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HCL ITALY S.R.L.

Financial Statements

For the year ended 31st March 2018 and 2017

Golf View Corporate Tower - B
Sector - 42, Sector Road
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INDEPENDENT AUDITOR'S REPORT

To the Members of HCL Italy S.R.L.

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of HCL Italy S.R.L. ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, including the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act., read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit. We have taken into account the accounting and auditing standards We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal financial controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Ind AS financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, its profit, its cash flows and the changes in equity for the year ended on that date.

S.R. BATLIBOI & CO. LLP
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Other matters

This report covering the financial statements of the Company for the year ended March 31, 2018 is intended for the information and use of the board of directors of the Company and HCL Technologies Limited, the ultimate holding company to comply with the financial reporting requirement in India. These financial statements have been prepared in all material respects in accordance with the basis of preparation as set out in Note 1 (a) to the financial statements of the company, which describes the basis of accounting and the related audit covered by the report was carried out following the generally accepted auditing principles in India. Use of these financial statements or the related audit report for any other purpose will be subject to the above explanation.

For **S.R. Batliboi & CO. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

Nilangshu Katriar

per Nilangshu Katriar
Partner
Membership Number: 58814

S.R. BATLIBOI & CO. LLP * GURUGRAM *

Place: Gurugram
Date: 12 July 2018

HCL ITALY S.R.L.

Balance Sheet as at 31 March 2018

(All amounts in thousands, except share data and as stated otherwise)

	Note No.	As at 31 March 2018 (EUR)	As at 31 March 2017 (EUR)	As at 31 March 2018 (₹) Refer note 1(a)
I. ASSETS				
(1) Non-current assets				
(a) Property, plant and equipment	2.1	172	96	13,906
(b) Capital work in progress		0	-	39
(c) Financial assets				
(i) Others	2.2	14	20	1,125
(d) Deferred tax assets (net)	2.20	102	-	8,242
(e) Other non-current assets	2.3	3	5	219
(2) Current assets				
(a) Inventories	2.4	49	120	3,936
(b) Financial assets				
(i) Trade receivables	2.5	865	913	69,893
(ii) Cash and cash equivalents	2.6	1,678	2,109	135,562
(iii) Others	2.2	82	175	6,658
(c) Other current assets	2.7	174	146	14,051
TOTAL ASSETS		**3,139**	**3,584**	**253,631**
II. EQUITY				
(a) Share Capital	2.8	10	10	824
(b) Other Equity		2,501	2,169	202,080
TOTAL EQUITY		2,511	2,179	202,904
III. LIABILITIES				
(1) Current liabilities				
(a) Financial liabilities				
(i) Borrowings	2.9	150	150	12,121
(ii) Trade payables	2.10	409	944	33,048
(iii) Others	2.11	39	107	3,152
(b) Other current liabilities	2.12	16	175	1,257
(c) Provisions	2.13	-	12	-
(d) Current tax liabilities (net)		14	17	1,149
TOTAL EQUITY AND LIABILITIES		**3,139**	**3,584**	**253,631**
Summary of significant accounting policies	1			

The accompanying notes are an integral part of the financial statements

As per our report of even date

FOR S. R. BATLIBOI & CO. LLP
ICAI Firm Registration Number : 301003E/E300005
Chartered Accountants

per Nilangshu Katriar
Partner
Membership Number: 58814

Gurugram, India
Date: 12 July 2018

S.R. BATLIBOI & CO. LLP GURUGRAM

For and on behalf of the Board of Directors of HCL Italy S.R.L.

Raghu Raman Lakshmanan
Director

Shiv Walia
Director

Date: 12 July 2018

HCL ITALY S.R.L.
Statement of Profit and Loss for the year ended 31 March 2018
(All amounts in thousands, except share data and as stated otherwise)

		Note No.	Year ended 31 March 2018 (EUR)	Year ended 31 March 2017 (EUR)	Year ended 31 March 2018 (₹) Refer note 1(a)
I	**Revenue**				
	Revenue from operations	2.14	2,171	3,039	175,434
	Other income	2.15	15	32	1,196
	Total income		2,186	3,071	176,630
II	**Expenses**				
	Purchase of stock in trade		44	131	3,553
	Changes in inventories of stock in trade	2.16	71	(104)	5,743
	Employee benefits expense	2.17	-	117	-
	Finance costs	2.18	8	13	616
	Outsourcing costs		1,710	2,567	138,166
	Depreciation and amortization expense	2.1	50	11	4,056
	Other expenses	2.19	76	215	6,131
	Total expenses		1,960	2,950	158,265
III	**Profit before tax**		227	121	18,365
IV	**Tax expense**	2.20			
	Current tax		(3)	17	(255)
	Deferred tax charge (credit)		(102)	-	(8,242)
	Total tax expense		(105)	17	(8,497)
V	**Profit for the year**		332	104	26,862
VI	**Other comprehensive income**				
	Items that will not be reclassified to profit or loss		-	-	-
	Items that will be reclassified subsequently to profit or loss		-	-	-
			-	-	-
VII	**Total Comprehensive Income for the year**		332	104	26,862
	Earnings per quota of no par value	2.21			
	Basic		32.59	10.18	2,633.54
	Diluted		32.59	10.18	2,633.54
	Summary of significant accounting policies	1			

The accompanying notes are an integral part of the financial statements

As per our report of even date

FOR S. R. BATLIBOI & CO. LLP
ICAI Firm Registration Number: 301003E/E300005
Chartered Accountants

per Nilangshu Katriar
Partner

Membership Number: 58814

Gurugram, India
Date: 12 July 2018

S.R. BATLIBOI & CO. LLP GURUGRAM

For and on behalf of the Board of Directors of HCL Italy S.R.L.

Raghu Raman Lakshmanan
Director

Shiv Walia
Director

Date: 12 July 2018

HCL ITALY S.R.L.
Statement of cash flows
(All amounts in thousands, except share data and as stated otherwise)

	Year ended 31 March 2018 (EUR)	Year ended 31 March 2017 (EUR)	Year ended 31 March 2018 (₹) Refer note 1(a)
A. Cash flows from operating activities			
Profit before tax	227	121	18,365
Adjustment for:			
Depreciation and amortization	50	11	4,056
Interest income	-	(30)	-
Interest expenses	6	12	448
Provision for doubtful debts / bad debts written off	2	-	136
Provision written back	-	(2)	-
Operating profit before working capital changes	**284**	**112**	**23,005**
Movement in Working Capital			
(Increase)/decrease in trade receivables	47	52	3,824
(Increase)/decrease in inventories	71	(104)	5,707
(Increase)/decrease in other financial assets and other assets	73	27	5,883
Increase/ (decrease) in trade payables	(535)	(312)	(43,267)
Increase/ (decrease) in provisions, other financial liabilities and other liabilities	(228)	(123)	(18,477)
Cash generated (used in) / from operations	**(288)**	**(348)**	**(23,325)**
Direct taxes paid (net of refunds)	0	(2)	0
Net cash flow (used in) / from operating activities (A)	**(288)**	**(346)**	**(23,325)**
B. Cash flows from investing activities			
Purchase of property,plant and equipment, including capital work in progress	(126)	(106)	(10,181)
Proceeds from maturity of loan given to related party	-	3,050	-
Net cash flow from/ (used in) investing activities (B)	**(126)**	**2,944**	**(10,181)**
C. Cash flows from financing activities			
Reepayment of short term borrowings	-	(950)	-
Interest paid	(17)	(0)	(1,341)
Net cash flow (used in) / from financing activities (C)	**(17)**	**(950)**	**(1,341)**
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(431)	1,648	(34,847)
Cash and cash equivalents at the beginning of the year	2,109	461	170,409
Cash and cash equivalents at the end of the year as per note 2.6	**1,678**	**2,109**	**135,562**
Summary of significant accounting policies (Note 1)			

As per our report of even date.

FOR S. R. BATLIBOI & CO. LLP
ICAI Firm Registration Number : 301003E/E300005
Chartered Accountants

per Nilangshu Katriar
Partner
Membership Number: 58814

S.R. BATLIBOI & CO. LLP GURUGRAM

Gurugram, India
Date: 12 July 2018

For and on behalf of the Board of Directors of HCL Italy S.R.L.

Raghu Raman Lakshmanan
Director

Shiv Walia
Director

Date: 12 July 2018

HCL ITALY S.R.L.

Statement of Changes in Equity for the year ended 31 March 2018

(All amounts in thousands, except share data and as stated otherwise)

(Amounts in EUR)

	Share capital		Other equity				TOTAL
			Reserves and Surplus				
	Quotas	Share capital	Retained earnings	Securities premium	Legal reserve	Capital reserve	
Balance as of April 1, 2016	10,200	10	(1,982)	47	0	4,000	2,065
Profit for the year	-	-	104	-	-	-	104
Other comprehensive income / (loss)	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	104	-	-	-	104
Balance as of March 31, 2017	10,200	10	(1,878)	47	0	4,000	2,169
Balance as of April 1, 2017	10,200	10	(1,878)	47	0	4,000	2,169
Profit for the year	-	-	332	-	-	-	332
Other comprehensive income / (loss)	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	-
Balance as of March 31, 2018	10,200	10	(1,546)	47	0	4,000	2,501
Balance as of March 31, 2018 (Amounts in ₹)	10,200	824	(124,972)	3,810	10	323,232	202,080

Summary of significant accounting policies (Note 1)

As per our report of even date.

FOR S. R. BATLIBOI & CO. LLP
ICAI Firm Registration Number : 301003E/E300005
Chartered Accountants

per Nilangshu Katriar
Partner
Membership Number: 58814

S.R. BATLIBOI & CO. LLP GURUGRAM

Gurugram, India
Date: 12 July 2018

For and on behalf of the Board of Directors
of HCL Italy S.R.L.

Raghu Raman Lakshmanan
Director

Shiv Walia
Director

Date: 12 July 2018

ORGANIZATION AND NATURE OF OPERATIONS

HCL Italy S.R.L. (hereinafter referred to as the 'Company') is primarily engaged in providing a range of software services and infrastructure services. The Company was incorporated in Italy in June 1998, having its registered office at Vimodrone (MI) via Luigi Cadorna n. 73, Milan 20090, Italy.

The financial statements for the year ended 31st March, 2018 were approved and authorized for issue by the Board of Directors on 12 July, 2018.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).

These financial statements have been prepared under the historical cost convention on an accrual and going concern basis except for certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments).

As the company is not domiciled in India and hence not registered under Companies Act 2013, these financial statements have not been prepared to fully comply with the Companies Act 2013, and so they do not reflect all the disclosures requirements of the Act.

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year.

The functional currency of the Company is Euro (EUR). The translation from EUR to ₹ is unaudited and is included solely for the convenience of readers in India and has been performed using rate of EUR 1 = ₹ 80.8081, the exchange rate prevailing as at the last day of the financial year. Such translation should not be construed as representation that the ₹ amount represents, or have been or could be converted into, EUR at that or any other rate.

(b) Use of estimates

The preparation of financial statements in conformity with Ind AS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and other comprehensive income (OCI) that are reported and disclosed in the financial statements and accompanying notes. These estimates are based on the management's best knowledge of current events, historical experience, actions that the Company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Significant estimates and assumptions are used for, but not limited to, accounting for costs expected to be incurred to complete performance under fixed price projects, allowance for uncollectible accounts receivables, income taxes, future obligations under employee benefit plans, the useful lives of property, plant and equipment,. Changes in estimates are reflected in the financial statements in the year in which the changes are made. Actual results could differ from those estimates.

(c) Foreign currency and translation

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

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transaction. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined.

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

(d) Fair value measurement

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

In accordance with Ind AS 113, assets and liabilities are to be measured based on the following valuation techniques:

a) Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

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

c) Cost approach – Replacement cost method.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant who would use the asset in its highest and best use.

(e) Revenue recognition

Contracts involving provision of services

Revenue is recognized when persuasive evidence of an arrangement exists, services have been rendered, the fee is determinable and collectability is reasonably assured. Contracts can be primarily categorized as time-and-material or fixed price contracts.

Time-and-material contracts

Revenue with respect to time-and-material contracts is recognized as the related services are performed.

Fixed Price contracts

Revenue related to contracts providing maintenance and support services, is recognized over the term of the contract.

Revenue from technology integration and complex network building contracts is recognized in accordance with the Percentage-Of-Completion (POC) method. Under the POC method, progress towards completion is measured based on either achievement of specified contract milestones, cost incurred as a proportion of estimated total cost or other measures of progress when available. If circumstances arise that change the original estimates of revenues, costs, or extent of progress towards completion, revisions are made to the estimates. These revisions may result in increase or decrease in estimated revenues or costs, and such revisions are reflected in income in the year in which the circumstances that gave rise to the revision become known to the management. If at any time these estimates indicate that the contract will be unprofitable, the entire estimated loss for the remainder of the contract is recorded immediately.

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Revenue related to other fixed price contracts is recognized in accordance with the Percentage of Completion method (POC). The cost incurred on the projects is used to measure progress towards completion. Costs are recorded as incurred over the contract period. Any revision in cost to complete would result in increase or decrease in revenue and income and such changes are recorded in the year in which they are identified. Provisions for estimated losses, if any, on contracts-in-progress are recorded in the period in which such losses become probable based on the current cost estimates. Contract losses are determined to be the amount by which the estimated total cost to complete exceeds the estimated total revenue that will be generated by the contract and are included in Cost of services and classified in other accrued liabilities.

In arrangements involving sharing of customer revenues, revenue is recognized when the amounts are known and the right to receive is established. Incremental revenue from existing contracts arising on future sales to the customers is recognized when it is earned and collectability is reasonably assured.

Revenues from unit-priced contracts are recognized as transactions are processed, based on objective measures of output.

Revenue from product sales are shown net of sales tax and applicable discounts and allowances. Revenue related to product with installation services that are critical to the product is recognized when installation of product at customer site is completed and accepted by the customer. If the revenue for a delivered item is not recognized for non-receipt of acceptance from the customer, the cost of the delivered item is also deferred. Revenue from maintenance services is recognized ratably over the period of the contract.

Revenue is recognized net of discounts and allowances, value-added tax and service tax, and includes reimbursement of out-of-pocket expenses, with the corresponding out-of-pocket expenses included in cost of revenues.

Revenue from financing leases is recognized when risk of loss has been transferred to the client and there are no unfulfilled obligations that affect the final acceptance of the arrangement by the client. Revenue from operating leases is accounted on a straight-line basis as service revenue over the rental period. Interest attributable to financing leases included therein is recognized on an accrual basis using the effective interest method.

Interest income

Interest income for all financial instruments measured at amortized cost is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortized cost of a financial liability. When calculating the EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in other income in the statement of profit and loss.

(f) Income taxes

Income tax expense comprises current and deferred income tax.

Income tax expense is recognized in the statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Provision for income tax includes the impact of provisions established for uncertain income tax positions, as well as the related interest and penalties.

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Deferred income tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.
Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the year that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. The Company identifies and determines separate useful lives for each major component of the property, plant and equipment, if they have a useful life that is materially different from that of the asset as a whole.

All other expenses on existing property, plant and equipment, including day-to-day repairs, maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the year during which such expenses are incurred.

Gains or losses arising from derecognition of assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Property, plant and equipment under construction and cost of assets not ready for use at the year-end are disclosed as capital work- in- progress.

Depreciation on property, plant and equipment is provided on the straight-line method over their estimated useful lives, as determined by the management. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year.

The management's estimates of the useful lives of various assets for computing depreciation are as follows:

Asset description	Asset life (in years)
Plant and equipment	10
Computers	4-5

The useful lives as given above best represent the period over which the management expects to use these assets, based on technical assessment. The estimated useful lives for these assets are therefore different from the useful lives prescribed under Part C of Schedule II of the Companies Act 2013.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

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(h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

(i) Leases

Company as a lessee

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 does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which they are earned.

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 net investment in the leased assets. 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

(j) *Inventory*

Stock-in-trade are valued at the lower of the cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Cost of stock-in-trade procured for specific projects is assigned by identifying individual costs of each item. Cost of stock-in-trade, that are interchangeable and not specific to any project is determined using the weighted average cost formula.

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(k) Impairment of non-financial assets

Property, plant and equipment

Property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs. If such assets are considered to be impaired, the impairment to be recognized in the statement of profit and loss is measured by the amount by which the carrying value of the asset exceeds the estimated recoverable amount of the asset.

(l) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows.

(m) Retirement and other employee benefits

i. Compensated absences: The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. Accumulated leave, which is expected to be utilized within the next 12 months, is treated as a short-term employee benefit and accumulated leave expected to be carried forward beyond twelve months is treated as a long-term employee benefit for measurement purposes. The expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

ii. The Company's contribution to State Plans, a defined contribution plan administered on its behalf by the local authorities in respect of superannuation, a defined contribution plan for applicable employees and such contributions are charged to the statement of profit and loss for each year of service rendered by the employees. The Company has no further obligations to the superannuation plan beyond its contributions.

(n) Financial Instruments

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

i. Financial assets

All financial assets are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value measured on initial recognition of financial asset. Purchase and sale of financial assets are accounted for at trade date.

Cash and cash equivalent

Cash in the balance sheet comprise cash in banks, which is subject to an insignificant risk of changes in values.

Financial instruments at amortized cost

A financial instrument is measured at the amortized cost if both the following conditions are met:

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(a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
(b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in other income in the statement of profit and loss. The losses arising from impairment are recognized in the statement of profit and loss. This category includes cash and bank balances, loans, unbilled revenue, trade and other receivables.

Derecognition of financial assets

A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset.

Impairment of financial assets

The Company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit and loss. Lifetime ECL allowance is recognized for trade receivables with no significant financing component. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case they are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date is recognized in statement of profit and loss.

ii. Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade payables, borrowings including bank overdrafts and other payables.

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method except for deferred consideration recognized in a business combination which is subsequently measured at fair value through profit and loss. Gains and losses are recognized in the statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis to realize the assets and settle the liabilities simultaneously.

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(o) Earnings per quotas (EPQ)

Basic earnings per quota amounts are computed by dividing the net profit attributable to the quota holders of the parent company by the weighted average number of quotas outstanding during the year.

Diluted earnings per quota amounts are computed by dividing the net profit attributable to the quota holders of the parent company by the weighted average number of quotas considered for deriving basic earnings per quota and also the weighted average number of quotas that could have been issued upon conversion of all dilutive potential quotas. The diluted potential quotas are adjusted for the proceeds receivable had the quotas been actually issued at fair value (i.e. the average market value of the outstanding quotas). Dilutive potential quotas are deemed converted as at the beginning of the year, unless issued at a later date. Dilutive potential quotas are determined independently for each year presented.

(p) Recently issued accounting pronouncements

On 28 March 2018, the Ministry of Corporate Affairs (MCA), notified Companies (Indian Accounting Standards) (Amendments) Rules, 2018, amending the following standards:

Appendix B to Ind AS 21, 'Foreign Currency Transactions and Advance Consideration'

The amendment clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration.

The Appendix is effective for annual periods beginning on or after 1 April 2018. However, since the Company's current practice is in line with the Interpretation, the Company does not expect any effect on its financial statements.

Ind AS 115, Revenue from Contract with Customers

Ind AS 115 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Ind AS 115 will supersede the current revenue recognition standard Ind AS 18 Revenue, Ind AS 11 Construction Contracts. The effective date for adoption of Ind AS 115 is financial periods beginning on or after April 1, 2018.

The core principle of Ind AS 115 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under Ind AS 115, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.
The standard permits two possible methods of transition:

o Retrospective approach-Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

o Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach)

The company is currently evaluating the impact that the adoption of this new standard will have on its financial statements.

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Notes to financial statements for the year ended 31 March 2018
(All amounts in thousands, except share data and as stated otherwise)

2.1 Property, plant and equipment

The changes in the carrying value for the year ended 31 March 2018

	Computers	Plant and equipment	Total	Computers	Plant and equipment	Total
	(EUR)	(EUR)	(EUR)	(₹)	(₹)	(₹)
Gross block as at 1 April 2017	116	3	119	9,379	208	9,587
Additions	126	-	126	10,218	-	10,218
Deletions	(9)	(3)	(12)	(752)	(208)	(960)
Gross block as at 31 March 2018	233	-	233	18,845	-	18,845
Accumulated depreciation as at 1 April 2017	20	3	23	1,635	208	1,843
Charge for the year	50	-	50	4,056	-	4,056
Less: Depreciation on Sold Asset	(9)	(3)	(12)	(752)	(208)	(960)
Accumulated depreciation as at 31 March 2018	61	-	61	4,939	-	4,939
Net block as at 31 March 2018	172	-	172	13,906	-	13,906

The changes in the carrying value for the year ended 31 March 2017

	Computers	Plant and equipment	Total
	(EUR)	(EUR)	(EUR)
Gross block as at 1 April 2016	10	3	13
Additions	106	-	106
Gross block as at 31 March 2017	116	3	119
Accumulated depreciation as at 1 April 2016	9	3	12
Charge for the year	11	-	11
Accumulated depreciation as at 31 March 2017	20	3	23
Net block as at 31 March 2017	96	-	96
Net block as at 1 April 2016	1	-	1

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Notes to financial statements for the year ended 31 March 2018

(All amounts in thousands, except share data and as stated otherwise)

2.2 Other financial assets

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(EUR)	(EUR)	(₹)
Non - Current			
Carried at amortized cost			
Finance lease receivables (refer note 2.22)	14	20	1,125
	14	**20**	**1,125**
Current			
Interest receivable-related parties (refer note 2.25)	51	51	4,126
Finance lease receivables(refer note 2.22)	6	5	484
Security deposit	7	7	566
Unbilled revenue	-	95	-
Unbilled revenue-related parties (refer note 2.25)	18	17	1,482
	82	**175**	**6,658**

2.3 Other non- current assets

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(EUR)	(EUR)	(₹)
Unsecured considered good unless otherwise stated			
Others			
Prepaid expenses	3	5	219
	3	5	**219**

2.4 Inventories

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(EUR)	(EUR)	(₹)
Stock in trade	49	120	3,936
	49	**120**	**3,936**

2.5 Trade Receivable

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(EUR)	(EUR)	(₹)
Unsecured considered good	865	913	69,893
Unsecured considered doubtful	0	-	38
	865	**913**	**69,931**
Provision for doubtful receivables	(0)	-	(38)
	865	**913**	**69,893**

Note: Includes receivables from related parties amounting to EUR 712(31 March 2017, EUR 85, 31 March 2018 ₹57,527)

2.6 Cash and cash equivalent

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(EUR)	(EUR)	(₹)
Balance with banks			
- in current accounts	1,678	2,109	135,562
	1,678	**2,109**	**135,562**

2.7 Other current assets

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(EUR)	(EUR)	(₹)
Unsecured , considered good			
Advances other than capital advances			
Advances to related parties (refer note 2.25)	27	21	2,146
Advances to employees	12	18	936
Advances to suppliers	1	1	68
Others			
Deferred cost	-	5	-
Deferred cost-related parties (refer note 2.25)	-	72	-
Prepaid expenses	7	18	540
Other advances	128	11	10,361
	174	**146**	**14,051**

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(All amounts in thousands, except share data and as stated otherwise)

2.8 Share Capital

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(EUR)	(EUR)	(₹)
Issued, subscribed and fully paid up			
10,200 (31 March 2017, 10,200) quotas of EUR 1 each	10	10	824

Terms/ rights attached to equity quotas

The company has only one class of quotas having a par value of Euro 1 per quota. Each quotaholder is entitled to one vote per quota.

In the event of liquidation of the company, the quota holders will be entitled to receive remaining assets of the company, after distribution of all preferential amounts.

Reconciliation of the number of quota outstanding at the beginning and at the end of the reporting period

	As at					
	31 March 2018		31 March 2017		31 March 2018	
	No. of quotas	EUR	No. of quotas	EUR	No. of quotas	(₹)
Number of quotas at the beginning	10,200	10	10,200	10	10,200	824
Add: quotas issued during the year	-	-	-	-	-	-
Number of quotas at the end	10,200	10	10,200	10	10,200	824

Details of quotaholders holding more than 5 % shares in the company:-

Name of the quotaholders	As at			
	31 March 2018		31 March 2017	
	No. of quotas	% holding in the class	No. of quotas	% holding in the class
Quotas of EUR 1 each fully paid				
HCL America Inc.	10,200	100.00%	10,200	100.00%

As per register of quotaholders regarding beneficial interest, the above quotas-holding represent both legal and beneficial ownership of quotas.

There are no quotas held by ultimate holding company and subsidiaries/associates of the holding and ultimate holding company.

There are no bonus quotas issued, no quotas issued for consideration other than cash and no quotas bought back during five years immediately preceding the reporting date.

Capital management

The primary objective of the Company's capital management is to support business continuity and growth of the company while maximizing the shareholder value. The Company determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are generally met through operating cash flows generated.

2.9 Borrowings

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(EUR)	(EUR)	(₹)
Unsecured			
From related parties (refer note 2.25)	150	150	12,121
	150	**150**	**12,121**

Current borrowings were primarily on account of short term borrowings from related parties . The company has availed this credit at interest rate LIBOR + 100 BPS which is repayable on demand.

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Notes to financial statements for the year ended 31 March 2018

(All amounts in thousands, except share data and as stated otherwise)

2.10 Trade payables

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(EUR)	(EUR)	(₹)
Trade payables	42	60	3,364
Trade payables-related parties (refer note 2.25)	367	884	29,684
	409	944	33,048

2.11 Other financial liabilities

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(EUR)	(EUR)	(₹)
Current			
Carried at amortised cost			
Interest accrued but not due on borrowings -related party (refer note 2.25)	2	14	198
Others			
Liabilities for expenses	17	49	1,346
Liabilities for expenses-related parties (refer note 2.25)	20	9	1,594
Employee bonuses accrued	-	10	-
Other employee costs	-	25	-
Capital accounts payables	0	-	14
	39	107	3,152

2.12 Other current liabilities

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(EUR)	(EUR)	(₹)
Revenue received in advance	10	81	801
Other Advances			
Advances received from customers	-	0	-
Others			
Withholding and other taxes payable	6	94	456
	16	175	1,257

2.13 Provisions

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(EUR)	(EUR)	(₹)
Current			
Provision for employee benefits			
Provision for leave benefits	-	0	-
Provision for other benefits	-	12	-
	-	12	-

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Notes to financial statements for the year ended 31 March 2018

(All amounts in thousands, except share data and as stated otherwise)

2.14 Revenue from operations

	Year ended		
	31 March 2018 (EUR)	31 March 2017 (EUR)	31 March 2018 (₹)
Sale of services	2,059	3,007	166,371
Sale of hardware and software	112	32	9,063
	2,171	3,039	175,434

2.15 Other income

	Year ended		
	31 March 2018 (EUR)	31 March 2017 (EUR)	31 March 2018 (₹)
Provision no longer required written back	-	2	-
Interest income	-	30	-
Miscellaneous income	15	-	1,196
	15	32	1,196

2.16 Changes in inventories of traded goods

	Year ended		
	31 March 2018 (EUR)	31 March 2017 (EUR)	31 March 2018 (₹)
Opening stock	120	16	9,679
Closing stock	49	120	3,936
	71	(104)	5,743

2.17 Employee benefits expense

	Year ended		
	31 March 2018 (EUR)	31 March 2017 (EUR)	31 March 2018 (₹)
Salaries, wages and bonus	-	82	-
Contribution to social security scheme and super annuation fund	-	35	-
	-	117	-

2.18 Finance cost

	Year ended		
	31 March 2018 (EUR)	31 March 2017 (EUR)	31 March 2018 (₹)
Interest			
-on loans from banks	-	0	-
-others	6	11	448
Bank charges	2	2	168
	8	13	616

2.19 Other expenses

	Year ended		
	31 March 2018 (EUR)	31 March 2017 (EUR)	31 March 2018 (₹)
Rent	7	4	526
Legal and professional charges	38	173	3,031
Provision for doubtful debts / bad debts written off	2	-	136
Rate & taxes	0	4	0
Repairs and maintenance			
others	1	4	117
Travel and conveyance	0	16	4
Software license fee	9	-	736
Miscellaneous expenses	20	14	1,581
	76	215	6,131

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(All amounts in thousands, except share data and as stated otherwise)

2.20 Income taxes

	Year ended		
	31 March 2018	31 March 2017	31 March 2018
	(EUR)	(EUR)	(₹)
Income tax charged to statement of profit and loss			
Current income tax charge	10	15	778
Deferred tax charge (credit)	(102)	-	(8,242)
Adjustment in respect of prior year Current tax	(13)	2	(1,033)
	(105)	17	(8,497)

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

	Year ended		
	31 March 2018	31 March 2017	31 March 2018
	(EUR)	(EUR)	(₹)
Profit before income tax	227	121	18,365
Statutory tax rate	27.50%	27.50%	27.50%
Expected tax expense	62	33	5,035
Non-taxable other income	0	5	-
Carried forward losses setoff	(51)	(30)	(4,146)
Reversal of prior year provision	(13)	2	(1,033)
Permanent differences	2	-	147
Other benefit of ACE allowance	(13)	-	(1,036)
Deferred tax charge (credit) - Accumulated losses	(102)	-	(8,242)
Others	10	7	778
Total taxes	(105)	17	(8,497)
Effective income tax rate	-46%	14%	-46%

Components of deferred tax assets and liabilities as on 31 March 2018 (Amounts in EUR)

	Opening balance	Recognized in profit and loss	Closing balance
Deferred tax assets			
Business losses	-	102	102
Gross deferred tax assets (A)	-	102	102
Deferred tax liabilities	-	-	-
Gross deferred tax liabilities (B)	-	-	-
Net deferred tax assets (A-B)	-	102	102

Components of deferred tax assets and liabilities as on 31 March 2017 (Amounts in EUR)

	Opening balance	Recognized in profit and loss	Closing balance
Deferred tax assets			
Business losses	-	-	-
Gross deferred tax assets (A)	-	-	-
Deferred tax liabilities	-	-	-
Gross deferred tax liabilities (B)	-	-	-
Net deferred tax assets (A-B)	-	-	-

Components of deferred tax assets and liabilities as on 31 March 2018 (Amounts in ₹)

	Opening balance	Recognized in profit and loss	Closing balance
Deferred tax assets			
Business losses	-	8,242	8,242
Gross deferred tax assets (A)	-	8,242	8,242
Deferred tax liabilities	-	-	-
Gross deferred tax liabilities (B)	-	-	-
Net deferred tax assets (A-B)	-	8,242	8,242

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Notes to financial statements for the year ended 31 March 2018

(All amounts in thousands, except share data and as stated otherwise)

2.21 Earnings Per Quota

The computation of earnings per quota is as follows:

	Year ended		
	31 March 2018	31 March 2017	31 March 2018
	(EUR)	(EUR)	(₹)
Net profit as per statement of profit and loss for computation of EPQ	332	104	26,862
Weighted average number of quotas outstanding in calculating Basic EPQ	10,200	10,200	10,200
Dilutive effect of stock options outstanding	-	-	-
Weighted average number of quotas outstanding in calculating dilutive EPQ	10,200	10,200	10,200
Nominal value of quotas	1	1	1
Earnings per quotas			
- Basic	32.59	10.18	2,633.54
- Diluted	32.59	10.18	2,633.54

2.22 Leases

(a) Finance lease: In case of assets given on lease

The Company has given IT equipments to its customers on a finance lease basis. The future lease receivables in respect of assets given on finance lease are as follows:

	Total minimum lease payments outstanding	Interest included in minimum lease payments	Present value of minimum lease payments
As on 31 March 2018(EUR)			
Not later than one year	8	2	6
Later than one year and not later than 5 years	15	1	14
	23	3	20
As on 31 March 2017(EUR)			
Not later than one year	7	2	5
Later than one year and not later than 5 years	23	3	20
	30	5	25
As on 31 March 2018 (₹)			
Not later than one year	623	139	484
Later than one year and not later than 5 years	1,246	121	1,125
	1,869	**260**	**1,609**

(b) Operating Lease

The lease rental expense recognized in the statement of profit and loss for the year is Euro 7 (31 March 2017 Euro 4 , 31 March 2018 ₹ 526) only for the equipments with no future commitments.

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(All amounts in thousands, except share data and as stated otherwise)

2.23 Financial instruments

(a) Financial assets and liabilities

The carrying value of financial instruments by categories as at 31 March, 2018 is as follows:

	Amortized cost	Total carrying value	Amortized cost	Total carrying value
	(EUR)	(EUR)	(₹)	(₹)
Financial assets				
Trade receivables	865	865	69,893	69,893
Cash and cash equivalents	1,678	1,678	135,562	135,562
Others (refer note 2.2)	96	96	7,783	7,783
Total	2,639	2,639	213,238	213,238
Financial liabilities				
Borrowings	150	150	12,121	12,121
Trade payables	409	409	33,048	33,048
Others (refer note 2.11)	39	39	3,143	3,143
Total	598	598	48,312	48,312

The carrying value of financial instruments by categories is as follows:

	As at 31 March 2017	
	Amortized cost	Total carrying value
	(EUR)	(EUR)
Financial assets		
Trade receivables	913	913
Cash and cash equivalents	2,109	2,109
Others (refer note 2.2)	195	195
Total	3,217	3,217
Financial liabilities		
Borrowings	150	150
Trade payables	944	944
Others (refer note 2.11)	107	107
Total	1,201	1,201

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2.23 Financial instruments (continued)

(b) Financial risk management

The Company is exposed to market risk, credit risk and liquidity risk which may impact the fair value of its financial instruments.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk and interest rate risk. The Company is primarily exposed to fluctuation in foreign currency exchange rates.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in exchange rates. The Company's exposure to the risk of changes in exchange rates relates primarily to the Company's operations.

The exchange rate risk primarily arises from assets and liabilities denominated in currencies other than the functional currency. A significant portion of the Company revenue is in US Dollar, BRL and PLN while a large portion of costs are in Euro. The fluctuation in exchange rates in respect to Euro may not have potential impact on the statement of profit and loss and equity.

Appreciation / depreciation of 1% in respective foreign currencies with respect to functional currency of the Company would result in decrease / increase in the Company's profit before tax by approximately EUR 3,585 (₹289,697) for the period ended 31 March, 2018.

The rate sensitivity is calculated by aggregation of the net foreign exchange exposure and a simultaneous parallel foreign exchange rates shift of all the currencies by 1% against the respective functional currencies of the Company. The sensitivity analysis presented above may not be representative of the actual change.
Non-derivative foreign currency exposure as of 31 March, 2018 and 31 March 2017 in major currencies is as below:

	Net financial assets			Net financial liabilities		
	31 March 2018	31 March 2017	31 March 2018	31 March 2018	31 March 2017	31 March 2018
	(EUR)	(EUR)	(₹)	(EUR)	(EUR)	(₹)
USD / EUR	7	219	586	9	15	735
BRL/EUR	-	-	-	11	-	889
PLN / EUR	-	-	-	324	651	26,159

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company exposure to the risk of changes in market interest rates arises on borrowings with floating interest rate which is not material. Hence the Company is not significantly exposed to interest rate risk.

Credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, trade receivables, unbilled revenue and finance lease receivables. The cash resources of the Company are invested with banks after an evaluation of the credit risk. By their nature, all such financial instruments involve risks, including the credit risk of non-performance by counterparties.

The customers of the Company are primarily corporations based in Italy and accordingly, trade receivables and finance lease receivables are concentrated in Italy. The Company periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivables.

The allowance for lifetime expected credit loss on customer balances is as below:

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(EUR)	(EUR)	(₹)
Balance at the beginning of the year	-	10	-
Additional provision during the year	0	-	38
Deductions on account of write offs and collections	-	10	-
Balance at the end of the year	0	-	38

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities. The investment philosophy of the Company is capital preservation and liquidity in preference to returns. The Company consistently generates sufficient cash flows from operations and has access to multiple sources of funding to meet the financial obligations and maintain adequate liquidity for use.

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2.24 Segment Reporting

The Company's operations predominantly relate to providing a range of IT services targeted at Global 2000 companies spread across America, Europe & Rest of the World. IT services include software services & IT infrastructure management services. Within software services, the Company provides application development & maintenance, enterprise application, next generation SAAS (Software As A Service) application services and engineering and R&D (Research and Development) services to several global customers. Infrastructure management services involve managing customer's IT assets effectively.

The Chief Operating Decision Maker ("CODM") evaluates the Company's performance by business segment, comprising software services, infrastructure management services and business process outsourcing services. Accordingly, the above stated business segments have been identified as reportable segments for the purpose of segment reporting. The CODM assesses the performance of the operating segments based on a measure of segment earnings.

The Company has four geographic segments : India, America, Europe and Rest of the world.

Segment accounting policies

The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments and are as set out in note 1 to the financial statements on significant accounting policies. The accounting policies in relation to segment accounting are as under:

a) Segment revenue and expenses

Segment revenue is directly attributable to the segment and segment expenses have been allocated to various segments on the basis of specific identification. However, segment revenue does not include other income. Segment expenses do not include finance cost.

b) Segment assets and liabilities

Assets and liabilities are not identified to any reportable segments, since these are increasingly used interchangeably across segments and consequently, the management believes that it is not practicable or meaningful to provide segment disclosures relating to assets and liabilities.

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Financial information about the business segments for the year ended 31 March 2018 is as follows: **(Amount in EUR)**

	Software services	IT Infrastructure services	Total
Segment revenues	671	1,500	2,171
Net revenue of operations from external customers	**671**	**1,500**	**2,171**
Segment Results	**117**	**123**	**240**
Unallocated corporate expenses			-
Finance cost			(8)
Other income			15
Interest income			-
Exchange difference (net)			(20)
Profit before share of profit (loss) tax			227
Tax expense			105
Net profit after taxes			332
Significant non-cash items			
Depreciation and amortization	-	50	50
Provision for doubtful debts / bad debts written off			2

Financial information about the business segments for the year ended 31 March 2017 is as follows: **(Amount in EUR)**

	Software services	IT Infrastructure services	Total
Segment revenues	545	2,494	3,039
Net revenue of operations from external customers	**545**	**2,494**	**3,039**
Segment Results	54	50	104
Unallocated corporate expenses			(0)
Finance cost			(13)
Other income			2
Interest income			30
Exchange difference (net)			(2)
Profit before share of profit (loss) of associate and tax			121
Tax expense			(17)
Net profit after taxes			104
Significant non-cash items			
Depreciation and amortization	-	11	11
Provision for doubtful debts / bad debts written off			(2)

Financial information about the business segments for the year ended 31 March 2018 is as follows: **(Amount in ₹)**

	Software services	IT Infrastructure services	Total
Segment revenues	54,246	121,188	175,434
Net revenue of operations from external customers	**54,246**	**121,188**	**175,434**
Segment Results	**9,393**	**9,973**	**19,366**
Unallocated corporate expenses			-
Finance cost			(616)
Other income			1,196
Interest income			-
Exchange difference (net)			(1,581)
Profit before share of profit (loss) tax			18,365
Tax expense			8,497
Net profit after taxes			26,862
Significant non-cash items			
Depreciation and amortization	-	4,056	4,056
Provision for doubtful debts / bad debts written off			136

Segment revenue from customers by geographic area based on location of the customer is as follows:

	Year ended		
	31 March 2018	31 March 2017	31 March 2018
	(EUR)	(EUR)	(₹)
America	50	90	4,018
Europe	2,077	2,916	167,822
India	2	-	170
Others	42	33	3,424
Total	**2,171**	**3,039**	**175,434**

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2.25 Related party transactions

a) **Related parties where control exists**

HCL Technologies Limited (Ultimate Holding Company)
HCL America Inc (Holding Company)
HCL Bermuda Limited

b) **Related parties with whom transactions have taken place during the year**

Ultimate Holding Company

HCL Technologies Limited

Holding Company

HCL America Inc

Fellow Subsidiaries

FILIAL ESPAÑOLA DE HCL TEC.S.L
HCL (Brazil) Tecnologia Da Inf
HCL (Ireland) Infor. Syst LTD.
HCL America Solutions Inc.
HCL Axon Solutions (Shanghai)
HCL Axon Tech.(Shanghai)Co.Ltd
HCL BELGIUM N.V./S.A.
HCL EAS Ltd
HCL GMBH
HCL GREAT BRITAIN LIMITED
Hcl Istanbul Bilisim Teknoloji
HCL POLAND SP.Z O.O.
HCL SINGAPORE PTE LTD
HCL Technologies (Shanghai) Li
HCL Technologies (Thailand)Ltd
HCL Technologies B.V.
HCL Technologies Chile SpA
HCL Technologies Germany GmbH
HCL Technologies Greece Single
HCL (Netherlands) B.V.
HCL Technologies Italy S.p.A.
HCL Technologies Middle East F
HCL Technologies Norway AS
HCL Technologies Sweden AB
HCL Technologies UK Limited

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Notes to financial statements for the year ended 31 March 2018

(All amounts in thousands, except share data and as stated otherwise)

Transactions with related parties during the normal course of business	Sale of materials and services	Interest Income	Purchase of services	Interest Expense	Repayment of loan provided	Loan Repaid
For the Year 2017-18 (EUR)						
Ultimate Holding Company	20	-	152	-	-	-
Holding Company	46	-	-	-	-	-
Fellow Subsidiaries	900	-	1,228	5	-	-
Total	**966**	**-**	**1,380**	**5**	**-**	**-**
For the Year 2016-17 (EUR)						
Ultimate Holding Company	4	-	255	-	-	-
Holding Company	82	-	-	-	-	-
Fellow Subsidiaries	187	30	1,630	11	3,050	950
Total	**273**	**30**	**1,885**	**11**	**3,050**	**950**
For the Year 2017-18 (₹)						
Ultimate Holding Company	1,614	-	12,314	-	-	-
Holding Company	3,677	-	-	-	-	-
Fellow Subsidiaries	72,707	-	99,271	444	-	-
Total	**77,998**	**-**	**111,586**	**444**	**-**	**-**

c) **Outstanding balances**

Outstanding balances	Trade receivables	Interest receivables	Other Assets	Unbilled Revenue	Borrowings	Interest accrued but not due on borrowings	Trade payables and other current liabilities
As on 31st March, 2018 (EUR)							
Ultimate Holding Company	10	-	-	-	-	-	10
Holding Company	0	-	2	-	-	-	-
Fellow Subsidiaries	702	51	25	18	150	2	377
Total	**712**	**51**	**27**	**18**	**150**	**2**	**387**
As on 31st March, 2017 (EUR)							
Ultimate Holding Company	-	-	72	-	-	-	43
Holding Company	83	-	21	-	-	-	-
Fellow Subsidiaries	2	51	-	17	150	14	841
Total	**85**	**51**	**93**	**17**	**150**	**14**	**884**
As on 31st March, 2018 (₹)							
Ultimate Holding Company	843	-	-	-	-	-	841
Holding Company	1	-	180	-	-	-	-
Fellow Subsidiaries	56,683	4,126	1,966	1,482	12,121	198	30,437
Total	**57,527**	**4,126**	**2,146**	**1,482**	**12,121**	**198**	**31,278**

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Notes to financial statements for the year ended 31 March 2018
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2.26 Commitments and contingent liabilities

The Company has Nil commitments and contigent liabilities during the year.

The Company is involved in various lawsuits, claims and proceedings that arise in the ordinary course of business, the outcome of which is inherntly uncertain. Some of these matters include speculative and frivolous claims for substantial or indeterminate amounts of damages. The Company records a liability when it is both probable that a loss has been incurred and the amount can be reasonably estimated. Significant judgement is required to determine both probability and the estimated amount. The Company reviews these provisions at least quarterly and adjusts these provisions accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. The Company believes that the amount or estimable range of reasonably possible loss, will not, either individually or in the aggregate, have a material adverse effect on its business, financial position, results of the Company, or cash flows with respect to loss contingencies for legal and other contingencies as at 31 March 2018.

3. Previous year comparatives

The Company has changed its presentation from " in absolute" to " in thousand" and accordingly, amounts less than 0.50 thousands are rounded off to Nil. The figures of previous year have been re-arranged to conform to current year presentation.

As per our report of even date

FOR S. R. BATLIBOI & CO. LLP
ICAI Firm Registration Number : 301003E/E300005
Chartered Accountants

S.R. BATLIBOI & CO. LLP GURUGRAM

per Nilangshu Katriar
Partner
Membership Number: 58814

Gurugram, India
Date: 12 July 2018

For and on behalf of the Board of Directors
of HCL Italy S.R.L.

Raghu Raman Lakshmanan
Director

Shiv Walia
Director

Date: 12 July 2018