Report and Financial Statements

Axon Solutions Limited

For the year ended 31 March 2018

Registered number: 02976395

Company Information

Directors	Mr Manish Anand Mr Shiv Walia Mr Rahul Singh Mr Ajit Kumar Mr Subramanian Gopalakrishnan
Registered number	02976395
Registered office	Axon Centre Church Road Egham Surrey TW20 9QB United Kingdom
Independent auditor	Ernst & Young LLP 1 More London Place London SE1 2AF
Banker	Deutsche Bank London Branch 6 Bishopsgate London EC2N 4DA

Contents

Strategic report

For the year ended 31 March 2018

Introduction

The directors present their Strategic Report of Axon Solutions Limited (hereinafter referred to as "HCL" or "the Company") for the year ended 31 March 2018.

Principal activities

The Company's principal activity is the provision of SAP consulting, ERP implementation and re-engineering services.

Review of business

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

	31 March 2018 £000	31 March 2017 £000
Turnover	**99,858**	95,390
Gross profit	**20,827**	18,729
Operating profit	**8,190**	8,855
Profit for the financial year	**7,173**	7,201

The Company has recorded revenue of £100 million (2017 £95 million), the revenue has slightly increased as compared to previous year due to affirmative business conditions although business mix has changed from domestic billing to overseas billing. The company earned the operating profit of £8.2 million during current year which is 8.20% of revenue. The operating profit margin and net profit margin is decreased by 1% due to increase in admin cost as compare to previous year, principally foreign exchange related.

Principal risks and uncertainties

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

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

Strategic report (continued)

For the year ended 31 March 2018

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

1. Employee related risk

Risk

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

HCL's strategy

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

2. Technology related risk

Risk

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

HCL's strategy

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

3. Competition related risk

Risk

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

Strategic report (continued)

For the year ended 31 March 2018

HCL's strategy

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

4. Business continuity and information security

Risk

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

HCL's strategy

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

Financial Instruments

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

1. **Foreign exchange rate risk**

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

2. **Credit risk**

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

Strategic report (continued)

For the year ended 31 March 2018

3. **Liquidity risk**

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

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

Cash flow risk

There is a risk that future cash flows of a financial instrument will fluctuate. The intention of using forward contracts is to minimise volatile cash flow arising from exposure to foreign exchange rate risk. As the rate and quantity are fixed, exposure is deemed minimal.

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

Mr Shiv Walia
Director

Directors' report

For the year ended 31 March 2018

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

Results and dividends

The profit for the year, after taxation, amounted to 7,173,000 (2017-£7,201,000).

During the year, Company declared and paid an interim dividend of £ 14,992,455(2017-£Nil)

Directors

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

Mr. Manish Anand
Mr Shiv Walia
Mr Rahul Singh
Mr Ajit Kumar
Mr Subramanian Gopalakrishnan

Future developments

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

Going concern

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

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

Financial instruments

Details of financial instruments are provided in the strategic report.

Directors' report (continued)

For the year ended 31 March 2018

Employees

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

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

Disclosure of information to auditor

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

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and

- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Reappointment of auditor

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

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

Mr Shiv Walia
Director

Directors' responsibilities statement

For the year ended 31 March 2018

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

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

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

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

Independent Auditor's Report to the Members of Axon Solutions Limited

Opinion

We have audited the financial statements of Axon Solutions Limited for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

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

Basis for Opinion

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

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

Independent Auditor's Report to the Members of Axon Solutions Limited (Continued)

Conclusions relating to going concern

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

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Independent Auditor's Report to the Members of Axon Solutions Limited (Continued)

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent Auditor's Report to the Members of Axon Solutions Limited (Continued)

Use of our report

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

Ernst & Young LLP

Zishan Nurmohamed (Senior statutory auditor)

For and on behalf of

Ernst & Young LLP, Statutory Auditor

London

12/07/2018

Statement of comprehensive income

For the year ended 31 March 2018

	Note	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Turnover	4	99,858	95,390
Cost of sales		(79,031)	(76,661)
Gross profit		20,827	18,729
Administrative expenses		(12,637)	(9,874)
Operating profit	5	8,190	8,855
Interest receivable and similar income	8	181	99
Interest payable and similar charges	9	(75)	(162)
Profit before tax		8,296	8,792
Tax on profit	10	(1,123)	(1,591)
Profit for the year		7,173	7,201
Other comprehensive income for the year			
Other comprehensive income		-	-
Total comprehensive income for the year		7,173	7,201

The notes on pages 16 to 35 form part of these financial statements.

All amounts relate to continuing operations.

Statement of financial position

As at 31 March 2018

	Note		31 March 2018 £000		31 March 2017 £000
Fixed assets					
Intangible assets	11		**4,429**		6,040
Tangible assets	12		**1,345**		1,688
Investments	13		**7,062**		7,062
			12,836		14,790
Current assets					
Stocks	14	**115**		245	
Debtors: amounts falling due after more than one year	15	**1,425**		2,179	
Debtors: amounts falling due within one year	15	**42,494**		47,123	
Cash at bank and in hand	16	**5,364**		1,775	
		49,398		51,322	
Creditors: amounts falling due within one year	17	(25,037)		(20,244)	
Net current assets			24,361		31,078
Total assets less current liabilities			37,197		45,868
Creditors: amounts falling due after more than one year	19		(373)		(1,247)
Provisions for liabilities					
Other provisions	20	(465)		(443)	
			(465)		(443)
Net assets			36,359		44,178

Statement of financial position (continued)

As at 31 March 2018	Note	31 March 2018 £000	31 March 2017 £000
Capital and reserves			
Called up share capital	21	**1**	1
Share premium account	22	**51**	51
Equity reserve	22	**20,647**	20,647
Other reserve	22	**(416)**	(416)
Retained earnings		**16,076**	23,895
Shareholder's funds		**36,359**	44,178

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

Mr Shiv Walia
Director

The notes on pages 16 to 35 form part of these financial statements.

Statement of changes in equity

For the year ended 31 March 2018

	Share capital £000	Share premium £000	Equity reserve £000	Other reserve £000	Retained earnings £000	Total equity £000
At 1 April 2016	1	51	20,647	(416)	16,694	36,977
Profit for the year	-	-	-	-	7,201	7,201
Total comprehensive income for the year	-	-	-	-	7,201	7,201
At 31 March 2017	1	51	20,647	(416)	23,895	44,178
At 1 April 2017	**1**	**51**	**20,647**	**(416)**	**23,895**	**44,178**
Profit for the year	-	-	-	-	**7,173**	**7,173**
Total comprehensive income for the year	-	-	-	-	**7,173**	**7,173**
Dividend : Equity capital	-	-	-	-	**(14,992)**	**(14,992)**
At 31 March 2018	**1**	**51**	**20,647**	**(416)**	**16,076**	**36,359**

The notes on pages 16 to 35 form part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2018

1. Company information

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

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard 102 and in accordance with applicable accounting standards under the historical cost convention except for derivatives which are measured at fair value.

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

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

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

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

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

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

Notes to the financial statements

For the year ended 31 March 2018

2. Accounting policies (continued)

2.3 Going concern

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

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

2.4 Revenue

Revenue is measured at the fair value of fees received or receivable, and represents amounts receivable for services provided to third parties in the normal course of business net of discounts, value added tax and other sales related taxes.

Revenue from consultancy services, installation and other services is recognised when services have been provided and the right to consideration has been earned. It excludes expenses recharged to clients at nil margin, which are accounted for as a contribution to cost of sales.

Revenue from maintenance, support and other periodically contracted services or products is recognised on a pro rata basis over the contract period.

Amounts invoiced but not recognised are accounted for within deferred income. Losses on fixed price contracts are taken in proportion to the cost of work performed on each contract relative to the estimated total cost of completing the contract. Provision is made for all anticipated contract losses as soon as they are identified. Loss on time and material contracts are recognised in line with the effort expended.

Revenue from fixed price contracts is recognised in accordance with the percentage completion method under which the revenue is recognised on the basis of cost incurred in respect of each contract as a proportion of total cost expected to be incurred. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provision for estimated losses is made during the year in which a loss becomes probable based on current cost estimates.

Revenue from sales of Axon Solutions software licenses to end users is recognised when the product is delivered providing there are no outstanding performance obligations.

The gross amount due from customers for contract work is included within debtors as trade debtors and amounts recoverable on contracts, and the gross amount due to suppliers is included under creditors falling due within one year as trade creditors.

Notes to the financial statements

For the year ended 31 March 2018

2. Accounting policies (continued)

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

2.5 Intangible assets

Goodwill

Positive goodwill arose on the acquisition of a business and is capitalised, classified as an asset on the balance sheet, and amortised on a straight line basis over its estimated useful economic life. It is reviewed for impairment at the end of its first full financial year following the acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill arising on acquisition is amortised over 10 years on a straight line basis, the period over which the directors expect to benefit from the reputation, contacts and skills of each acquired business. If a business is subsequently sold or closed, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into determining the profit or loss on sale or closure.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. All intangible assets are considered to have a finite useful life of ten years.

2.6 Tangible fixed assets

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

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

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

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

Notes to the financial statements

For the year ended 31 March 2018

2. Accounting policies (continued)

The estimated useful lives range as follows:

Building	20 years
Furniture, fixtures and office equipment	5 - 7 years
Computer and networking equipment	4 - 5 years
Software	3 years

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

Capital WIP is not depreciated.

2.7 Operating leases

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

2.8 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Impairment of non-financial assets

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

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

2.10 Stocks

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

Notes to the financial statements
For the year ended 31 March 2018

2. Accounting policies (continued)

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

2.11 Provisions for Liabilities

A provision is recognised when a company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are created based on best estimate availability at the time of creating the liability which is reviewed from time to time and updated appropriately.

2.12 Foreign currency translation

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

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

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

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

2.13 Share based payments

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

Notes to the financial statements

For the year ended 31 March 2018

2. Accounting policies (continued)

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

2.14 Interest income

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

2.15 Current and deferred taxation

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

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

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

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

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

2.16 Finance costs

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

2.17 Financial instruments

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

Notes to the financial statements

For the year ended 31 March 2018

2. Accounting policies (continued)

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

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

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

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

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

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

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

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

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

Notes to the financial statements

For the year ended 31 March 2018

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

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

Significant estimates and assumptions are used as follows

Provisions against receivables

Using information available at the balance sheet date, the Directors make assumptions on the estimated debt recovery rates, based on experience, regarding the level of provision required to account for potentially uncollectible receivables £485,552 (2017-£703,748).

Unbilled revenue

Using information available at the balance sheet date, the Directors make assumptions on the estimated unbilled revenue, based on the level of efforts required to account for potential unbilled revenue £2,671,586 (2017-£18,269,256).

Provisions against impairment of goodwill

Using information available at the balance sheet date, the Directors make assumptions on any indication that goodwill have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected goodwill is estimated and compared with its carrying amount. If the estimated net worth amount is lower, the carrying amount is reduced to its estimated business projections amount.

Changes in estimates are reflected in the financial statements in the year in which the changes are made. Actual results could differ from those estimates.

Notes to the financial statements

For the year ended 31 March 2018

4. Analysis of turnover

Turnover comprises the total value of fees after deducting all credits and allowances and excluding value added tax. It includes expenses recharged to customers, which are accounted for as contribution to cost of sales.

Analysis of turnover by country of destination:

	Year ended 31 March 2018	Year ended 31 March 2017
	£000	£000
United Kingdom	**56,660**	76,144
Rest of the world	**43,198**	19,246
	99,858	95,390

5. Operating profit

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

	Year ended 31 March 2018	Year ended 31 March 2017
	£000	£000
Depreciation of tangible fixed assets	**382**	275
Depreciation of intangible fixed assets	**1,611**	1,611
Fees payable to the Company's auditor and its associates for the audit of the company's annual accounts	**11**	10
Operating lease rentals	**830**	637
Exchange differences	**(697)**	(2,219)

Notes to the financial statements

For the year ended 31 March 2018

6. Employees

Staff costs were as follows:

		Year ended 31 March 2018	Year ended 31 March 2017
		£000	£000
Wages and salaries		26,563	32,781
Social security costs		3,711	4,381
Cost of defined contribution pension scheme	23	689	879
		30,963	38,041

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

	Year ended 31 March 2018	Year ended 31 March 2017
	No.	No.
Consultants	438	539
Sales and marketing	22	17
Administration	37	32
	497	588

7. Directors' remuneration

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

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

8. Interest receivable and similar income

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Interest receivable from group companies	169	96
Other interest receivable	12	3
	181	99

Notes to the financial statements

For the year ended 31 March 2018

9. Interest payable and similar charges

	Year ended 31 March 2018	Year ended 31 March 2017
	£000	£000
Bank interest payable	59	90
Other finance charges	16	30
Interest payable to group companies	-	42
	75	162

10. Taxation on profit on ordinary activities

	Year ended 31 March 2018	Year ended 31 March 2017
	£000	£000
Corporation tax		
Current tax on profits for the year	1,026	-
Adjustments in respect of previous years	91	(53)
Total current tax	1,117	(53)
Deferred tax		
Origination and reversal of timing differences	552	1,748
Impact of rate change	(25)	17
Adjustment in respect of previous years	(521)	(121)
Total deferred tax	6	1,644
Taxation on profit on ordinary activities	1,123	1,591

Factors affecting tax charge for the year

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

Notes to the financial statements

For the year ended 31 March 2018

10. Taxation on profit on ordinary activities (continued)

	Year ended 31 March 2018	Year ended 31 March 2017
	£000	£000
Profit on ordinary activities before tax	**8,296**	8,792
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20 %)	**1,576**	1,758
Effects of:		
Expenses not deductible for tax purposes	**2**	8
Impact of rate change sue to utilisation of losses	**-**	(18)
Impact of rate change on temporary difference	**(25)**	17
Adjustment in respect of prior years	**(430)**	(174)
Total tax for the year	**1,123**	1,591

Factors that may affect future tax charges

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

Notes to the financial statements

For the year ended 31 March 2018

11. Intangibles fixed assets

	Platform	Work order	Goodwill	Total
Cost :	**£000**	**£000**	**£000**	**£000**
At 1 April 2017	1,310	3,712	11,086	16,108
At 31 March 2018	**1,310**	**3,712**	**11,086**	**16,108**
Amortisations :				
At 1 April 2017	815	2,322	6,931	10,068
Charge for the year	**131**	**371**	**1,109**	**1,611**
At 31 March 2018	946	**2,693**	**8,040**	**11,679**
Net book value :				
31 March 2018	**364**	**1,019**	**3,046**	**4,429**
31 March 2017	495	1,390	4,155	6,040

Notes to the financial statements

For the year ended 31 March 2018

12. Tangible fixed assets

	Building	Furniture, fixtures & Office equipment	Computer laptop & Networking software	Software	Capital work in progress	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2017	2,508	8,338	11,315	4,792	672	27,625
Additions	-	602	95	2	-	699
Disposal	-	(5,390)	(10,623)	(2,013)	(655)	(18,681)
At 31 March 2018	**2,508**	**3,550**	**787**	**2,781**	**17**	**9,643**
Depreciation						
At 1 April 2017	2,016	8,113	11,035	4,773	-	25,937
Charge for the year	105	118	152	7	-	382
Disposal	-	(5,385)	(10,623)	(2,013)	-	(18,021)
At 31 March 2018	**2,121**	**2,846**	**564**	**2,767**	-	**8,298**
Net book value						
At 31 March 2018	**387**	**704**	**223**	**14**	**17**	**1,345**
At 31 March 2017	492	225	280	19	672	1,688

13. Investments

	Investments in subsidiary companies
	£000
Cost or valuation	
At 1 April 2017	7,062
At 31 March 2018	7,062
Impairment	
At 1 April 2017	-
Charge for the year	-
At 31 March 2018	-
At 31 March 2018	7,062
At 31 March 2017	7,062

Notes to the financial statements

For the year ended 31 March 2018

13. Investment (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of Shares	Holding	Principal activity
HCL Investment (UK) limited	England and Wales	Ordinary	100 %	Holding company
HCL Technologies Chile Spa	Chile	Ordinary	100 %	IT and IT Enabled services

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

14. Stocks

	31 March 2018 £000	31 March 2017 £000
Finished goods and goods for resale	**115**	245

15. Debtors

	31 March 2018 £000	31 March 2017 £000
Due after more than one year		
Deferred tax	**811**	817
Other debtors	**592**	1,358
Payment and deposits	**22**	4
	1,425	2,179

Including within deferred tax is £470,447(2017-£170,357), expected to unwind within 12 months of the reporting date.

	31 March 2018 £000	31 March 2017 £000
Due within one year		
Trade debtors	**13,818**	14,514
Amounts owed by group undertakings	**23,787**	27,621
Other debtors	**3,922**	4,225
Prepayments and accrued income	**434**	694
Tax recoverable	**511**	12
Unrealised gain on forward contracts	**22**	57
	42,494	47,123

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

Notes to the financial statements

For the year ended 31 March 2018

16. Cash and cash equivalents

	31 March 2018 £000	31 March 2017 £000
Cash at bank and in hand	**5,364**	1,775
	5,364	1,775

17. Creditors: Amounts falling due within one year

	31 March 2018 £000	31 March 2017 £000
Trade creditors	**1,486**	939
Amounts owed to group undertakings	**9,937**	7,885
Corporation tax	**1,574**	457
Taxation and social security	**1,426**	1,588
Bank overdraft	**-**	96
Other creditors	**4,568**	3,816
Accruals and deferred income	**6,046**	5,463
	25,037	20,244

18. Deferred tax

	Deferred Tax £000
At 1 April 2017	**817**
Charged to profit and loss	**(6)**
At 31 March 2018	**811**

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

	£000
Impact of rate change	**25**
Change in timing differences	**(552)**
Adjustments in respect of previous periods	**521**
	(6)

Notes to the financial statements

For the year ended 31 March 2018

18. Deferred tax (continued)

The deferred tax asset is made up as follows:

	31 March 2018 £000	31 March 2017 £000
Depreciation in excess of capital allowance	313	363
Other short term timing difference	498	361
Carry forward losses	-	93
	811	817

During the previous year the unrecognised deferred tax asset arises from non-trading loan relationships. The directors consider that it is less likely than not that there will be sufficient non trading taxable profits in the future to realise the deferred tax asset on gross amount carried forward of £74,240 and therefore the asset has not been recognised in the financial statements.

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

	31 March 2018 £000	31 March 2017 £000
Accruals and deferred income	373	1,247
	373	1,247

20. Provision

	Dilapidation costs £000
Provision for dilapidation costs	
At 1 April 2017	443
Recognised during the year	22
At 31 March 2018	465

The Company's provisions include a provision for dilapidation costs relating to a rental property. The dilapidations provision will be utilised at such a time as the Company vacates its existing premises, to which the Company is committed for more than five years.

Notes to the financial statements

For the year ended 31 March 2018

21. Share capital

	31 March 2018 £000	31 March 2017 £000
Allotted, called up and fully paid		
100,150(2017- 100,150) - Ordinary shares of £.01 each	1	1

22. Reserves

Share premium

The share premium reserve of £51k (31 March 2017: £51k) includes all proceeds from share issues where proceeds have exceeded par value.

Equity reserves

Equity reserves of £20,647k(31 March 2017: £20,647k) includes all proceeds from equity transactions, including share based payment transactions.

Other reserves

Other reserves of £416k (31 March 2017: £416k) includes proceeds from transactions under common controls.

23. Pension commitments

The Company contributes to pension scheme, for which the pension cost for the year were £688,944 (2017 - £879,286). The balance outstanding at 31 March 2018 is £945 (2017 - £1,742).

On 6 July 2001 the Company introduced a stakeholder pension scheme, administered by Standard Life, for its employees and with effect from April 2011 the Company has changed from Standard Life to Aviva. At 31 March 2018, 198 (2017: 213) employees have taken up membership of this scheme.

Notes to the financial statements

For the year ended 31 March 2018

24. Commitments under operating leases

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

	31 March	31 March
	2018	2017
	£000	£000
Not later than 1 year	**970**	321
Later than 1 year and not later than 5 years	**3,887**	1,052
Later than 5 years	**4,440**	1,168
Total	**9,297**	2,541

25. Fair value measurement

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

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

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

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

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

The fair value of derivative contracts at 31 March 2018 was an asset of £21,508(2017: £56,683). All derivative financial instruments are classified as level 2 instruments.

26. Related party transactions

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

Notes to the financial statements

For the year ended 31 March 2018

27. Controlling party

The Company is a subsidiary undertaking of Axon Group Limited. The Company's ultimate parent undertaking and controlling party is HCL Technologies Limited, a company incorporated in India.

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