HCL ITALY S.R.L.

Financial Statements

For the year ended 31st March 2019 and 2018

S.R. BATLIBOI & CO. LLP
Chartered Accountants

2nd & 3rd Floor
Golf View Corporate Tower - B
Sector - 42, Sector Road
Gurugram - 122 002, Haryana, India
Tel : +91 124 681 6000

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying special purpose Ind AS financial statements of HCL Italy S.R.L.("the Company"), which comprise the Balance sheet as at March 31, 2019, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information in the manner so required and 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, 2019, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the special purpose Ind AS financial statements in accordance with the Standards on Auditing (SAs), issued by the Institute of Chartered Accountants of India (ICAI). Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the special purpose Ind AS financial statements.

Responsibility of Management for the special purpose Ind AS Financial Statements

The Company's Board of Directors is responsible for the preparation of these special purpose Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records 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 controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the special purpose Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the special purpose Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the special purpose Ind AS Financial Statements

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

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the special purpose Ind AS financial statements, including the disclosures, and whether the special purpose Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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Other Matter

These special purpose Ind AS 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 Ind AS financial statements, 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. This report covering the financial statements of the Company for the year ended March 31, 2019 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. 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
Place of Signature: Gurugram
Date: June 21, 2019

S.R. BATLIBOI & CO. LLP GURUGRAM

HCL ITALY S.R.L.

Balance Sheet as at 31 March 2019

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

	Note No.	As at 31 March 2019 (EUR)	As at 31 March 2018 (EUR)	As at 31 March 2019 (₹) Refer note 1(a)
I. ASSETS				
(1) Non-current assets				
(a) Property, plant and equipment	2.1	168	172	13,085
(b) Financial assets				
(i) Others	2.2	7	14	568
(c) Deferred tax assets (net)	2.18	364	102	28,292
(d) Other non-current assets	2.3	-	3	-
(2) Current assets				
(a) Inventories	2.4	19	49	1,438
(b) Financial assets				
(i) Trade receivables	2.5	826	865	64,132
(ii) Cash and cash equivalents	2.6	1,590	1,678	123,492
(iii) Others	2.2	59	82	4,563
(c) Other current assets	2.7	203	174	15,732
TOTAL ASSETS		**3,236**	**3,139**	**251,302**
II. EQUITY				
(a) Share Capital	2.8	10	10	792
(b) Other Equity		2,904	2,501	225,569
TOTAL EQUITY		2,914	2,511	226,361
III. LIABILITIES				
(1) Current liabilities				
(a) Financial liabilities				
(i) Borrowings	2.9	-	150	-
(ii) Trade payables	2.10	182	409	14,122
(iii) Others	2.11	7	39	511
(b) Other current liabilities	2.12	130	16	10,066
(c) Current tax liabilities (net)		3	14	242
TOTAL EQUITY AND LIABILITIES		**3,236**	**3,139**	**251,302**
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: 21 June 2019

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

Raghu Raman Lakshmanan
Director

Shiv Walia
Director

Date: 21 June 2019

HCL ITALY S.R.L.

Statement of Profit and Loss for the year ended 31 March 2019

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

		Note No.	Year ended 31 March 2019 (EUR)	Year ended 31 March 2018 (EUR)	Year ended 31 March 2019 (₹) Refer note 1(a)
I	**Revenue**				
	Revenue from operations	2.13	1,474	2,171	114,494
	Other income	2.14	28	15	2,196
	Total income		**1,502**	**2,186**	**116,690**
II	**Expenses**				
	Purchase of stock in trade		113	44	8,757
	Changes in inventories of stock in trade	2.15	30	71	2,299
	Finance costs	2.16	5	8	392
	Outsourcing costs		1,000	1,710	77,705
	Depreciation and amortization expense	2.1	88	50	6,842
	Other expenses	2.17	118	76	9,198
	Total expenses		**1,354**	**1,959**	**105,193**
III	**Profit before tax**		**148**	**227**	**11,497**
IV	**Tax expense**	2.18			
	Current tax		7	(3)	598
	Deferred tax charge (credit)		(262)	(102)	(20,370)
	Total tax expense		(255)	(105)	(19,772)
V	**Profit for the year**		**403**	**332**	**31,269**
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**		**403**	**332**	**31,269**
	Earnings per quota of no par value	2.19			
	Basic		39.48	32.59	3,065.58
	Diluted		39.48	32.59	3,065.58
	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: 21 June 2019

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

Raghu Raman Lakshmanan
Director

Shiv Walia
Director

Date: 21 June 2019

HCL ITALY S.R.L.

Statement of cash flows

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

	Year ended 31 March 2019 (EUR)	Year ended 31 March 2018 (EUR)	Year ended 31 March 2019 (₹) Refer note 1(a)
A. Cash flows from operating activities			
Profit before tax	148	227	11,497
Adjustment for:			
Depreciation and amortization	88	50	6,842
Interest expenses	3	6	226
Provision made the during the year	20	2	1,587
Provision written back	(22)	-	(1,698)
Operating profit before working capital changes	**237**	**285**	**18,454**
Movement in Working Capital			
(Increase)/decrease in trade receivables	26	47	2,009
(Increase)/decrease in inventories	30	71	2,346
(Increase)/decrease in other financial assets and other assets	(3)	73	(208)
Increase/ (decrease) in trade payables	(227)	(535)	(17,645)
Increase/ (decrease) in provisions, other financial liabilities and other liabilities	104	(229)	8,110
Cash generated (used in) / from operations	**167**	**(288)**	**13,066**
Direct taxes paid (net of refunds)	(19)	-	(1,514)
Net cash flow (used in) / from operating activities (A)	**148**	**(288)**	**11,552**
B. Cash flows from investing activities			
Purchase of property,plant and equipment, including capital work in progress	(81)	(126)	(6,327)
Net cash flow from / (used in) investing activities (B)	**(81)**	**(126)**	**(6,327)**
C. Cash flows from financing activities			
Repayment of short term borrowings	(150)	-	(11,682)
Interest paid	(5)	(17)	(366)
Net cash flow (used in) / from financing activities (C)	**(155)**	**(17)**	**(12,048)**
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(88)	(431)	(6,823)
Cash and cash equivalents at the beginning of the year	1,678	2,109	130,315
Cash and cash equivalents at the end of the year as per note 2.6	**1,590**	**1,678**	**123,492**
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

S.R. BATLIBOI & CO. LLP GURUGRAM

per Nilangshu Katriar
Partner
Membership Number: 58814

Gurugram, India
Date: 21 June 2019

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

Raghu Raman Lakshmanan
Director

Shiv Walia
Director

Date: 21 June 2019

HCL ITALY S.R.L.

Statement of Changes in Equity for the year ended 31 March 2019

(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, 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	-	-	332	-	-	-	332
Balance as of March 31, 2018	10,200	10	(1,546)	47	0	4,000	2,501
Balance as of April 1, 2018	10,200	10	(1,546)	47	0	4,000	2,501
Profit for the year	-	-	403	-	-	-	403
Other comprehensive income / (loss)	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	403	-	-	-	403
Balance as of March 31, 2019	10,200	10	(1,143)	47	0	4,000	2,904
Balance as of March 31, 2019 (Amounts in ₹)	10,200	792	(88,811)	3,662	10	310,708	225,569

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

S.R. BATLIBOI & CO. LLP GURUGRAM

per Nilangshu Katriar
Partner
Membership Number: 58814

Gurugram, India
Date: 21 June 2019

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

Raghu Raman Lakshmanan
Director

Shiv Walia
Director

Date: 21 June 2019

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, 2019 were approved and authorized for issue by the Board of Directors on 21 June 2019.

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). and presentation requirements of Schedule III (Division II) to the Companies Act, 2013, as applicable to the financial statements. These financial statements have been prepared on the request of the Ultimate Holding Company to comply with the financial reporting requirement in India.

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.

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).

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 = ₹ 77.6771, 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 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.

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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

Adoption of new accounting principles

Effective 1 April 2018, the Group has adopted Ind AS 115 using the cumulative effect method. The standard is applied retrospectively only to contracts that are not completed as at the date of initial application and the comparative information is not restated in the financial statement. The adoption of the standard did not have any material impact to the consolidated financial statements of the Group.

Contracts involving provision of services and material

Revenue is recognized when, or as, control of a promised service or good transfers to a customer, in an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring those products or services. To recognize revenues, the following five step approach is applied: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied. Contract is accounted when it is legally enforceable through executory contracts, approval and commitment from all parties, the rights of the parties are identified, payment terms are defined, the contract has commercial substance and collectability of consideration is probable.

Time-and-material contracts

Revenue with respect to time-and-material, volume based and transaction based contracts is recognized as the related services are performed through efforts expended, volume serviced transactions are processed etc. that correspond with value transferred to customer till date which is related to our right to invoice for services performed.

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Fixed Price contracts

Revenue related to fixed price contracts where performance obligations and control are satisfied over a period of time like technology integration, complex network building contracts, ERP implementations and Application development are recognized based on progress towards completion of the performance obligation using a cost-to-cost measure of progress (i.e., percentage-of-completion (POC) method of accounting). Revenue is recognized based on the costs incurred to date as a percentage of the total estimated costs to fulfill the contract. Any revision in cost to complete would result in increase or decrease in revenue and such changes are recorded in the period 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 contract estimates. Contract losses are determined to be the amount by which the estimated incremental cost to complete exceeds the estimated future revenues that will be generated by the contract and are included in cost of revenues and recorded in other accrued liabilities.

Revenue related to other fixed price contracts providing maintenance and support services, are recognized based on our right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered. If our invoicing is not consistent with value delivered, revenues are recognized as the service is performed based on the cost to cost method described above.

In arrangements involving sharing of customer revenues, revenue is recognized when the right to receive is established.

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 continues to be in inventory.

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 recognized but not billed to customers is classified either as contract assets or unbilled receivable in our consolidated statements of financial position, contract assets primarily relate to unbilled amounts on those contracts utilizing the cost to cost method of revenue recognition. Unbilled receivables represent contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

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.

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

(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.

(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

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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) 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:

(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.

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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.

(n) 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.

(o) Recently issued accounting pronouncements

Ind AS 116 Leases

Ind AS 116 Leases was notified in October 2018 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after 1 April 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17.

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

Appendix C to Ind AS 12 Uncertainty over Income Tax Treatment

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12.

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 2019

(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 2019

	Computers	Plant and equipment	Total	Computers	Plant and equipment	Total
	(EUR)	(EUR)	(EUR)	(₹)	(₹)	(₹)
Gross block as at 1 April 2018	233	-	**233**	18,115	-	**18,115**
Additions	84	-	**84**	6,560	-	**6,560**
Gross block as at 31 March 2019	317	-	**317**	24,675	-	**24,675**
Accumulated depreciation as at 1 April 2018	61	-	**61**	4,748	-	**4,748**
Charge for the year	88	-	**88**	6,842	-	**6,842**
Accumulated depreciation as at 31 March 2019	149	-	**149**	11,590	(0)	**11,590**
Net block as at 31 March 2019	168	-	**168**	13,085	0	**13,085**

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

	Computers	Plant and equipment	Total
	(EUR)	(EUR)	(EUR)
Gross block as at 1 April 2017	116	3	**119**
Additions	126	-	**126**
Deletions	(9)	(3)	**(12)**
Gross block as at 31 March 2018	233	-	**233**
Accumulated depreciation as at 1 April 2017	20	3	**23**
Charge for the year	50	-	**50**
Less: Depreciation on Sold Asset	(9)	(3)	**(12)**
Accumulated depreciation as at 31 March 2018	61	-	**61**
Net block as at 31 March 2018	172	-	**172**
Net block as at 1 April 2017	96	-	**96**

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Notes to financial statements for the year ended 31 March 2019

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

2.2 Other financial assets

	As at		
	31 March 2019	31 March 2018	31 March 2019
	(EUR)	(EUR)	(₹)
Non - Current			
Carried at amortized cost			
Finance lease receivables (refer note 2.20)	7	14	568
	7	14	568
Current			
Carried at amortized cost			
Interest receivable-related parties (refer note 2.23)	51	51	3,966
Finance lease receivables(refer note 2.19)	7	6	514
Security deposit	7	7	544
Less: Provision for doubtful assets	(7)	-	(544)
Unbilled receivables-related parties (refer note 2.23)	1	18	83
	59	82	4,563

2.3 Other non- current assets

	As at		
	31 March 2019	31 March 2018	31 March 2019
	(EUR)	(EUR)	(₹)
Unsecured considered good unless otherwise stated			
Others			
Prepaid expenses	-	3	-
	-	3	-

2.4 Inventories

	As at		
	31 March 2019	31 March 2018	31 March 2019
	(EUR)	(EUR)	(₹)
Stock in trade	19	49	1,438
	19	49	1,438

2.5 Trade Receivable

	As at		
	31 March 2019	31 March 2018	31 March 2019
	(EUR)	(EUR)	(₹)
Unsecured, considered good (refer note below)	827	865	64,205
Trade receivables which have significant increase in credit risk	13	-	1,006
Trade receivables - credit impaired	-	-	-
	840	865	65,211
Impairment allowance for bad and doubtful debts			
-Unsecured, considered good	(1)	-	(73)
-Trade receivables which have significant increase in credit risk	(13)	-	(1,006)
-Trade receivables - credit impaired	-	-	-
	826	865	64,132

Note: Includes receivables from related parties amounting to EUR 655 (31 March 2018, EUR 712, 31 March 2019 ₹ 58,878)

2.6 Cash and cash equivalent

	As at		
	31 March 2019	31 March 2018	31 March 2019
	(EUR)	(EUR)	(₹)
Balance with banks			
- in current accounts	1,590	1,678	123,492
	1,590	1,678	123,492

2.7 Other current assets

	As at		
	31 March 2019	31 March 2018	31 March 2019
	(EUR)	(EUR)	(₹)
Unsecured , considered good			
Advances to related parties (refer note 2.23)	21	27	1,670
Advances to employees	15	12	1,137
Advances to suppliers	1	1	65
Others			
Prepaid expenses	10	7	756
Other advances	156	127	12,104
	203	174	15,732

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Notes to financial statements for the year ended 31 March 2019
(All amounts in thousands, except share data and as stated otherwise)

2.8 Share Capital

	As at		
	31 March 2019	31 March 2018	31 March 2019
	(EUR)	(EUR)	(₹)
Issued, subscribed and fully paid up			
10,200 (31 March 2018, 10,200) quotas of EUR 1 each	10	10	792

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 2019		31 March 2018		31 March 2019	
	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	792
Number of quotas at the end	10,200	10	10,200	10	10,200	792

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

Name of the quotaholders	As at			
	31 March 2019		31 March 2018	
	No. of quotas	% holding in the class	No. of quotas	% holding in the class
Quotas of EUR 1 each fully paid				
HCL Technologies UK Limited	10,200	100.00%	-	-
HCL America Inc.	-	-	10,200	100.00%

On 1st April 2018 the company has entered into an agreement resulting into change in ownership structure where HCL Technologies UK Limted has purchased 100% shareholding of the company from HCL America Inc.

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 2019	31 March 2018	31 March 2019
	(EUR)	(EUR)	(₹)
Unsecured			
From related parties (refer note 2.23)	-	150	-
	-	150	-

Borrowings were primarly on account of short term borrowings from related parties . The company has availed this credit at interest rate LIBOR + 100 BPS which has been paid off during the year.

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Notes to financial statements for the year ended 31 March 2019

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

2.10 Trade payables

	As at		
	31 March 2019	31 March 2018	31 March 2019
	(EUR)	(EUR)	(₹)
Trade payables	35	42	2,731
Trade payables-related parties (refer note 2.23)	147	367	11,391
	182	**409**	**14,122**

2.11 Other financial liabilities

	As at		
	31 March 2019	31 March 2018	31 March 2019
	(EUR)	(EUR)	(₹)
Current			
Carried at amortised cost			
Interest accrued but not due on borrowings -related party (refer note 2.23)	1	2	51
Others			
Liabilities for expenses	6	17	460
Liabilities for expenses-related parties (refer note 2.23)	-	20	-
	7	**39**	**511**

2.12 Other current liabilities

	As at		
	31 March 2019	31 March 2018	31 March 2019
	(EUR)	(EUR)	(₹)
Contract liabilities (previous year : Revenue received in advance)	-	10	-
Other Advances			
Advances received from related party (refer note 2.23)	115	-	8,938
Advances received from customer	6		466
Others			
Withholding and other taxes payable	6	6	437
Capital account payable	3	-	225
	130	**16**	**10,066**

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Notes to financial statements for the year ended 31 March 2019

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

2.13 Revenue from operations

	Year ended		
	31 March 2019	31 March 2018	31 March 2019
	(EUR)	(EUR)	(₹)
Sale of services	1,346	2,059	104,567
Sale of hardware and software	128	112	9,927
	1,474	**2,171**	**114,494**

2.14 Other income

	Year ended		
	31 March 2019	31 March 2018	31 March 2019
	(EUR)	(EUR)	(₹)
Provisions no longer required written back (net)	22	-	1,699
Miscellaneous income	6	15	497
	28	**15**	**2,196**

2.15 Changes in inventories of traded goods

	Year ended		
	31 March 2019	31 March 2018	31 March 2019
	(EUR)	(EUR)	(₹)
Opening stock	49	120	3,783
Closing stock	19	49	1,484
	30	**71**	**2,299**

2.16 Finance cost

	Year ended		
	31 March 2019	31 March 2018	31 March 2019
	(EUR)	(EUR)	(₹)
Interest			
-others	3	6	226
Bank charges	2	2	166
	5	**8**	**392**

2.17 Other expenses

	Year ended		
	31 March 2019	31 March 2018	31 March 2019
	(EUR)	(EUR)	(₹)
Rent	7	7	535
Legal and professional charges	84	37	6,559
Provision for doubtful debts / bad debts written off	13	2	1,043
Repairs and maintenance			
others	3	1	204
Travel and conveyance	3	0	197
Software license fee	-	9	-
Miscellaneous expenses	8	20	660
	118	**76**	**9,198**

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Notes to financial statements for the year ended 31 March 2019
(All amounts in thousands, except share data and as stated otherwise)

2.18 Income taxes

	Year ended		
	31 March 2019	31 March 2018	31 March 2019
	(EUR)	(EUR)	(₹)
Income tax charged to statement of profit and loss			
Current income tax charge	7	10	582
Deferred tax charge (credit)	(262)	(102)	(20,370)
Adjustment in respect of prior year Current tax	0	(13)	16
	(255)	**(105)**	**(19,772)**

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 2019	31 March 2018	31 March 2019
	(EUR)	(EUR)	(₹)
Profit before income tax	148	227	11,497
Statutory tax rate	24.00%	27.50%	24.00%
Expected tax expense	35	62	2,773
Carried forward losses setoff	(28)	(51)	(2,188)
Reversal of prior year provision	0	(13)	16
Permanent differences	(0)	2	(38)
Other benefit of ACE allowance	(7)	(13)	(547)
Deferred tax charge (credit) - Accumulated losses	(262)	(102)	(20,370)
Others	7	10	582
Total taxes	**(255)**	**(105)**	**(19,772)**
Effective income tax rate	**-172%**	-46%	-172%

Components of deferred tax assets and liabilities as on 31 March 2019

(Amounts in EUR)

	Opening balance	Recognized in profit and loss	Closing balance
Deferred tax assets			
Business losses	102	262	364
Gross deferred tax assets (A)	102	262	364
Deferred tax liabilities	-	-	-
Gross deferred tax liabilities (B)	-	-	-
Net deferred tax assets (A-B)	102	262	364

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 2019

(Amounts in `)

	Opening balance	Recognized in profit and loss	Closing balance
Deferred tax assets			
Business losses	7,923	20,369	28,292
Gross deferred tax assets (A)	7,923	20,369	28,292
Deferred tax liabilities	-	-	-
Gross deferred tax liabilities (B)	-	-	-
Net deferred tax assets (A-B)	7,923	20,369	28,292

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2.19 Earnings Per Quota

The computation of earnings per quota is as follows:

	Year ended		
	31 March 2019	31 March 2018	31 March 2019
	(EUR)	(EUR)	(₹)
Net profit as per statement of profit and loss for computation of EPQ	402	332	31,214
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	39.42	32.59	3,060.17
- Diluted	39.42	32.59	3,060.17

2.20 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 2019(EUR)			
Not later than one year	8	1	7
Later than one year and not later than 5 years	8	0	7
	16	**1**	**14**
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 2019 (₹)			
Not later than one year	599	85	514
Later than one year and not later than 5 years	599	31	568
	1,198	**116**	**1,082**

(b) Operating Lease

The lease rental expense recognized in the statement of profit and loss for the year is Euro 7 (31 March 2018 Euro 7 , 31 March 2019 ₹ 535) only for the equipments with no future commitments.

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Notes to financial statements for the year ended 31 March 2019

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

2.21 Financial instruments

(a) Financial assets and liabilities

The carrying value of financial instruments by categories as at 31 March, 2019 is as follows:

	Amortized cost	Total carrying value	Amortized cost	Total carrying value
	(EUR)	(EUR)	(₹)	(₹)
Financial assets				
Trade receivables	826	826	64,133	64,133
Cash and cash equivalents	1,590	1,590	123,492	123,492
Others (refer note 2.2)	66	66	5,131	5,131
Total	2,482	2,482	192,756	192,756
Financial liabilities				
Trade payables	182	182	14,122	14,122
Others (refer note 2.11)	7	7	512	512
Total	189	189	14,634	14,634

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

	As at 31 March 2018	
	Amortized cost	Total carrying value
	(EUR)	(EUR)
Financial assets		
Trade receivables	865	865
Cash and cash equivalents	1,678	1,678
Others (refer note 2.2)	96	96
Total	2,639	2,639
Financial liabilities		
Borrowings	150	150
Trade payables	409	409
Others (refer note 2.11)	39	39
Total	598	598

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2.21 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 616 (₹47,871) for the period ended 31 March, 2019.

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, 2019 and 31 March 2018 in major currencies is as below:

	Net financial assets			Net financial liabilities		
	31 March 2019	31 March 2018	31 March 2019	31 March 2019	31 March 2018	31 March 2019
	(EUR)	(EUR)	(₹)	(EUR)	(EUR)	(₹)
USD / EUR	2	7	123	12	9	940
BRL/EUR	-	-	-	11	11	870
PLN / EUR	-	-	-	-	324	-
JPY/EUR	-	-	-	32	-	2,511
GBP / EUR	-	-	-	3	-	226

(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 2019	31 March 2018	31 March 2019
	(EUR)	(EUR)	(₹)
Balance at the beginning of the year	0	-	36
Additional provision during the year	14	0	1,043
Deductions on account of write offs and collections	-	-	-
Balance at the end of the year	14	**0**	**1,079**

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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2.22 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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Notes to financial statements for the year ended 31 March 2019

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

Financial information about the business segments for the year ended 31 March 2019 is as follows: **(Amount in EUR)**

	Software services	IT Infrastructure services	Total
Segment revenues	957	517	1,474
Net revenue of operations from external customers	**957**	**517**	**1,474**
Segment Results	**123**	**3**	**126**
Unallocated corporate expenses			
Finance cost			(5)
Other income			28
Interest income			
Exchange difference (net)			(2)
Profit before share of profit (loss) tax			147
Tax expense			(255)
Net profit after taxes			402
Significant non-cash items			
Depreciation and amortization	-	88	88
Provision made the during the year			20
Provision written back			(22)

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 2019 is as follows: **(Amount in ₹)**

	Software services	IT Infrastructure services	Total
Segment revenues	74,303	40,150	114,453
Net revenue of operations from external customers	**74,303**	**40,150**	**114,453**
Segment Results	**9,583**	**200**	**9,783**
Unallocated corporate expenses			-
Finance cost			(392)
Other income			2,196
Exchange difference (net)			(145)
Profit before share of profit (loss) tax			11,442
Tax expense			(19,772)
Net profit after taxes			31,214
Significant non-cash items			
Depreciation and amortization	-	6,842	6,842
Provision for doubtful debts / bad debts written off			1,587
Provision written back			(1,698)

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

	Year ended		
	31 March 2019	31 March 2018	31 March 2019
	(EUR)	(EUR)	(₹)
America	391	50	30,388
Europe	1,011	2,077	78,517
India	1	2	63
Others	71	42	5,526
Total	**1,474**	**2,171**	**114,494**

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2.23 Related party transactions

a) Related parties where control exists

HCL Technologies Limited (Ultimate Holding Company)
HCL Technologies UK Limited
HCL Bermuda Limited

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

Ultimate Holding Company
HCL Technologies Limited

Holding Company
HCL Technologies UK Limited

Fellow Subsidiaries
HCL EAS Limited
HCL POLAND SP.Z O.O.
HCLTechnologies Sweden AB
HCL GREAT BRITAIN Ltd.
Hcl (Brazil) Tecnologia D
HCL Technologies Egypt Li
HCL Technologies Ltd Madu
HCL Tech. Italy S.p.A.
HCL Axon Tech.(Shanghai)
HCL Tech Limited, Moscow
HCL Japan Limited
HCL AUSTRALIA SERVICES PT
HCL ARGENTINA S.A.
HCL Technologies Ltd Swis
HCL Singapore Pte Limited
HCL Technologies (Shangha
HCL AXON TECH. INC - SD
HCL SWEDEN AB
HCL Axon (Pty) Ltd
HCL AXON MALAYSIA SDN BHD
HCLAxon Solutions Kunshan
HCLTechnologies Ltd Czech
HCL Axon Solutions (Shang
HCL Hungary Kft
Axon Solutions Ltd
HCL Technologies Ltd UAE
HCL Tech Denmark ApS
HCL (NEWZEALAND) LIMITED
HCL Hong Kong SAR Limited
HCLT Philippines Inc
HCL AMERICA INC.
HCL Tech Norway AS
HCL Istanbul Bilisim Tekn
HCL Technologies Thailand
HCL Technologies France
HCL Technologies Romania
HCLTechnologies Chile SPA
Point to Point Products L
HCL Technologies Germany
HCL BELGIUM N.V./S.A.
HCL GmbH
HCL Ireland Information s
FILIAL ESPAÑOLA DE HCL SL
HCL Technologies Taiwan L

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HCL ITALY S.R.L.

Notes to financial statements for the year ended 31 March 2019

(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
For the Year 2018-19 (EUR)				
Ultimate Holding Company	1	-	67	-
Holding Company	27	-	7	-
Fellow Subsidiaries	1,033	-	241	3
Total	**1,061**	**-**	**315**	**3**
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 2018-19 (₹)				
Ultimate Holding Company	63	-	5,207	-
Holding Company	2,061	-	541	-
Fellow Subsidiaries	80,245	-	18,719	226
Total	**82,369**	**-**	**24,467**	**226**

c) **Outstanding balances**

Outstanding balances	Trade receivables	Interest receivables	Other Advances	Unbilled Receivable	Borrowings	Interest accrued but not due on borrowings	Trade payables and other current liabilities
As on 31st March, 2019 (EUR)							
Ultimate Holding Company	1	-	-	-	-	-	15
Holding Company	27	-	-	-	-	-	1
Fellow Subsidiaries	627	51	21	1	-	1	246
Total	**655**	**51**	**21**	**1**	**-**	**1**	**262**
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, 2019 (₹)							
Ultimate Holding Company	63	-	-	-	-	-	1,150
Holding Company	2,061	-	-	-	-	-	65
Fellow Subsidiaries	48,754	3,966	1,670	83	-	51	19,075
Total	**50,878**	**3,966**	**1,670**	**83**	**-**	**51**	**20,290**

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HCL ITALY S.R.L.

Notes to financial statements for the year ended 31 March 2019

(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
For the Year 2018-19 (EUR)				
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c) **Outstanding balances**

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Holding Company	0	-	2	-	-	-	-
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Total	**712**	**51**	**27**	**18**	**150**	**2**	**387**
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Holding Company	2,061	-	-	-	-	-	65
Fellow Subsidiaries	48,754	3,966	1,670	83	-	51	19,075
Total	**50,878**	**3,966**	**1,670**	**83**	**-**	**51**	**20,290**

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2.24 Commitments and contingent liabilities

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

2.25 Previous year comparative

The figures of previous year have been rearranged to confirm 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

per Nilangshu Katriar
Partner
Membership Number: 58814

Gurugram, India
Date: 21 June 2019

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

Raghu Raman Lakshmanan
Director

Shiv Walia
Director

Date: 21 June 2019