

**HCL TECHNOLOGIES LANKA (PRIVATE) LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31<sup>ST</sup> MARCH 2021**



KPMG  
(Chartered Accountants)  
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## **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, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year 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, 2021, and of its financial performance and its cash flows for the year 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.

#### **CHARTERED ACCOUNTANTS**

Colombo  
30<sup>th</sup> July 2021

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Ms. S. Joseph FCA  
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Ms. C.T.K.N. Perera ACA

**Principals** - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA  
Ms. P. M. K. Sumanasekara FCA, W.A.A. Weerasekara CFA, ACMA, MRICS

**HCL TECHNOLOGIES LANKA (PRIVATE) LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year/period ended 31 March,*

		<b>2021</b>	<b>2020</b>
	<b>Note</b>	<b>Rs.</b>	<b>(123 days)</b>
			<b>Rs.</b>
Revenue	6	<b>703,797,413</b>	-
Cost of revenue	7	<b>(346,197,025)</b>	-
<b>GROSS PROFIT</b>		<b>357,600,388</b>	-
Pre-incorporation expenses		-	(1,570,467)
General and administration expenses	7	<b>(240,690,577)</b>	(4,956,385)
<b>PROFIT/(LOSS) FROM OPERATION</b>		<b>116,909,811</b>	(6,526,852)
Net finance costs	8	<b>(103,550,805)</b>	(5,859)
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>13,359,006</b>	(6,532,711)
Income tax expense	9	-	-
<b>PROFIT/(LOSS) FOR THE YEAR/PERIOD</b>		<b>13,359,006</b>	(6,532,711)
Other Comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD</b>		<b>13,359,006</b>	(6,532,711)
<b>BASIC EARNINGS PER SHARE (RS.)</b>	10	<b>370.88</b>	-

The attached notes 1 to 25 form an integral part of these financial statements.  
*Figures in bracket indicate deductions.*

**HCL TECHNOLOGIES LANKA (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**

*As at 31 March,*

	Note	2021 Rs.	2020 Rs.
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	580,408,308	-
Capital work-in-progress	12	29,593,610	-
Intangible assets	13	1,099,752	-
Rental deposits	14	35,597,041	10,646,703
Accounts, prepayments and other receivables	15	23,693,572	-
<b>Total Non-current assets</b>		<b>670,392,283</b>	<b>10,646,703</b>
<b>Current assets</b>			
Due from related parties	16	654,373,006	-
Rental deposits	13	-	652,950
Accounts, prepayments and other receivables	15	96,508,150	950,543
Cash at bank	17	98,389,691	20,665,644
<b>Total current assets</b>		<b>849,270,847</b>	<b>22,269,137</b>
<b>TOTAL ASSETS</b>		<b>1,519,663,130</b>	<b>32,915,840</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	18	36,020,000	-
Share application pending allotment	18	-	36,020,000
Accumulated profit/(losses)		6,826,295	(6,532,711)
<b>Total equity</b>		<b>42,846,295</b>	<b>29,487,289</b>
<b>Current liabilities</b>			
Accounts and other payables	19	228,829,742	1,858,084
Due to related parties	20	1,247,987,093	1,570,467
<b>Total current liability</b>		<b>1,476,816,835</b>	<b>3,428,551</b>
<b>Total liabilities</b>		<b>1,476,816,835</b>	<b>3,428,551</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,519,663,130</b>	<b>32,915,840</b>

The attached notes 1 to 25 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  
KUMAR WALIA  
WALIA

Digitally signed by RAJ  
KUMAR WALIA  
Date: 2021.07.30  
13:27:04 +05'30'

Raj Kumar Walia  
(Finance manager)

SUNDARAM  
SRIDHARAN

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Sundaram Sridharan  
(Director)

SHIV KUMAR  
WALIA

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Shiv Kumar Walia  
(Director)

Date: 30 July 2021  
Colombo

**HCL TECHNOLOGIES LANKA (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**

*For the year/period ended 31 March,*

	Share capital Rs.	Share application pending allotment Rs.	Accumulated profit/(losses) Rs.	Total Rs.
<b>Balance as at 1 April 2019</b>	-	-	-	-
<b>Comprehensive income for the period</b>				
Loss for the period	-	-	(6,532,711)	(6,532,711)
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive loss for the period</b>	<u>-</u>	<u>-</u>	<u>(6,532,711)</u>	<u>(6,532,711)</u>
<b>Transactions with owners of the company</b>				
Share application money received	-	36,020,000	-	36,020,000
<b>Balance as at 31 March 2020</b>	<u>-</u>	<u>36,020,000</u>	<u>(6,532,711)</u>	<u>29,487,289</u>
<b>Balance as at 1 April 2020</b>	-	36,020,000	(6,532,711)	29,487,289
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	13,359,006	13,359,006
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>-</u>	<u>13,359,006</u>	<u>13,359,006</u>
<b>Transactions with owners of the company</b>				
Issue of share capital	36,020,000	(36,020,000)	-	-
<b>Balance as at 31 March 2021</b>	<u>36,020,000</u>	<u>-</u>	<u>6,826,295</u>	<u>42,846,295</u>

The attached notes 1 to 25 form an integral part of these financial statements.

*Figures in bracket indicate deductions.*

**HCL TECHNOLOGIES LANKA (PRIVATE) LIMITED**  
**STATEMENT OF CASH FLOWS**

*For the year/period ended 31 March,*

		2021	2020
	Note	Rs.	Rs.
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit/(Loss) from operations		13,359,006	(6,532,711)
<i>Adjustments:</i>			
Depreciation on property, plant and equipment	11	74,493,259	-
Amortization of intangible assets	13	244,253	-
Unrealised forex on loan from related party	21	94,797,387	-
Interest on loan from related party	8	8,309,762	-
<i>Changes in working capital:</i>			
Increase in rental deposits		(24,297,388)	(11,299,653)
Increase in accounts, prepayments and other receivables		(119,251,179)	(950,543)
Increase in accounts and other payables		226,141,001	1,858,084
Increase in amount due from related parties		(654,373,006)	-
Increase in amount due to related parties		28,714,134	1,570,467
Net cash used in operating activities		(351,862,771)	(15,354,358)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment/Capital work in progress	11	(684,495,177)	-
Purchase of intangible assets	13	(1,344,005)	-
Net cash used in investing activities		(685,839,182)	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Share application money received	18	-	36,020,000
Proceeds from short term borrowings from related party	20	1,115,426,000	-
Net cash generated from financing activities		1,115,426,000	36,020,000
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		77,724,047	20,665,644
<b>Bank balances at beginning of the year/period</b>		20,665,644	-
<b>CASH AND CASH EQUIVALENTS AS AT 31 MARCH</b>	17	98,389,691	20,665,644

The attached notes 1 to 25 form an integral part of these financial statements.

Figures in bracket indicate deductions.

# **HCL TECHNOLOGIES LANKA (PRIVATE) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

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### **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 Floor 1 & 2, Building “ALNITAK”, No. 752, Dr. Danister De Silva Mawatha, Colombo 09.

The Company was incorporated on 29<sup>th</sup> November 2019 and has started its commercial operations on 29<sup>th</sup> October 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 primarily for the export market.

#### **1.3 Number of Employees**

The number of employees of the Company as at 31<sup>st</sup> March 2021 is 412 (2020: Nil).

#### **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 Companies Act No. 07 of 2007 and Sri Lanka accounting standards. The financial statements for the year ended 31<sup>st</sup> March 2021 were authorized for issue by the Board of Directors on 30 July 2021.

### **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 Companies Act No. 07 of 2007 together with the notes, (the “Financial Statements”) of the Company as at 31<sup>st</sup> March 2021 and for the year 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.

All assets and liabilities have been classified as current and non-current as per the Company’s normal operating cycle of 12 months.

#### **2.3 Functional and Presentation Currency**

The financial statements of the Company are presented in Sri Lankan Rupees (LKR) shown as Rs., 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 3.6.2)
- Capital Commitments & Contingencies (Note 3.9)
- Current Taxation (Note 3.7.3.a)
- Deferred Taxation (Note 3.7.3.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 Going concern**

The management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements of the Company continue to be prepared on a going concern basis.

In light of ongoing COVID-19 pandemic situation, the Company has assessed its going concern and a detailed disclosure of its assessment are provided in the financial statement. In preparing the financial statements for the year ended 31st March 2021, the management has assessed the possible effects of COVID-19 on the businesses of the Company to determine their ability to continue as a going concern. Based on currently available information, the management is satisfied that having taken into consideration factors that could impact the revenue, supply chain, cash flows, accessibility to funds & costs, the Company would continue as a going concern.



### **3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES**

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

#### **3.1 Financial Instruments**

##### **3.1.1 Non-derivative financial assets**

###### **Initial Recognition and Measurement**

Financial Assets are recognized when and only when the Company becomes a party to the contractual provisions of the financial instruments. The Company determines the classification of its financial assets at initial recognition. When financial assets are recognized they are measured at fair value plus directly attributable transaction costs, however in the case of financial assets classified at fair value through profit and loss, directly attributable transaction costs are not considered.

###### **Subsequent Measurement**

The non-derivative financial assets can be classified into the following categories: financial assets at fair value through profit or loss, held to maturity financial assets, loans and receivable and available for sale financial assets and the subsequent measurement of non-derivative financial assets depends on their classification. The Company's financial assets are limited to loans and receivables and subsequent measurement is as follows;

###### **Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payment that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise of trade & other receivables, related party receivables, and cash and cash equivalents.

###### **Cash & Cash Equivalents**

Cash & cash equivalents are defined as cash in hand and demand deposits. For the purpose of cash flow statement, cash and cash equivalent comprise of cash in hand and deposits at banks net of outstanding bank overdrafts.

###### **De-recognition**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

###### **Impairment**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

### **3.1.2 Non-derivative financial liabilities**

#### **Initial recognition and measurement**

Financial liabilities are recognized when and only when the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are recognized initially at fair value plus in case of financial liabilities which can be classified in to two categories as financial liabilities at fair value through profit and loss and other financial liabilities. Company has classified its financial liabilities in to the other financial liability category.

#### **Subsequent measurement**

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Such financial liabilities measured at amortized cost include trade and other payables and related party payables.

#### **De-Recognition**

A financial liability is derecognized when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Statement of Profit or Loss.

### **3.1.3 Offsetting of financial instruments**

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**

#### **3.3.1 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

## **HCL TECHNOLOGIES LANKA (PRIVATE) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

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determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **3.4 Leases**

##### **Company as a lessee**

A lease is a contract that contains right to control the use of an identified asset for a period of time in exchange for consideration.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit and loss.

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.

##### **Company as a lessor**

Leases in which the Company transfers substantially all the risk and benefits of ownership of the asset are classified as finance leases. Assets given under finance lease are recognized as a receivable at an amount equal to the present value of lease receivable. After initial recognition, the Company apportions lease rentals between the principal repayment and interest income so as to achieve a constant periodic rate of return on the net investment outstanding in respect of the finance leases. The interest income is recognized in the statement of profit and loss. Initial direct costs such as legal cost, brokerage cost etc. are recognized immediately in the statement of profit and loss.

#### **3.5 Liabilities and Provisions**

##### **3.5.1 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.

##### **3.5.2 Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

### **3.6 Employee Benefits**

#### **Defined contribution plans**

A defined contribution plan is a post-employment plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statement of profit or loss in the periods during which services are rendered by employees.

#### **Employees' provident fund**

The Company and Employees' contribute 12% and 8% respectively on the salary of each employee respectively. Said provident fund is being managed by the Central Bank of Sri Lanka.

#### **Employees' trust fund**

The company contributes 3% of the salary of each employee to the Employees' Trust Fund contributions to defined contribution plans are recognized as an expense in the statement of profit or loss as incurred.

#### **Defined benefit plans**

##### **Retiring gratuity**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. As required by Sri Lanka Accounting Standard 19 - Employee Benefits, the Company has provided for gratuity liability based on the internally developed formula.

However, according to the payment of Gratuity Act, No. 12 of 1983, the liability to an employer arises only on completion of five years of continued service.

The liability is not externally funded nor actuarially valued.

### **3.7 Statement of profit or loss and other comprehensive income**

#### **3.7.1 Revenue Recognition**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowance, trade discounts.

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Interest income is recognized on an accrual basis.

Profit or loss of a revenue nature on the disposal of property, plant and equipment and other non-current assets have been accounted for in the Statement of Profit or Loss having deducted from the proceeds on disposal, the carrying amount of the asset and the related selling expenses.

All other income is recognized on accrual basis.

### **3.7.2 Expenditure**

#### **a) Operating Expenses**

All expenditure incurred in the running of the business have 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 it 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 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.

### **3.9 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 Company are not recorded in the statement of financial position but are disclosed wherever necessary.

## **HCL TECHNOLOGIES LANKA (PRIVATE) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **3.10 Value-added Tax (VAT)**

Expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/or
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

#### **3.11 Property, plant and equipment**

Equipment is initially stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives of assets as follows:

Computer and laptop	4-5 years
Furniture and fixtures	5-7 years
Office equipment	5-10 years

Expenditure incurred to replace a component of an item of equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of equipment. All other expenditure is recognised in the statement of profit or loss and other comprehensive income as the expense is incurred.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### **3.12 Intangible assets**

The assets' residual values, useful lives and methods of amortization are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is measured at their fair value at the date of acquisition. Subsequently, following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income and when the asset is derecognised.

The intangible assets are amortized over the estimated useful life of the assets as mentioned:

Software application	over 3 years
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## **HCL TECHNOLOGIES LANKA (PRIVATE) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **3.13 Foreign currency translation**

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

#### **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 revised 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.

**HCL TECHNOLOGIES LANKA (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

*For the year/period ended 31 March,*

**6 REVENUE**

Set out below is the disaggregation of the Company's revenue from contracts with customers;

	<b>2021</b>	<b>2020</b>
	<b>Rs.</b>	<b>(123 days)</b>
		<b>Rs.</b>
<b>Revenue</b>		
Sale of Goods	26,823,285	-
Service income	676,974,128	-
	<u>703,797,413</u>	<u>-</u>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	26,823,285	-
Service provided over time	676,974,128	-
	<u>703,797,413</u>	<u>-</u>

**7 SUMMARY OF EXPENSES**

Expenses charged in statement of profit or loss under cost of revenue and general and administration expenses includes the following:

	<b>2021</b>	<b>2020</b>
	<b>Rs.</b>	<b>(123 days)</b>
		<b>Rs.</b>
Cost of goods sold	24,251,719	-
Employee cost:		
Cost of Revenue	123,120,827	-
Production overheads	55,635,418	-
Rent	76,758,665	2,548,812
Audit fees	1,371,254	1,245,020
Advertisement and related expenses	98,826,056	333,156
Repair and maintenance expenses	64,398,374	9,750
Communication expenses	20,225,242	-
Professional expenses	16,248,409	-
Staff recruitment	12,821,360	-
Rates and taxes	4,265,645	-
Depreciation:		
Property, plant and equipment	74,493,259	-
Amortisation on intangible assets	244,253	-
Other administrative expenses (note 7.1)	14,227,121	819,647
	<u>586,887,602</u>	<u>4,956,385</u>
<b>7.1 Other administrative expenses includes:</b>		
Set up charges	-	798,548
Utility expenses	9,624,758	21,099
Printing and stationery	868,364	-
Freight	3,038,233	-
Travel	695,766	-
	<u>14,227,121</u>	<u>819,647</u>



**HCL TECHNOLOGIES LANKA (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

*For the year/period ended 31 March,*

	2021	2020 (123 days)
	Rs.	Rs.
<b>8 NET FINANCE COSTS</b>		
<b>Finance income</b>	-	-
<b>Finance cost</b>		
Interest expense on security deposits	265,326	-
Interest on loan from related party	8,309,762	-
Foreign exchange differences, net	93,993,341	1,359
Bank charges	982,376	4,500
	<u>103,550,805</u>	<u>5,859</u>
<b>Net finance costs</b>	<u>103,550,805</u>	<u>5,859</u>

**9 TAXATION**

Current tax has been computed in accordance with the Inland Revenue Act No 24 of 2017 and amendments made in 2020. As per the Inland Revenue Amendment Bill gazetted dated 12th March'21, gains and profits from providing information technology and enabled services is exempted from 1 January 2020.

**10 BASIC EARNINGS PER SHARE**

The earnings/(loss) per share has been calculated by dividing the net profit/(loss) attributable to the ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

*For the year ended 31 March,*

	2021	2020
Profit /loss attributable to ordinary shareholders (Rs.)	13,359,006	(6,532,711)
Weighted average number of ordinary shares	36,020	-
Basic earnings per ordinary share (Rs.)	<u>370.88</u>	<u>-</u>

**HCL TECHNOLOGIES LANKA (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

*As at 31 March,*

**11 PROPERTY, PLANT AND EQUIPMENT**

	Plant, machinery and equipment	Furniture and fixture	Computers	Total  2021  Rs.	Total  2020 (123 days) Rs.
<b>Cost:</b>					
As at 1 April 2020	-	-	-	-	-
Additions	128,489,256	135,699,941	390,712,370	<b>654,901,567</b>	-
As at 31 March 2021	<u>128,489,256</u>	<u>135,699,941</u>	<u>390,712,370</u>	<u><b>654,901,567</b></u>	-
<b>Accumulated depreciation:</b>					
As at 1 April 2020	-	-	-	-	-
Charge for the Year	7,875,118	6,744,334	59,873,807	<b>74,493,259</b>	-
As at 31 March 2021	<u>7,875,118</u>	<u>6,744,334</u>		<u><b>74,493,259</b></u>	-
<b>Net book value :</b>					
As at 31 March 2021	<u><u>120,614,138</u></u>	<u><u>128,955,607</u></u>	<u><u>390,712,370</u></u>	<u><u><b>580,408,308</b></u></u>	-

**12 CAPITAL WORK - IN - PROGRESS**

Capital Work - In- Progress	<u><u><b>29,593,610</b></u></u>	<u><u>-</u></u>
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**12.1** Capital - Work - In - Progress as at 31st March 2020 consists of leasehold equipments and furniture and fixtures for building Alnitak which are pending installation and fixing and accordingly not available for use as at the reporting date.

<b>13 INTANGIBLE ASSETS</b>	Software application	Total  2021  Rs.	Total  2020 (123 days) Rs.
<b>Cost:</b>			
As at 1 April 2020	-	-	-
Additions	<b>1,344,005</b>	<b>1,344,005</b>	-
Disposal	-	-	-
As at 31 March 2021	<u><b>1,344,005</b></u>	<u><b>1,344,005</b></u>	-
<b>Amortization:</b>			
As at 1 April 2020	-	-	-
Additions	<b>244,253</b>	<b>244,253</b>	-
Disposal	-	-	-
As at 31 March 2021	<u><b>244,253</b></u>	<u><b>244,253</b></u>	-
<b>Net book Value</b>			
As At 31 March 2021	<u><u><b>1,099,752</b></u></u>	<u><u><b>1,099,752</b></u></u>	-

**HCL TECHNOLOGIES LANKA (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

<i>At 31 March,</i>	<b>2021</b>	<b>2020</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>14 RENTAL DEPOSITS</b>		
<b>Current assets</b>		
Rental deposits	-	652,950
	<u>-</u>	<u>652,950</u>
<b>Non current assets</b>		
Rental deposits	35,597,041	10,646,703
	<u>35,597,041</u>	<u>10,646,703</u>
<b>15 ACCOUNTS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
<b>Current assets</b>		
Trade receivables	18,167,216	-
Finance lease receivables (Note 15.1)	6,909,958	-
Employee advances	21,481,593	-
Advances to suppliers	14,744,448	744,950
Prepaid expense	29,157,202	-
VAT receivable	6,047,733	205,593
	<u>96,508,150</u>	<u>950,543</u>
<b>Non current assets</b>		
Finance lease receivables (Note 15.1)	6,212,479	-
Prepaid expense	17,481,093	-
	<u>23,693,572</u>	<u>-</u>
<b>15.1 FINANCE LEASE RECEIVABLES</b>		
As at 01 April	-	-
Granted during the year	26,972,796	-
Repayments during the year	(13,242,095)	-
As at 31 March	13,730,701	-
Finance charges unamortized	(608,264)	-
Net finance lease receivables	<u>13,122,437</u>	<u>-</u>
Installments falling due within 1 year	6,909,958	-
Installments falling due after 1 year	6,212,479	-
	<u>13,122,437</u>	<u>-</u>

**15.2** The Company leases various IT equipments to its customers under finance lease agreements.

**HCL TECHNOLOGIES LANKA (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

<i>At 31 March,</i>	<b>2021</b> <b>Rs.</b>	<b>2020</b> <b>Rs.</b>
<b>16 DUE FROM RELATED PARTIES</b>		
<b>Parent company</b>		
HCL Technologies Limited	148,041,366	-
<b>Fellow subsidiaries</b>		
HCL (Ireland) Information Systems Limited	58,146,791	-
HCL (New Zealand) Limited	21,708,335	-
HCL America Inc.	58,686,673	-
HCL Australia Services Pty. Limited	2,741,569	-
HCL Axon Solutions (Shanghai) Co. Limited.	120,493	-
HCL Hong Kong SAR Limited	8,597,748	-
HCL Istanbul Bilisim Teknolojileri Limited Sirketi	426,799	-
HCL Poland sp. z o.o	5,630,881	-
HCL Saudi Arabia LLC	298,474	-
HCL Technologies (PTY) Ltd. (FY HCL Axon (Proprietary) Ltd)	583,634	-
HCL Technologies Austria GmbH	2,343,377	-
HCL Technologies B.V.	20,193,073	-
HCL Technologies Belgium BVBA	8,944,801	-
HCL Technologies Corporate Services Limited	101,525,324	-
HCL Technologies Denmark Aps	1,139,614	-
HCL Technologies Germany GmbH	65,896,833	-
HCL Technologies Limited- UAE Branch	4,006,159	-
HCL Technologies Sweden AB	91,518,281	-
HCL Technologies UK Limited.	53,822,781	-
	<b>654,373,006</b>	<b>-</b>
<b>17 CASH AT BANK</b>		
Cash at bank	98,389,691	20,665,644
	<b>98,389,691</b>	<b>20,665,644</b>
<b>18 SHARE CAPITAL/SHARE APPLICATION MONEY PENDING ALLOTMENT</b>		
	<i>Share</i> <i>%</i>	
HCL Technologies Limited	100%	36,020,000
	100%	36,020,000
	<b>36,020,000</b>	<b>36,020,000</b>
<b>18.1</b> The Company had received share application money which was pending for allotment as at 31 March 2020. On 13th July 2020, 3,602,000 shares have been issued and allotted to HCL Technologies Limited at Rs.10 per each.		
<b>19 ACCOUNTS AND OTHER PAYABLES</b>		
Trade payables	82,297,045	92,000
Accrued expenses	72,510,200	1,766,084
Employee payables	13,111,162	-
Taxes payable	15,669,957	-
Other payables	45,241,378	-
	<b>228,829,742</b>	<b>1,858,084</b>

**HCL TECHNOLOGIES LANKA (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

<i>At 31 March,</i>	<b>2021</b>	<b>2020</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>20 DUE TO RELATED PARTIES</b>		
Related party borrowings (Note 20.1)	<b>1,217,702,493</b>	-
Due to related parties - HCL Technologies Limited	<b>30,284,600</b>	1,570,467
	<b>1,247,987,093</b>	<b>1,570,467</b>
<b>20.1 RELATED PARTY BORROWINGS</b>		
As at 01 April	-	-
Obtained during the year	<b>1,115,426,000</b>	-
Interest during the year, net of WHT*	<b>7,479,106</b>	-
Repayments during the year	-	-
Exchange differences	<b>94,797,387</b>	-
As at 31 March	<b>1,217,702,493</b>	-

\* Amount of WHT deducted on Interest expenses amounts to Rs. 830,656 (2020: Nil).

**20.2 Terms and repayments of Short term borrowings**

The Company entered into unsecured short-term loan facility agreement with HCL Singapore Pte. Limited in amount of SGD 7,500,000 and USD 500,000. This loan intended for the Company working capital and will be payable on demand with interest of LIBOR rate + 100 bps per annum.

**HCL TECHNOLOGIES LANKA (PRIVATE) LIMITED  
NOTES TO THE FINANCIAL STATEMENTS**

*For the year/period ended 31 March,*

**21 RELATED PARTY TRANSACTIONS**

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in LKAS No 24 "Related Party Disclosures" . The details of which are reported below.

**21.1 Parent Company**

In the opinion of the directors, the ultimate parent company of HCL Technologies Lanka (Private) Limited is HCL Technologies Limited.

**21.2 Transactions with key management personnel**

According to LKAS 24 "Related Party Disclosures" , Key Management Personnel are those who have the authority and responsibility for planning and controlling the activities of the entity. Accordingly, the Directors of the Company have been classified as KMP of the Company. There were no transaction with the KMP during the year.

**21.3 Transactions with related parties**

Related Party	Relationship	Nature of Transactions	Volume of Transaction 2021 Rs.	Volume of Transaction 2020 Rs.
HCL Technologies Limited	Parent Company	Pre-incorporation expenses	-	1,570,467
		Rendering of services	147,553,887	-
HCL (Ireland) Information Systems Limited	Fellow subsidiaries	Rendering of services	61,125,477	-
HCL (New Zealand) Limited	Fellow subsidiaries	Rendering of services	31,828,900	-
HCL America Inc.	Fellow subsidiaries	Rendering of services	59,246,008	-
HCL Australia Services Pty. Limited	Fellow subsidiaries	Rendering of services	3,327,042	-
HCL Axon Solutions (Shanghai) Co. Limited.	Fellow subsidiaries	Rendering of services	112,479	-
HCL Hong Kong SAR Limited	Fellow subsidiaries	Rendering of services	8,580,406	-
HCL Istanbul Bilisim Teknolojileri Limited Sirketi	Fellow subsidiaries	Rendering of services	482,105	-
HCL Poland sp. z o.o	Fellow subsidiaries	Rendering of services	5,835,229	-
HCL Saudi Arabia LLC	Fellow subsidiaries	Rendering of services	298,474	-
HCL Technologies (PTY) Ltd. (Fy HCL Axon (Proprietary) Ltd)	Fellow subsidiaries	Rendering of services	581,522	-
HCL Technologies Austria GmbH	Fellow subsidiaries	Rendering of services	2,343,377	-
HCL Technologies B.V.	Fellow subsidiaries	Rendering of services	20,194,979	-
HCL Technologies Belgium BVBA	Fellow subsidiaries	Rendering of services	9,450,511	-
HCL Technologies Corporate Services Limited	Fellow subsidiaries	Rendering of services	102,957,073	-
HCL Technologies Denmark Aps	Fellow subsidiaries	Rendering of services	1,139,614	-
HCL Technologies Germany GmbH	Fellow subsidiaries	Rendering of services	67,264,255	-
HCL Technologies Limited- UAE Branch	Fellow subsidiaries	Rendering of services	4,006,159	-
HCL Technologies Sweden AB	Fellow subsidiaries	Rendering of services	91,580,256	-
HCL Technologies UK Limited.	Fellow subsidiaries	Rendering of services	54,334,679	-
HCL Singapore Pte. Limited	Fellow subsidiaries	Short term borrowings	1,210,223,387	-
		Interest on short term borrowings	8,309,762	-

**HCL TECHNOLOGIES LANKA (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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*For the year/period ended 31 March,*

**22 CAPITAL COMMITMENTS AND CONTINGENCIES**

a. The company has capital commitment for Rs.40,574,977 (2020: 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:

<b>As at 31 March</b>	<b>2021</b>	<b>2020</b>
Approved and contracted for computers and laptops	<b>40,574,977</b>	192,828,019

b. There are no contingent assets and liabilities as at 31 March 2021.

**23 COVID-19**

In light of ongoing COVID-19 pandemic situation, the Company have assessed its going concern and a detailed disclosure of its assessment is provided below

The outbreak of COVID-19 has caused disruption to business and economic activities, and uncertainty to the global and local economy. Therefore, in the assessment of the existence of a material uncertainty to the Company, the management took into consideration the existing and anticipated effects of the Pandemic on the Company's activities based on all available information about the future that was obtained after the reporting date, up until the date on which the financial statements are issued. Subsequent to the outbreak of COVID-19 in Sri Lanka, the Company has adhered to the guidelines and directions issued by Government.

In making this assessment, the Management has considered the potential downsides that the COVID-19 pandemic could bring to the business operation of the Company. However, considering a wide range of factors including history of profitable operation, current liquidity position and stable external funding sources, diversified business portfolio, the management is satisfied itself that the going concern basis is appropriate and currently believes that the Company has adequate liquidity and business plans to continue to operate the business and mitigate the risks as consequence of the lockdown for the next 12 months from the date of this report.

The Management, having carried out the required assessment of its ability to continue as a going concern and satisfying that it has the resources to continue in business for the foreseeable future, and not being aware of any uncertainties that may cast a significant doubt upon the Company's ability to continue as a going concern, prepared the Financial Statements of the Company on a going concern basis.

**24 EVENTS OCCURRING AFTER REPORTING DATE**

No circumstances have arisen since the reporting date which would require adjustments to or disclosure in the financial statements.

**25 DIRECTOR'S RESPONSIBILITY STATEMENT**

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