

HCL Technologies Limited and Subsidiaries

Consolidated Financial Statements

**Year Ended March 31, 2017, Nine Months Ended March 31, 2016 and Year Ended
June 30, 2015**

With Report of Independent Auditors

HCL Technologies Limited and Subsidiaries

Table of Contents

	Page
Report of Independent Auditors	1
Consolidated Financial Statements	
Consolidated Balance Sheets	2
Consolidated Statements of Income.....	4
Consolidated Statements of Comprehensive Income	5
Consolidated Statements of Equity	6
Consolidated Statements of Cash Flows.....	9
Notes to Consolidated Financial Statements.....	11

Report of Independent Auditors

The Board of Directors
HCL Technologies Limited

We have audited the accompanying consolidated financial statements of HCL Technologies Limited and Subsidiaries, which comprise the consolidated balance sheets as of March 31, 2016 and March 31, 2017, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year ended June 30, 2015, nine months ended March 31, 2016 and the year ended March 31, 2017, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of HCL Technologies Limited and Subsidiaries at March 31, 2016 and 2017, and the consolidated results of their operations and their cash flows for the year ended June 30, 2015, nine months ended March 31, 2016 and the year ended March 31, 2017, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2(a) to the consolidated financial statements, the Company changed its fiscal year end from June 30 to March 31.

Ernst & Young Associates LLP

Gurgaon, India
May 11, 2017

HCL Technologies Limited and Subsidiaries

Consolidated Balance Sheets

Amount in thousands, except share and per share data

	As of March 31,	
	2016	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$110,069	\$202,917
Term deposits with banks	1,298,073	1,189,953
Deposit with corporation	299,615	385,266
Accounts receivable, net	1,165,295	1,279,548
Unbilled revenue	452,971	385,522
Investment securities, available for sale	80,959	176,589
Inventories	39,913	42,477
Other current assets	323,839	417,355
Total current assets	3,770,734	4,079,627
Deferred income taxes, net	263,949	248,056
Investments in affiliates	24,434	22,944
Other investments	-	1,727
Property and equipment, net	652,407	721,445
Intangible assets, net	60,643	716,342
Goodwill	908,120	1,044,778
Other assets	305,406	271,305
Total assets (a)	\$5,985,693	\$7,106,224

See accompanying notes.

HCL Technologies Limited and Subsidiaries

Consolidated Balance Sheets

Amount in thousands, except share and per share data

	As of March 31,	
	2016	2017
LIABILITIES AND EQUITY		
Current liabilities		
Current portion of capital lease obligations	\$14,955	\$2,976
Accounts payable	137,013	403,182
Short term borrowings	32,359	9,563
Current portion of long term debt	5,950	19,219
Accrued employee costs	241,974	305,712
Deferred revenue	167,961	168,387
Income taxes payable	157,129	114,500
Other current liabilities	715,952	723,507
Total current liabilities	1,473,293	1,747,046
Long term debt	108,566	54,717
Capital lease obligations, net of current portion	2,729	4,261
Accrued employee costs	108,483	104,395
Deferred revenue	50,461	27,220
Other liabilities	12,989	6,150
Total liabilities (a)	\$1,756,521	\$1,943,789
Commitments and contingencies (Note 26)		
HCL Technologies Limited Shareholders' Equity		
Equity shares, ₹ 2 par value, authorized 1,500,000,000 shares		
Issued and outstanding 1,410,381,314 and 1,426,783,424 shares as of March 31, 2016 and 2017, respectively	57,286	57,791
Additional paid-in capital	711,027	916,514
Shares application money pending allotment	7	5
Retained earnings	4,098,241	4,753,262
Accumulated other comprehensive loss	(669,298)	(591,796)
HCL Technologies Limited Shareholders' Equity	4,197,263	5,135,776
Noncontrolling interest	31,909	26,659
Total equity	4,229,172	5,162,435
Total liabilities and equity	\$5,985,693	\$7,106,224

a) Consolidated assets at March 31, 2016 and 2017 include assets totaling \$29,317 and \$44,385, 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 2017, include liabilities of certain VIEs for which the VIEs creditors do not have recourse to HCL Technologies Limited and Subsidiaries (See Note 10).

See accompanying notes.

HCL Technologies Limited and Subsidiaries

Consolidated Statements of Income

Amount in thousands, except share and per share data

	Year ended June 30,	Nine months ended March 31,	Year ended March 31,
	2015	2016	2017
Revenues	\$5,952,297	\$4,697,887	\$6,975,204
Cost of revenues (exclusive of depreciation and amortization)	3,823,183	3,089,520	4,611,542
Gross profit	2,129,114	1,608,367	2,363,662
Selling, general and administrative expenses	733,088	598,956	824,643
Depreciation and amortization	72,359	67,155	124,638
Other income, net	(160,523)	(131,538)	(152,281)
Finance cost	14,132	11,163	12,856
Income before income taxes	1,470,058	1,062,631	1,553,806
Provision for income taxes	306,355	223,097	291,353
Net income	1,163,703	839,534	1,262,453
Net income (loss) attributable to noncontrolling interest	18	(112)	20
Net income attributable to HCL Technologies Limited shareholders	\$1,163,685	\$839,646	\$1,262,433
Earnings per equity share			
Basic	\$0.83	\$0.60	\$0.89
Diluted	\$0.82	\$0.60	\$0.89
Weighted average number of equity shares used in computing earnings per equity share			
Basic	1,404,808,456	1,407,845,713	1,411,444,783
Diluted	1,411,663,430	1,410,916,234	1,412,641,203

See accompanying notes.

HCL Technologies Limited and Subsidiaries
Consolidated Statements of Comprehensive Income
Amount in thousands

	Year ended June 30,	Nine months ended March 31,	Year ended March 31,
	2015	2016	2017
Net income attributable to HCL Technologies Limited shareholders	\$1,163,685	\$839,646	\$1,262,433
Add : Noncontrolling interest	\$18	(\$112)	\$20
Other comprehensive income (loss) net of taxes:			
Change in unrealized gain (loss) on cash flow hedges, net of taxes (\$6,956) (\$1,812) and (\$16,893) for the year ended June 30, 2015, the nine months ended March 31, 2016, and the year ended March 31, 2017, respectively.	28,547	7,612	67,397
Change in unrealized gain (loss) on securities available for sale, net of taxes (\$72), \$187 and (\$344) for the year ended June 30, 2015, the nine months ended March 31, 2016, and the year ended March 31, 2017, respectively.	218	(319)	613
Change in unrealized gain (loss) on defined benefit plan, net of taxes (\$321), (\$58) and (\$388) for the year ended June 30, 2015, the nine months ended March 31, 2016, and the year ended March 31, 2017, respectively.	1,123	1,766	(330)
Change in foreign currency translation	(193,969)	(140,322)	9,822
Other comprehensive income (loss)	(164,081)	(131,263)	77,502
Add: Comprehensive loss attributable to non-controlling interest	-	-	(5,270)
Total comprehensive income	\$999,622	\$708,271	\$1,334,685

See accompanying notes.

HCL Technologies Limited and Subsidiaries
Consolidated Statements of Equity
Amount in thousands, except share data

	Equity shares		Addition al paid- in capital	Ordinary shares subscrib ed	Retained earnings	Accumulate d other comprehens ive loss	HCL Technologie s Limited Shareholder ' Equity	Non Controlli ng Interest	Total Equity
	Shares	Par Value							
Balances as at June 30, 2014	699,976,381	\$34,560	\$718,259	\$1,582	\$2,956,054	(\$373,954)	\$3,336,501	\$76	\$3,336,577
Shares issued for exercised options	3,154,076	102	2,879	(1,582)	-	-	1,399	-	1,399
Stock options exercised pending allotment of shares	-	-	-	325	-	-	325	-	325
Stock split effected in the form of stock dividend	702,847,961	22,492	(22,492)	-	-	-	-	-	-
Stock based compensation	-	-	(753)	-	-	-	(753)	-	(753)
Excess tax benefit from stock options	-	-	5,331	-	-	-	5,331	-	5,331
Cash dividend	-	-	-	-	(453,618)	-	(453,618)	-	(453,618)
Net income	-	-	-	-	1,163,685	-	1,163,685	18	1,163,703
Other comprehensive income (loss)	-	-	-	-	-	(164,081)	(164,081)	-	(164,081)
Balances as at June 30, 2015	1,405,978,418	\$57,154	\$703,224	\$325	\$3,666,121	(\$538,035)	\$3,888,789	\$94	\$3,888,883

See accompanying notes.

HCL Technologies Limited and Subsidiaries
Consolidated Statements of Equity
Amount in thousands, except share data

	Equity shares		Addition al paid- in capital	Ordinary shares subscrib ed	Retained earnings	Accumulate d other comprehens ive loss	HCL Technologie s Limited Shareholder ' Equity	Non Controlli ng Interest	Total Equity
	Shares	Par Value							
Balances as at June 30, 2015	1,405,978,418	\$57,154	\$703,224	\$325	\$3,666,121	(\$538,035)	\$3,888,789	\$94	\$3,888,883
Shares issued for exercised options	4,402,896	132	-	(325)	-	-	(193)	-	(193)
Stock options exercised pending allotment of shares	-	-	-	7	-	-	7	-	7
Stock based compensation	-	-	959	-	-	-	959	-	959
Excess tax benefit from stock options	-	-	6,844	-	-	-	6,844	-	6,844
Cash dividend	-	-	-	-	(407,526)	-	(407,526)	-	(407,526)
Change in noncontrolling interest	-	-	-	-	-	-	-	31,927	31,927
Net income	-	-	-	-	839,646	-	839,646	(112)	839,534
Other comprehensive income (loss)	-	-	-	-	-	(131,263)	(131,263)	-	(131,263)
Balances as at March 31, 2016	1,410,381,314	\$57,286	\$711,027	\$7	\$4,098,241	(\$669,298)	\$4,197,263	\$31,909	\$4,229,172

See accompanying notes.

HCL Technologies Limited and Subsidiaries
Consolidated Statements of Equity
Amount in thousands, except share data

	Equity shares		Addition al paid- in capital	Ordinary shares subscrib ed	Retained earnings	Accumulate d other comprehens ive loss	HCL Technologies Limited Shareholder' Equity	Non Controlli ng Interest	Total Equity
	Shares	Par Value							
Balances as at March 31, 2016	1,410,381,314	\$57,286	\$711,027	\$7	\$4,098,241	(\$669,298)	\$4,197,263	\$31,909	\$4,229,172
Shares issued for exercised options	838,680	25	-	(7)	-	-	18	-	18
Shares issued for consideration other than cash on acquisition of business of Geometric Limited	15,563,430	480	201,927	-	-	-	202,407	-	202,407
Stock options exercised pending allotment of shares	-	-	-	5	-	-	5	-	5
Excess tax benefit from stock options	-	-	3,560	-	-	-	3,560	-	3,560
Cash dividend	-	-	-	-	(607,412)	-	(607,412)	-	(607,412)
Net income	-	-	-	-	1,262,433	-	1,262,433	20	1,262,453
Other comprehensive income (loss)	-	-	-	-	-	77,502	77,502	(5,270)	72,232
Balances as at March 31, 2017	1,426,783,424	\$57,791	\$916,514	\$5	\$4,753,262	(\$591,796)	\$5,135,776	\$26,659	\$5,162,435

See accompanying notes.

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

	Year ended June 30, <u>2015</u>	Nine months ended March 31, <u>2016</u>	Year ended March 31, <u>2017</u>
Cash flows from operating activities			
Net income	\$1,163,703	\$839,534	\$1,262,453
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>			
Depreciation and amortization	72,359	67,155	124,638
Deferred income taxes	(51,477)	(34,528)	5,199
Gain on sale of property and equipment	(25,022)	(21,985)	880
Stock based compensation expense, net	(842)	949	-
Loss on divestment of stake in affiliate	2,040	-	-
Excess tax benefit related to stock options exercise	(5,200)	(6,859)	(3,584)
Gain on sale of investment securities	(5,909)	(3,722)	(5,861)
Equity in earnings of affiliates	(1,875)	(920)	(436)
Amortization reduced against revenue	-	-	17,322
Provision for doubtful accounts, net	(3,981)	13,751	1,354
Others, net	1,474	771	2,072
Changes in assets and liabilities, net of effects of acquisitions			
Accounts receivable and unbilled revenue	(287,036)	(166,446)	(33,204)
Other assets	(100,893)	(82,219)	8,886
Accounts payable	20,213	(1,495)	9,250
Accrued employee costs	67,114	(7,333)	55,726
Other liabilities	129,374	35,854	(37,079)
Net cash provided by operating activities	<u>974,042</u>	<u>632,507</u>	<u>1,407,616</u>
Cash flows from investing activities			
Investment in term deposit with banks	(1,364,396)	(701,385)	(1,160,739)
Proceeds from term deposit with banks on maturity	1,255,603	682,491	1,292,722
Increase in entrusted loan receivable	(4,030)	-	(1,189)
Decrease in entrusted loan receivable	-	-	3,716
Investment in term deposits with corporation	(191,573)	(303,484)	(373,147)
Proceeds from term deposits with corporation on maturity	91,692	183,776	296,396
Purchase of property and equipment	(194,533)	(139,438)	(197,099)
Proceeds from sale of property and equipment	1,973	29,121	16,793
Purchase of Licensed IPRs	-	-	(387,188)
Purchase of investment securities (including advance)	(1,317,645)	(1,037,890)	(1,664,560)
Proceeds from sale of investment securities	1,307,928	1,076,087	1,601,667
Purchase of other investment	-	-	(1,783)
Acquisition of business, net of cash acquired	-	(177,845)	(72,055)
Proceeds from sale of stake in affiliate (net of expenses)	1,600	-	-
Investment in equity method investee	(1,600)	(2,957)	(3,144)
Dividend from equity investment in affiliates	980	-	-
Net cash used in investing activities	<u>(414,001)</u>	<u>(391,524)</u>	<u>(649,610)</u>

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

	Year ended June 30, <u>2015</u>	Nine months ended March 31, <u>2016</u>	Year ended March 31, <u>2017</u>
Cash flows from financing activities			
Payment of principal under capital lease obligations, net	(4,325)	(2,158)	(107)
Proceeds from short term borrowings	92,975	7,891	30,005
Proceeds from entrusted loan	4,030	-	1,189
Repayment of entrusted loan	-	-	(3,716)
Repayment of short term borrowings	(72,394)	(29,508)	(52,130)
Proceeds from long term debt	14,553	104,281	4,674
Repayment of long term debt	(3,615)	(10,391)	(36,299)
Repayment of redeemable secured non – convertible debentures	(80,290)	-	-
Payment for deferred consideration on business acquisition	-	-	(4,920)
Proceeds from issuance of equity shares	1,287	130	18
Proceeds from subscription of shares pending allotment	391	7	5
Dividend paid	(453,541)	(407,464)	(607,270)
Excess tax benefit related to stock options exercise	5,200	6,859	3,584
Net cash used in financing activities	(495,729)	(330,353)	(664,967)
Effect of exchange rate changes on cash and cash equivalents	(21,533)	(12,903)	(191)
Net increase (decrease) in cash and cash equivalents	42,779	(102,273)	92,848
Cash and cash equivalents at the beginning of the year	169,563	212,342	110,069
Cash and cash equivalents at the end of the year	\$212,342	\$110,069	\$202,917
Supplemental disclosures of cash flow			
Shares issued for consideration other than cash on acquisition of business of Geometric Limited	-	-	\$202,407
Property and equipment acquired under capital lease obligation	\$693	\$1,292	\$6,295
Cash payments for interest expenses	\$2,866	\$1,182	\$2,032
Cash payments for income taxes	\$332,281	\$261,945	\$291,548

See accompanying notes.

HCL Technologies Limited and Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2017

(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 consolidated financial statements include the accounts of HCL Technologies Limited and its subsidiaries and are prepared on the basis of US generally accepted accounting principles ("US GAAP").

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

These 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 affiliates is included in the 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 affiliates is included in the carrying amount of the investment in the consolidated balance sheet.

Section 2(41) of the Companies Act, 2013 requires all companies to have their financial year ending on March 31. The Company adopted this change during the previous financial year and accordingly, the previous financial year was for a nine month period from July 1, 2015 to March 31, 2016. The financial statements of the subsidiary companies and affiliates used in the consolidation are drawn upto the same reporting date as that of the Company. Accordingly, the figures for the current financial year are not comparable to those of the previous year.

(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

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

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 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 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.

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

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

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 non-recurring incremental 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

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

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 Percentage-of-Completion (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
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 lives of the assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease period or the estimated useful life of the asset. The cost of software obtained for internal use is capitalized and amortized over the estimated useful life of the software.

Advances paid towards the acquisition of property and equipment and cost of property and equipment not put to use before the balance sheet date are classified as capital work-in-progress (Note 7).

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

(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

Research and development cost are expensed as incurred. Software costs that are incurred to produce the finished product after technological feasibility has been established are capitalised as an intangible asset. 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.

Research and development expenses for the year ended June 30, 2015 , the nine months ended March 31, 2016 and the year ended March 31, 2017 were \$29,188, \$15,503 and \$17,152, respectively.

Research and development amount capitalised after technological feasibility has been established during the year ended March 31, 2016 and 2017 were Nil, and \$1,505, respectively.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

(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. 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 is 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 and penalties.

(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 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.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

(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 .

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.

In respect to certain employees in India, the Company contributes towards gratuity liabilities to the Gratuity Fund Trust. Trustees of the Company administer contributions made to the Trust and contributions are invested in a scheme with the Life Insurance Corporation of India as permitted by law.

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 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 consolidated statement of income. The ineffective portion of hedging derivatives is immediately recognized in the consolidated statement of income as part of 'other income'.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

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.

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 12 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. Certain Licensed IPRs which include the right to modify, enhance or exploit are amortised in proportion to the expected benefits over the useful life which could range up to 15 years. 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 lives of the assets as under:

<u>Asset description</u>	<u>Asset life (in years)</u>
Customer relationships	1 to 11
Customer contracts	0.5 to 10
Technology	2.5 to 15
Licensed IPRs	5 to 15
Non-compete agreements	3 to 5
Intellectual property rights	4 to 6
Brand and contractors database and others	2 to 5

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

(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 US GAAP. The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and therefore could affect the timing of revenue recognition for certain transactions of the Group. The ASU will be effective for the year ended March 31, 2020, using either one of two methods: (i) retrospectively to each prior reporting period presented with the option to elect certain practical expedients as defined in the ASU, or (ii) retrospectively with the cumulative effect of initially applying the ASU recognized at the date of initial application and providing certain additional disclosures as defined in the ASU. Early adoption is permitted for the year ended March 31, 2018. The 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 the year ended March 31, 2020. 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, lease arrangements exceeding a twelve month term, must now be recognized as assets and liabilities on the balance sheet of the lessee. Under ASU No. 2016-02, a right-of-use asset and lease obligation will be recorded for all leases, whether operating or financing, while the income statement will reflect lease expense for operating leases and amortization/interest expense for financing leases. The balance sheet amount recorded for existing leases at the date of adoption of ASU No. 2016-02 must be calculated using the applicable incremental borrowing rate at the date of adoption. In addition, ASU No. 2016-02 requires the use of the modified retrospective method, which will require adjustment to all comparative periods presented in the consolidated financial statements. The new standard is effective for the year ended March 31, 2021, including interim periods within those annual years. The 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 the year ended March 31, 2019. 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.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

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 the year ended March 31, 2018. The amendments should be applied prospectively upon their effective date to increases in the level of 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 simplifying several aspects of the accounting for share-based payment transactions, including 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 the year ended March 31, 2019. 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 annual 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 also addresses certain issues in the new revenue recognition guidance on assessing collectability, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition. The amendments in this Update affect the guidance in Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments are the same as the

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

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 the year ended March 31, 2022. The amendment should be applied through a modified retrospective approach. Early adoption is permitted starting first quarter of year ended March 2020. The 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 the year ended March 31, 2020. The amendments in this Update should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

In October 2016, the FASB issued Accounting Standards Update No. 2016-16 (ASU 2016-16) "Intra-Entity Transfers of Assets Other Than Inventory". Current GAAP prohibits the recognition of current and deferred income taxes for intra-entity asset transfers until the asset has been sold to an outside party. The amendments in this Update eliminate this prohibition for intra-entity transfer of assets other than inventory but retain the prohibition for intra-entity transfer of inventory. Consequently, an entity is required to recognize the current and deferred income taxes resulting from an intra-entity transfer of assets other than inventory when the transfer occurs. The amendments in this Update are effective for the year ended March 31, 2020. The amendments in this Update should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

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

In January 2017, the FASB issued Accounting Standards Update No. 2017-01 (ASU 2017-01), "Business Combinations - Clarifying the Definition of a Business ((Topic 805)", which clarifies the definition of a business with the objective of adding guidance and providing a more robust framework to assist reporting organizations with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments in this Update are effective for the year ended March 31, 2020. The amendments in this Update should be applied prospectively on or after the effective date. No disclosures are required at transition. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04 (ASU 2017-04) "Intangibles—Goodwill and Other (Topic 350)", Simplifying the Test for Goodwill Impairment, which eliminates Step 2 of the goodwill impairment test that had required a hypothetical purchase price allocation. Rather, entities should apply the same impairment assessment to all reporting units and recognize an impairment loss for the amount by which a reporting unit's carrying amount exceeds its fair value, without exceeding the total amount of goodwill allocated to that reporting unit. Entities will continue

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

to have the option to perform a qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendments in this Update are effective for the year ended March 31, 2023. The Group is currently in the process of evaluating the impact that adoption of this standard will have on its consolidated financial statements.

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

3. FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the 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 2017, 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. CASH AND CASH EQUIVALENTS

The cash and cash equivalents as of March 31, 2016 and 2017 are as follows:

	<u>March 31, 2016</u>	<u>March 31, 2017</u>
Deposits with banks, having maturities less than three months	\$17,685	\$17,134
Other cash and bank balances	92,384	185,783
Total	<u>\$110,069</u>	<u>\$202,917</u>

5. TRANSFER OF FINANCIAL ASSETS

The Group has revolving accounts receivable 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 year ended March 31, 2017 was \$26,201 and \$33,866, respectively. Outstanding utilization against this facility as of March 31, 2016 and 2017 is nil. 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 \$13,751 during the nine months ended March 31, 2016 and the year ended March 31, 2017, respectively, on non-recourse basis. Gains or losses on sales are recorded at the time of transfer of these finance lease receivable and are immaterial. The Group has immaterial outstanding service obligations.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

6. ACQUISITIONS/ARRANGEMENTS IN CURRENT YEAR

Business of Geometric Limited

On April 1 2016, the Company entered into a composite scheme of arrangement and amalgamation for acquisition of the IT enabled engineering services, PLM ('Product Lifecycle Management') services and engineering design productivity software tools business of Geometric Limited by way of demerger through a Court approved scheme of arrangement under Sections 391 to 394 and other relevant provisions of the Companies Act, 1956 (including those of the Companies Act, 2013). The acquisition will help the Group to create a unique portfolio of end-to-end engineering and R&D capabilities across the full product lifecycle- hardware, software, manufacturing engineering and PLM consulting.

The scheme became effective from March 2, 2017, post all regulatory approvals required for the completion of the scheme.

The purchase consideration as per the scheme has been settled by issue of 10 equity shares of ` 2 each (aggregating to 15,563,430 equity shares) for every 43 fully paid equity shares of ` 2 each held by equity shareholders of Geometric Limited.

The total purchase price of \$202,407 has been preliminarily allocated to the acquired assets and liabilities as follows:

	Amount
Net working capital	\$ 28,994
Investment securities, available for sale	22,024
Property plant and equipment	7,649
Customer relationship	23,074
Customer contract	2,805
Intellectual property rights	925
Goodwill	116,936
Total purchase consideration	\$ 202,407

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

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

	Amount	Life (Years)
Customer relationship	\$23,074	10.08
Customer contract	2,805	1.08
Intellectual property rights	925	5.08
Total Intangibles	\$26,804	

The purchase consideration has been allocated preliminarily based on management's estimates. The Group is in the process of making a final determination of the fair value of assets and liabilities. Finalization of the purchase price allocation may result in certain adjustments to the above allocation.

Butler America Aerospace, LLC

On January 3 2017, the Company through a wholly owned subsidiary, entered into an agreement to acquire 100% shareholding of Butler America Aerospace, LLC (Butler Aerospace), a provider of engineering, design services and aftermarket engineering services to US Aerospace and Defence customers. The acquisition will bolster Group's capabilities in engineering services and access to clients with large R&D spends.

The total purchase consideration is \$83,518 which has been paid through March 31, 2017.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

The total purchase price has been preliminarily allocated to the acquired assets and liabilities as follows:

	Amount
Net working capital	\$9,475
Property plant and equipment	1,468
Technology	322
Customer Relationships	13,123
Customer contracts	2,021
Non-compete agreements	531
Goodwill	56,578
Total purchase consideration	\$83,518

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

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

	Amount	Life (Years)
Technology	\$322	5.0
Customer Relationships	13,123	10.0
Customer contracts	2,021	1.0
Non-compete agreements	531	5.0
Total Intangibles	\$15,997	

In addition to the purchase consideration, \$2,500 is payable to certain key employees over a three year period. Payment of this amount is contingent upon achieving certain specified performance conditions and these 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".

The purchase consideration has been allocated preliminarily based on management's estimates. The Group is in the process of making a final determination of the fair value of assets and liabilities. Finalization of the purchase price allocation may result in certain adjustments to the above allocation

ACQUISITIONS/ARRANGEMENTS IN PREVIOUS PERIODS

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.

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.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

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

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

Based on satisfaction of the performance obligation as set out in agreement, during the year ended March 31, 2017, the Group has paid earn out liability of \$3,000 , including finance charge of \$348 which was recognized in the statement of income for the difference between the earn out liability initially recorded and the amount paid.

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 was been paid till March 31, 2016 and the balance has been paid during the year ended March 31, 2017.

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 value 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 over a two year period. Payment of this amount is contingent upon achieving certain specified targets and 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".

Performance conditions for the payment of earnouts have not been met.

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.

The total purchase price for the acquisition was \$41,356, including 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 November 2018. The Group has paid \$27,856 till March 31, 2017.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

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 lives 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	

Based on satisfaction of the performance obligation as set out in agreement, during the year ended March 31, 2017, the Group has paid earn out liability of \$2,849 for the first tranche, including finance charge of \$581 which was recognized in the statement of income for the difference between the earn out liability initially recorded for the first tranche and the amount paid.

The balance earn out liability has been fair valued at \$6,215, including finance expense of \$326 on reassessment of fair valuation recognized in statements of income.

In addition to the purchase consideration, \$5,000 held in escrow account is payable to the selling shareholders in tranches of \$2,500 each over a 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".

During the year ended March 31, 2017, the Group has paid \$2,500 based on satisfaction of the employment condition.

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 March 31, 2017, the Group has contributed \$6,437 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 Consolidated Financial Statements
March 31, 2017

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

The table below shows the values and lives 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 a 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 March 31, 2017, the Group has contributed \$4,292 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 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 was \$10,033 out of which \$10,024 has been paid and the balance \$9 is payable as at March 31, 2017.

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 lives 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 is 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".

During the year ended March 31, 2017, the Group has paid \$1,319 based on satisfaction of the employment condition.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

(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 a 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 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 its global automotive and manufacturing customers.

The 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 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 the total goodwill, \$84,724 is tax deductible over the period of 10 years.

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

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

7. PROPERTY AND EQUIPMENT

As of March 31, 2016 and 2017, property and equipment comprises the following:

	March 31, 2016	March 31, 2017
Freehold land	\$8,316	\$8,472
Buildings	328,843	396,622
Computer and networking equipment	341,281	397,284
Software	112,542	142,148
Furniture, fixtures and office equipment	105,308	108,005
Plant and equipment	240,784	261,399
Vehicles	15,891	16,937
Capital work-in-progress	99,574	77,754
	1,252,539	1,408,621
Accumulated depreciation and amortization	(600,132)	(687,176)
Property and equipment, net	\$652,407	\$721,445

Depreciation expense was \$64,707, \$59,526 and \$105,538 for the year ended June 30, 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017, respectively.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

8. GOODWILL AND INTANGIBLES

The changes in the carrying value of goodwill balances by reportable segment, for the nine months ended March 31, 2016, are as follows:

	Software Services	Infrastructure services	Business process outsourcing services	Total
Opening balance as at July 1, 2015	\$765,685	\$952	\$23,750	\$790,387
Acquisitions during the period				
Trygstad Technical Services, Inc	8,147	-	-	8,147
Concept to Silicon Systems (C2SiS)	1,191	-	-	1,191
Powerteam LLC	24,710	-	-	24,710
Celeritifintech Limited	9,257	-	-	9,257
HCL Training and Staff Services Pvt Limited	-	693	-	693
Point to Point Limited and Point to Point Product Limited	-	6,810	-	6,810
IT divisions of Volvo	-	92,515	-	92,515
Effect of exchange rate changes	(24,963)	(39)	(588)	(25,590)
Closing balance as at March 31, 2016	\$ 784,027	\$100,931	\$ 23,162	\$908,120

The changes in the carrying value goodwill balances by reportable segment, for the year ended March 31, 2017, are as follows:

	Software Services	Infrastructure services	Business process outsourcin g services	Total
Opening balance as at April 01, 2016	\$ 784,027	\$100,931	\$ 23,162	\$908,120
Acquisitions during the year				
Business of Geometric Limited	116,936	-	-	116,936
Butler America Aerospace, LLC	56,578	-	-	56,578
Effect of exchange rate changes	(27,133)	(8,851)	(872)	(36,856)
Closing balance as at March 31, 2017	\$930,408	\$92,080	\$22,290	\$1,044,778

The components of intangible assets are as follows:

	March 31, 2016			March 31, 2017		
	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Intellectual property rights	\$520	(\$520)	\$-	\$1,454	(\$539)	\$915
Technology	22,753	(7,613)	15,140	20,507	(8,161)	12,346
Licensed IPRs	-	-	-	648,197	(21,273)	626,924
Customer related intangibles	146,534	(105,510)	41,024	168,250	(103,806)	64,444
Customer contracts	7,333	(4,035)	3,298	11,339	(7,410)	3,929
Non-compete agreements	3,102	(2,657)	445	3,517	(2,877)	640
Brand and contractors database and others	3,716	(2,980)	736	10,986	(3,842)	7,144
	\$183,958	(\$123,315)	\$60,643	\$864,250	(\$147,908)	\$716,342

Amortization expense for the year ended June 30, 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017 is \$7,652, \$7,629 and \$19,100, respectively.

Amortization totaling \$17,322 which has been recorded as a reduction of revenue for the year ended March 31, 2017.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

(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,	
2018	\$72,902
2019	65,138
2020	59,321
2021	57,522
2022	53,469
Thereafter	407,990
	<u><u>\$716,342</u></u>

9. INVESTMENTS IN AFFILIATE

Equity Method Investment

Axon Puerto Rico Inc

In June, 2008, the US based subsidiary of the Group entered into a Joint Venture Agreement with APR Holdco Puerto Rico, Inc. whereby the US subsidiary holds a 49% stake in joint venture entity Axon Puerto Rico Inc, and APR Holdco Puerto Rico, Inc. holds a 51% stake.

In April, 2015 the US subsidiary entered into an agreement with APR Holdco Puerto Rico, Inc. for the sale of its 49% stake in Axon Puerto Rico at a gross consideration of \$1,600. The sale was completed on June, 17, 2015.

The Group accounts for its interest in affiliate under the equity method and the gain (loss) for the year ended June 30, 2015 is shown below:

Name of the Affiliate	Year ended June 30,
	2015
<i>Axon Puerto Rico Inc</i>	\$1,924
	<u><u>\$1,924</u></u>

Morado Venture Partners II LLP

In January, 2015, the Group, through a wholly owned subsidiary, invested in Morado Venture Partners II LLP, a limited liability partnership "Venture Fund". During the current year, the Group has further invested \$1,080 in Morado Venture Partners II LLP. The Group has a commitment to contribute an additional \$720 to Morado Venture Partners II LLP in future years.

Equity method investment as of March 31, 2016 and 2017 is as follows:

Name of the Affiliate	March 31, 2016		March 31, 2017	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
<i>Morado Venture Partners II LLP</i>	\$2,351	13.12%	\$3,551	13.19%
	<u><u>\$2,351</u></u>		<u><u>\$3,551</u></u>	

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

The Group accounts for its interest in affiliate under the equity method and the gain (loss) for the year ended June 30, 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017 are shown below:

Name of the Affiliate	Year ended June 30, 2015	Nine months ended March 31, 2016	Year ended March 31, 2017
<i>Morado Venture Partners II LLP</i>	(\$49)	\$200	\$120
	\$(49)	\$200	\$120

Celeritifintech Services Limited

In November 2015, the Group entered into a joint venture arrangement with Computer Science Corporation (CSC) to operate and expand the existing Core Banking business of CSC. Under the joint venture 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 a 49% interest in Celeritifintech Services Limited and is obligated to contribute \$21,363 over a period of two years. As at March, 2017, the Group has contributed \$4,292 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.

Equity method investment as of March 31, 2016 and 2017 is as follows:

Name of the Affiliate	March 31, 2016		March 31, 2017	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
<i>Celeritifintech Services Limited</i>	\$22,083	49.00%	\$19,393	49.00%
	\$22,083		\$19,393	

The Group accounts for its interest in affiliate under the equity method and the gain (loss) for the nine months ended March 31, 2016 and for the year ended March 31, 2017 are shown below:

Name of the Affiliate	Nine months ended March 31, 2016	Year ended March 31, 2017
<i>Celeritifintech Services Limited*</i>	\$720	\$316
	\$720	\$316

*The Group accounts for its share of the equity in CeleritiFintech Services Limited on a three month lag. There are no material transactions between the reporting dates of the affiliate and that of the Group.

10. 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.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

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>March 31, 2017</u>
Current assets		
Cash and cash equivalents	\$1,347	\$2,131
Short term deposits with banks	6,023	16,944
Accounts receivables, net	6,920	4,404
Unbilled revenue	2,565	5,955
Other current assets	1,701	2,126
Total Current Assets	\$18,556	\$31,560
Deferred income taxes	3,023	5,830
Property and Equipment, net	6,234	5,973
Intangible assets, net	423	108
Other assets	1,081	914
Total Assets	\$29,317	\$44,385
Current liabilities		
Accounts payable	\$897	\$557
Accrued employee costs	1,283	1,125
Deferred revenue	153	-
Other current liabilities	2,263	2,503
Total current liabilities	\$4,596	\$4,185
Deferred income taxes	-	1
Accrued employee costs	220	368
Total liabilities	\$4,816	\$4,554

- a) Assets and liabilities exclude all intercompany accounts and transactions, which are eliminated in consolidation.
- b) For the year ended June 30, 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017, total revenues from VIEs were \$30,024 and \$31,309 and \$46,289, respectively.

11. 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 March 31, 2017:

	<u>Carrying value</u>	<u>Gross unrealized holding gains</u>	<u>Fair value</u>
Mutual fund units – debt	\$175,370	\$1,218	\$176,589
Total	\$175,370	\$1,218	\$176,589

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

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

The maturity profile of the investments classified as available for sale as of March 31, 2017 is set out below:

	Fair value
Less than one year	\$176,589
One to five years	-
	\$176,589

Proceeds from the sale of available-for-sale securities during the year ended June 30, 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017 were \$1,307,928, \$1,076,087 and \$1,601,667, respectively.

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

The table summarizes the transactions for available for sale securities:

	Year ended June 30,	Nine months ended March 31,	Year ended March 31,
	2015	2016	2017
Net realised gain (loss)	\$5,909	\$3,720	\$5,861
Reclassification into earnings on maturity out of other comprehensive income	\$2,515	\$1,371	\$2,408

12. 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 January 2019.

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

	Notional principal amounts		Balance sheet exposure Asset (Liability)	
	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017
Foreign exchange forward denominated in:				
USD /INR	\$275,250 (Sell)	\$100,874 (Sell)	(\$7,061)	\$5,427
GBP/ INR	£2,816 (Sell)	£2,750 (Sell)	(19)	1
EUR / USD	€10,950 (Sell)	€77,500 (Sell)	(195)	124
EUR/ INR	€2,000 (Sell)	€6,538 (Sell)	335	813
AUD/INR	AUD 4,350 (Sell)	AUD 14,000 (Sell)	(9)	454
SEK/USD	SEK 13,880 (Sell)	SEK 27,350 (Sell)	(63)	(3)
ZAR/USD	ZAR 112,000 (Sell)	-	(268)	-
CHF/USD	CHF 370 (Sell)	CHF 4,600 (Sell)	(1)	34
CHF/ INR	CHF 9,599 (Sell)	CHF 14,750 (Sell)	86	1,822
NOK/USD	-	NOK 51,000 (Sell)	-	4
MXN/USD	MXN 70,000 (Sell)	MXN 124,000 (Sell)	(98)	(349)
RUB/USD	RUB 100,000 (Sell)	RUB 32,000 (Sell)	(88)	(23)
SEK/INR	SEK 108,000 (Sell)	SEK 60,000 (Sell)	(114)	468

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

	Notional principal amounts		Balance sheet exposure Asset (Liability)	
	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017
	NOK/INR	NOK 37,000 (Sell)	NOK 155,000 (Sell)	(26)
CNY/USD	CNY 105,000 (Sell)	CNY 23,500 (Sell)	(149)	(11)
CAD/USD	CAD 19,000 (Buy)	CAD 25,500 (Buy)	602	(73)
SGD/USD	SGD 1,000 (Buy)	SGD 23,600 (Buy)	29	204
JPY/USD	JPY 510,000 (Buy)	JPY 350,000 (Buy)	53	10
GBP/USD	£13,380 (Buy)	£73,630 (Buy)	267	393
CHF/USD	CHF 1,000 (Buy)	CHF 1,000 (Buy)	9	4
SEK/USD	-	SEK 167,000 (Buy)	-	114
MYR/USD	MYR 26,000 (Buy)	MYR 59,000 (Buy)	448	13
USD /INR	-	\$96,875 (Buy)	-	(5,154)
AUD /USD	-	AUD 4,600 (Buy)	-	(11)
DKK/USD	DKK 16,000 (Buy)	DKK 38,000 (Buy)	24	(24)
			(\$6,238)	\$5,875

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	March 31, 2017	March 31, 2016	March 31, 2017
	Range Forward			
USD/INR	\$481,955	\$844,290	\$7,298	\$52,109
EUR/INR	€ 82,300	€ 116,400	215	14,028
GBP/INR	£36,920	£96,820	4,311	13,975
AUD/INR	AUD 25,950	AUD 38,960	(317)	1,228
CHF/INR	CHF 1,235	-	15	-
PUT				
USD/INR	\$24,000	-	47	-
Seagull				
USD/INR	\$8,000	-	149	-
EUR/INR	€ 4,000	€ 11,170	(44)	146
			\$11,674	\$81,486

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 .

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

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 a 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 a 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

March 31, 2017

	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	\$70,510	\$20,229	\$-	\$-	\$90,739
Foreign exchange contracts in a liability position	-	-	-	-	-
Net asset	\$70,510	\$20,229	\$-	\$-	\$90,739
Derivatives not designated as hedging instruments:					
Foreign exchange contracts in an asset position	\$2,646	\$-	\$1,069	\$-	\$3,715
Foreign exchange contracts in a liability position	(1,069)	-	(6,024)	-	(7,093)
Net asset (liability)	\$1,577	\$-	(\$4,955)	\$-	(\$3,378)
Total Derivatives at fair value	\$72,087	\$20,229	(\$4,955)	\$-	\$87,361

The following tables set forth the fair value of derivative instruments included in the consolidated balance sheets as on March 31, 2016 and 2017:

Derivatives designated as hedging instruments:

	March 31, 2016	March 31, 2017
Unrealized gain on financial instruments classified under current assets	\$6,296	\$70,510
Unrealized gain on financial instruments classified under non current assets	1,979	20,229
Unrealized loss on financial instruments classified under current liabilities	(1,546)	-
Unrealized loss on financial instruments classified under non-current liabilities	(2,703)	-
	\$4,026	\$90,739

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

Derivatives not designated as hedging instruments:

	March 31, 2016	March 31, 2017
Unrealized loss on financial instruments classified under current liabilities	(\$326)	(\$4,955)
Unrealized gain on financial instruments classified under current assets	1,736	1,577
	\$1,410	(\$3,378)

The following tables summarize the activities in the consolidated statement of income during the year ended June 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	\$18,805	Other Income (Expense),net	(\$14,335)	Other Income (Expense),net	Nil
	\$18,805		(\$14,335)		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		\$16,126	

The following tables summarize the activities in the consolidated statement of income during the nine months ended March 31, 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	\$4,570	Other Income (Expense),net	(\$4,542)	Other Income (Expense),net	Nil
	\$4,570		(\$4,542)		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		\$409	

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

(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 year ended March 31, 2017

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	\$101,284	Other Income (Expense),net	\$18,469	Other Income (Expense),net	Nil
	\$101,284		\$18,469		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	\$647

The following table summarizes the activity in the accumulated 'Other comprehensive (loss) gain' within equity related to all derivatives classified as cash flow hedges for the year ended June 30, 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017:

	Year ended June 30, 2015	Nine months ended March 31, 2016	Year ended March 31, 2017
Balance as at the beginning of the period (before tax)	(\$43,421)	(\$7,918)	\$1,506
Unrealized gain (loss) on cash flow hedging derivatives during the period	18,805	4,570	101,284
Additon on account of acquisitions	-	-	1,443
Net loss (gain) reclassified into net income on occurrence of hedged transactions	14,335	4,542	(18,469)
Effect of exchange rate fluctuations	2,363	312	32
Balance as at the end of the period	(\$7,918)	\$1,506	\$85,796
Deferred tax	1,526	(286)	(17,179)
	(\$6,392)	\$1,220	\$68,617

As of March 31, 2017, 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 \$67,057.

13. INVENTORY

As of March 31, 2016 and March 31, 2017, Inventory comprises the following:

	March 31, 2016	March 31, 2017
Finished goods	\$39,913	\$42,477
	\$39,913	\$42,477

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

14. OTHER CURRENT ASSETS

As of March 31, 2016 and 2017, other current assets comprise the following:

	March 31, 2016	March 31, 2017
Prepaid expenses	\$73,876	\$92,678
Prepaid rentals for leasehold land	463	538
Interest receivable	15,948	10,001
Prepaid/advance taxes	13,230	11,384
Deposits	14,349	11,920
Deferred cost	79,652	79,461
Employee receivables	18,091	11,226
Derivative financial instruments	8,032	72,087
Advance to suppliers	8,240	13,696
Entrusted loan receivable	3,871	1,161
Finance lease receivable	35,287	40,899
Restricted cash	4,365	3,615
Others	48,435	68,689
	\$323,839	\$417,355

15. OTHER ASSETS

As of March 31, 2016 and 2017, other assets comprise the following:

	March 31, 2016	March 31, 2017
Deposits	\$24,953	\$27,036
Deferred cost	114,750	76,879
Prepaid expenses	18,479	25,659
Prepaid rentals for leasehold land	38,169	44,544
Derivative financial instruments	1,979	20,229
Advance to suppliers	12,941	-
Finance lease receivable	50,062	42,213
Restricted cash	2,533	373
Others	41,540	34,372
	\$305,406	\$271,305

16. ALLOWANCES FOR ACCOUNTS RECEIVABLE

The Group maintains an allowance for uncollectible receivables based on the trade receivables at the end of the year. Factors considered by the management in determining the adequacy of the allowance include the present and prospective financial condition of the debtor and the ageing of the trade receivables.

The movement in allowance for accounts receivable is given below:

	March 31, 2016	March 31, 2017
Balance at the beginning of the period	\$44,405	\$56,620
Additional provision during the period	21,689	25,225
Deductions on account of write offs and collections	(7,909)	(37,331)
Effect of exchange rates changes	(1,565)	1,052
Balance at the end of the period	\$56,620	\$45,566

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

17. DEBTS

SHORT TERM BORROWINGS

The Group has availed unsecured short term loan amounting to \$500 as of March 31, 2016 at effective interest rate of 4.10% which has been repaid during the year ended March 31, 2017.

The Group has availed an unsecured bank line of credit from its bankers amounting to \$27,988 and \$6,392 as of March 31, 2016 and 2017, respectively, at effective interest rates ranging from 0.34% to 14.50%.

The Group has availed an bank line of credit secured on accounts receivable from its bankers amounting to nil and \$2,010 as of March 31, 2016 and 2017, respectively, at effective interest rate of 3.42%.

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%) 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%., repayable on demand within one year. Amount outstanding as of March 31, 2016 of \$3,871 has been repaid during the year ended March 31, 2017. Further during the year ended March 31, 2017, the Group subsidiaries, entered into a new entrusted loan arrangement with a bank for \$1,161, which is repayable on demand within one year.

LONG TERM DEBT

	March 31, 2016	March 31, 2017
From banks	\$111,164	\$70,398
Other	3,352	3,538
Less: Current portion	(5,950)	(19,219)
	\$108,566	\$54,717

The scheduled principal repayments are as follows:

	March 31, 2017
Within one year	\$19,219
One to two years	18,567
Two to three years	18,449
Three to five years	17,701
	\$73,936

The Group's borrowings are subject to certain financial and non financial covenants. At March 31, 2017, the Group was in compliance with all such covenants.

Long term debts from banks include:

In March 2016, a subsidiary in Sweden had taken an unsecured long term loan of \$101,910 at STIBOR plus 1.15% repayable over 16 quarterly installments beginning June 2017. During the year ended March 31, 2017 the Group made a prepayment of \$29,123. The principal amount outstanding as of March 31, 2017 is \$63,390 repayable at an effective interest rate of 0.67%.

Term loans of \$6,357 and \$7,008 as of March 31, 2016 and 2017, respectively, at interest rates ranging from 9.15% to 10.50% and secured by hypothecation of vehicles with a book value of \$14,507 and \$15,639 as of March 31, 2016 and 2017, respectively.

Term loans of \$2,897 and Nil as of March 31, 2016 and 2017, respectively, at effective interest rate of 2.95%, respectively.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

Other long term debts include:

Unsecured long term loans from a vendor of \$3,352 and \$3,538 as of March 31, 2016 and 2017, respectively, at nil interest.

18. OTHER CURRENT LIABILITIES

As of March 31, 2016 and 2017, other current liabilities comprise the following:

	<u>March 31, 2016</u>	<u>March 31, 2017</u>
Advances from customers	\$6,710	\$10,902
Sales tax and other taxes payable	68,897	85,604
Accrued liabilities and expenses	365,908	411,985
Supplier's credit*	217,698	168,686
Due to related parties	881	3,292
Payable towards equity interest in affiliate	19,072	14,488
Derivative financial instruments	1,872	4,955
Others	34,914	23,595
	<u>\$715,952</u>	<u>\$723,507</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%.

19. EQUITY SHARES

The Company has only one class of capital stock referred to herein as equity shares. Par value of each equity share outstanding as of March 31, 2017 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.

Buy Back

The Board of Directors of the Company, in its meeting held on March 20, 2017 have approved the buy-back of up to 35,000,000 fully paid up equity shares of the Company at a price of ` 1,000 per equity share for an aggregate amount not exceeding ` 3,500 crores. The buy-back is subject to approval of the shareholders by way of special resolution through postal ballot and all other applicable statutory approvals.

Stock split

The Company has allotted 702,847,961 fully paid up equity shares of face value ` 2/- each during March 2015 pursuant to a stock split approved by the shareholders through a postal ballot. The shareholders of the Company approved a one-for-one stock split which was effective on record date of March 20, 2015. Consequently, the Company capitalized an amount of \$22,492 from its additional paid-in capital (APIC) to common stock. All references in the financial statements to number of shares, stock option data, have been retroactively restated to reflect the stock split unless otherwise noted.

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 Consolidated Financial Statements
March 31, 2017

(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.

20. OTHER INCOME (EXPENSES), NET

For the year ended June 30, 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017, other income/ (expenses), net consist of:

	Year ended June 30,	Nine months ended March 31,	Year ended March 31,
	2015	2016	2017
Interest income	\$131,035	\$98,237	\$117,591
Gain (loss) on divestment of stake in affiliates	(2,040)	-	-
Gain on sale of investment securities and other investments, net	5,909	3,722	5,861
Foreign exchange gain (loss), net	(3,115)	5,414	28,072
Equity in earning of affiliates	1,875	920	436
Gain (loss) on sale of property and equipment	25,022	21,985	(880)
Miscellaneous income	1,837	1,260	1,201
Other income, net	\$160,523	\$131,538	\$152,281

21. INCOME TAXES

Entities in the Group file tax returns in their respective tax jurisdictions.

The Group's provisions (benefit) for income taxes consist of the following:

	Year ended June 30,	Nine months ended March 31,	Year ended March 31,
	2015	2016	2017
Current taxes			
Indian taxes	\$257,927	\$186,873	\$262,347
Foreign taxes	99,905	70,752	23,807
	\$357,832	\$257,625	\$286,154
Deferred taxes			
Indian taxes	(43,786)	(\$31,698)	(\$16,613)
Foreign taxes	(7,691)	(2,830)	21,812
	(\$51,477)	(\$34,528)	\$5,199
Total taxes	\$306,355	\$223,097	\$291,353

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

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

	Year ended June 30,	Nine months ended March 31,	Year ended March 31,
	2015	2016	2017
Income before taxes, equity in earnings of affiliates and noncontrolling interest	\$1,470,058	\$1,062,631	\$1,553,806
Average enacted tax rate in India	34.13%	34.61%	34.61%
Expected tax expense	501,657	367,755	537,741
Non-taxable export income	(200,748)	(141,329)	(206,808)
Non-taxable other income	(9,852)	(6,760)	(1,748)
Income taxed at a lower / higher rate	(2,602)	(4,142)	-
Additional provision created in books	2,393	810	3,270
Reversal of prior year provision	-	-	(45,498)
Differences between India and foreign tax rates	4,522	(227)	(3,133)
Employee stock compensation cost	1,817	197	85
Increase (decrease) in valuation allowance including losses of subsidiaries	765	(2,258)	5,732
Provision for deemed branch taxes	1,869	723	477
Others	6,534	8,328	1,235
Total taxes	\$306,355	\$223,097	\$291,353

In India, the company has benefited from certain tax incentives that the Government of India has provided to Units situated in Special Economic Zones (SEZs) under the Special Economic Zone Act, 2005, which began providing services on or after April 1, 2005. The Units are eligible for a deduction of 100% of profits or gains derived from the export of services for the first five years from commencement of provision of services and 50% of such profits and gains for a further five years. Certain tax benefits are also available for a further five years subject to the Unit meeting defined conditions. The aforesaid tax benefits will not be available to Units commencing operations on or after April 1, 2020.

Income tax charged to equity for the year ended June 30, 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017 are as follows:

	Year ended June 30,	Nine months ended March 31,	Year ended March 31,
	2015	2016	2017
Income tax from continuing operations	\$306,355	\$223,097	\$291,353
Stockholder's equity for:-			
Tax benefits received on exercise of employee stock options reflected as part of additional paid in capital	(5,331)	(6,844)	(3,560)
Unrealized holding (loss) gain on available for sale investment			
Securities	72	(187)	344
Unrealized (loss) gain on cash flow hedge	6,956	1,812	16,893
Unrealized actuarial (loss) gain	321	58	388
Effect of exchange rate fluctuations	9,461	6,401	(5,407)
	\$317,834	\$224,337	\$300,011

In India the Company is subject to Minimum Alternate Tax (MAT) on its book profit, which gives rise to future economic benefits in the form of adjustment of future income tax liability. MAT paid for a year can be set-off against the normal tax liability within fifteen subsequent years, expiring over the financial years between 2023 to 2032.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

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

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

	<u>March 31, 2016</u>	<u>March 31, 2017</u>
Balance at the beginning of the period	\$104,918	\$113,394
Increase due to tax position taken during the current period	11,043	11,192
Increase (decrease) due to tax position taken during the prior period	-	(40,561)
Effect of exchange rate fluctuations	(2,567)	1,577
Balance at the end of the period	<u>\$113,394</u>	<u>\$85,602</u>

The unrecognized tax benefits, if recognized, would affect the Group's effective tax rate. Significant changes in the amount of unrecognized tax benefits within the next 12 months cannot be reasonably estimated as the changes would depend upon the progress of tax proceedings with various tax authorities.

Income tax expense includes penalties and interest related to income tax. As of March 31, 2016 and 2017, income tax payable includes \$49,884 and \$21,241, respectively, on account of accrued interest and penalties related to uncertain tax positions.

The Group's two major tax jurisdictions are India and USA. The tax examination is open in India for annual year beginning April 1, 2013 onwards and in USA for annual year beginning July 1, 2013 onwards.

The components of the deferred tax balances as of March 31, 2016 and 2017 are as follows:

	<u>March 31, 2016</u>	<u>March 31, 2017</u>
Deferred tax assets:		
Business losses (foreign)	\$18,881	\$14,843
Allowance for accounts receivable	18,042	15,896
Accrued employee costs	65,512	75,557
Property and equipment	4,334	2,946
Minimum alternate tax	157,576	189,471
Employee stock compensation	1,426	983
Leased assets	3,050	3,183
Deferred revenue	5,253	-
Other temporary differences	27,087	21,906
	<u>301,161</u>	<u>324,785</u>
Less: Valuation allowance	(21,197)	(25,690)
Total deferred tax assets	<u>\$279,964</u>	<u>\$299,095</u>
Deferred tax liabilities:		
Unrealized gains on investment securities	\$47	\$391
Unrealized gain on derivative financial instruments	286	17,179
Intangibles	7,395	7,584
Property and equipment	4,559	12,404
Others	3,728	13,481
	<u>\$16,015</u>	<u>\$51,039</u>
Net deferred tax assets	<u>\$263,949</u>	<u>\$248,056</u>

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

The components of valuation allowance as of March 31, 2016 and 2017 are as follows:

	<u>March 31, 2016</u>	<u>March 31, 2017</u>
Business losses(Foreign)	(\$10,580)	(\$7,786)
Others (Indian)	(\$10,617)	(\$17,904)

In assessing the realizability of deferred tax assets, the management considers whether it is more likely than not, that some portion, or all, of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. The management considers the projected future taxable income and tax planning strategies in making this assessment. Based on the level of historical taxable income and its tax planning strategies, including projections for future taxable income over the periods in which the deferred tax assets are deductible, the management believes that it is more likely than not that the Group will realize the benefits of those deductible differences, net of existing valuation allowances. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

Business losses carried forward of certain subsidiaries of the Group for tax purposes amount to approximately \$71,222 and \$53,693 as of March 31, 2016 and 2017, respectively, and are available as an offset against future taxable income expiring at various dates through 2021.

The management is of the opinion that it is less likely that all of these subsidiaries would be in a position to realize the tax benefits associated with business losses carried forward. Given the uncertainties, a valuation allowance has been created against such business losses.

During the year ended June 30, 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017, the US and Europe based subsidiary of the Group received excess tax benefit aggregating \$5,331, \$6,844 and \$3,560, respectively, upon exercise of employee stock options which was recognized in equity. As of March 31, 2017, the Group recognized a deferred tax asset amounting to \$983 on the stock compensation expense expected to be realized on exercise of stock options in future periods.

Undistributed earnings of subsidiaries aggregate approximately \$884,962 and \$1,123,848 as of March 31, 2016 and 2017, respectively. The Group has the intent to reinvest the undistributed foreign earnings indefinitely in its significant overseas operations and consequently did not record a deferred tax liability on the undistributed earnings.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

22. EQUITY SHARES

The following is the reconciliation of the weighted average number of equity shares used in the computation of basic and diluted earnings per equirt share:

	Year ended June 30,	Nine months ended March 31,	Year ended March 31,
	2015	2016	2017
Weighted average number of equity shares outstanding used in computing basic EPS	1,404,808,456	1,407,845,713	1,411,444,783
Dilutive effect of stock options	6,854,974	3,070,521	1,196,420
Weighted average number of equity and equity equivalent shares outstanding used in computing diluted EPS	1,411,663,430	1,410,916,234	1,412,641,203

For the year ended June 30 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017, there were no options respectively 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.

23. STOCK BASED COMPENSATION

ESOP 2004 (the “2004 Plan”): In December 2004, the Company instituted the 2004 Stock Option Plan to provide equity-based incentives to all eligible employees and directors of the Company and its subsidiaries. The 2004 Plan is administered by the Nomination and Remuneration Committee of the Company. The 2004 Plan provides for the issuance of a maximum of 160,000,000 underlying shares at the option price determined by the Nomination and Remuneration Committee on the date the option is granted.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

Changes in number of shares representing the outstanding stock options during the nine months ended March 31, 2016 and the year ended March 31, 2017 are given below:

	Shares arising out of option 2004 Plan		Weighted average exercise price 2004 Plan		Weighted average remaining contractual term (in year) 2004 Plan		Aggregate Intrinsic Value 2004 Plan	
	March 31		March 31		March 31		March 31	
	2016	2017	2016	2017	2016	2017	2016	2017
Outstanding at beginning of the period	8,218,232	3,681,176	\$0.03	\$0.03	3.93	3.14	\$118,496	\$45,114
Granted	-	-	-	-	-	-	-	-
Forfeited	(124,560)	(1,220,880)	\$0.03	\$0.03	-	-	-	-
Expired	(9,600)	(150,296)	\$0.03	\$0.03	-	-	-	-
Exercised	(4,402,896)	(838,680)	\$0.03	\$0.03	-	-	-	-
Outstanding at the end of the period	3,681,176	1,471,320	\$0.03	\$0.03	3.14	2.46	\$45,114	\$19,793
Vested and exercisable at the end of the period	2,402,696	1,413,720	\$0.03	\$0.03	2.93	2.45	\$29,446	\$19,018
Weighted-average grant date fair value of grants during the period	-	-	-	-	-	-	-	-
Estimated fair value of option vested during the period	\$14,189	-	-	-	-	-	-	-
Vested and exercisable at the end of period and expected to vest thereafter	3,633,400	1,467,128	\$0.03	\$0.03	3.14	2.45	\$44,529	\$19,736

Total number of outstanding options for the 2004 Plan includes 183,915 performance based options as of March 31, 2017 (421,590 as of March 31, 2016). These options will vest with the employees of the Group based on the achievement of certain targets by the Group.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

The following table summarizes information about stock options outstanding and exercisable as of March 31, 2016:

Range of exercise price	Outstanding		Exercisable		
	Number of shares arising out of options	Weighted average remaining contractual life(years)	Weighted average exercise price	Number of shares arising out of Options	Weighted average exercise price
2004 Plan (\$0.00- \$0.03)	3,681,176	3.14	\$0.03	2,402,696	\$0.03

As of March 31, 2016 and 2017, options for 226,560 shares and 161,160 shares, respectively, under the 2004 Plan, were pending allotment.

The following table summarizes information about stock options outstanding and exercisable as of March 31, 2017:

Range of exercise price	Outstanding		Exercisable		
	Number of shares arising out of options	Weighted average remaining contractual life(years)	Weighted average exercise price	Number of shares arising out of Options	Weighted average exercise price
2004 Plan (\$0.00- \$0.03)	1,471,320	2.46	\$0.03	1,413,720	\$0.03

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

The following table summarizes information concerning stock options issued that are vested or are expected to vest and stock options exercisable as of March 31, 2016:

Range of exercise price	Option vested or expected to vest		
	Number of shares arising out of options	Weighted average remaining contractual life (years)	Weighted average exercise price
2004 Plan (\$0.00-\$0.03)	3,633,400	3.14	\$0.03

The following table summarizes information concerning stock options issued that are vested or are expected to vest and stock options exercisable as of March 31, 2017:

Range of exercise price	Option vested or expected to vest		
	Number of shares arising out of options	Weighted average remaining contractual life (years)	Weighted average exercise price
2004 Plan (\$0.00-\$0.03)	1,467,128	2.46	\$0.03

The aggregate intrinsic value of shares for the 2004 Plan is \$19,736. This value represents the total pre-tax intrinsic value calculated as the difference between the Company's closing stock price on the last trading day of the year ended March 31, 2017 and the exercise price.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

There are no options granted during the nine months ended March 31, 2016 and year ended March 31, 2017.

Cash received from options exercised under the stock option plan for the year ended June 30, 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017 was \$2,904, \$133 and \$25, respectively.

The tax benefit on account of compensation cost of stock options exercised in United States of America, Great Britain, Netherlands and Germany aggregated \$5,200, \$6,859 and \$3,584 for the year ended June 30, 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017, respectively.

For the year ended June 30, 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017, stock-based compensation expense related to the stock option plans was allocated as follows:

	Year ended June 30,	Nine months ended March 31,	Year ended March 31,
	2015	2016	2017
Cost of sales	(\$1,795)	\$17	\$-
Selling, general and administrative	953	932	-
Stock compensation cost before income tax benefit	(842)	949	-
Deferred tax benefit	2,138	(474)	86
Stock compensation cost (net)	\$1,296	\$475	\$86

24. 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.

The reconciliation of the beginning and ending balance of the projected benefit obligation and the paid value of plan assets for the nine months ended March 31, 2016 and the year ended March 31, 2017, and the accumulated benefit obligation as of March 31, 2016 and 2017 is as follows:

	March 31, 2016	March 31, 2017
Change in benefit obligation		
Obligation at the beginning of the period	\$38,626	\$40,259
Service cost	5,897	8,205
Interest cost	2,647	3,760
Benefits paid	(3,600)	(4,428)
Actuarial gain	(1,878)	1
Addition on account of acquisition	83	2,875
Foreign currency translation	(1,516)	1,000
Obligation at the end of the period	\$40,259	\$51,672

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

Changes in plan assets		
Fair value of plan assets at the beginning of the period	\$-	\$-
Actual return on plan assets	-	(11)
Addition on account of acquisition	-	2,473
Employer contributions	3,600	3,129
Foreign currency exchange rate changes	-	-
Benefits paid	(3,600)	(3,138)
Plan assets at the end of the period	<u>\$-</u>	<u>\$2,453</u>
Funded status	\$-	\$2,453
Net amount recognized	(40,259)	(51,672)
Amounts recognized in the statement of financial position consist of:	-	-
Accrued benefit cost	<u>(\$40,259)</u>	<u>(\$49,219)</u>
	<u>March 31, 2016</u>	<u>March 31, 2017</u>
Benefit obligation current	\$7,561	\$8,052
Benefit obligation Non-current	\$32,698	\$41,167
Accumulated benefit obligation	<u>\$40,259</u>	<u>\$49,219</u>
	<u>March 31, 2016</u>	<u>March 31, 2017</u>
Net actuarial loss	\$3,153	\$3,119
Net prior service cost	-	-
Total accumulated other comprehensive loss	<u>\$3,153</u>	<u>\$3,119</u>

Net gratuity cost for the year ended June 30, 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017 comprise the following components:

	Year ended June 30,	Nine Months ended March 31,	Year ended March 31,
	2015	2016	2017
Service cost	\$7,477	\$5,897	\$8,205
Interest cost (net)	3,416	2,647	3,760
Amortization of unrecognized actuarial loss (gain)	(156)	-	-
Net gratuity cost	<u>\$10,737</u>	<u>\$8,544</u>	<u>\$11,965</u>

The weighted average actuarial assumptions used in accounting for the benefit obligations and net gratuity cost under the Gratuity Plan for the year ended June 30, 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017 are given below:

	Year ended June 30,	Nine months ended March 31,	Year ended March 31,
	2015	2016	2017
Discount rate	8.60%	8.50%	7.80%
Expected rate of increase in salaries			
-for next year	7.0%	7.0%	7.0%
-thereafter	7.0%	7.0%	7.0%
Expected rate of return on assets	-	-	7.5%

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

Discount rates are based on the current market yield on government securities adjusted for a suitable risk premium to reflect the additional risk for high quality bonds. The Group assesses these assumptions with its projected long-term plans of growth and prevalent industry standards. The mortality rates used are as published by one of the leading life insurance companies in India.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid during:

Year ending March 31,	
- 2018	\$9,209
- 2019	9,606
- 2020	11,088
- 2021	12,347
- 2022	13,106
Thereafter	63,077
Total	\$118,433

The expected benefits are based on the same assumptions as are used to measure the Group's benefit obligations as of March 31, 2017.

Provident fund

In accordance with Indian law, all employees receive benefits from a provident fund, which is a defined benefit 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 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.

The actuary has provided a valuation based on the assumption mentioned below and there is no shortfall as at 31 March, 2016 and 2017, respectively.

The details of the fund and plan asset position are given below:-

	<u>March 31, 2016</u>	<u>March 31, 2017</u>
Plan assets at the period end	\$325,869	\$384,656
Present value of benefit obligation at period end	325,869	384,656
Asset recognized in balance sheet	<u>\$-</u>	<u>\$-</u>

Assumptions used in determining the present value obligation of the interest rate guarantee under the deterministic approach:

	<u>March 31, 2016</u>	<u>March 31, 2017</u>
Government of India (GOI) bond yield	7.9%	6.9%
Remaining term of maturity	8.43 Years	8.61 Years
Expected guaranteed interest rate	8.8%	8.7%

Total contributions made by the Group in respect of this plan for the year ended June 30, 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017 are \$13,890, \$10,368 and \$15,642, respectively.

Total contributions made by the Group towards Employees' Pension Scheme for the year ended June 30, 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017 are \$12,171 and \$9,541 and \$13,174 respectively.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

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 year ended June 30, 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017 are \$286, \$186 and \$241, respectively.

Others

Total contributions made by the Group in respect of other foreign defined contribution plan for the year ended June 30, 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017 are \$42,734, \$36,492 and \$56,457, respectively.

25. RELATED PARTY TRANSACTIONS

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

- a. Companies in which Mr. Shiv Nadar, the principal shareholder, or any other director has controlling interest or over which he exercises significant influence (significant interest entities);
- b. Affiliates of the Company and their subsidiaries (affiliates); and
- c. Employees of the Group.

The related party transactions are categorized as follows:

Revenues

The Group earns revenue from supply of material, software development and other services to related parties. The related parties to whom these services were provided and the corresponding amounts of revenue earned are as follows:

	Year ended June 30, 2015	Nine months ended March 31, 2016	Year ended March 31, 2017
Significant interest entities	\$24,007	\$564	\$838
Affiliates	179	-	-
Total	\$24,186	\$564	\$838

Cost of revenues and selling, general and administrative expenses

The Group outsources certain contracts to related parties and also procures personnel and licences from them for software development and other services. These costs are recorded as part of cost of revenues and selling, general and administrative expenses.

The related parties to whom such charges were paid and the corresponding amounts are as follows:

	Year ended June 30, 2015	Nine months ended March 31, 2016	Year ended March 31, 2017
Significant interest entities	\$7,636	\$3,716	\$6,050
Affiliates	1,970	-	46,480
Total	\$9,606	\$3,716	\$52,530

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

Sale of leasehold property and equipment

The Group sold a building to certain significant interest entities and recorded a gain during the year ended June 30, 2015 of \$24,698.

Computer equipment, software purchases and others

The Group purchases computer equipment, software and other items from certain significant interest entities. These purchases during the nine months ended March 31, 2016 and the year ended March 31, 2017 amounted to \$446 and \$162, and amounts due to affiliates totaling nil and \$1,505 respectively.

Payment for Business acquisition

In February 2016, the Company acquired HCL Training and Staffing Services Private Limited (HCLTSS) for total purchase consideration of \$355 from a significant interest entity. The acquisition will enable the Company to supplement its capabilities in hiring of trained resources.

Subleasing of facilities

Significant interest entities have subleased a portion of their facilities to the Group. The total amount charged for the year ended June 30, 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017 were \$2,736, \$1,704 and \$4,392, respectively.

Interest paid on extended vendor credit:

The Group has negotiated extended interest bearing credit terms with certain related parties for extended payment terms up to 360 days and have paid interest during the year ended June 30, 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017 of \$2,653, \$158 and \$426 respectively.

Loans to employees

The Group has advanced general purpose loans to its employees at rates of interest not more than 11%. The repayment periods for these loans are fixed with the tenure of these loans extending up to four years. Employee loan balances outstanding as of March 31, 2016 and 2017 are \$8,075 and \$3,195, respectively.

The balances receivable from and payable to related parties other than employees as of March 31, 2016 and 2017 are as follows:

Accounts receivable include amounts due from significant interest entities totaling \$2,153 and \$963, respectively.

Unbilled receivable include amounts due from significant interest entities totaling \$266 and \$112, respectively.

Other assets include amounts due from significant interest entities totaling \$348 and \$2,189, respectively.

Capital advances include amounts due from significant interest entities totaling \$151 and \$3, respectively.

Accounts payable include amounts due to significant interest entities totaling \$800 and \$82, and amounts due to affiliates totaling nil and \$16,858 respectively.

Other liabilities include amounts due to significant interest entities totaling \$6,408 and \$6,815, and amounts due to affiliates totaling \$19,071 and \$17,006 payment towards equity interest in affiliates, respectively.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

26. COMMITMENTS AND CONTINGENCIES

Capital commitments

As of March 31, 2017, the Group had contractual commitments for capital expenditure of \$83,445.

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. Some 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 March 31, 2017.

27. LEASES

The Group has taken networking and computer equipment, vehicles, office furniture and equipment on capital leases. Future minimum lease payments under capital leases as of March 31, 2017 are as follows:

Year ending March 31,	
2018	\$3,135
2019	2,533
2020	1,601
2021	243
Total minimum payments	<u>7,512</u>
Less: Amount representing future interest	<u>275</u>
Present value of minimum payments	7,237
Less: Current portion	<u>2,976</u>
Long term capital lease obligation	<u><u>\$4,261</u></u>

The Group has taken office facilities on lease under non-cancellable operating lease agreements. Future minimum lease payments as of March 31, 2017 for such non-cancellable operating leases are as follows:

Year ending March 31,	
2018	\$58,465
2019	40,844
2020	34,254
2021	30,404
2022	29,882
Thereafter	62,572
Total minimum payments	<u><u>\$256,421</u></u>

Additionally, the Group has taken office facilities on lease under cancellable operating lease agreements

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

that are renewable on a periodic basis at the option of both the lessor and the lessee.

Rental expenses under operating leases are amortized on the straight line method. Rent expense for the year ended June 30, 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017 amounts to \$60,459, \$41,781 and \$66,226, respectively.

The Group has given IT equipment to its customers on sales type and direct finance leases. The future lease receivables in respect of equipments given on such leases are as follows:

	Total minimum lease payments receivables	Interest included in minimum lease payments receivables	Present value of minimum lease payments receivables
Year ending March 31,			
2018	\$44,957	\$4,058	\$40,899
2019	17,151	1,867	15,284
2020	13,798	1,155	12,643
2021	7,380	504	6,876
2022	2,549	252	2,297
Thereafter	5,943	830	5,113
	\$91,778	\$8,666	\$83,112

The amounts recoverable on account of such leases within one year have been included under 'other current assets' and the balance under 'other assets'.

28. 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 year ended June 30, 2015 is as follows:

	Software services	Infrastructure management services	Business process outsourcing services	Total
Revenue	\$3,588,584	\$2,063,755	\$299,958	\$5,952,297
Depreciation and amortization	42,865	22,786	6,708	72,359
Segment earnings	\$800,238	\$490,184	\$33,245	\$1,323,667

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

Information on reportable segments for the nine months ended March 31, 2016 is as follows:

	Software services	Infrastructure management services	Business process outsourcing services	Total
Revenue	<u>\$2,774,631</u>	<u>\$1,672,490</u>	<u>\$250,766</u>	<u>\$4,697,887</u>
Depreciation and amortization	39,332	22,061	5,762	67,155
Segment earnings	\$549,507	\$355,637	\$37,112	\$942,256

Information on reportable segments for the year ended March 31, 2017 is as follows:

	Software Services	Infrastructure management services	Business process outsourcing services	Total
Revenue	<u>\$3,926,072</u>	<u>\$2,767,871</u>	<u>\$281,261</u>	<u>\$6,975,204</u>
Depreciation and amortization	65,763	51,807	7,068	124,638
Segment earnings	\$825,849	\$551,052	\$37,480	\$1,414,381

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:

	Year ended June 30, 2015	Nine months ended March 31, 2016	Year ended March 31, 2017
Segment earnings	\$1,323,667	\$942,256	\$1,414,381
Foreign exchange gain (loss)	(3,115)	5,414	28,072
Finance cost	(14,132)	(11,163)	(12,856)
Other income, net	163,638	126,124	124,209
Income before income taxes	<u>\$1,470,058</u>	<u>\$1,062,631</u>	<u>\$1,553,806</u>

The Group operates from four geographies: America, Europe, India and Others. Europe mainly comprises of business operations conducted in United Kingdom, Sweden, Germany, Italy, Belgium, Netherlands, Northern Ireland, Finland, Denmark, Norway, France, Poland and Switzerland. All other customers, mainly in Japan, Australia, New Zealand, Hong Kong, Singapore, South Africa, China, Philippines and Malaysia are included in Others.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

Revenues from the geographic segments, based on domicile of the customers, are as follows:

	Year ended June 30,	Nine months ended March 31,	Year ended March 31,
	2015	2016	2017
America	\$3,288,912	\$2,755,255	\$4,021,749
Europe	1,620,610	1,241,013	1,858,804
India	230,287	142,445	284,343
Others	812,488	559,174	810,308
	\$5,952,297	\$4,697,887	\$6,975,204

During the year ended June 30, 2015, the nine months ended March 31, 2016 and the year ended March 31, 2017, a single customer accounted for approximately 4.6%, 4.7% and 4.6% and top five customers accounted for 13.2%, 13.9% and 14.7% of the Group's revenue, respectively.

Property and equipment located in geographic segments are as follows:

	As of June 30,	As of March 31,	As of March 31,
	2015	2016	2017
America	\$37,776	\$51,737	\$60,080
Europe	18,472	55,385	60,824
India	535,185	524,409	575,178
Others	8,686	20,876	25,363
	\$600,119	\$652,407	\$721,445

29. 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.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

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

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)	-

The following table discloses the assets and liabilities measured at fair value on a recurring basis as of March 31, 2017 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	\$17,134	\$17,134	-	-
Term deposits with banks	\$1,193,700	-	\$1,193,700	-
Deposits with corporation	\$388,662	-	\$388,662	-
Investment securities, available for sale	\$176,589	\$176,589	-	-
Derivative contracts	\$92,316	-	\$92,316	-
Liabilities				
Derivative contracts	(\$4,955)	-	(\$4,955)	-

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 \$6,215. See Note 6 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.

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

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.

30. 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 .

	Year ended June 30	Nine months ended March 31	Year ended March 31
	2015	2016	2017
Unrealized gain on securities available for sale:			
Opening balance (net of tax)	\$315	\$533	\$214
Unrealized gains	767	261	3,365
Reclassification adjustments into other (income) expenses, net	(477)	(767)	(2,408)
Income tax benefit (expense)	(72)	187	(344)
Effect of exchange fluctuations	-	-	-
Closing balance (net of tax)	<u>\$533</u>	<u>\$214</u>	<u>\$827</u>
Unrealized loss on cash flow hedges:			
Opening balance (net of tax)	(\$34,939)	(\$6,392)	\$1,220
Unrealized gain (loss)	18,805	4,570	101,284
Reclassification adjustments into other (income) expenses, net	14,335	4,542	(18,469)
Addition on account of acquisition	-	-	1,443
Income tax benefit (expense)	(6,956)	(1,812)	(16,893)
Effect of exchange fluctuations	2,363	312	32
Closing balance (net of tax)	<u>(\$6,392)</u>	<u>\$1,220</u>	<u>\$68,617</u>
Actuarial loss on defined benefit plan:			
Opening balance (net of tax)	(\$135)	\$988	\$2,754
Actuarial gain (loss)	1,437	1,878	(1)
Reclassification adjustments into employee benefit expenses	-	-	-
Income tax benefit (expense)	(321)	(58)	(388)
Effect of exchange fluctuations	7	(54)	59
Closing balance (net of tax)	<u>\$988</u>	<u>\$2,754</u>	<u>\$2,424</u>
Foreign currency translation:			
Opening balance	(\$339,195)	(\$533,164)	(\$673,486)
Foreign currency translation	(193,969)	(140,322)	4,552
Portion attributable to non controlling Interest	-	-	5,270
Closing balance	<u>(\$533,164)</u>	<u>(\$673,486)</u>	<u>(\$663,664)</u>

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

HCL Technologies Limited and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2017

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

31. COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive loss at March 31, 2016 and 2017 are as follows:

	<u>March 31, 2016</u>	<u>March 31, 2017</u>
Unrealized gain on securities available for sale	\$214	\$827
Unrealized loss on cash flow hedges	1,220	68,617
Unrealized loss on defined benefit plan	2,754	2,424
Foreign currency translation	(673,486)	(663,664)
	<u>(\$669,298)</u>	<u>(\$591,796)</u>

32. SUBSEQUENT EVENTS

The Group has evaluated all the subsequent events through May 11, 2017, 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 consolidated financial statements.