HCL Technologies Lanka (Private) Limited

Financial Statements

For the period ended 31 March 2020

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. 0. Box 186,
Colombo 00300, Sri Lanka.

Tel +94 - 11 542 6426
Fax +94 - 11 244 5872
+94 - 11 244 6058
Internet www.kpmg.com/lk

INDEPENDENT AUDITOR'S REPORT
Report on the Audit of the Financial Statements

To the Shareholders of HCL Technologies Lanka (Private) Limited
We have audited the financial statements of HCL Technologies Lanka (Private) Limited (the "Company"), which comprise the statement of financial position as at March 31, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion
We conducted our audit in accordance with Sri Lanka Auditing Standard (SLAuS) for the Audits of Non – Specified Business Enterprises (Non- SBEs), which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements, assessing the accounting principles used and significant estimates made by the management, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standard for Small and Medium-sized Entities. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion
In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2020, and of its financial performance and its cash flows for the period then ended in accordance with Sri Lanka Accounting Standard for Small and Medium-sized Entities.

Respective Responsibilities of Management and Auditors
The Management is responsible for maintaining proper accounting records, preparing and presenting these financial statements in accordance with the Sri Lanka Accounting Standard for Small and Medium-sized Entities. Our responsibility is to express an opinion on these financial statements, based on our Audit in accordance with SLAuS for Non-SBEs.

Report on Other Legal and Regulatory Requirements
As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

KPMG

CHARTERED ACCOUNTANTS
Colombo
12th August 2020

HCL Technologies Lanka (Private) Limited

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 31 March

	Note	***2020 (123 days) Rs.***
Revenue		-
Cost of sales		-
GROSS PROFIT		-
Pre-incorporation expenses		**(1,570,467)**
General and administration expenses		**(4,962,244)**
LOSS BEFORE TAX	6	**(6,532,711)**
Tax expense	7	-
LOSS FOR THE PERIOD		**(6,532,711)**
OTHER COMPREHENSIVE INCOME		-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(6,532,711)**

The attached notes 1 to 17 form an integral part of these financial statements.

Figures in bracket indicate deductions.

HCL Technologies Lanka (Private) Limited
STATEMENT OF FINANCIAL POSITION

At 31 March

	Note	*2020* *Rs.*
ASSETS		
Non-current assets		
Rental deposits	8	**10,646,703**
		10,646,703
Current assets		
Prepayments and other receivables	8	**1,603,493**
Cash at bank	9	**20,665,644**
		22,269,137
TOTAL ASSETS		**32,915,840**
EQUITY AND LIABILITIES		
Equity		
Share application pending allotment	10	**36,020,000**
Accumulated losses		**(6,532,711)**
Total equity		**29,487,289**
Current liabilities		
Accounts and other payables	11	**1,858,084**
Amounts due to related party	12	**1,570,467**
		3,428,551
Total liabilities		**3,428,551**
TOTAL EQUITY AND LIABILITIES		**32,915,840**

The attached notes 1 to 17 form an integral part of these financial statements.

Figures in bracket indicate deductions.

I certify that these financial statements have been prepared in accordance with requirements of the Companies Act No. 07 of 2007.

Raj Kumar Walia
(Finance manager)

Sundaram Sridharan
(Director)

Shiv Kumar Walia
(Director)

12 August 2020
Colombo

HCL Technologies Lanka (Private) Limited
STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March

	Share application pending allotment *Rs.*	*Accumulated losses* *Rs.*	*Total* *Rs.*
Share application money received	36,020,000	-	36,020,000
Loss for the period	-	(6,532,711)	(6,532,711)
Other comprehensive income for the period	-	-	-
Total comprehensive loss for the period	-	(6,532,711)	(6,532,711)
Balance as at 31 March 2020	**36,020,000**	**(6,532,711)**	**29,487,289**

The attached notes 1 to 17 form an integral part of these financial statements.

Figures in bracket indicate deductions.

HCL Technologies Lanka (Private) Limited
STATEMENT OF CASH FLOWS

For the period ended 31 March

	Note	*2020 (123 days) Rs.*
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation		**(6,532,711)**
Changes in working capital;		
Increase in prepayments and other receivables	8	**(12,250,196)**
Increase in accruals and other payables	11	**1,858,084**
Increase in amount due from related party	12	**1,570,467**
Net cash used in operating activities		**(15,354,357)**
CASH FLOW FROM FINANCING ACTIVITIES		
Share application money received	10	**36,020,000**
Net cash generated from financing activities		**36,020,000**
INCREASE IN CASH AND CASH EQUIVALENTS		**20,665,644**
Bank balances at beginning of the period		**-**
CASH AND CASH EQUIVALENTS AS AT 31 MARCH	9	**20,665,644**

The attached notes 1 to 17 form an integral part of these financial statements.

Figures in bracket indicate deductions.

1. REPORTING ENTITY

1.1 Domicile and Legal Form

HCL Technologies Lanka (Private) Limited (the "Company") is a company incorporated and domiciled in Sri Lanka as a private limited liability company and presently governed under the Companies Act No. 07 of 2007 with its registered office located at No 47, Alexandra Place, Colombo 07.

The Company was incorporated on 29th November 2019 and commercial operations are not yet started as of the reporting date. These are the first set of financial statements and cover the period from 29th November 2019 to 31st March 2020.

The Company is a 100% owned subsidiary of HCL Technologies Limited, a listed company registered in India.

1.2 Principal Activities and Nature of Operations

The principal activity of the Company is setting up a project to develop software and provide IT related services for the export market. No commercial operations were started during the reporting period.

1.3 Number of Employees

The number of employees of the Company as at 31st March 2020 was 0.

1.4 Responsibilities for financial statements and approval of financial Statements

The Board of Directors is responsible for preparation and presentation of the financial statements of the Company as per the provision of the Company act No 07 of 2007 and Sri Lanka accounting standards. The financial statements for the year ended 31st March 2020 were authorized for issue by the Board of Directors on 12 August 2020.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The statement of financial position, statement of profit or loss and other comprehensive, statement of changes in equity and statement of cash flows have been prepared in accordance with Sri Lanka Accounting Standard for Small and Medium Sized Entities (SLFRS for SMEs) issued by the Institute of Chartered Accountants of Sri Lanka and compliance with the requirements of the Company's Act No. 07 of 2007 together with the notes, (the "Financial Statements") of the Company as at 31st March 2020 and for the period then ended.

2.2 Basis of Measurement

The financial statements have been prepared on the historical cost basis except for when otherwise disclosed in the respective notes to the financial statements.

2.3 Functional and Presentation Currency

The financial statements of the Company are presented in Sri Lankan Rupees, which is the Company's functional currency. All financial information presented in Sri Lankan Rupee has been rounded to the nearest Sri Lankan Rupee.

2.4 Use of Estimates and Judgments

The preparation of financial statements in conformity with Sri Lanka Financial Reporting Standard for Small and Medium Sized Entities (SLFRS for SMEs) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Information about critical judgments in applying accounting policies that have the most effect on the amount recognized in the financial statements is included in the following notes.

- Impairment of Assets (Note 3.3)
- Employee Benefits (Note 3.5.2)
- Capital Commitments & Contingencies (Note 3.9)
- Current Taxation (Note 3.6.3.a)
- Deferred Taxation (Note 3.6.3.b)

2.5 Materiality and Aggregation

Each material class of similar items is presented separately. Items of dissimilar nature or function are presented separately unless they are immaterial

2.6 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the financial statements in order to enhance the understanding of the current period's financial statements and to enhance the inter period comparability. The presentation and classification of the financial statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

2.7 Measurement of Fair Value

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When available, the company measures the fair value of an instrument using quoted prices in an active market for that instrument. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair values are categorized in its entirely in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out the below have been applied consistently to all periods presented in these financial statements.

3.1 Financial Instruments

(i) Recognition and Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

Receivables and debt securities issued are initially recognized when they are originated. All other financial assets and liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.
A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction value.

(ii) Classification and subsequent measurement of financial assets On initial recognition

On the initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; fair value through other comprehensive income (FVOCI) – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Company's' financial assets classified and measured at amortized cost are limited to related party receivables and cash & cash equivalents.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Company does not have any financial assets classified as FVOCI or FVTPL.

a) Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- How the performance of the portfolio is evaluated and reported to the Company's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

b) Financial assets -Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.
In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- Contingent events that would change the amount or timing of cash flows
- Terms that may adjust the contractual coupon rate, including variable-rate features
- Terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

(iii) Financial assets - Subsequent measurement and gains and losses

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(iv) Financial Liabilities

Classification, subsequent measurement and gain and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

(v) De-recognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(vi) Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.2 Stated Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects

3.3 Impairment

(a) Financial Assets

The company recognises loss allowances for ECLs on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECLs, other debt securities and bank balances. Loss allowances for trade receivable is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and equity investments at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default in payments
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market tor a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures to recovery of amounts due.

Impairment of Non-Financial Assets

The carrying amount of the Company’s non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, then the asset’s recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value, less costs to sell, an appropriate valuation model is used.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.5 Leases

Company as a lessee

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset or the lease term. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

3.6 Liabilities and Provisions

3.6.1 Liabilities

Liabilities classified as current liabilities on the Statement of Financial Position are those, which fall due for payment on demand or within one year from the reporting date.

Non-current liabilities are those balances that fall due for payment after one year from the reporting date.

3.6.2 Provisions

A provision is recognized in the Statement of Financial Position when the 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

3.7 Statement of profit or loss and other comprehensive income

3.7.1 Revenue Recognition

Performance obligations and revenue recognition policies under SLFRS for SME establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

As per the standard, revenue is measured based on the consideration specified in a contact with a customer. The Company recognises revenue when it transfers control over a good or service to a customer. Determining the timing of the transfer of control at a point in time or over time require judgment.

The Company’s primary business activity is setting up a project to develop software and provide IT related services for the export market. No commercial operations were started during the reporting period and accordingly, no revenue has been generated during the reporting period.

3.7.2 Expenditure

a) Operating Expenses

All expenditure incurred in the running of the business has been charged to the statement of comprehensive income.

3.7.3 Income Tax expense

Income tax expenses comprise current and deferred tax. An income tax expense is recognized directly in income statements except to the extent that if relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in either in equity or other comprehensive income.

(a) Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(b) Deferred tax

Deferred taxation is provided based on the liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The balance in the deferred taxation account represents, the tax applicable to the difference between the written down values of the assets for tax purposes on which tax depreciation has been claimed and the net book values of such assets, offset by the provision for retirement benefit which is deductible for current tax purposes only upon payment.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The company is not liable to income tax as per the notice issued by the Inland Revenue Department. Accordingly, no income tax expense and deferred tax has been recognized for the reporting period.

3.8 Basic Earnings per Share

The financial statements present basic earnings per share (EPS) data for its ordinary shareholders.

The basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

3.9 Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged.

3.10 Capital Commitments and Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital Commitments and Contingent liabilities of the companies are not recorded in the statement of financial position but are disclosed wherever necessary.

4. STATEMENT OF CASH FLOW

The Statement of Cash flow has been prepared using the “Indirect Method”.

Interest paid are classified as operating cash flows, interest and dividend received are classified as investing cash flows while dividends paid are classified as financing cash flows for the purpose of presenting of Statement of Cash flow.

5. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future Financial Statements.

5.1 Amendments to LKAS 1 and LKAS 8: Definition of Material

In October 2018, the IASB issued amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. As per the redefined definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments are effective from 1 January 2020 with early adoption permitted. However, amendments to the definition of material is not expected to have a significant impact on the Company's financial statements

5.2 Amendments to references to Conceptual framework in accounting standards

The Conceptual Framework for Financial Reporting is the foundation on which the new accounting standards are developed. The revised framework contains changes that will set a new direction for accounting standards in the future.

The key changes in the framework are;

- New 'bundles of rights' approach to assets
- New 'practical ability' approach for recognising liabilities
- New control-based approach to derecognition

The accounting policies which refer conceptual framework should be reviewed and the new guidance should be applied retrospectively from 1 January 2020. This amendment is not expected to have a significant impact on the Financial Statements of the Company.

5.3 Amendments to SLFRS 3: Definition of a Business

The amendments to the definition of a business in SLFRS 3 "Business Combinations" have been made to help the entities determine whether an acquired set of activities and assets is a business or not. These amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definition of a business and of outputs, and introduce an optional fair value concentration test. The amendments are applied prospectively for the annual periods beginning on or after 1st January 2020 with early application permitted.

The Company is assessing the potential impact on its Financial Statements resulting from the application of Amendments to Sri Lanka Accounting Standard - SLFRS 3. This amendment is not expected to have a significant impact on the Financial Statements of the Company.

6 LOSS BEFORE TAX

Loss before tax is arrived at after charging;

	2020 (123 days) Rs.
Rent	2,548,812
Auditor fee and related expenses	1,245,020
Other administrative expenses (note 6.1)	1,162,553
Foreign exchange differences, net	1,359
Bank charges	4,500
	4,962,244

6.1 Other administrative expenses includes:

Set up charges	*712,238*
Advertisement and related expenses	*333,156*
Repair and maintenance charges	*96,061*
Utility expenses	21,099
	1,162,553

7 TAXATION

As per the recent notice issued by Inland Revenue Department, the IT and IT enabled services are exempt from income taxes. Further, the company has not yet started the operations and has not got any taxable income, hence no tax expenses charged in the current period.
As at 31 March 2020, the company have unutilised tax losses of Rs. 6,532,711.

As at 31 March

8 RENTAL DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Non-Current Assets	***2020 Rs.***
Rental deposits	10,646,703
	10,646,703
Current Assets	
Advance to suppliers	744,950
Rental deposits	652,950
VAT receivable	205,593
	1,603,493

9 CASH AT BANK

	2020 Rs.
Cash at bank	20,665,644
	20,665,644

10 SHARE APPLICATION MONEY PENDING ALLOTMENT

	Share %	***2020 Rs.***
HCL Technologies Limited	100%	36,020,000
	100%	**36,020,000**

The Company was established on 29th November 2019 as a Limited Liability Company. The Company has received share application money which was pending for allotment as at 31 March 2020. Subsequent to reporting date, on 13th July' 2020, 3,602,000 shares have been issued and alloted to HCL Technologies Limited at Rs.10 per each.

11 ACCOUNTS AND OTHER PAYABLES

	2020
	Rs.
Trade payables	92,000
Accrued expenses	1,766,084
	1,858,084

12 RELATED PARTY TRANSACTIONS

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among the reporting entities, which are under common control with the reporting enterprise, or between, and/or among the reporting entities and its key management personnel, directors, or its stockholders.

The company carried out transactions with related parties who are defined as related party in SLFRS for SMES 33- Related party disclosure, the details of which are given below:-

Name	**Relationship**	**Nature of transactions**	**Transactions for the period**	***Balances as at 31 March 2020 Rs.***
HCL Technologies Limited	Parent company	Pre-incorporation expenses incurred	1,570,467	1,570,467

13 FINANCIAL RISK MANAGEMENT

Overview

The company’s activities expose it to a variety of financial risks i.e. interest rate risk, credit risk, liquidity risk and currency risk. The company’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company’s financial performance.

The company’s principal financial liabilities comprise accounts payable, accruals and amounts due to related parties. The company has various financial assets such as receivables, cash at bank which arise directly from its operations.

Risk is inherent in the company’s activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the company’s continuing profitability and each individual within the company is accountable for the risk exposures relating to his or her responsibilities.

The main risk arising from the company’s financial instruments are credit risk, liquidity risk and foreign currency risk. The management of the company reviews and agrees policies for managing each of these risks which are summarised below:

Credit risk

Credit risk refers the risk arising on account of a default by counterparty on its contractual obligations resulting in financial loss to the company.

The company is exposed to credit risk on its bank balances, deposits which are as follows:

	2020
	Rs.
Cash at bank	20,665,644
Deposits and other receivables	11,505,246
	32,170,890

Currency risk

The company is sensitive to the fluctuations in exchange rates and is principally exposed to fluctuations in the value or the Sri Lankan Rupee (LKR) against US Dollar (USD). The company's functional currency is LKR in which most of the transactions are denominated, and all other currencies are considered as foreign currencies for reporting purposes.

13 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations from its financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 March 2020, based on contractual payment dates and current market interest rates.

As at 31 March 2020	***Upto 3 months***	***3 to 12 months***	***> 12 months***	***Total***
	Rs.	***Rs.***	***Rs.***	***Rs.***
Accounts and other payables	1,858,084	-	-	-
Amounts due to related party	1,570,467	-	-	-
	3,428,551	**-**	**-**	**-**

Capital management

The primary objective of the company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize value to the shareholder.

The company manages its capital structure and makes adjustments to it, in light of changes in business conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to the shareholder, return capital to the shareholder or issue new shares. Capital comprises share capital pending allotment and retained earning,and is measured at equity of Rs. 29,487,289 as at 31 March 2020.

14 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash at bank, deposits and other receivables. Financial liabilities consist of accounts payable and accruals.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of financial instruments are not materially different from their carrying values largely due to the short-term maturities of these instruments.

15 CAPITAL COMMITMENTS AND CONTINGENCIES

a. The company has capital commitment for Rs.192,828,019 which is incidental to the ordinary course of business and this has been approved by the Board of Directors. The details are given below:

As at 31 March	**2020**
Approved and contracted for computers and laptops	192,828,019

b. There are no contingent assets and liabilities as at 31 March 2020.

16 EVENTS OCCURING AFTER REPORTING DATE

No cirecumstances have arisen since the reporting date which would require adjustments to or disclosure in the financial statements other than those disclosed below;

a. Impact of COVID 19

The recent outbreak of Covid-19 (Coronavirus) continues to impact the global economy and markets. At this time, the impact of the outbreak on our business has been limited as delivery of our group services is uninterrupted, and we have currently not witnessed significant changes in demand, whereas our group service delivery is intact and thus our liquidity remains healthy. However, going forward the Covid-19 outbreak may negatively impact amongst others our, workforce, operations, and market demand and liquidity. In this respect, the Company has brought Covid-19 under the purview of “Executive Crisis Management Team” to develop and implement contingency plans, and we are closely and continuously evaluating the developments. We will take all the necessary actions to keep our operations running and, most importantly, protect our employees, suppliers, customers and all other stakeholders.

Based on our current knowledge and available information, we do not expect Covid-19 to have an impact on our ability to continue as a going concern in the future and since the entity has not yet commenced its operations, COVID-19 does not have any significant impact.

b. On 29th April'2020, the company entered into a loan agreement to borrow up to SGD 6 million (or equivalent in Sri Lankan rupee) from HCL Singapore Pte' Ltd. at an interest rate of LIBOR+100BPS, for a period of 3 years.

c. On 13th July'2020, share certificate was issued and 3,602,000 shares of Rs.10 was alloted to its parent company HCL Technologies Limited.

17 DIRECTOR'S RESPONSIBILITY STATEMENT

The Board of Directors of the company is responsible for the preparation and presentation of the financial statements.