# HCL Technologies Romania S.R.L.

Financial Statements

For the year ended 31st December 2019 and 2018

**HCL Technologies Romania S.R.L.**

**Balance Sheet as at 31 December 2019**

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

| | | Note No. | As at 31 December 2019 (RON) | As at 31 December 2018 (RON) | As at 31 December 2019 refer note 1(a) (₹) |
|---|---|---|---|---|---|
| **I.** | **ASSETS** | | | | |
| | **(1) Non-current assets** | | | | |
| | (a) Property, Plant and Equipment | **2.1** | 1,748 | 192 | 29,253 |
| | (b) Capital work in progress | | 1,109 | - | 18,558 |
| | (c) Financial Assets | | | | |
| | (i) Others | **2.2** | 2,383 | 75 | 39,880 |
| | (d) Deferred tax assets (net) | **2.9** | 194 | 28 | 3,254 |
| | (e) Other non current assets | **2.3** | 1,660 | 7 | 27,785 |
| | **(2) Current assets** | | | | |
| | (a) Inventories | **2.4** | 276 | 102 | 4,624 |
| | (b) Financial Assets | | | | |
| | (i) Trade receivables | **2.5** | 13,795 | 3,522 | 230,878 |
| | (ii) Cash and cash equivalents | **2.6** | 1,515 | 794 | 25,364 |
| | (iii) Others | **2.2** | 1,399 | 96 | 23,411 |
| | (c) Other current assets | **2.7** | 5,423 | 85 | 90,761 |
| | **TOTAL ASSETS** | | **29,502** | **4,901** | **493,768** |
| **II.** | **EQUITY** | | | | |
| | (a) Equity share capital | **2.8** | 353 | 353 | 5,908 |
| | (b) Other equity | | 3,612 | 883 | 60,453 |
| | **TOTAL EQUITY** | | **3,965** | **1,236** | **66,361** |
| **III.** | **LIABILITIES** | | | | |
| | **(1) Non current liabilities** | | | | |
| | (a) Other non-current liabilities | **2.10** | 1,783 | - | 29,834 |
| | **(1) Current liabilities** | | | | |
| | (a) Financial liabilities | | | | |
| | (i) Borrowings | **2.11** | 5,064 | - | 84,747 |
| | (ii) Trade payables | **2.12** | 7,721 | 2,733 | 129,224 |
| | (iii) Others | **2.13** | 6,996 | 437 | 117,099 |
| | (b) Other current liabilities | **2.14** | 2,293 | 410 | 38,375 |
| | (c) Provisions | **2.15** | 1,622 | 45 | 27,149 |
| | (d) Current Tax Liabilities (net) | | 58 | 40 | 979 |
| | **TOTAL EQUITY AND LIABILITIES** | | **29,502** | **4,901** | **493,768** |
| | **Summary of significant accounting policies** | **1** | | | |

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

**FOR B S R & Co. LLP**
**Chartered Accountants**
**ICAI Firm Registration Number : 101248W/W-100022**

RAKESH DEWAN Digitally signed by RAKESH DEWAN Date: 2020.08.05 16:35:58 +05'30'

**Rakesh Dewan**
Partner
Membership Number: 092212

**Gurugram, India**
Date : 5 August 2020

**For and on behalf of the Board of Directors**
**of HCL Technologies Romania S.R.L.**

SUBRAMANIAN GOPALAKRISHNAN Digitally signed by SUBRAMANIAN GOPALAKRISHNAN Date: 2020.08.05 15:15:06 +05'30'

**Subramanian Gopalakrishnan**
Director

SHIV KUMAR WALIA Digitally signed by SHIV KUMAR WALIA Date: 2020.08.05 15:15:24 +05'30'

**Shiv Walia**
Director

Date : 5 August 2020

**HCL Technologies Romania S.R.L.**
**Statement of Profit and Loss for the year ended 31 December 2019**
(All amounts in thousands, except share data and as stated otherwise)

| | | Note No. | Year ended 31 December 2019 (RON) | Year ended 31 December 2018 (RON) | Year ended 31 December 2019 refer note 1(a) (₹) |
|---|---|---|---|---|---|
| I | **Revenue** | | | | |
| | Revenue from operations | **2.16** | 39,021 | 5,450 | 653,086 |
| | Other income | **2.17** | - | 14 | - |
| | **Total income** | | **39,021** | **5,464** | **653,086** |
| II | **Expenses** | | | | |
| | Purchase of stock-in-trade | | 5,058 | 125 | 84,655 |
| | Changes in inventories of stock-in-trade | **2.18** | (174) | (79) | (2,912) |
| | Employee benefits expense | **2.19** | 15,198 | 626 | 254,363 |
| | Finance costs | **2.20** | 144 | 6 | 2,416 |
| | Depreciation and amortization expense | **2.1** | 158 | 76 | 2,638 |
| | Outsourcing Costs | | 10,682 | 3,983 | 178,777 |
| | Other expenses | **2.21** | 4,686 | 212 | 78,419 |
| | **Total expenses** | | **35,752** | **4,949** | **598,356** |
| III | **Profit before tax** | | **3,269** | **515** | **54,730** |
| IV | **Tax expense** | **2.9** | | | |
| | Current tax | | 706 | 103 | 11,819 |
| | Deferred tax credit | | (166) | (4) | (2,780) |
| | Total tax expense | | 540 | 99 | 9,039 |
| V | **Profit for the year** | | **2,729** | **416** | **45,691** |
| VI | **Other comprehensive income** | | - | - | - |
| VII | **Total Comprehensive Income for the year** | | **2,729** | **416** | **45,691** |
| | **Earnings per equity share of RON 10 each** | **2.22** | | | |
| | Basic | | 77.24 | 11.78 | 1,293.29 |
| | Diluted | | 77.24 | 11.78 | 1,293.29 |
| | **Summary of significant accounting policies** | **1** | | | |

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

**FOR B S R & Co. LLP**
**Chartered Accountants**
**ICAI Firm Registration Number : 101248W/W-100022**

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**Rakesh Dewan**
Partner
Membership Number: 092212

**Gurugram, India**
Date : 5 August 2020

**For and on behalf of the Board of Directors**
**of HCL Technologies Romania S.R.L.**

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**Subramanian Gopalakrishnan**
Director

**Shiv Walia**
Director

Date : 5 August 2020

**HCL Technologies Romania S.R.L.**

**Statement of cash flows for the year ended 31 December 2019**

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

| | | Year ended 31 December 2019 (RON) | Year ended 31 December 2018 (RON) | Year ended 31 December 2019 refer note 1(a) (₹) |
|---|---|---|---|---|
| **A. Cash flows from operating activities** | | | | |
| Profit before tax | | 3,269 | 515 | 54,730 |
| **Adjustment for:** | | | | |
| Depreciation and amortization expense | | 158 | 76 | 2,638 |
| Provision for doubtful debts / bad debts written off / (written back) | | 120 | (14) | 2,010 |
| **Operating profit before working capital changes** | | **3,547** | **577** | **59,378** |
| **Movement in Working Capital** | | | | |
| (Increase)/decrease in trade receivables | | (10,392) | (1,888) | (173,934) |
| (Increase)/decrease in inventories | | (174) | (79) | (2,912) |
| (Increase)/decrease in other financial assets and other assets | | (10,602) | (82) | (177,441) |
| Increase/ (decrease) in trade payables | | 4,988 | 1,385 | 83,483 |
| Increase/ (decrease) in provisions, other financial liabilities and other liabilities | | 11,801 | 409 | 197,518 |
| **Cash generated from / (used in) operations** | | **(832)** | **322** | **(13,908)** |
| Direct taxes paid (net of refunds) | | (688) | (28) | (11,516) |
| **Net cash flow from / (used in) operating activities** | **(A)** | **(1,520)** | **294** | **(25,424)** |
| **B. Cash flows from investing activities** | | | | |
| Purchase of property,plant and equipment | | (2,823) | (118) | (47,248) |
| **Net cash flow used in investing activities** | **(B)** | **(2,823)** | **(118)** | **(47,248)** |
| **C. Cash flows from financing activities** | | | | |
| Loan from related party | | 5,064 | - | 84,747 |
| **Net cash flow from financing activities** | **(C)** | **5,064** | **-** | **84,747** |
| Net increase / (decrease) in cash and cash equivalents (A+B+C) | | 721 | 176 | 12,075 |
| Cash and cash equivalents at the beginning of the year | | 794 | 618 | 13,289 |
| **Cash and cash equivalents at the end of the year as per note no 2.6** | | **1,515** | **794** | **25,364** |
| **Summary of significant accounting policies ( Note 1)** | | | | |

As per our report of even date attached

**FOR B S R & Co. LLP**
**Chartered Accountants**
**ICAI Firm Registration Number : 101248W/W-100022**

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**Rakesh Dewan**
Partner
Membership Number: 092212

**Gurugram, India**
Date : 5 August 2020

**For and on behalf of the Board of Directors of HCL Technologies Romania S.R.L.**

SUBRAMANIAN GOPALAKRISHNAN Digitally signed by SUBRAMANIAN GOPALAKRISHNAN Date: 2020.08.05 15:16:33 +05'30'

**Subramanian Gopalakrishnan**
Director

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**Shiv Walia**
Director

Date : 5 August 2020

**HCL Technologies Romania S.R.L.**

**Statement of Changes in Equity for the year ended 31 December 2019**

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

**(Amounts in RON)**

| | Equity share capital | | Other Equity |
|---|---|---|---|
| | Number of shares | Share capital | Reserves and Surplus |
| | | | Retained Earnings |
| **Balance as of January 1, 2018** | 35,329 | 353 | 467 |
| Profit for the year | - | - | 416 |
| Other comprehensive income / (loss) | - | - | - |
| **Total comprehensive income for the year** | - | - | 416 |
| **Balance as of December 31, 2018** | 35,329 | 353 | 883 |
| **Balance as of January 1, 2019** | 35,329 | 353 | 883 |
| Profit for the year | - | - | 2,729 |
| Other comprehensive income / (loss) | - | - | - |
| **Total comprehensive income for the year** | - | - | 2,729 |
| **Balance as of December 31, 2019** | 35,329 | 353 | 3,612 |
| **Balance as of December 31, 2019 (Amounts in ₹)** | 35,329 | 5,908 | 60,453 |

**Summary of significant accounting policies ( Note 1)**

As per our report of even date attached

**FOR B S R & Co. LLP**
**Chartered Accountants**
**ICAI Firm Registration Number : 101248W/W-100022**

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**Rakesh Dewan**
Partner
Membership Number: 092212

**Gurugram, India**
Date : 5 August 2020

**For and on behalf of the Board of Directors**
**of HCL Technologies Romania S.R.L.**

SUBRAMANIAN GOPALAKRISHNAN Digitally signed by SUBRAMANIAN GOPALAKRISHNAN Date: 2020.08.05 15:17:24 +05'30'

**Subramanian Gopalakrishnan**
Director

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**Shiv Walia**
Director

Date : 5 August 2020

## ORGANIZATION AND NATURE OF OPERATIONS

HCL Technologies Romania S.R.L. (hereinafter referred to as "the Company") is primarily engaged in providing a range of IT and business services. The Company was registered in Romania on 28 May 2009 having its registered office at Office 2, Room 5, Semi-basement, 15-17 Helesteului street, 1st District, Bucharest, Romania.

The financial statements for the period ended 31 December 2019 were approved and authorized for issue by the Board of Directors on 5 August 2020.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *(a) Basis of preparation*

The financial statements of the Company have been prepared in accordance with recognition and measurement principle laid down in Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 read with 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. The company is not domiciled in India and hence was not incorporated under Companies Act, 2013 or under any previous Company law in India. These financial statements have been prepared on the request of the Ultimate Holding Company to comply with the financial reporting requirement in India.

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 which have been 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.

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle of 12 months. The statement of cash flows has been prepared under indirect method.

The functional currency of the Company is Romanian New Lie (RON). The translation from RON to ₹ is included solely for the convenience of readers in India and has been performed using rate of RON 1 = ₹ 16.7368, 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, RON 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, the useful lives of property, plant and equipment, and other contingencies and commitments. 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 at their 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.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period 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 January 2019, the Company 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 financial statements of the Company.

*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 Company 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 / Volume based / Transaction based 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.

*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.

Revenue from product sales are shown net of applicable taxes, 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.

*Multiple performance obligation*

When a sales arrangement contains multiple performance, such as services, hardware and Licensed IPs (software) or combinations of each of them revenue for each element is based on a five step approach as defined above. To the extent a contract includes multiple promised deliverables, judgment is applied to determine whether promised deliverables are capable of being distinct and are distinct in the context of the contract. If these criteria are not met, the promised deliverables are accounted for as a combined performance obligation. For arrangements with multiple distinct performance obligations or series of distinct performance obligations, consideration is allocated among the performance obligations based on their relative standalone selling price. Standalone selling price is the price at which company would sell a promised good or service separately to the customer. When not directly observable, we estimate standalone selling price by using the expected cost plus a margin approach. We establish a standalone selling price range for our deliverables, which is reassessed on a periodic basis or when facts and circumstances change. If the arrangement contains obligations related to License of Intellectual property (Software) or Lease deliverable, the arrangement consideration allocated to the Software deliverables, lease deliverable as a group is then allocated to each software obligation and lease deliverable.

Revenue recognition for delivered elements is limited to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified return or refund privileges. Revenue from certain activities in transition services in outsourcing arrangements are not capable of being distinct or represent separate performance obligation. Revenues relating to such transition activities are classified as Contract liabilities and subsequently recognized over the period of the arrangement. Direct and incremental costs in relation to such transition activities which are expected to be recoverable under the contract and generate or enhance resources of the Company that will be used in satisfying the performance obligation in the future are considered as contract fulfillment costs classified as Deferred contract cost and recognized over the period of arrangement. Certain upfront non-recurring incremental contract acquisition costs and other upfront fee paid to customer are deferred and classified as Deferred contract cost and amortized to revenue or cost, usually on a straight line basis, over the term of the contract unless revenues are earned and obligations are fulfilled in a different pattern. The undiscounted future cash flows from the arrangement are periodically estimated and compared with the unamortized costs. If the unamortized costs exceed the undiscounted cash flow, a loss is recognized.

In instances when revenue is derived from sales of third-party vendor services, material or licenses, revenue is recorded on a gross basis when the Company is a principal to the transaction and net of costs when the Company is acting as an agent between the customer and the vendor. Several factors are considered to determine whether the Company is a principal or an agent, most notably being group control the goods or service before it is transferred to customer, latitude in deciding the price being charged to customer. Revenue is recognized net of discounts and allowances, value-added and service taxes, and includes reimbursement of out-of-pocket expenses, with the corresponding out of-pocket expenses included in cost of revenues.

Volume discounts, or any other form of variable consideration is estimated using either the sum of probability weighted amounts in a range of possible consideration amounts (expected value), or the single most likely amount in a range of possible consideration amounts (most likely amount), depending on which method better predicts the amount of consideration realizable. Transaction price includes variable consideration only to the extent it is probable that a significant reversal of revenues recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price may involve judgment and are based largely on an assessment of our anticipated performance and all information that is reasonably available to us.

Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in consolidated balance sheet. Contract assets primarily relate to unbilled amounts on those contracts utilizing the cost to cost method of revenue recognition and right to consideration is not unconditional. 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 sales-type 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.

Interest attributable to sales-type leases and direct financing leases included therein is recognized on an accrual basis using the effective interest method and is recognized as other income.

***(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.

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.

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard or period of performance. 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 de-recognition 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.

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)** |
|---|---|
| Computers | 4-5 |

The useful lives of customer specific computers will be amortized over the lives of projects.

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.

***(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 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 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 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 and contingent liabilities***

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.

The Company uses significant judgement to disclose contingent liabilities. Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made. Contingent assets are neither recognized nor disclosed in the financial statements.

***(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 for measurement purposes. The expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

(ii) In respect of social security, a defined contribution plan for applicable employees, the Company contributes to a scheme and such contributions for each year of service rendered by the employees are charged to the statement of profit and loss. The Company has no further obligations to the social security 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:

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.

***De-recognition 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 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.

***De-recognition***
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.

***(o) Earnings per share (EPS)***

Basic EPS amounts are computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the year.

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

***(p) Recently issued accounting pronouncements***

1. 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 January 2020. 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.

**HCL Technologies Romania S.R.L.**

**Notes to financial statements for the year ended 31 December 2019**

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

**2. Notes to financial statements**

**2.1 Property, plant and equipment**

**The changes in the carrying value for the year ended 31 December 2019**

| | Computers (RON) | Computers (₹) |
|---|---|---|
| **Gross block as at 1 January 2019** | **322** | **5,389** |
| Additions | 1,714 | 28,678 |
| **Gross block as at 31 December 2019** | **2,036** | **34,067** |
| **Accumulated depreciation as at 1 January 2019** | **130** | **2,176** |
| Charge for the period | 158 | 2,638 |
| **Accumulated depreciation as at 31 December 2019** | **288** | **4,814** |
| **Net block as at 31 December 2019** | **1,748** | **29,253** |

**The changes in the carrying value for the year ended 31 December 2018**

| | Computers (RON) |
|---|---|
| **Gross block as at 1 January 2018** | **204** |
| Additions | 118 |
| Disposals / writte off | - |
| **Gross block as at 31 December 2018** | **322** |
| **Accumulated depreciation as at 1 January 2018** | **54** |
| Charge for the period | 76 |
| Deduction / other adjustments | - |
| **Accumulated depreciation as at 31 December 2018** | **130** |
| **Net block as at 31 December 2018** | **192** |

**HCL Technologies Romania S.R.L.**
**Notes to financial statements for the year ended 31 December 2019**
(All amounts in thousands, except share data and as stated otherwise)

**2.2 Others Financial Assets**

| | As at | | |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) |
| **Non - Current** | | | |
| **Carried at amortized cost** | | | |
| Unbilled receivable (previous year : unbilled revenue) | 1,288 | - | 21,557 |
| Security Deposits | 1,079 | | 18,059 |
| Finance lease receivables (refer note 2.23) | 16 | 75 | 264 |
| | **2,383** | **75** | **39,880** |
| **Current** | | | |
| **Carried at amortized cost** | | | |
| Unbilled receivable (previous year : unbilled revenue) | 1,340 | 42 | 22,420 |
| Finance lease receivables (refer note 2.23) | 59 | 54 | 991 |
| | **1,399** | **96** | **23,411** |

**2.3 Others non-current assets**

| | As at | | |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) |
| Deferred contract cost (previous year : deferred cost) | 1,405 | 7 | 23,523 |
| Prepaid Expenses | 255 | - | 4,262 |
| | **1,660** | **7** | **27,785** |

**2.4 Inventories**

| | As at | | |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) |
| Stock in trade | 276 | 102 | 4,624 |
| | **276** | **102** | **4,624** |

**2.5 Trade Receivable**

| | As at | | |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) |
| Unsecured, considered good (refer note below) | 13,885 | 3,551 | 232,392 |
| Trade receivables which have significant increase in credit risk | 118 | 59 | 1,978 |
| | **14,003** | **3,610** | **234,370** |
| Impaired allowance for bad and doubtful debts | (208) | (88) | (3,492) |
| | **13,795** | **3,522** | **230,878** |

**Note:-**

1. Includes receivables from related parties amounting to RON 10,721 (31 December 2018 RON 1,240, 31 December 2019, ₹ 179,428).

**2.6 Cash and cash equivalents**

| | As at | | |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) |
| Balance with banks | | | |
| - in current accounts | 1,515 | 794 | 25,364 |
| | **1,515** | **794** | **25,364** |

**2.7 Other current assets**

| | As at | | |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) |
| **Unsecured , considered good** | | | |
| Advances other than capital advances | | | |
| Advances to related parties (refer note 2.26) | 8 | 8 | 133 |
| Advances to suppliers | 1,853 | 74 | 31,018 |
| Advances to employees | 243 | 1 | 4,060 |
| Cenvat Credit | 964 | - | 16,132 |
| Prepaid Expenses | 400 | - | 6,693 |
| Deferred contract cost (previous year : deferred cost) | 1,955 | 2 | 32,725 |
| | **5,423** | **85** | **90,761** |
| **Unsecured , considered doubtful** | | | |
| Advances to employees | 4 | - | 61 |
| Less: provision for doubtful advances | (4) | - | (61) |
| | **-** | **-** | **-** |
| | **5,423** | **85** | **90,761** |

**2.8 Share Capital**

| | As at | | |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) |
| **Issued, subscribed and fully paid up** | | | |
| 35,329 (Previous year- 35,329) equity shares of RON 10 each | 353 | 353 | 5,908 |

**Terms/ rights attached to equity shares**

The Company has only one class of shares referred to as equity shares having a par value of RON 10/-. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**Reconciliation of the number of shares outstanding at the beginning and at the end of the financial year**

| | As at | | | | | |
|---|---|---|---|---|---|---|
| | 31 December 2019 | | 31 December 2018 | | 31 December 2019 | |
| | No. of shares | (RON) | No. of shares | (RON) | No. of shares | (₹) |
| Number of shares at the beginning | 35,329 | 353 | 35,329 | 353 | 35,329 | 5,908 |
| Add: Shares issued during the year | - | - | - | - | - | - |
| Number of shares at the end | 35,329 | 353 | 35,329 | 353 | 35,329 | 5,908 |

**Details of shareholders holding more than 5 % shares in the Company:-**

| Name of the shareholder | As at | | | |
|---|---|---|---|---|
| | 31 December 2019 | | 31 December 2018 | |
| | No. of shares | % holding in the class | No. of shares | % holding in the class |
| **Equity shares of RON 10 each fully paid** | | | | |
| HCL Bermuda Limited (Holding company) | 35,328 | 99.99% | 35,328 | 99.99% |

As per the records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

There are no bonus shares issued, no shares issued for consideration other than cash and no shares 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 Income taxes**

| | Year ended | | |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) |
| **Income tax charged to statement of profit and loss** | | | |
| Current income tax charge | 660 | 72 | 11,048 |
| Adjustment in respect of prior year | 46 | 31 | 771 |
| Deferred tax charge (credit) | (159) | (16) | (2,660) |
| Adjustment in respect of prior year | (7) | 12 | (120) |
| | **540** | **99** | **9,039** |

**HCL Technologies Romania S.R.L.**

**Notes to financial statements for the year ended 31 December 2019**

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

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

| | Year ended | | |
|---|---|---|---|
| | **31 December 2019** | **31 December 2018** | **31 December 2019** |
| | **(RON)** | **(RON)** | **(₹)** |
| Profit before income tax | 3,269 | 515 | 54,730 |
| Statutory tax rate | 16% | 16% | 16% |
| **Expected tax expense** | 523 | 82 | 8,752 |
| Non Deductible Expenses | 24 | - | 406 |
| Adjustment in respect of prior year | 39 | 43 | 649 |
| WDV difference | - | (22) | - |
| Tax benefit for reinvested profit | (46) | - | (768) |
| Others | - | (4) | - |
| **Total taxes** | **540** | **99** | **9,039** |
| Effective income tax rate | 17% | 19% | 17% |

Components of deferred tax assets and liabilities as on 31 December 2019 **(Amounts in RON)**

| | **Opening balance** | **Recognized in profit and loss** | **Recognised in / reclassified from OCI** | **Recognized directly in equity and against tax liability** | **Closing balance** |
|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | |
| Employees provisons | - | 111 | - | - | 111 |
| Provision for DD | 10 | 23 | - | - | 33 |
| Provision for Leave Encashment | 7 | 49 | - | - | 56 |
| Capital Allowances | 11 | (11) | - | - | - |
| **Gross deferred tax assets (A)** | 28 | 172 | - | - | 200 |
| **Deferred tax liabilities** | | | | | |
| Unrealised forex | - | 6 | | | 6 |
| **Gross deferred tax liabilities (B)** | - | 6 | - | - | 6 |
| **Net deferred tax assets/(liabilities) (A-B)** | 28 | 166 | - | - | 194 |

Components of deferred tax assets and liabilities as on 31 December 2018 **(Amounts in RON)**

| | **Opening balance** | **Recognized in profit and loss** | **Recognised in / reclassified from OCI** | **Recognized directly in equity and against tax liability** | **Closing balance** |
|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | |
| Provision for DD | 11 | (1) | - | - | 10 |
| Provision for Leave Encashment | 1 | 6 | - | - | 7 |
| Provision for expenses | 3 | (3) | - | - | - |
| Capital Allowances | 9 | 2 | - | - | 11 |
| **Gross deferred tax assets (A)** | 24 | 4 | - | - | 28 |
| **Deferred tax liabilities** | - | - | - | - | - |
| **Gross deferred tax liabilities (B)** | - | - | - | - | - |
| **Net deferred tax assets/(liabilities) (A-B)** | 24 | 4 | - | - | 28 |

Components of deferred tax assets and liabilities as on 31 December 2019 **(Amounts in ₹)**

| | **Opening balance** | **Recognized in profit and loss** | **Recognised in / reclassified from OCI** | **Recognized directly in equity and against tax liability** | **Closing balance** |
|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | |
| Employees provisons | - | 1,853 | - | - | 1,853 |
| Provision for DD | 167 | 393 | - | - | 560 |
| Provision for Leave Encashment | 113 | 820 | - | - | 933 |
| Capital Allowances | 194 | (194) | - | - | - |
| **Gross deferred tax assets (A)** | 474 | 2,872 | - | - | 3,346 |
| **Deferred tax liabilities** | | | | | |
| Unrealised forex | - | 92 | - | - | 92 |
| **Gross deferred tax liabilities (B)** | - | 92 | - | - | 92 |
| **Net deferred tax assets/(liabilities) (A-B)** | 474 | 2,780 | - | - | 3,254 |

**HCL Technologies Romania S.R.L.**
**Notes to financial statements for the year ended 31 December 2019**
(All amounts in thousands, except share data and as stated otherwise)

**2.10 Other non-current liabilities**

| | As at | | |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) |
| Contract liabilities (previous year : revenue received in advance) | 1,783 | - | 29,834 |
| | **1,783** | **-** | **29,834** |

**2.11 Borrowings**

| | As at | | |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) |
| **Short term borrowings** | | | |
| Unsecured | | | |
| Loan from related party (refer note 2.26) | 5,064 | - | 84,747 |
| | **5,064** | **-** | **84,747** |

**Note:-**
The Company has availaed loan of RON 5,064 (` 84,747) at interest rate of LIBOR + 100bps points. The loan is repayable on demand.

**2.12 Trade payables**

| | As at | | |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) |
| Trade payables- related parties (refer note 2.24) | 6,545 | 2,701 | 109,547 |
| Trade payables | 1,176 | 32 | 19,677 |
| | **7,721** | **2,733** | **129,224** |

**2.13 Other financial liabilities**

| | As at | | |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) |
| **Current** | | | |
| **Carried at amortized cost** | | | |
| Employee bonus accrued | 332 | 38 | 5,561 |
| Other employee cost accrued | 96 | 5 | 1,610 |
| Interest accrued but not due on borrowings (related parties)-(refer note 2.26) | 127 | - | 2,129 |
| Others | | | |
| Capital accounts payables | 2,540 | - | 42,511 |
| Liabilities for expenses | 3,901 | 225 | 65,288 |
| Liabilities for expenses-related parties (refer note 2.26) | - | 169 | - |
| | **6,996** | **437** | **117,099** |

**2.14 Other current liabilities**

| | As at | | |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) |
| Contract liabilities (previous year : revenue received in advance) | 340 | - | 5,683 |
| Advances received from customers- related parties (refer note 2.26) | 645 | 153 | 10,792 |
| Others | | | |
| Withholding and other taxes payable | 1,308 | 257 | 21,900 |
| | **2,293** | **410** | **38,375** |

**2.15 Provisions**

| | As at | | |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) |
| **Current** | | | |
| Provision for leave benefits | 1,622 | 45 | 27,149 |
| | **1,622** | **45** | **27,149** |

**HCL Technologies Romania S.R.L.**

**Notes to financial statements for the year ended 31 December 2019**

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

**2.16 Revenue from operations**

| | Year ended | | |
|---|---|---|---|
| | **31 December 2019** | **31 December 2018** | **31 December 2019** |
| | **(RON)** | **(RON)** | **(₹)** |
| Sale of services | 32,978 | 5,410 | 551,946 |
| Sale of hardware and software | 6,043 | 40 | 101,140 |
| | **39,021** | **5,450** | **653,086** |

**Disaggregate Revenue Information**

The disaggregated revenue from contracts with the customers for the year ended 31 December 2019.

| | **Year ended 31 December 2019 (RON)** | **Year ended 31 December 2019 (`)** |
|---|---|---|
| **Contract type** | | |
| Fixed price | 31,635 | 529,473 |
| Time and material | 7,386 | 123,613 |
| **Total** | **39,021** | **653,086** |
| | | |
| **Geography wise** | | |
| Europe | 39,021 | 653,086 |
| | **39,021** | **653,086** |

**Remaining performance obligations**

As at 31 December 2019, the aggregate amount of transaction price allocated to remaining performance obligations as per the requirements of Ind AS 115 was nil. This is after exclusions of below:

a) Contracts for which we recognize revenues based on the right to invoice for services performed,

b) Variable consideration allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation, or

c) Variable consideration in the form of a sales-based or usage-based royalty promised in exchange for a license of intellectual property.

**Contract balances**

Contract assets : A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets are recognized where there is excess of revenue over the billings. Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in our balance sheet. Contract assets primarily relate to unbilled amounts on fixed price contracts using the cost to cost method of revenue recognition. Unbilled receivable represents contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

The company does not have any contract assets as on 31 December 2019.

Contract liablities : A contract liability arises when there is excess billing over the revenue recognized.

The below table discloses the significant movement in contract liabilities :

| | **Contract liabilities (RON)** | **Contract liabilities (`)** |
|---|---|---|
| Balance as at 1 January 2019 | - | - |
| Additional amounts billed but not recognized as revenue | 2,123 | 35,517 |
| Deduction on account of revenues recognized during the year | - | - |
| **Balance as at 31 December 2019** | **2,123** | **35,517** |

Deferred contract cost : Deferred contract cost represents the contract fulfilment cost and cost for obtaining the contract.

The below table discloses the significant movement in deferred contract cost :

| | **Deferred contract cost (RON)** | **Deferred contract cost (`)** |
|---|---|---|
| Balance as at 1 January 2019 | 9 | 156 |
| Additional cost capitalised during the year | 3,352 | 56,092 |
| Deduction on account of cost amortised during the year | - | - |
| **Balance as at 31 December 2019** | **3,361** | **56,248** |

The company has evaluated the impact of COVID-19 resulting from (a) increase in cost budget of fixed price projects due to additional efforts; (b) onerous projects; (c) penalties for not meeting SLAs; (d) volume discounts; (e) termination / deferment of projects to ensure that revenue is recognised after considering all these impacts to the extent known and available currently. We would continue to assess COVID-19 impact as we go along due to uncertainties associated with it nature and duration.

**HCL Technologies Romania S.R.L.**

**Notes to financial statements for the year ended 31 December 2019**

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

**2.17 Other income**

| | Year ended | | |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) |
| Provision for doubtful debts / bad debts written back | - | 14 | - |
| | **-** | **14** | **-** |

**2.18 Changes in inventories of traded goods**

| | Year ended | | |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) |
| Opening stock | 102 | 23 | 1,707 |
| Closing stock | 276 | 102 | 4,619 |
| | **(174)** | **(79)** | **(2,912)** |

**2.19 Employee benefits expenses**

| | Year ended | | |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) |
| Salaries, wages and bonus | 14,100 | 568 | 235,989 |
| Contribution to social security and other benefits | 752 | 58 | 12,586 |
| Staff Welfare | 346 | - | 5,788 |
| | **15,198** | **626** | **254,363** |

**2.20 Finance cost**

| | Year ended | | |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) |
| Interest | | | |
| -on loan from related party | 126 | - | 2,116 |
| - direct taxes | 1 | - | 20 |
| Bank charges | 17 | 6 | 279 |
| | **144** | **6** | **2,416** |

**2.21 Other expenses**

| | Year ended | | |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) |
| Rent | 1,109 | - | 18,558 |
| Power and fuel | 535 | - | 8,947 |
| Travel and conveyance | 844 | 8 | 14,120 |
| Legal and professional charges | 290 | 121 | 4,846 |
| Repairs & maintenance | | | |
| -Buildings | 22 | - | 366 |
| -Others | 634 | - | 10,608 |
| Exchange differences (net) | 601 | 49 | 10,065 |
| Communication | 2 | - | 27 |
| Provision for doubtful debts / bad debts written off | 120 | - | 2,010 |
| Recruitment, training and development | 458 | 25 | 7,657 |
| Rates and taxes | 5 | 9 | 83 |
| Miscellaneous expenses | 66 | - | 1,132 |
| | **4,686** | **212** | **78,419** |

**2.22 Earnings Per Share**

The computation of earnings per share is as follows:

| | Year ended | | |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) |
| Net profit as per statement of profit and loss for computation of EPS | 2,729 | 416 | 45,691 |
| Weighted average number of equity shares outstanding in calculating Basic EPS / Dilutive EPS | 35,329 | 35,329 | 35,329 |
| Nominal value of equity shares | 10 | 10 | 10 |
| Earnings per equity share | | | |
| - Basic | 77.24 | 11.78 | 1,293.29 |
| - Diluted | 77.24 | 11.78 | 1,293.29 |

**2.23**

**(i) Operating Lease**

The Company's significant leasing arrangements are in respect of operating leases for office spaces. The aggregate lease rental expense recognized in the statement of profit and loss for the year amounts to RON 1,109 (31 December 2018 RON Nil, 31 December 2019, ₹ 18,558).

Future minimum lease payments and the payment profile of non-cancellable operating leases are as follows:

| | Year ended | | |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | RON | RON | (₹) |
| Not later than one year | 3,133 | - | 52,433 |
| Later than one year and not later than 5 years | 8,093 | - | 135,456 |

**(ii) 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 receivable | Interest included in minimum lease payments receivable | Present value of minimum lease payments receivable |
|---|---|---|---|
| **As on 31 December 2019 (RON)** | | | |
| Not later than one year | 64 | 5 | 59 |
| Later than one year and not later than 5 years | 16 | - | 16 |
| | 80 | 5 | 75 |
| **As on 31 December 2018 (RON)** | | | |
| Not later than one year | 64 | 10 | 54 |
| Later than one year and not later than 5 years | 80 | 5 | 75 |
| | 144 | 15 | 129 |
| **As on 31 December 2019 (₹)** | | | |
| Not later than one year | 1,072 | 81 | 991 |
| Later than one year and not later than 5 years | 268 | - | 264 |
| | 1,340 | 81 | 1,255 |

**2.24 Segment Reporting**

Operating segments are defined as components of an enterprise for which discrete financial information is available and their results are reviewed regularly by the chief operating decision maker (CODM), for allocation of resources and assessing performance. Till previous year, the CODM evaluated the Company's performance by business segments comprising software services, infrastructure management services and business process outsourcing services.

Consequent to the reorganization of its operations due to technological changes and business requirements, effective current year the Company's holding company, HCL Technologies Limited's chief operating decision maker (CODM) reviews its results for allocation of resources and assessing performance by business segment comprising IT and Business Services, Engineering and R&D Services, and Products & Platforms segments.

Due to the reorganization of operations, the ultimate Holding Company effective current year, monitors the risk and returns of the Company's businesses on an entity level and evaluates the performance of the Company as one business segment which is overall a part of the reorganized entity level business segments. Hence there is only one reportable segment of the Company, as envisaged under Indian Accounting Standards -108 "Operating segments".

Revenue disagreegation as per geography is given in note 2.16.

**2.25 Financial Instruments**

**(a) Financial assets and liabilities**

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

| | As at | | | | | |
|---|---|---|---|---|---|---|
| | 31 December 2019 | | 31 December 2018 | | 31 December 2019 | |
| | Amortized cost | Total carrying value | Amortized cost | Total carrying value | Amortized cost | Total carrying value |
| | ( RON) | ( RON) | ( RON) | ( RON) | (₹) | (₹) |
| **Financial assets** | | | | | | |
| Trade receivables | 13,795 | 13,795 | 3,522 | 3,522 | 230,878 | 230,878 |
| Cash and cash equivalents | 1,515 | 1,515 | 794 | 794 | 25,364 | 25,364 |
| Others (refer note 2.2) | 3,782 | 3,782 | 171 | 171 | 63,291 | 63,291 |
| **Total** | **19,092** | **19,092** | **4,487** | **4,487** | **319,533** | **319,533** |
| **Financial liabilities** | | | | | | |
| Borrowings | 5,064 | 5,064 | - | - | 84,747 | 84,747 |
| Trade payables | 7,721 | 7,721 | 2,733 | 2,733 | 129,224 | 129,224 |
| Others (refer note 2.13) | 6,996 | 6,996 | 437 | 437 | 117,099 | 117,099 |
| **Total** | **19,781** | **19,781** | **3,170** | **3,170** | **331,070** | **331,070** |

Trade receivables, unbilled receivables, finance lease receivables and contract assets have been valued after making reserve for allowances based on the expected credit loss method, considering factors like ageing, likelihood of increased credit risk and expected realizability, nature of customer verticals, considering impact of COVID – 19 impact on customers and related customer verticals.

**(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

The Company is primarily exposed to fluctuation in foreign currency exchange rates.

**2.25 Financial instruments (continued)**

**(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 and Euro while a large portion of costs are in RON. The fluctuation in exchange rates in respect to RON 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 RON 2,353 (₹ 39,386) for the period ended 31 December, 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 December, 2019 and 31 December 2018 in major currencies is as below:

| | Net financial assets | | | Net financial liabilities | | |
|---|---|---|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) | (RON) | (RON) | (₹) |
| EUR / RON | 8,598 | 36 | 143,906 | 128,513 | 278 | 2,150,902 |
| USD / RON | 20,717 | 338 | 346,742 | 100,878 | 23 | 1,688,379 |
| GBP / RON | - | - | - | 18,182 | - | 304,316 |

**(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 risk of changes in market interest rates arises on borrowings from fellow subsidiary with floating interest rate which is not material.

**Credit risk**
Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, trade receivables, unbilled receivable 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 Romania and accordingly, trade receivables and finance lease receivables are concentrated in Romania. 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 as below:

| | As at | As at | As at |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) |
| Balance at the beginning of the year | 88 | 102 | 1,473 |
| Additional provision during the year | 120 | 88 | 2,019 |
| Deductions on account of write offs and collections | - | (102) | - |
| **Balance at the end of the year** | **208** | **88** | **3,492** |

**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.

**2.26 Related party transactions**

**a) Related parties where control exists**

**Ultimate Holding Company**
HCL Technologies Limited

**Holding Company**
HCL Bermuda Limited

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

**Ultimate Holding Company**
HCL Technologies Limited

**Fellow Subsidiaries**
HCL Axon Malaysia Sdn. Bhd. .
Axon Solutions Limited
HCL Canada Inc. (formerly known as HCL Axon Technologies Inc.)
HCL Technologies Vietnam Company Limited
HCL Technologies Philippines, Inc
HCL Technologies Norway AS
HCL Japan Limited
HCL (Brazil) Technologia da informacao EIRELI (formerly known as HCL (Brazil) Technologia da informacao Ltda.)
HCL America Inc.
HCL Australia Services Pty. Limited
HCL Belgium NV
HCL Technologies Belgium BVBA
HCL GmbH
HCL Great Britain Limited

**2.26 Related party transactions (continued)**

HCL Singapore Pte. Limited
GEG- Netherland Branch
HCL (Netherlands) BV
HCL Sweden AB
HCL Technologies Sweden AB
HCL Technologies Middle East FZ-LLC
HCL Technologies Austria GmbH
HCL Technologies B.V.
HCL Technologies Czech Republic s.r.o
HCL Technologies Egypt Limited
HCL Technologies Germany GmbH
HCL Technologies Italy S.P.A
HCL Technologies S.A.
HCL (Ireland) Information Systems Limited
HCL Istanbul Bilisim Teknolojileri Limited Sirketi
HCL Technologies Chile S.P.A
HCL Technologies Columbia S.A.S.
HCL Technologies Corporate Services Limited
HCL Technologies Denmark ApS
HCL Technologies Finland Oy
HCL Technologies France S.A.S.
HCL Technologies Greece Single Member P.C.
Filial Espanola De HCL Technoloiges S.L.
HCL Argentina S.A.
Axon Solutions (Shanghai) Co. Limited
HCL Technologies (Shanghai) Limited
HCL Axon Solutions (Shanghai)
HCL EAS Limited
HCL Technologies UK Limited
HCL Hungry Kft

| Transactions with related parties during the normal course of business | Sale of materials and services | Outsourcing costs | Interest expense |
|---|---|---|---|
| **For the Year 2019 (RON)** | | | |
| Ultimate Holding Company | 2,249 | 787 | - |
| Fellow Subsidiaries | 31,032 | 2,760 | 126 |
| **Total** | **33,281** | **3,547** | **126** |
| **For the Year 2018 (RON)** | | | |
| Ultimate Holding Company | 245 | 1,950 | - |
| Fellow Subsidiaries | 2,384 | 870 | - |
| **Total** | **2,629** | **2,820** | **-** |
| **For the Year 2019 (₹)** | | | |
| Ultimate Holding Company | 37,633 | 13,172 | - |
| Fellow Subsidiaries | 519,372 | 46,199 | 2,116 |
| **Total** | **557,005** | **59,371** | **2,116** |

**c) Outstanding balances**

| Outstanding balances | Trade receivables | Trade Payables and other Current Liabilities | Advances paid to suppliers | Advances received from customers | Short Term Borrowings | Interest accrued but not due on borrowings |
|---|---|---|---|---|---|---|
| **As on 31st December, 2019 (RON)** | | | | | | |
| Ultimate Holding Company | 14 | 2,741 | - | 48 | - | - |
| Fellow Subsidiaries | 10,707 | 3,655 | 8 | 597 | 5,064 | 127 |
| **Total** | **10,721** | **6,396** | **8** | **645** | **5,064** | **127** |
| **As on 31st December, 2018 (RON)** | | | | | | |
| Ultimate Holding Company | - | 1,949 | - | - | - | - |
| Fellow Subsidiaries | 1,240 | 921 | 8 | 153 | - | - |
| **Total** | **1,240** | **2,870** | **8** | **153** | **-** | **-** |
| **As on 31st December, 2019 (₹)** | | | | | | |
| Ultimate Holding Company | 239 | 45,870 | - | 802 | - | - |
| Fellow Subsidiaries | 179,189 | 61,171 | 133 | 9,990 | 84,747 | 2,129 |
| **Total** | **179,428** | **107,041** | **133** | **10,792** | **84,747** | **2,129** |

**2.27 Commitments**

| | As at | | |
|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 |
| | (RON) | (RON) | (₹) |
| **i) Capital and other commitments** | | | |
| **Capital commitments** | | | |
| Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) | 4,044 | 38 | 67,675 |
| | **4,044** | **38** | **67,675** |

**As per our report of even date attached**

**FOR B S R & Co. LLP**
**Chartered Accountants**
**ICAI Firm Registration Number : 101248W/W-100022**

RAKESH DEWAN Digitally signed by RAKESH DEWAN Date: 2020.08.05 16:41:11 +05'30'

**Rakesh Dewan**
Partner
Membership Number: 092212

**Gurugram, India**
Date : 5 August 2020

**For and on behalf of the Board of Directors**
**of HCL Technologies Romania S.R.L.**

SUBRAMANIAN GOPALAKRISHNAN Digitally signed by SUBRAMANIAN GOPALAKRISHNAN Date: 2020.08.05 15:18:37 +05'30'

SHIV KUMAR WALIA Digitally signed by SHIV KUMAR WALIA Date: 2020.08.05 15:19:06 +05'30'

**Subramanian Gopalakrishnan**
Director

**Shiv Walia**
Director

Date : 5 August 2020