

HCL Infosystems MEA FZE

**Consolidated financial statements
For the nine month period ended 31 March 2016**

HCL Infosystems MEA FZE

Consolidated financial statements For the nine month period ended 31 March 2016

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Independent auditor's report To the shareholder of HCL Infosystems MEA FZE

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of HCL Infosystems MEA FZE and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the nine month period from 1 July 2015 to 31 March 2016 then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, 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 consolidated 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Independent auditor's report
To the shareholder of HCL Infosystems MEA FZE (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 March 2016, and its financial performance and cash flows for the nine month period from 1 July 2015 to 31 March 2016 then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
30 June 2016

A handwritten signature in blue ink that reads 'Paul Suddaby'.

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

HCL Infosystems MEA FZE

Consolidated statement of financial position

	Note	As at 31 March 2016 AED	As at 30 June 2015 AED
ASSETS			
Non-current asset			
Property and equipment	5	3,753,767	3,915,879
Current assets			
Inventories	6	257,560	884,020
Trade and other receivables	7	22,546,852	34,459,695
Due from related parties	8	1,498,398	1,826,926
Cash and bank balances	9	3,868,682	3,146,326
		<u>28,171,492</u>	<u>40,316,967</u>
Total assets		<u>31,925,259</u>	<u>44,232,846</u>
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital	10	1,000,000	1,000,000
Contributed capital	10.1	31,187,500	7,300,000
Statutory reserve		502,107	182,489
Accumulated losses		(49,154,555)	(42,476,113)
Net deficit		<u>(16,464,948)</u>	<u>(33,993,624)</u>
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits	11	1,668,790	1,567,526
Current liabilities			
Borrowings	12	15,561,372	38,020,867
Trade and other payables	13	22,685,319	31,208,460
Due to related parties	8	8,474,726	7,429,617
		<u>46,721,417</u>	<u>76,658,944</u>
Total liabilities		<u>48,390,207</u>	<u>78,226,470</u>
Total equity and liabilities		<u>31,925,259</u>	<u>44,232,846</u>

These consolidated financial statements were approved by the Board of Directors on 30. JUNE...2016 and signed on its behalf by:



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Mr. Manoj Shrivastava
Director

HCL Infosystems MEA FZE

Consolidated statement of comprehensive income

		For the nine months period ended 31 March	For the year ended 30 June
	Note	2016 AED	2015 AED
Revenue	14	20,149,190	70,302,819
Cost of sales		(17,254,144)	(59,501,929)
Gross profit		<u>2,895,046</u>	<u>10,800,890</u>
Selling, general and administrative expenses	15	(8,278,240)	(14,223,949)
Other income	18	78,631	-
Operating loss for the period/year		<u>(5,304,563)</u>	<u>(3,423,059)</u>
Finance costs	17	(761,277)	(2,208,309)
Loss before income tax		<u>(6,065,840)</u>	<u>(5,631,368)</u>
Income tax expense		(292,984)	-
Loss after tax		<u>(6,358,824)</u>	<u>(5,631,368)</u>
Other comprehensive income		-	-
Total comprehensive loss		<u>(6,358,824)</u>	<u>(5,631,368)</u>

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Consolidated statement of changes in equity

	Share capital AED	Contributed capital AED	Statutory reserve AED	Accumulated losses AED	Total AED
At 30 June 2014	1,000,000	-	28,886	(36,691,142)	(35,662,256)
Capital introduced during the year (Refer Note 10.1)	-	7,300,000	-	-	7,300,000
Total comprehensive loss for the year	-	-	-	(5,631,368)	(5,631,368)
Transfer to statutory reserve	-	-	153,603	(153,603)	-
At 30 June 2015	<u>1,000,000</u>	<u>7,300,000</u>	<u>182,489</u>	<u>(42,476,113)</u>	<u>(33,993,624)</u>
Capital introduced during the period (Refer Note 10.1)	-	23,887,500	-	-	23,887,500
Total comprehensive loss for the period	-	-	-	(6,358,824)	(6,358,824)
Transfer to statutory reserve	-	-	319,618	(319,618)	-
At 31 March 2016	<u>1,000,000</u>	<u>31,187,500</u>	<u>502,107</u>	<u>(49,154,555)</u>	<u>(16,464,948)</u>

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Consolidated statement of cash flows

		For the nine months period ended 31 March	For the year ended 30 June
	Note	2016 AED	2015 AED
Cash flows from operating activities			
Loss for the period/year		(6,065,840)	(5,631,368)
Adjustments for:			
Depreciation on property and equipment	5	339,561	568,038
Provision for employees end of service benefits	11	468,372	457,613
Provision for impairment of trade receivables – net of written off/reversals	7	(2,457,116)	(1,051,889)
Provision for advances to suppliers	7	1,400,000	-
Provision for impairment of inventory	6	719,265	768,171
Interest income on fixed deposits		(78,631)	-
Finance costs	17	761,277	2,208,309
Operating cash flows before payment of employees' end of service benefits and changes in working capital		(4,913,112)	(2,681,126)
Payment of employees' end of service benefits	11	(367,108)	(476,978)
Changes in working capital:			
Inventories before movement in provision		(92,805)	5,195,419
Trade and other receivables before movement in provision		12,969,959	16,361,381
Due from related parties		328,528	(1,533,462)
Trade and other payables		(8,816,125)	(9,515,917)
Due to related parties		1,045,109	(12,346,717)
Net cash generated from / (used in) operating activities		154,446	(4,997,400)
Cash flows from investing activities			
Purchase of property and equipment	5	(177,449)	-
Interest income on fixed deposit		78,631	-
Net cash used in investing activities		(98,818)	-
Cash flows from financing activities			
Net repayment of vehicle loans		-	(49,840)
Repayment of trust receipts	12	(1,050,213)	(25,491,120)
Repayment of bill discounting	12	(2,101,606)	(9,503,506)
Proceeds from related party loan	8	4,338,480	22,853,106
Repayment of related party loan	8	(23,887,500)	-
Contributed capital received	10.1	23,887,500	7,300,000
Interest paid		(761,277)	(2,208,309)
Net cash generated from / (used in) financing activities		425,384	(7,099,669)
Net increase / (decrease) in cash and cash equivalents		481,012	(12,097,069)
Cash and cash equivalents at beginning of period/year		(3,357,116)	8,739,953
Net bank overdraft at end of the period/year	9	(2,876,104)	(3,357,116)

HCL Infosystems MEA FZE

Notes to the consolidated financial statements for the period ended 31 March 2016

1 Legal status and activities

HCL Infosystems MEA FZE ("the Company") was formed and registered on 31 July 2004 with the Dubai Airport Free Zone Authority, Dubai, as a free zone company with limited liability. The registered address of the Company is P.O. Box 54590, Dubai Airport Free Zone, Dubai, UAE.

The Company is a wholly owned subsidiary of HCL Insys Pte. Limited Singapore ("the parent company"). The ultimate parent company of the Company is HCL Infosystems Limited ("HCL").

The Company and its subsidiaries are mainly engaged in the business of developing and trading of software and hardware systems and IT solutions.

These consolidated financial statements include the assets, liabilities and results of operations of the subsidiaries registered and operating in United Arab Emirates ("UAE") and Qatar (collectively referred to as "the Group"). The Group comprises of the following subsidiaries:

Name	Legal status	Country of incorporation	Percentage of effective ownership	
			2016	2015
HCL Infosystems MEA LLC	Limited liability company	UAE	100%	100%
HCL Infosystems LLC	Limited liability company	UAE	100%	100%
HCL Infosystems Qatar WLL	Limited liability company	Qatar	100%	100%

Percentage of ownership includes shares held directly by the Group and those held by others for the beneficial interest of the Group.

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Notes to the consolidated financial statements for the period ended 31 March 2016 (continued)

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the period/year presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRSs") and interpretations issued by the IFRS Interpretations Committee (IFRS IC). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 4.

During the current period, the Group has changed its financial year end from June 30 to March 31. Accordingly, the current period figures are for the nine month period from July 1, 2015 to March 31, 2016 and to the extent are not comparable with those for the previous year.

2.1.1 Going concern

The Group incurred a net loss of AED 6,358,824 during the period ended 31 March 2016 (2015 : AED 5,631,368), net current liabilities as at 31 March 2016 were AED 18,549,925 (2015 : AED 36,341,977), net deficit as at 31 March 2016 was AED 16,464,948 (2015 : AED 33,993,624). The ultimate parent of the Group has confirmed its intention to provide continued financial support to the Group so as to enable the Group both to meet its obligations, current and future, as they fall due and to enable the business to continue without any significant curtailment of operations for a period of at least 12 months from the date of approval of these consolidated financial statements. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

2.1.2 Changes in accounting policies and disclosures

(a) *New standards, amendments and interpretations adopted by the Group*

There are no relevant new standards, amendments or interpretations which are effective for the financial period commencing on 1 July 2015, which have a material impact on the Group's consolidated financial statements.

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Notes to the consolidated financial statements for the period ended 31 March 2016 (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policies and disclosures (continued)

(b) *New and amended standards not yet adopted by the Group*

Certain new standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning after 1 July 2015 or later periods, but have not been early adopted by the Group. Management is currently assessing the following standards and amendments which are likely to have an impact on the Group's consolidated financial statements:

- IAS 1 (amendment), 'Presentation of financial statements' (effective from 1 January 2016);
- IAS 16 (amendment), 'Property, plant and equipment', (effective from 1 January 2016);
- IAS 38 (amendment), 'Intangible assets', (effective from 1 January 2016);
- IFRS 7 (amendment), 'Financial instruments: Disclosures' (effective from 1 July 2016);
- IFRS 9 (amendment), 'Financial instruments', (effective from 1 January 2018);
- IFRS 15 (amendment), 'Revenue from contracts with customers', (effective from 1 January 2018) and
- IFRS 16 (amendment), 'Leases' (effective from 1 January 2019)

There are no other relevant IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group's consolidated financial statements.

2.2 Basis of consolidation

(a) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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Notes to the consolidated financial statements for the period ended 31 March 2016 (continued)

2 Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

(a) Subsidiaries (continued)

The Group recognises any non-controlling interest in acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of the consolidated statement of financial position;
- (ii) income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Group is United Arab Emirates Dirham ("AED"). These consolidated financial statements are presented in AED, which is the Group's presentation currency.

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Notes to the consolidated financial statements for the period ended 31 March 2016 (continued)

2 Summary of significant accounting policies (continued)

2.3 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

2.4 Property and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical costs represent the purchase cost together with any incidental expenses of acquisition. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred.

Depreciation on other assets is calculated on the straight-line method, at rates calculated to reduce their cost to their estimated residual value over their expected useful lives, as follows:

	Years
Office building	20
Furniture and fixtures	4
Office equipment	4
Motor vehicles	4

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of comprehensive income within 'selling, general and administrative expenses'.

Notes to the consolidated financial statements for the period ended 31 March 2016 (continued)

2 Summary of significant accounting policies (continued)

2.5 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation / amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash generating units"). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each subsequent reporting date.

2.6 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventory items that are not ordinarily interchangeable and goods or services procured and segregated for specific projects is assigned by using specific identification of their individual costs. The cost of all other inventories is determined under the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and variable selling expenses.

2.7 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are classified as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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Notes to the consolidated financial statements for the period ended 31 March 2016 (continued)

2 Summary of significant accounting policies (continued)

2.8 Financial assets

2.8.1 Classification

The Group currently classifies its financial assets as 'loans and receivables'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables comprise of 'trade and other receivables' (excluding prepayments), 'due from related parties' and 'cash and bank balances' in the consolidated statement of financial position.

2.8.2 Recognition and measurement

Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.9 Impairment of financial assets

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

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Notes to the consolidated financial statements for the period ended 31 March 2016 (continued)

2 Summary of significant accounting policies (continued)

2.9 Impairment of financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit and loss with in consolidated statement of comprehensive income.

2.10 Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with banks and bank balances with an original maturity of three months or less. Bank overdrafts are included in borrowings within current liabilities in the consolidated statement of financial position.

2.11 Share capital

Ordinary shares are classified as equity.

2.12 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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Notes to the consolidated financial statements for the period ended 31 March 2016 (continued)

2 Summary of significant accounting policies (continued)

2.15 Provision for employees' benefits

An accrual is made for employees employed by the Group entities for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by the employees up to the summary of financial position date. Provision is made, using actuarial techniques, for the full amount of end of service benefits due to the employees in accordance with the local labour law of the country where they are employed, for their periods of service up to the summary of financial position date.

The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefits is disclosed as a non-current liability.

2.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied and services rendered, stated net of discounts and returns. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

The Group is engaged in the sale of computer hardware, software and related accessories. Sales of goods are recognised when the Group has delivered products to the customer and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery does not occur until the products have been transported to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Sales of services

The Group provides IT solutions, installation and maintenance services to its customers. For sales of services, revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

2.17 Leases

Operating leases when the Group acts as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

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Notes to the consolidated financial statements for the period ended 31 March 2016 (continued)

2 Summary of significant accounting policies (continued)

2.18 Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the Qatar Income Tax Law number 21 of 2009. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the consolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group reviews and agrees policies for managing each of these risks and these policies are summarised below:

3.1 Financial risk factors

(a) Market risk

(i) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has no significant exposure to foreign currency risk as the transactions are mainly made in AED and US Dollars to which AED is currently pegged.

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group has exposure to interest rate risk from bank borrowings issued at variable interest rates.

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Notes to the consolidated financial statements for the period ended 31 March 2016 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Cash flow and fair value interest rate risk (continued)

At 31 March 2016, if interest rates on variable rate borrowing had been 1% higher/lower with all other variables held constant, loss for the period would have been AED 125,000 (2015: AED 360,000) higher /lower, mainly as a result of higher/lower interest expense.

(ii) Price risk

The Group is not exposed to price risk as it has no price sensitive financial instruments.

(b) Credit risk

Credit risk is the risk that the counterparty will cause a financial loss to the Group by failing to discharge an obligation. Credit risk mainly arises from trade and other receivables (excluding prepayments), balances due from related parties and cash and bank balances (Notes 7, 8 and 9 respectively).

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

The Group's customers are based mainly in the Middle East. At 31 March 2016, six customers (2015: six customers) accounted for 88% (2015: 62%) of the trade receivables. Management is of the opinion that this concentration of credit risk will not result in a loss to the Group since the customers have sound financial position and there are no disputes regarding the outstanding amounts.

The Group's policy is to place its cash with reputable banks. Balances with related parties comprises receivable from ultimate parent company and affiliated companies and are considered to be fully recoverable. The table below analyses the balance with the banks at the statement of financial position date:

	2016	2015
	AED	AED
Cash and bank balances (excluding cash on hand)		
<i>Moody's risk rating</i>		
A2	1,701,614	1,127,919
Aa2	290,510	166,011
Baa1	1,352,280	1,319,522
Baa2	48,460	121,581
Not applicable	453,106	397,373
	<u>3,845,970</u>	<u>3,132,406</u>

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Notes to the consolidated financial statements for the period ended 31 March 2016 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities. Due to the dynamic nature of the underlying business, the business maintains flexibility in funding by keeping credit lines available.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 March 2016	Total AED	Less than 1 year AED
Trade and other payables	22,685,319	22,685,319
Due to related parties	8,474,726	8,474,726
Borrowings	15,561,372	15,561,372
	<u>46,721,417</u>	<u>46,721,417</u>
At 30 June 2015		
Trade and other payables	31,208,460	31,208,460
Due to related parties	7,429,617	7,429,617
Borrowings	38,020,867	38,020,867
	<u>76,658,944</u>	<u>76,658,944</u>

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group incurred a net loss of AED 6,358,824 during the period ended 31 March 2016 (2015 : AED 5,631,638), net current liabilities as at 31 March 2016 were AED 18,549,925 (2015 : AED 36,341,977), net deficit as at 31 March 2016 was AED 16,464,948 (2015 : AED 33,993,624). The ultimate parent of the Group has confirmed its intention to provide continued financial support to the Group so as to enable the Group both to meet its obligations, current and future, as they fall due and to enable the business to continue without any significant curtailment of operations for a period of at least 12 months from the date of approval of these consolidated financial statements.

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Notes to the consolidated financial statements for the period ended 31 March 2016 (continued)

3 Financial risk management (continued)

3.2 Capital risk management (continued)

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as 'borrowings' less 'cash and bank balances' as shown in the consolidated statement of financial position. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

As of 31 March 2016 and 30 June 2015, the gearing ratios of the Group were as follows:

	2016 AED	2015 AED
Borrowings (Note 12)	15,561,372	38,020,867
Less: cash and bank balances (Note 9)	<u>(3,868,682)</u>	<u>(3,146,326)</u>
Net debt	11,692,690	34,874,541
Total equity	<u>(16,464,948)</u>	<u>(33,993,624)</u>
Total	<u>(4,772,258)</u>	<u>880,917</u>
Gearing ratio	-	3959%

3.3 Fair value estimation

At the end of the reporting period, the carrying amounts of the Group's financial assets and liabilities approximate their fair values. There are no financial instruments that are measured at fair value at the reporting date.

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Notes to the consolidated financial statements for the period ended 31 March 2016 (continued)

4 Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

(a) *Impairment of trade and other receivables*

The impairment charge reflects estimates of losses arising from the failure or inability of the parties concerned to make the required payments. The charge is based on the ageing of the customers' accounts, customer defaults, the customers' credit worthiness and the historical write off experience. Changes to the estimated impairment charge may be required if the financial condition of the customers was to improve or deteriorate.

(b) *Percentage of completion in revenue recognition*

Services revenue is recognised under the percentage of completion method. When the outcome of the contract can be reliably estimated, revenue is recognised by reference to the proportion that accumulated costs up to the year end bear to the estimated total costs of the contract. When the contract is at an early stage and its outcome cannot be reliably estimated, revenue is recognised to the extent of costs incurred up to the year end which are considered recoverable.

Revenue relating to claims and variations is not recognised unless negotiations have reached an advanced stage such that it is probable that the customer will accept the claim/variation and the amount of the claim/variation can be measured reliably.

Losses on contracts are assessed on an individual contract basis and provision is made for the full amount of the anticipated losses, including any losses relating to future work on a contract, in the period in which the loss is first foreseen.

In determining costs incurred up to the year end, any costs relating to future activity on a contract are excluded and shown as contract work in progress. The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the year end. Where the sum of the costs incurred and recognised profit or recognised loss exceeds the progress billings, the balance is shown under trade and other receivables as due from customers on contracts. Where the progress billings exceed the sum of costs incurred and recognised profit or recognised loss, the balance is shown under trade and other payables as due to customers on contracts.

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Notes to the consolidated financial statements for the period ended 31 March 2016 (continued)

5 Property and equipment

Cost	Office building AED	Furniture and fixtures AED	Office equipment AED	Motor vehicles AED	Total AED
At 30 June 2014 and 30 June 2015	4,511,085	1,327,621	679,715	465,500	6,983,921
Addition during the period	177,449	-	-	-	177,449
At 31 March 2016	4,688,534	1,327,621	679,715	465,500	7,161,370
Accumulated depreciation					
At 1 July 2014	554,288	979,000	541,085	425,631	2,500,004
Charge for the year (Note 15)	225,576	254,915	47,678	39,869	568,038
At 30 June 2015	779,864	1,233,915	588,763	465,500	3,068,042
Charge for the period (Note 15)	175,847	79,886	83,828	-	339,561
At 31 March 2016	955,711	1,313,801	672,591	465,500	3,407,603
Net book amount					
At 31 March 2016	3,732,823	13,820	7,124	-	3,753,767
At 30 June 2015	3,731,221	93,706	90,952	-	3,915,879

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Notes to the consolidated financial statements for the period ended 31 March 2016 (continued)

6 Inventories

Inventory comprises of non-identical items held for re-sale based on specific requirements of the customers.

	2016 AED	2015 AED
Inventory for re-sale	1,448,416	7,357,094
Less : Provision for impairment	<u>(1,190,856)</u>	<u>(6,473,074)</u>
	<u>257,560</u>	<u>884,020</u>

Provision for inventory is related to obsolete mobility inventory due to the closure of mobility business during the earlier year.

Movement in the Group's provision for slow moving and obsolete inventory is as follows:

	2016 AED	2015 AED
At the beginning of the period/year	6,473,074	5,704,903
Charge for the period/year	719,265	768,171
Written off during the period/year	<u>(6,001,483)</u>	<u>-</u>
At 31 March/30 June	<u>1,190,856</u>	<u>6,473,074</u>

7 Trade and other receivables

	2016 AED	2015 AED
Trade receivables	16,435,130	23,322,965
Less : Provision for impairment	<u>(7,211,489)</u>	<u>(9,668,605)</u>
	<u>9,223,641</u>	<u>13,654,360</u>
Advances to suppliers	1,558,045	1,860,338
Less : Provision for impairment	<u>(1,400,000)</u>	<u>-</u>
	<u>158,045</u>	<u>1,860,338</u>
Unbilled revenue	11,694,853	17,082,715
Prepayments	690,728	1,152,414
Deposits	231,504	207,004
Other receivables	<u>548,081</u>	<u>502,864</u>
	<u>22,546,852</u>	<u>34,459,695</u>

As at 31 March 2016 trade receivables of AED 7,528,832 (2015: AED 9,847,736) were fully performing.

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Notes to the consolidated financial statements for the period ended 31 March 2016 (continued)

7 Trade and other receivables (continued)

As at 31 March 2016, trade receivables of AED 1,694,809 (2015: AED 3,806,624) were past due but not impaired. These relate to a number of independent customers for whom there is no history of default. The ageing analysis of these trade receivables is as follows:

	2016 AED	2015 AED
Up to 3 months	104,500	1,204,331
More than 3 months	1,590,309	2,602,293
At 31 March/30 June	<u>1,694,809</u>	<u>3,806,624</u>

As of 31 March 2016, trade receivables of AED 7,211,489 (2015: 9,668,605) were impaired and fully provided for. All these receivables are more than twelve months past due.

Movements in the Group's provision for impairment of trade receivables are as follows:

	2016 AED	2015 AED
At the beginning of the period/year	9,668,605	10,720,494
Charge for the period (Note 15)	454,363	61,749
Written off/reversal during the period	(2,911,479)	(1,113,638)
At 31 March/30 June	<u>7,211,489</u>	<u>9,668,605</u>

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is represented by the carrying amounts of each class of receivable mentioned above. The carrying amount of the Group's trade and other receivables are denominated in AED and Qatari Riyal (QAR). The Group does not hold any collateral as security.

Movements in the Group's provision for advances to suppliers are as follows:

	2016 AED	2015 AED
At the beginning of the period/year	-	-
Charge for the period (Note 15)	1,400,000	-
At 31 March/30 June	<u>1,400,000</u>	<u>-</u>

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Notes to the consolidated financial statements for the period ended 31 March 2016 (continued)

8 Related party transactions and balances

Related parties comprise the Group's shareholders, ultimate parent company, parent company and its associated companies, key management personnel and the businesses which they control or over which they have significant influence.

Related party transactions

The Group enters into transactions in the normal course of business with these parties at prices and terms agreed between the parties. The balances at period-end/year-end and transactions during the period/year are stated overleaf:

	For the nine months period ended 31 March 2016 AED	For the year ended 30 June 2015 AED
Purchases from the ultimate parent company	1,042,260	-
Loan obtained from a related party (Note 12) (including Interest accrued on Loan)	4,338,480	22,853,106
Loan repayment to a related party (Note 12)	23,887,500	-
Key management compensation comprises		
Salaries and other short term employee benefits	521,685	681,395
End of service benefits	70,971	17,500
	<u>592,656</u>	<u>698,895</u>
Related party balances		
Due from a related parties	2016 AED	2015 AED
HCL Infosystems Limited (the ultimate parent company)	903,844	1,232,212
<i>Affiliated companies</i>		
HCL Services Limited	301,324	301,250
HCL Learning Limited	293,230	293,464
	<u>1,498,398</u>	<u>1,826,926</u>
Due to related parties		
<i>Affiliated companies</i>		
HCL Insys Pte Limited	7,374,375	7,371,530
HCL Services Limited	990,136	-
HCL Infosystems South Africa Pty Limited	58,091	58,087
HCL Infotech Limited	52,124	-
	<u>8,474,726</u>	<u>7,429,617</u>
Due to/from related parties are unsecured, interest-free and payable/receivable on demand.		
Loan from a related party		
Loan obtained from a related party (Note 12)	8,816,586	28,365,606

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Notes to the consolidated financial statements for the period ended 31 March 2016 (continued)

9 Cash and bank balances

	2016 AED	2015 AED
Cash in hand	22,712	13,920
Cash at bank	<u>3,845,970</u>	<u>3,132,406</u>
	<u>3,868,682</u>	<u>3,146,326</u>

Cash and cash equivalents include bank overdrafts for the purposes of the consolidated statement of cash flows:

	2016 AED	2015 AED
Cash and bank balances	3,868,682	3,146,326
Bank overdrafts (Note 12)	<u>(6,744,786)</u>	<u>(6,503,442)</u>
Net bank overdraft	<u>(2,876,104)</u>	<u>(3,357,116)</u>

10 Share capital

Share capital comprises 1 (2015: 1) authorised, issued and fully paid up shares of AED 1,000,000 each (2015: AED 1,000,000 each).

10.1 Contributed capital

Contributed capital includes amount of AED 23,887,500 received during the period ended March 31, 2016 and AED 7,300,000 received during the year ended June 30, 2015 from parent company and is intended to be converted to share capital upon obtaining the necessary approval from Dubai Airport Free Zone Authority.

11 Provision for employees' end of service benefits

	2016 AED	2015 AED
At the beginning of the period/year	1,567,526	1,586,891
Charge for the period/year (Note 16)	468,372	457,613
Payments during the period/year	<u>(367,108)</u>	<u>(476,978)</u>
As at 31 March/30 June	<u>1,668,790</u>	<u>1,567,526</u>

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 31 March 2016 and 30 June 2015, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. Under this method an assessment has been made of an employees' expected service life with the Group and the expected basic salary at the date of leaving the service. Management has assumed average increment/promotion costs of 5% (2015: 5%). The expected liability at the date of leaving the service has been discounted to net present value using a discount rate of 3.18% (2015: 3.15%).

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Notes to the consolidated financial statements for the period ended 31 March 2016 (continued)

12 Borrowings

	2016 AED	2015 AED
Current		
Loan from a related party (Note 8)	8,816,586	28,365,606
Bank overdrafts (Note 9)	6,744,786	6,503,442
Liability on bills discounting	-	2,101,606
Trust receipts	-	1,050,213
Total borrowings	<u>15,561,372</u>	<u>38,020,867</u>

Bank loans are term loan facilities which carry an interest rate of 7.5 % (2015: 7.5 %).

The Group had entered into a trust receipts agreement with the bank, in previous year, with recourse for a period of up to 120 days and carrying an interest rate of 8%.

The Group has obtained a short term loan from HCL Insys Pte Ltd & HCL Investments Pte Ltd (an affiliated entity) which carries an interest rate of 6 months LIBOR plus 300 bps. During the nine month period ended 31 March, 2016 repayment of AED 23,887,500 has been made and new loan of AED 4,042,500 taken from the parent company. The loan is repayable within 1 year from the date of loan.

The Group has bills discounting agreement with a bank with recourse for a period of 135 days at an interest rate of 7.50 % per annum (2015: 7.50% per annum).

13 Trade and other payables

	2016 AED	2015 AED
Trade payables	4,654,738	4,630,773
Accrued expenses and other payables	12,089,976	20,273,253
Advance from customer	4,372,335	4,372,335
Accrued employee benefits	1,275,286	1,932,099
Provision for tax*	292,984	-
	<u>22,685,319</u>	<u>31,208,460</u>

*The Group is liable to tax mainly on its income generated from a subsidiary in Qatar. Income tax liability is computed at the applicable corporate income tax rate at 10% on the adjusted net income as reduced by the utilisation of prior periods' accumulated losses if any, subject to a maximum of 10% of adjusted net income for the year.

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Notes to the consolidated financial statements for the period ended 31 March 2016 (continued)

14 Revenue

	For the nine months period ended 31 March 2016 AED	For the year ended 30 June 2015 AED
Sale of goods	-	33,318,626
Service revenue	20,149,190	36,984,193
	<u>20,149,190</u>	<u>70,302,819</u>

15 Selling, general and administrative expenses

	For the nine months period ended 31 March 2016 AED	For the year ended 30 June 2015 AED
Staff cost (Note 16)	2,315,316	5,576,048
Provision for impairment of advances to suppliers (Note 7)	1,400,000	-
Legal, professional and other charges	1,314,307	1,678,758
Bank charges	904,713	1,950,545
Rent	585,154	897,820
Provision for impairment of trade receivables (Note 7)	454,363	61,749
Depreciation (Note 5)	339,561	568,038
Communication	318,983	507,782
Travel expenses	128,260	248,622
Advertisement and business promotion	123,130	1,482,410
Selling expenses	114,325	196,310
Insurance	74,665	46,224
Office expenses	71,070	297,225
Others	134,393	712,418
	<u>8,278,240</u>	<u>14,223,949</u>

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Notes to the consolidated financial statements for the period ended 31 March 2016 (continued)

16 Staff costs

	For the nine months period ended 31 March 2016 AED	For the year ended 30 June 2015 AED
Salaries	14,523,739	19,642,381
Other staff costs and benefits	425,803	2,761,300
Employees' end of service benefits (Note 11)	468,372	457,613
	<u>15,417,914</u>	<u>22,861,294</u>

Staff costs for the period/year have been allocated as follows:

Cost of sales	13,102,598	17,285,246
Selling and administrative expenses (Note 15)	2,315,316	5,576,048
	<u>15,417,914</u>	<u>22,861,294</u>

17 Finance costs

	For the nine months period ended 31 March 2016 AED	For the year ended 2015 AED
Interest on borrowings	717,115	2,151,793
Foreign exchange loss	44,162	56,516
	<u>761,277</u>	<u>2,208,309</u>

18 Other income

	For the nine months period ended 31 March 2016 AED	For the year ended 30 June 2015 AED
Interest on fixed deposits	78,631	-
	<u>78,631</u>	<u>-</u>

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Notes to the consolidated financial statements for the period ended 31 March 2016 (continued)

19 Financial instruments by category

The accounting policies for the financial instruments have been applied to the line items below:

	Loans and receivables	
	2016	2015
	AED	AED
Financial assets		
Trade and other receivables*	21,698,079	31,446,945
Due from related parties	1,498,398	1,826,926
Cash and bank balances	3,868,682	3,146,326
	<u>27,065,159</u>	<u>36,420,197</u>

*Excluding prepayments amounting to AED 690,728 (2015: AED 1,152,414) and advances to suppliers amounting to AED 158,045 (2015: AED 1,860,338)

	Other financial liabilities	
	2016	2015
	AED	AED
Financial liabilities		
Trade and other payables*	18,312,984	26,836,125
Due to related parties	8,474,726	7,429,617
Borrowings	15,561,372	38,020,867
	<u>42,349,082</u>	<u>72,286,609</u>

*Exclude advance from customer amounting to AED 4,372,335 (2015: AED 4,372,335)

20 Contingent liabilities and capital commitments

	2016	2015
	AED	AED
Bank guarantees	<u>29,091,740</u>	<u>28,997,411</u>
Letter of credit	<u>615,753</u>	<u>-</u>
Legal case*	<u>575,062</u>	<u>-</u>

*The legal case contingency pertains to a legal matter in progress in the court of Dubai, United Arab Emirates on account of a claim attributable to loss of business and opportunity being filed by an ex-distributors of discontinued mobility business of the Company in previous year. The contingent liability is disclosed on the basis of a report submitted by an expert appointed by court in this matter. The management of the Company expects a favourable outcome in this case.