consideration. These are likely to be finalized during the current year.

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

6. PROPERTY AND EQUIPMENT

As of March 31, 2016 and September 30, 2016, property and equipment comprises the following:

	<u>March 31, 2016</u>	<u>September 30, 2016</u>
Freehold land	\$8,316	\$8,279
Buildings	328,843	354,882
Computer and networking equipment	341,281	354,476
Software	112,542	530,431
Furniture, fixtures and office equipment	105,308	104,131
Plant and equipment	240,784	245,793
Vehicles	15,891	15,847
Capital work-in-progress	99,574	100,328
	1,252,539	1,714,167
Accumulated depreciation and amortization	(600,132)	(633,410)
Property and equipment, net	\$652,407	\$1,080,757

Depreciation expense was \$18,708 and \$25,751 for the three months period and \$36,384 and \$50,892 for six months period ended September 30, 2015 and 2016, respectively.

7. GOODWILL AND INTANGIBLES

The changes in the carrying value goodwill balances by reportable segment, for the six months period ended September 30, 2016, are as follows:

	<u>Software Services</u>	<u>Infrastructure services</u>	<u>Business process outsourcing services</u>	<u>Total</u>
Opening balance as at March 31, 2016	\$ 784,027	\$100,931	\$ 23,162	\$908,120
Effect of exchange rate changes	(22,193)	(5,716)	(645)	(28,554)
Closing balance as at September 30, 2016	\$761,834	\$95,215	\$22,517	\$879,566

The components of intangible assets are as follows:

	<u>March 31, 2016</u>			<u>September 30, 2016</u>		
	<u>Gross carrying amount</u>	<u>Accumulated amortization</u>	<u>Net</u>	<u>Gross carrying amount</u>	<u>Accumulated amortization</u>	<u>Net</u>
Intellectual property rights	\$520	(\$520)	\$-	\$531	(\$531)	\$-
Technology	22,753	(7,613)	15,140	20,859	(7,778)	13,081
Customer related intangibles	146,534	(105,510)	41,024	135,697	(101,904)	33,793
Customer contracts	7,333	(4,035)	3,298	6,715	(4,168)	2,547
Non-compete agreements	3,102	(2,657)	445	2,983	(2,697)	286
Brand and contractors database and others	3,716	(2,980)	736	9,292	(2,809)	6,483
	\$183,958	(\$123,315)	\$60,643	\$176,077	(\$119,887)	\$56,190

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

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

Year ending March 31,	
2017(October 1, 2016 to March 31,2017)	\$6,770
2018	14,605
2019	11,890
2020	6,505
2021	4,146
Thereafter	12,274
	<u><u>\$56,190</u></u>

8. VARIABLE INTEREST ENTITIES (VIEs)

In evaluating whether the Company has the power to direct the activities of a VIE that most significantly impact its economic performance, the Company considers the purpose for which the VIE was created, the importance of each of the activities in which it is engaged and decision making role, if any, in those activities that significantly determine the entity's economic performance as compared to other economic interest holders. This evaluation requires consideration of all facts and circumstances relevant to decision-making that affects the entity's future performance and the exercise of professional judgment in deciding which decision-making rights are most important.

The Company is the primary beneficiary holding 100% dividend and distribution rights in VIEs. The Company consolidates VIEs because it has the authority to manage and control the activities that significantly affect the economic performance of the VIEs.

The table below summarizes the assets and liabilities of consolidated VIEs described above.

	<u>March 31, 2016</u>	<u>September 30, 2016</u>
Current assets		
Cash and cash equivalents	\$1,347	\$2,546
Short term deposits with banks	6,023	11,576
Accounts receivables, net	6,920	5,767
Unbilled revenue	2,565	4,010
Other current assets	1,701	1,779
Total Current Assets	\$18,556	\$25,678
Deferred income taxes	3,023	4,234
Property and Equipment, net	6,234	6,619
Intangible assets, net	423	263
Other assets	1,081	947
Total Assets	\$29,317	\$37,741
Current liabilities		
Accounts payable	\$897	\$781
Accrued employee costs	1,283	1,318
Deferred revenue	153	-
Other current liabilities	2,263	2,722
Total current liabilities	\$4,596	\$4,821
Accrued employee costs	220	264
Total liabilities	\$4,816	\$5,085

- a) Assets and liabilities exclude all intercompany accounts and transactions, which are eliminated in consolidation.
- b) For the three months period ended September 30, 2015 and 2016, total revenues from VIE's were \$8,433 and \$11,360, respectively and for the six months period ended September 30, 2015 and 2016, total revenues from VIE's were \$16,544 and \$23,245, respectively.

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

9. INVESTMENT SECURITIES

Available for sale investment securities consist of the following:

As of March 31, 2016:

	<u>Carrying value</u>	<u>Gross unrealized holding gains</u>	<u>Fair value</u>
Mutual fund units - debt	\$80,698	\$261	\$80,959
Total	\$80,698	\$261	\$80,959

As of September 30, 2016:

	<u>Carrying value</u>	<u>Gross unrealized holding gains</u>	<u>Fair value</u>
Mutual fund units – debt	\$78,459	\$322	\$78,781
Total	\$78,459	\$322	\$78,781

The gross unrealized holding gains have been recorded as part of other comprehensive income (loss).

The maturity profile of the investments classified as available for sale as of September 30, 2016 is set out below:

	<u>Fair value</u>
Less than one year	\$78,781
One to five years	-
	\$78,781

Proceeds from the sale of available- for -sale securities was \$316,837 and \$328,358 for the three months period and \$545,670 and \$624,464 for the six months period ended September 30, 2015 and 2016, respectively.

The cost of a security sold or the amount reclassified out of accumulated 'other comprehensive income (loss)' into earnings was determined on FIFO basis.

The table summarizes the transactions for available for sale securities:

	<u>Three Months ended September 30,</u>		<u>Six Months ended September 30,</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Net realised gain (loss)	\$1,846	\$1,468	\$3,015	\$3,069
Reclassification into earnings on maturity out of other comprehensive income	\$1,105	\$1,022	\$1,547	\$1,759

10. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Group uses derivative financial instruments to manage foreign currency exchange rate risk. Derivative transactions are governed by a uniform set of policies and procedures covering areas such as authorization, counterparty exposure and hedging practices. The Group does not enter into derivative transactions for trading or speculative purposes.

As a result of the use of derivative instruments, the Group is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. To mitigate the counterparty credit risk, the Group has a policy of entering into contracts only with carefully selected, nationally recognized financial institutions, based upon their credit ratings and other factors. The Group has entered into a series of foreign exchange forward contracts that are designated as cash flow hedges and the related forecasted transactions extend through June 2018.

The following table presents the aggregate notional principal amounts of the outstanding derivative forward covers together with the related balance sheet exposure:

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

	Notional principal amounts		Balance sheet exposure Asset (Liability)	
	March 31, 2016	September 30, 2016	March 31, 2016	September 30, 2016
	Foreign exchange forward denominated in:			
USD /INR	\$275,250 (Sell)	\$147,000 (Sell)	(\$7,061)	(\$1,293)
GBP/ INR	£2,816 (Sell)	- (Sell)	(19)	-
EUR / USD	€ 10,950 (Sell)	€ 61,450 (Sell)	(195)	(159)
EUR/ INR	€ 2,000 (Sell)	- (Sell)	335	-
NOK/ USD	- (Sell)	NOK 165,000 (Sell)	-	(568)
AUD/INR	AUD 4,350 (Sell)	AUD 3,000 (Sell)	(9)	16
AUD/USD	- (Sell)	AUD 20,398 (Sell)	-	(31)
SEK/USD	SEK 13,880 (Sell)	- (Sell)	(63)	-
ZAR/USD	ZAR 112,000 (Sell)	ZAR 145,000 (Sell)	(268)	(110)
CHF/USD	CHF 370 (Sell)	CHF 8,000 (Sell)	(1)	(10)
CHF/ INR	CHF 9,599 (Sell)	CHF 17,500 (Sell)	86	726
MXN/USD	MXN 70,000 (Sell)	MXN 80,000 (Sell)	(98)	85
RUB/USD	RUB 100,000 (Sell)	RUB 80,000 (Sell)	(88)	(74)
SEK/INR	SEK 108,000 (Sell)	- (Sell)	(114)	-
CAD/USD	CAD 19,000 (Buy)	CAD 11,000 (Buy)	602	2
SGD/USD	SGD 1,000 (Buy)	SGD 9,650 (Buy)	29	(50)
JPY/USD	JPY 510,000 (Buy)	JPY 662,000 (Buy)	53	16
GBP/USD	£13,380 (Buy)	£44,930 (Buy)	267	(911)
CHF/USD	CHF 1,000 (Buy)	CHF 3,000 (Buy)	9	26
MYR/USD	MYR 26,000 (Buy)	MYR 40,000 (Buy)	448	(121)
DKK/USD	DKK 16,000 (Buy)	DKK 56,000 (Buy)	24	7
NOK/INR	NOK 37,000 (Sell)	- (Sell)	(26)	-
SEK/USD	- (Buy)	SEK 57,000 (Buy)	-	(6)
CNY/USD	CNY 105,000 (Sell)	CNY 78,000 (Sell)	(149)	(34)
			(\$6,238)	(\$2,489)

The following table presents the aggregate notional principal amounts of the outstanding forward options together with the related balance sheet exposure:

	Notional principal amounts		Balance sheet exposure Asset (Liability)	
	March 31, 2016	September 30, 2016	March 31, 2016	September 30, 2016
	Range Forward			
USD/INR	\$481,955	\$615,330	\$7,298	\$16,468
EUR/INR	€ 82,300	€ 102,940	215	3,867
GBP/INR	£36,920	£51,060	4,311	10,355
AUD/INR	AUD 25,950	AUD 45,910	(317)	176
CHF/INR	CHF 1,235	-	15	-
PUT				
USD/INR	\$24,000	\$17,250	47	180
Seagull				
USD/INR	\$8,000	-	149	-
EUR/INR	€ 4,000	-	(44)	-
			\$11,674	\$31,046

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

The notional amount is a key element of derivative financial instrument agreements. However, notional amounts do not represent the amount exchanged by counterparties and do not measure the Group's exposure to credit risk as these contracts are settled at their fair values at the maturity date.

The balance sheet exposure denotes the fair value of these contracts at the reporting date and is presented in US Dollars.

The Group presents its foreign exchange derivative instruments on a net basis in the consolidated financial statements due to the right of offset by its individual counterparties under master netting agreements.

The fair value of those derivative instruments presented on a gross basis as of each date indicated below is as follows:

March 31, 2016

	Other Current Assets	Other Non - Current Assets	Other Current Liabilities	Other Non - Current Liabilities	Total Fair Value
Derivatives designated as hedging instruments:					
Foreign exchange contracts in an asset position	\$10,709	\$2,186	\$4,413	\$207	\$17,515
Foreign exchange contracts in an liability position	(4,413)	(207)	(5,959)	(2,910)	(13,489)
Net asset (liability)	\$6,296	\$1,979	(\$1,546)	(\$2,703)	\$4,026
Derivatives not designated as hedging instruments:					
Foreign exchange contracts in an asset position	\$2,506	\$-	\$770	\$-	\$3,276
Foreign exchange contracts in an liability position	(770)	-	(1,096)	-	(1,866)
Net asset (liability)	\$1,736	\$-	(\$326)	\$-	\$1,410
Total Derivatives at fair value	\$8,032	\$1,979	(\$1,872)	(\$2,703)	\$5,436

September 30, 2016

	Other Current Assets	Other Non - Current Assets	Other Current Liabilities	Other Non - Current Liabilities	Total Fair Value
Derivatives designated as hedging instruments:					
Foreign exchange contracts in an asset position	\$26,585	\$5,735	\$1,001	\$13	\$33,334
Foreign exchange contracts in an liability position	(1,001)	(13)	(1,386)	(470)	(2,870)
Net asset (liability)	\$25,584	\$5,722	(\$385)	(\$457)	\$30,464
Derivatives not designated as hedging instruments:					
Foreign exchange contracts in an asset position	\$414	\$-	\$363	\$-	\$777
Foreign exchange contracts in an liability position	(363)	-	(2,321)	-	(2,684)
Net asset (liability)	\$51	\$-	(\$1,958)	\$-	(\$1,907)
Total Derivatives at fair value	\$25,635	\$5,722	(\$2,343)	(\$457)	\$28,557

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

The following tables set forth the fair value of derivative instruments included in the condensed consolidated balance sheets as on March 31, 2016 and September 30, 2016:

Derivatives designated as hedging instruments:

	March 31, 2016	September 30, 2016
Unrealized gain on financial instruments classified under current assets	\$6,296	\$25,584
Unrealized gain on financial instruments classified under non-current assets	1,979	5,722
Unrealized loss on financial instruments classified under current liabilities	(1,546)	(385)
Unrealized loss on financial instruments classified under non-current liabilities	(2,703)	(457)
	\$4,026	\$30,464

Derivatives not designated as hedging instruments:

	March 31, 2016	September 30, 2016
Unrealized loss on financial instruments classified under current liabilities	(\$326)	(\$1,958)
Unrealized gain on financial instruments classified under current assets	1,736	51
	\$1,410	(\$1,907)

The following tables summarize the activities in the consolidated statement of income during the three months period ended September 30, 2015

Derivatives in Cash flow Hedging Relationships	Amount of Gain or (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion) and Amount Excluded from Effectiveness Testing	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Foreign Exchange Contracts	(\$7,281)	Other Income (Expense),net	(\$1,582)	Other Income (Expense),net	Nil
	(\$7,281)		(\$1,582)		Nil
Derivatives not Designated as Hedging		Location of Gain or (Loss) recognized in Income on Derivatives		Amount of Gain or (Loss) recognized in Income on Derivatives	
Foreign exchange contracts		Other Income (Expense),net			(\$714)

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

The following tables summarize the activities in the consolidated statement of income during the three months period ended September 30, 2016

Derivatives in Cash flow Hedging Relationships	Amount of Gain or (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion) and Amount Excluded from Effectiveness Testing	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Foreign Exchange Contracts	\$22,562	Other Income (Expense),net	\$3,253	Other Income (Expense),net	Nil
	<u>\$22,562</u>		<u>\$3,253</u>		<u>Nil</u>
Derivatives not Designated as Hedging		Location of Gain or (Loss) recognized in Income on Derivatives		Amount of Gain or (Loss) recognized in Income on Derivatives	
Foreign exchange contracts		Other Income (Expense),net		(\$1,249)	

The following tables summarizes activities in the condensed consolidated statement of income during the six months ended September 30, 2015

Derivatives in Cash flow Hedging Relationships	Amount of Gain or (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion) and Amount Excluded from Effectiveness Testing	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Foreign Exchange Contracts	(\$10,931)	Other Income (Expense),net	(\$2,061)	Other Income (Expense),net	Nil
	<u>(\$10,931)</u>		<u>(\$2,061)</u>		<u>Nil</u>
Derivatives not Designated as Hedging		Location of Gain or (Loss) recognized in Income on Derivatives		Amount of Gain or (Loss) recognized in Income on Derivatives	
Foreign exchange contracts		Other Income (Expense),net		(\$5,931)	

The following tables summarizes activities in the condensed consolidated statement of income during the six months period ended September 30, 2016

Derivatives in Cash flow Hedging Relationships	Amount of Gain or (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion) and Amount Excluded from Effectiveness Testing	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Foreign Exchange Contracts	\$29,296	Other Income (Expense),net	\$4,321	Other Income (Expense),net	Nil
	<u>\$29,296</u>		<u>\$4,321</u>		<u>Nil</u>

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

Derivatives not Designated as Hedging	Location of Gain or (Loss) recognized in Income on Derivatives	Amount of Gain or (Loss) recognized in Income on Derivatives
Foreign exchange contracts	Other Income (Expense),net	\$599

The following table summarizes the activity in the accumulated 'Other comprehensive (loss) gain' within equity related to all derivatives classified as cash flow hedges during the six months period ended September 30, 2015 and September 30, 2016:

	September 30,	
	2015	2016
Balance as at the beginning of the period	(\$4,923)	\$1,505
Unrealized gain (loss) on cash flow hedging derivatives during the period	(\$10,931)	29,296
Net loss (gain) reclassified into net income on occurrence of hedged transactions	\$2,061	(4,321)
Effect of exchange rate fluctuations	\$409	(69)
Balance as at the end of the period	(\$13,384)	\$26,411
Deferred tax	2,535	(5,145)
	(\$10,849)	\$21,266

As of September 30, 2016, the estimated net amount of existing gain that is expected to be reclassified into the income statement from AOCI within the next twelve months is \$22,070.

11. INVENTORY

As of March 31, 2016 and September 30, 2016, Inventory comprises the following:

	March 31, 2016	September 30, 2016
Finished goods	\$39,913	\$44,380
Stores and spares	-	42
	\$39,913	\$44,422

12. OTHER CURRENT ASSETS

As of March 31, 2016 and September 30, 2016, other current assets comprise the following:

	March 31, 2016	September 30, 2016
Prepaid expenses	\$73,876	\$95,587
Prepaid rentals for leasehold land	\$463	520
Interest receivable	15,948	17,870
Prepaid/advance taxes	13,230	11,244
Deposits	14,349	9,951
Deferred cost	79,652	80,060
Employee receivables	18,091	13,013
Derivative financial instruments	8,032	25,635
Advance to suppliers	8,240	12,442
Entrusted loan receivable	3,871	1,199
Finance lease receivable	35,287	38,195
Restricted cash	4,365	4,344
Others	48,435	52,328
	\$323,839	\$362,388

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

13. OTHER ASSETS

As of March 31, 2016 and September 30, 2016, other assets comprise the following:

	<u>March 31, 2016</u>	<u>September 30, 2016</u>
Deposits	\$24,953	\$27,056
Deferred cost	114,750	99,469
Prepaid expenses	18,479	19,064
Prepaid rentals for leasehold land	38,169	40,946
Advance to suppliers	12,941	-
Finance lease receivable	50,062	37,113
Restricted cash	2,533	2,533
Others	43,519	42,796
	<u>\$305,406</u>	<u>\$268,977</u>

14. DEBTS

SHORT TERM BORROWINGS

The Group has availed unsecured short term loan amounting to \$500 as of March 31, 2016 at effective interest rates of 4.10% which have been repaid during the six months period ended September 30, 2016.

The Group has availed an unsecured bank line of credit from its bankers amounting to \$27,988 and \$939 as of March 31, 2016 and September 30, 2016, respectively, at effective interest rates ranging from 0.35% to 17.33%.

Entrusted loan receivable/payable

During the year ended June 30, 2015, two wholly owned subsidiaries in the Group, entered into an entrusted loan arrangement in which one of the wholly owned subsidiary acts as the entrusted party (the principal), the bank acts as the agent (charging commission of 0.20% p.a.) and another wholly owned subsidiary acts as the borrower (the "Entrusted Loan"). The entrusted loan receivable included under other current assets and the entrusted loan payable included under short term loans which cannot be set off and bears interest of 5% p.a., were repayable on demand within one year. Amount outstanding as of March 31, 2016 of \$3,871 has been repaid during period ended June 30, 2016.

During the period ended September 30, 2016, two wholly owned subsidiaries in the Group, entered into a new entrusted loan arrangement for \$1,199 with a bank, in which the bank acts as an agent (charging commission of 0.20% p.a.). The entrusted loan receivable included under other current assets and the entrusted loan payable included under short term loans which cannot be set off and bears interest of 5% p.a., were repayable on demand within one year.

LONG TERM DEBT

	<u>March 31, 2016</u>	<u>September 30, 2016</u>
From banks	\$111,164	\$83,761
Other	3,352	3,807
Less: Current portion	(5,950)	(13,974)
	<u>\$108,566</u>	<u>\$73,594</u>

The scheduled principal repayments are as follows:

	<u>September 30, 2016</u>
Within one year	\$13,974
One to two years	12,175
Two to three years	21,206
Three to five years	40,213
	<u>\$87,568</u>

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

The Group's borrowings are subject to certain financial and non financial covenants. At September 30, 2016, the Group was in compliance with all such covenants.

Long term debts from banks include:

In March 2016, an unsecured Long term loan of \$101,910 is borrowed by a subsidiary in Sweden at STIBOR + 1.15% (at an effective interest rate of 0.65%) repayable over 16 quarterly installments beginning June 2017. During the six months period ended September 30, 2016 the Group has made a prepayment of \$19,738. Principal amount outstanding as of September 30, 2016 is \$76,154.

Term loans of \$6,357 and \$6,350 as of March 31, 2016 and September 30, 2016, respectively, at interest rates ranging from 9.85% to 10.50% per annum and secured by hypothecation of vehicles with a book value of \$14,507 and \$14,504 as of March 31, 2016 and September 30, 2016, respectively.

Term loans of \$2,897 and \$1,257 as of March 31, 2016 and September 30, 2016, respectively, at effective interest rate of 2.95% per annum, respectively.

Other long term debts include:

Unsecured long term loans from a vendor of \$3,352 and \$3,807 as of March 31, 2016 and September 30, 2016, respectively, at nil interest.

15. OTHER CURRENT LIABILITIES

As of March 31, 2016 and September 30, 2016, other current liabilities comprise the following:

	<u>March 31, 2016</u>	<u>September 30, 2016</u>
Advances from customers	\$6,710	\$6,619
Sales tax and other taxes payable	68,897	71,995
Accrued liabilities and expenses	365,908	422,157
Supplier's credit*	217,698	196,324
Due to related parties	881	751
Payable towards equity interest in affiliate	19,072	17,167
Derivative financial instruments	1,872	2,343
Others	34,914	29,728
	<u>\$715,952</u>	<u>\$747,084</u>

* The Group has negotiated extended interest bearing credit terms with certain vendors for extended payment terms up to 360 days. Interest rate on this arrangement ranges from 1.5% to 9.75% per annum.

16. EQUITY SHARES

The Company has only one class of capital stock referred to herein as equity shares. Par value of each equity share outstanding as of September 30, 2016 is \$0.03 (` 2.00).

Voting

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

Dividends

Dividends declared and paid by the Company are in Indian Rupees. Dividends payable to equity stockholders are based on the net income available for distribution as reported in the standalone financial statements of the Company prepared in accordance with Ind- AS. Indian law on foreign exchange governs the remittance of dividends outside India. Such dividend payments are subject to applicable taxes.

Liquidation

In the event of liquidation of the Company, the holders of equity shares shall be entitled to receive all of the remaining assets of the Company, after distribution of preferential amounts, if any. Such amounts will be in proportion to the number of equity shares held by the stockholders.

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

Stock options

There are no voting, dividend or liquidation rights to the option holders under the Company's stock option plans.

17. OTHER INCOME (EXPENSES), NET

For the three and six months period ended September 30, 2015 and 2016, other income/ (expenses), net consist of:

	Three months ended September 30,		Six months ended September 30,	
	2015	2016	2015	2016
Interest income	\$33,742	\$30,189	\$64,250	\$61,176
Loss on divestment of stake in affiliates	-	-	(2,040)	-
Gain on sale of investment securities and other investments, net	1,873	1,470	\$3,015	3,069
Foreign exchange gain, net	3,374	4,649	\$9,288	14,511
Equity in earnings (loss) of affiliates	100	(114)	\$625	(1,016)
Gain (loss) on sale of property and equipment	861	(165)	667	42
Miscellaneous income	969	699	1,900	895
Other income (expense), net	\$40,919	\$36,728	\$77,705	\$78,677

18. INCOME TAXES

The effective tax rate for the Group for the three and six months period ended September 30, 2015 and 2016 is 21.51% and 21.06% and 20.02% and 21.02%, respectively. The changes in effective tax rate in three months and six months period ended September 30, 2015 and 2016 is mainly due to change in profit mix between taxable and nontaxable business units in India.

A reconciliation of the beginning and ending balance of unrecognized tax benefits is as follows:

	March 31, 2016	September 30, 2016
Balance at the beginning of the period	\$104,918	\$113,394
Increase due to tax position taken during the current period	11,043	469
Decrease due to tax position taken during the prior period	-	-
Effect of exchange rate fluctuations	(2,567)	(365)
Balance at the end of the period	\$113,394	\$113,498

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

19. EARNINGS PER EQUITY SHARE

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

	Three months period ended September 30,		Six months period ended September 30,	
	2015	2016	2015	2016
Weighted average number of equity shares outstanding used in computing basic EPS	1,406,092,785	1,410,857,724	1,405,948,558	1,410,730,274
Dilutive effect of stock options	6,652,825	1,447,823	6,643,859	1,447,916
Weighted average number of equity and equity equivalent shares outstanding used in computing diluted EPS	<u>1,412,745,610</u>	<u>1,412,305,547</u>	<u>1,412,592,417</u>	<u>1,412,178,190</u>

For the three and six months ended September 30 2015 and 2016, there were no options to purchase equity shares of common stock with exercise price greater than the average market value of our stock that would have been anti-dilutive.

20. EMPLOYEE BENEFIT PLANS

India operations

The Group has employee benefit plans in the form of certain statutory and welfare schemes covering substantially all of its employees.

Defined benefit Plan

Gratuity

In accordance with the Indian law, the Group provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering all employees in India. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment of an amount based on the respective employee's base salary and the years of employment with the Group.

Net gratuity cost for the three and six months period ended September 30, 2015 and 2016 comprise the following components:

	Three months ended September 30,		Six months ended September 30,	
	2015	2016	2015	2016
Service cost	\$1,961	\$2,099	\$4,042	\$4,218
Interest cost	890	939	\$1,730	1,875
Amortization of unrecognized actuarial loss	-	(17)	(\$197)	(35)
Net gratuity cost	<u>\$2,851</u>	<u>\$3,021</u>	<u>\$5,575</u>	<u>\$6,058</u>

Provident fund

In accordance with Indian law, all employees receive benefits from a provident fund, which is a defined benefits plan. Under this plan, the employer and employee make monthly contributions to a fund managed by certain employees of the Group ("Trust"). The employees contribute 12% of their basic compensation, which is matched by an equal contribution by the employer. The Group contributes two-third of the contribution to the Government administered pension fund subject to a maximum of \$0.02 (₹ 1250/-) and the remaining portion is contributed to the Trust. The rate at which the annual interest is payable to the

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

beneficiaries by the Trust is administered by the government. The Group has an obligation to fund any shortfall on the yield of the Trust's investments over the administered interest rates. The funds contributed to the Trust are invested in specific securities as mandated by law and generally consist of federal and state government bonds, debt instruments of government-owned corporations and other eligible market securities.

Total contributions made by the Group in respect of this plan for the three and six months period ended September 30, 2015 and 2016 are \$3,427 and \$3,842 and \$6,841 and \$7,476, respectively

Total contributions made by the Group towards Employees' Pension Scheme for the three and six months period ended September 30, 2015 and 2016 are \$3,268 and \$3,218 and \$6,607 and \$6,342, respectively

Defined Contribution Plan

Superannuation

In respect of superannuation, a defined contribution plan for eligible employees who contribute to a recognized Trust under schedule IV, Part B of Income Tax 1961, Trust funds are administered on its behalf by an appointed fund manager and such contributions for each year of service rendered by the employees are charged to the statement of profit and loss. The Group has no further obligations to the superannuation plan beyond its contributions. Total contributions made in respect of this plan for the three and six months period ended September 30, 2015 and 2016 are \$64 and \$60 and \$131 and \$120, respectively

Others

Total contributions made by the Group in respect of other foreign defined contribution plans for the three and six months period ended September 31, 2015 and 2016 are \$11,534 and \$13,474 and \$22,854 and \$27,044, respectively.

21. COMMITMENTS AND CONTINGENCIES

Capital commitments

As of September 30, 2016, the Group had contractual commitments for capital expenditure of \$73,113.

Other commitments

Some of the Group's software development centers in India are Special Economic Zone/Software Technology Park/Export Oriented Units under the guidelines issued by the Government of India. These units are exempt from customs and central excise duties and levies on imported and indigenous capital goods and stores and spares. The Group has executed legal undertakings to pay customs duty, central excise duty, levies and liquidated damages payable, if any, in respect of imported and indigenous capital goods and stores and spares consumed duty free, in the event that certain terms and conditions are not fulfilled.

Other Contingencies

The Group is involved in various lawsuits, claims and proceedings that arise in the ordinary course of business, the outcome of which is inherently uncertain. Certain of these matters include speculative and frivolous claims for substantial or indeterminate amounts of damages. The Group records a liability when it is both probable that a loss has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. The Group reviews these provisions at least quarterly and adjusts these provisions accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. The Group believes that the amount or estimable range of reasonably possible loss, will not, either individually or in the aggregate, have a material adverse effect on its business, consolidated financial position, results of operations, or cash flows with respect to loss contingencies for legal and other contingencies as of September 30, 2016.

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

22. SEGMENT REPORTING

The Group's operations predominantly relate to providing a range of IT & BPO services targeted at Global 2000 companies spread across America, Europe & Rest of the World. IT services include software services & IT infrastructure management services. Within software services, the Group provides application development & maintenance, enterprise application, next generation SAAS (Software As A Service) application services and engineering and R&D (Research and Development) services to several global customers. Infrastructure management services involve managing customer's IT assets effectively. Business process outsourcing services include the traditional contact centre & help desk services and the next generation services around platform BPO & BPAAS (Business Process As A Service) delivered through a global delivery model.

The Chief Operating Decision Maker ("CODM") evaluates the Group's performance by business segment, comprising software services, infrastructure management services and business process outsourcing services. Accordingly, the above stated business segments have been identified as reportable segments for the purpose of segment reporting. Assets and liabilities are not identified to any reportable segments, since these are increasingly used interchangeably across segments and consequently, the management believes that it is not practicable or meaningful to provide segment disclosures relating to total assets and liabilities. Segment information for prior periods is provided on a comparative basis.

Information on reportable segments for the three months period ended September 30, 2015 is as follows:

	Software services	Infrastructure management services	Business process outsourcing services	Total
Revenue	<u>\$920,829</u>	<u>\$542,418</u>	<u>\$81,272</u>	<u>\$1,544,519</u>
Depreciation and amortization	12,159	6,723	1,826	20,708
Segment earnings	\$174,581	\$118,250	\$6,226	\$299,057

Information on reportable segments for the three months period ended September 30, 2016 is as follows:

	Software services	Infrastructure management services	Business process outsourcing services	Total
Revenue	<u>\$957,762</u>	<u>\$694,681</u>	<u>\$69,954</u>	<u>\$1,722,397</u>
Depreciation and amortization	14,890	12,280	1,756	28,926
Segment earnings	\$198,272	\$139,890	\$8,445	\$346,607

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

Information on reportable segments for the six months period ended September 30, 2015 is as follows:

	Software services	Infrastructure management services	Business process outsourcing services	Total
Revenue	<u>\$1,836,831</u>	<u>\$1,084,499</u>	<u>\$160,703</u>	<u>\$3,082,033</u>
Depreciation and amortization	23,846	12,821	3,590	40,257
Segment earnings	\$360,853	\$232,203	\$14,697	\$607,753

Information on reportable segments for the six months period ended September 30, 2016 is as follows:

	Software Services	Infrastructure management services	Business process outsourcing services	Total
Revenue	<u>\$1,905,508</u>	<u>\$1,367,840</u>	<u>\$139,700</u>	<u>\$3,413,048</u>
Depreciation and amortization	28,370	25,095	3,479	56,944
Segment earnings	\$401,778	\$277,759	\$15,016	\$694,553

The CODM assesses the performance of the operating segments based on a measure of segment earnings. This measurement basis adjusts income before income taxes to exclude the effects of stock based compensation, cash flow hedge accounting gains (losses), foreign exchange gains (losses), finance costs and other income.

A reconciliation of segment earnings to income before income taxes is provided as follows:

	Three months ended September 30,		Six months ended September 30,	
	2015	2016	2015	2016
Segment earnings	\$299,057	\$346,607	\$607,753	\$694,553
Foreign exchange gain	3,374	4,649	9,288	14,511
Finance cost	(3,957)	(1,605)	(7,340)	(5,807)
Other income, net	37,545	32,079	68,417	64,166
Income before income taxes	<u>\$336,019</u>	<u>\$381,730</u>	<u>\$678,118</u>	<u>\$767,423</u>

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

23. FAIR VALUE MEASUREMENT

The Group records certain financial assets and liabilities at fair value on a recurring basis. The Group determines fair values 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 Group holds certain fixed income securities, equity securities and derivatives, which must be measured using the FASB's guidance for fair value hierarchy and related valuation methodologies. The guidance specifies a hierarchy of valuation techniques based on whether the inputs to each measurement are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Group's assumptions about current market conditions. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. 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.

In accordance with ASC 820, assets and liabilities are to be measured based on the following valuation techniques:

Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Income approach – Converting the future amounts based on the market expectations to its present value using the discounting methodology.

Cost approach – Replacement cost method.

The following table discloses the assets and liabilities measured at fair value on a recurring basis as of March 31, 2016 and the basis for that measurement:

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets				
Deposits with banks, having maturities less than three months	\$17,685	\$17,685	-	-
Term deposits with banks	\$1,301,163	-	\$1,301,163	-
Deposits with corporation	\$301,096	-	\$301,096	-
Investment securities, available for sale	\$80,959	\$80,959	-	-
Derivative contracts	\$10,011	-	\$10,011	-
Liabilities				
Derivative contracts	(\$4,575)	-	(\$4,575)	-

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

The following table discloses the assets and liabilities measured at fair value on a recurring basis as of September 30, 2016 and the basis for that measurement:

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets				
Deposits with banks, having maturities less than three months	\$22,230	\$22,230	-	-
Term deposits with banks	\$1,359,068	-	\$1,359,068	-
Deposits with corporation	\$302,279	-	\$302,279	-
Investment securities, available for sale	\$78,781	\$78,781	-	-
Derivative contracts	\$31,357	-	\$31,357	-
Liabilities				
Derivative contracts	(\$2,800)	-	(\$2,800)	-

Valuation Methodologies

Quoted market prices in active markets are available for investments in securities and, as such, these investments are classified within Level 1.

Investments: The Company's investments consist primarily of investment in debt linked mutual funds. Fair values of investment securities classified as available -for -sale are determined using quoted prices for identical assets or liabilities in active markets and are classified as Level 1. Fair value of term deposits with banks and corporations is determined using observable markets' inputs and is classified as Level 2.

Derivative financial instruments: The Group's derivative financial instruments consist of foreign currency forward exchange contracts. Fair values for derivative financial instruments are based on broker quotations and are classified as Level 2. See note 12 for further details on Derivative financial instruments.

Fair value of earn-out consideration: The fair value measurement of earn-out consideration is determined using Level 3 inputs. The Group earn-out consideration represents a component of the total purchase consideration for its acquisition of Powerteam LLC. The measurement is calculated using unobservable inputs based on the Company's own assessment of achievement of certain performance goals by Powerteam LLC. The Group estimated the total fair value of the earn out consideration to be \$8,848. See Note 5 for further details

The fair value of the Group's current assets and current liabilities including short term deposits with Banks, and short term loans approximate their carrying values because of their short-term maturity. The fair value of held- to- maturity investment securities is based on the quoted prices and approximates its fair value.

Certain assets are measured at fair value on a non-recurring basis and therefore are not included in the recurring fair value table above. The assets and liabilities consist primarily of long term debt and other non financial assets such as goodwill and intangible assets. Goodwill and intangible assets are measured at fair value initially and subsequently when there is an indicator of impairment, the impairment is recognized.

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

24. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes the changes in the accumulated balances for each component of accumulated other comprehensive income attributable to HCL Technologies limited.

	Three months ended		Six months ended	
	September 30		September 30	
	2015	2016	2015	2016
Unrealized gain on securities available for sale:				
Opening balance (net of tax)	\$533	\$460	\$55	\$214
Unrealized gain (loss)	408	747	1,562	1,820
Reclassification adjustments into other (income) expenses, net	(1,105)	(1,022)	(1,547)	(1,759)
Income tax benefit	217	122	(20)	30
Portion attributable to non-controlling interest	-	-	-	-
Effect of exchange fluctuations	7	(1)	10	1
Closing balance (net of tax)	\$60	\$306	\$60	\$306
Unrealized gain (loss) on cash flow hedges:				
Opening balance (net of tax)	(\$6,393)	\$5,740	(\$3,999)	\$1,220
Unrealized gain (loss)	(7,281)	22,562	(10,931)	29,296
Reclassification adjustments into other (income) expenses, net	1,582	(3,253)	2,061	(4,321)
Income tax benefit (expense)	1,009	(3,803)	1,611	(4,860)
Portion attributable to non-controlling interest	-	-	-	-
Effect of exchange fluctuations	234	20	409	(69)
Closing balance (net of tax)	(\$10,849)	\$21,266	(\$10,849)	\$21,266
Actuarial loss on defined benefit plan:				
Opening balance (net of tax)	\$989	\$1,991	(\$130)	\$2,754
Actuarial Gain(loss)	-	-	1,437	-
Reclassification adjustments into employee benefit expenses ¹	-	-	-	-
Income tax benefit	-	(10)	(321)	(722)
Portion attributable to non-controlling interest	-	-	-	-
Effect of exchange fluctuations	(42)	37	(39)	(14)
Closing balance (net of tax)	\$947	\$2,018	\$947	\$2,018
Foreign currency translation:				
Opening balance	(\$533,165)	(\$757,262)	(\$510,936)	(\$673,486)
Foreign currency translation	(103,067)	26,376	(125,296)	(54,524)
Portion attributable to non-controlling interest	-	(1,033)	-	(3,909)
Reclassification adjustments into other (income) expenses, net	-	-	-	-
Closing balance	(\$636,232)	(\$731,919)	(\$636,232)	(\$731,919)

¹ Reclassification into employee benefit expenses are recognized in cost of revenues and selling, general and administrative expenses

HCL Technologies Limited and Subsidiaries
Notes to Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

(Amount in thousands, except per share data and as stated otherwise)

25. COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive loss at March 31, 2016 and September 30, 2016 are as follows:

	March 31,2016	September 30,2016
Unrealized gain on securities available for sale	\$214	\$306
Unrealized gain on cash flow hedges	1,220	21,266
Unrealized gain on defined benefit plan	2,754	2,018
Foreign currency translation	(673,486)	(731,919)
	(\$669,298)	(\$708,329)

26. SUBSEQUENT EVENTS

On October 21,2016 the Group announced an interim dividend of ` 6 per share amounting to `8,465 million (\$127,104).

The Group has evaluated all the subsequent events through October 21, 2016, which is the date on which these financial statements were issued, and no events have occurred from the balance sheet date through that date that would have material impact on the condensed consolidated financial statements.