HCL Technologies Romania S.R.L.

Financial Statements

For the year ended 31st December 2018 and 2017

S.R. BATLIBOI & CO. LLP
Chartered Accountants

2nd & 3rd Floor
Golf View Corporate Tower - B
Sector - 42, Sector Road
Gurugram - 122 002, Haryana, India
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INDEPENDENT AUDITOR'S REPORT

To the Members of HCL Technologies Romania S.R.L.

Opinion

We have audited the accompanying special purpose Ind AS financial statements of HCL Technologies Romania S.R.L., which comprise the Balance Sheet as at December 31, 2018, 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 December 31, 2018, 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.

Management's Responsibility for the 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 accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act, 2013, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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.

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

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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 scepticism 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 matters

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 December 31, 2018 is intended for the information and use of the board of directors of the Company and HCL Technologies Limited, the ultimate holding company to comply with the financial reporting requirement in India. 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

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

per Nilangshu Katriar
Partner
Membership Number: 58814
Place: Gurugram, India
Date: June 28, 2019

HCL Technologies Romania S.R.L.
Balance Sheet as at 31 December 2018
(All amounts in thousands, except share data and as stated otherwise)

	Note No.	As at 31 December 2018 (RON)	As at 31 December 2017 (RON)	As at 31 December 2018 refer note 1(a) (₹)
I. ASSETS				
(1) Non-current assets				
(a) Property, Plant and Equipment	2.1	192	150	3,291
(b) Financial Assets				
(i) Others	2.2	75	129	1,285
(c) Deferred tax assets (net)	2.9	28	24	482
(d) Other non current assets	2.3	7	-	120
(2) Current assets				
(a) Inventories	2.4	102	23	1,748
(b) Financial Assets				
(i) Trade receivables	2.5	3,522	1,620	60,342
(ii) Cash and cash equivalents	2.6	794	618	13,605
(iii) Others	2.2	96	49	1,645
(c) Other current assets	2.7	85	7	1,456
(d) Current tax assets (net)		-	31	-
TOTAL ASSETS		**4,901**	**2,651**	**83,974**
II. EQUITY				
(a) Equity share capital	2.8	353	353	6,049
(b) Other equity		883	467	15,130
TOTAL EQUITY		**1,236**	**820**	**21,179**
III. LIABILITIES				
(1) Current liabilities				
(a) Financial liabilities				
(i) Trade payables	2.10	2,733	1,348	46,830
(ii) Others	2.11	437	334	7,488
(b) Other current liabilities	2.12	410	143	7,026
(c) Provisions	2.13	45	6	771
(d) Current Tax Liabilities (net)		40	-	680
TOTAL EQUITY AND LIABILITIES		**4,901**	**2,651**	**83,974**
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

S.R. BATLIBOI & CO. LLP ★ GURUGRAM ★

Gurugram, India
Date : 28 June 2019

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

Bejoy George
Director

Shiv Walia
Director

Date : 28 June 2019

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

		Note No.	Year ended 31 December 2018 (RON)	Year ended 31 December 2017 (RON)	Year ended 31 December 2018 refer note 1(a) (₹)
I	**Revenue**				
	Revenue from operations	2.14	5,450	2,659	93,385
	Other income	2.15	14	-	240
	Total income		**5,464**	**2,659**	**93,625**
II	**Expenses**				
	Purchase of stock-in-trade		125	23	2,142
	Changes in inventories of stock-in-trade	2.16	(79)	32	(1,354)
	Employee benefits expense	2.17	626	147	10,727
	Finance costs	2.18	6	5	103
	Depreciation and amortization expense	2.1	76	32	1,302
	Outsourcing Costs		3,983	1,924	68,249
	Other expenses	2.19	212	159	3,632
	Total expenses		**4,949**	**2,322**	**84,801**
III	**Profit before tax**		**515**	**337**	**8,824**
IV	**Tax expense**	2.9			
	Current tax		103	54	1,762
	Deferred tax charge		(4)	(16)	(72)
	Total tax expense		99	38	1,690
V	**Profit for the period**		**416**	**299**	**7,134**
VI	**Other comprehensive income**				
	Items that will not be reclassified to statement of profit or loss		-	-	-
	Items that will be reclassified subsequently to statement of profit or loss		-	-	-
			-	-	-
VII	**Total Comprehensive Income for the period**		**416**	**299**	**7,134**
	Earnings per equity share of RON 10 each	2.20			
	Basic		11.78	8.46	201.93
	Diluted		11.78	8.46	201.93
	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: 28 June 2019

S.R. BATLIBOI & CO. LLP GURUGRAM

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

Bejoy George
Director

Shiv Walia
Director

Date: 28 June 2019

HCL Technologies Romania S.R.L.

Statement of cash flows for the year ended 31 December 2018

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

		Year ended 31 December 2018 (RON)	Year ended 31 December 2017 (RON)	Year ended 31 December 2018 refer note 1(a) (₹)
A. Cash flows from operating activities				
Profit before tax		515	337	8,824
Adjustment for:				
Depreciation and amortization expense		76	32	1,302
Provision for doubtful debts / bad debts written off / (written back)		(14)	102	(240)
Operating profit before working capital changes		**577**	**471**	**9,886**
Movement in Working Capital				
(Increase)/decrease in trade receivables		(1,888)	(1,155)	(32,353)
(Increase)/decrease in inventories		(79)	32	(1,354)
(Increase)/decrease in other financial assets and other assets		(82)	188	(1,407)
Increase/ (decrease) in trade payables		1,385	435	23,729
Increase/ (decrease) in provisions, other financial liabilities and other liabilities		409	(274)	7,014
Cash generated from / (used in) operations		**322**	**(303)**	**5,515**
Direct taxes paid (net of refunds)		(28)	(86)	(479)
Net cash flow from / (used in) operating activities	**(A)**	**294**	**(389)**	**5,036**
B. Cash flows from investing activities				
Purchase of property,plant and equipment		(118)	(133)	(2,022)
Net cash flow used in investing activities	**(B)**	**(118)**	**(133)**	**(2,022)**
C. Cash flows from financing activities				
Interest paid		(0)	(0)	(3)
Net cash flow used in financing activities	**(C)**	**(0)**	**(0)**	**(3)**
Net increase / (decrease) in cash and cash equivalents (A+B+C)		176	(522)	3,011
Cash and cash equivalents at the beginning of the period		618	1,140	10,594
Cash and cash equivalents at the end of the period as per note no 2.6		**794**	**618**	**13,605**
Summary of significant accounting policies (Note 1)				

As per our report of even date.

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

per Nilangshu Katriar
Partner
Membership Number: 58814

S.R. BATLIBOI & CO. LLP ★ GURUGRAM ★

Gurugram, India
Date : 28 June 2019

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

Bejoy George
Director

Shiv Walia
Director

Date : 28 June 2019

HCL Technologies Romania S.R.L.

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

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

(Amounts in RON)

	Equity share capital		Other Equity
	Shares	Share capital	Reserves and Surplus
			Retained Earnings
Balance as of January 1, 2017	35,329	353	168
Profit for the period	-	-	299
Other comprehensive income / (loss)	-	-	-
Total comprehensive income for the period	-	-	299
Balance as of December 31, 2017	35,329	353	467
Balance as of January 1, 2018	35,329	353	467
Profit for the period	-	-	416
Other comprehensive income / (loss)	-	-	-
Total comprehensive income for the period	-	-	416
Balance as of December 31, 2018	35,329	353	883
Balance as of December 31, 2018 (Amounts in ₹)	35,329	6,049	15,130

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 : 28 June 2019

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

Bejoy George
Director

Shiv Walia
Director

Date : 28 June 2019

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 infrastructure services. The Company was registered in Romania on May 28, 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 31st December, 2018 were approved and authorized for issue by the Board of Directors on 28 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 Romanian New Lie (RON). The translation from RON to ₹ is unaudited and is included solely for the convenience of readers in India and has been performed using rate of RON 1 = ₹ 17.135, 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, future obligations under employee benefit plans, 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.

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(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

Contracts involving provision of services

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

Time-and-material contracts

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

Fixed Price contracts

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

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

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

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

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

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

Multiple-element arrangements

When a sales arrangement contains multiple elements, such as services, hardware and software products and licenses, revenue for each element is determined based on its fair value.

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 activities in transition services not having standalone value in outsourcing arrangements is deferred and recognized over the period of the arrangement. Direct and incremental costs in relation to such an arrangement are also deferred to the extent of revenue. Certain upfront non-recurring contract acquisition costs incurred in the initial phases of outsourcing contracts are deferred and amortized 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 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 whether the Company is the primary obligor to the customer, has established its own pricing, and has inventory and credit risks.

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

Revenue from financing leases is recognized when risk of loss has been transferred to the client and there are no unfulfilled obligations that affect the final acceptance of the arrangement by the client. Interest attributable to financing leases included therein is recognized on an accrual basis using the effective interest method.

(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.

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 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.

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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) 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.

(i) *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.

(j) 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.

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(k) 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.

(l) Retirement and other employee benefits

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

(ii) 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.

(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.

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

ii. **Financial liabilities**

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

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

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

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

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

Offsetting of financial instruments

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

(n) 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.

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(o) Recently issued accounting pronouncements

1. Ind AS 115 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Ind AS 115 will supersede the current revenue recognition standard Ind AS 18 Revenue, Ind AS 11 Construction Contracts. The effective date for adoption of Ind AS 115 is financial periods beginning on or after 1 January 2019.

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

   The standard permits two possible methods of transition:
   - Retrospective approach-Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors
   - Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach)

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

2. 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.

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Notes to financial statements for the year ended 31 December 2018

(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 period ended 31 December 2018

	Computers (RON)	Computers (₹)
Gross block as at 1 January 2018	**204**	**3,496**
Additions	118	2,022
Gross block as at 31 December 2018	**322**	**5,518**
Accumulated depreciation as at 1 January 2018	**54**	**925**
Charge for the period	76	1,302
Accumulated depreciation as at 31 December 2018	**130**	**2,227**
Net block as at 31 December 2018	**192**	**3,291**

The changes in the carrying value for the period ended 31 December 2017

	Computers (RON)
Gross block as at 1 January 2017	**75**
Additions	133
Disposals/writte off	4
Gross block as at 31 December 2017	**204**
Accumulated depreciation as at 1 January 2017	**26**
Charge for the period	32
Deduction/other adjustments	4
Accumulated depreciation as at 31 December 2017	**54**
Net block as at 31 December 2017	**150**

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

2.2 Others Financial Assets

	As at		
	31 December 2018	31 December 2017	31 December 2018
	(RON)	(RON)	(₹)
Non - Current			
Carried at amortized cost			
Finance lease receivables (refer note : 2.21)	75	129	1,285
	75	129	1,285
Current			
Carried at amortized cost			
Unbilled revenue	42	0	720
Finance lease receivables (refer note : 2.21)	54	49	925
	96	49	1,645

2.3 Others non-current assets

	As at		
	31 December 2018	31 December 2017	31 December 2018
	(RON)	(RON)	(₹)
Deferred cost	7	-	120
	7	-	120

2.4 Inventories

	As at		
	31 December 2018	31 December 2017	31 December 2018
	(RON)	(RON)	(₹)
Stock in trade	102	23	1,748
	102	23	1,748

2.5 Trade Receivable

	As at		
	31 December 2018	31 December 2017	31 December 2018
	(RON)	(RON)	(₹)
Unsecured, considered good (refer note below)	3,551	1,620	60,848
Trade receivables which have significant increase in credit risk	59	102	1,010
Trade receivables - credit impaired	-	-	-
	3,610	1,722	61,858
Impaired allowance for bad and doubtful debts			
-Unsecured, considered good	(29)	-	(504)
-Trade receivables which have significant increase in credit risk	(59)	(102)	(1,012)
-Trade receivables - credit impaired	-	-	-
	3,522	1,620	60,342

Note:-

1. Includes receivables from related parties amounting to RON 1,240 (31 December 2017 RON 1,059, 31 December 2018, ₹ 21,247).

2.6 Cash and cash equivalents

	As at		
	31 December 2018	31 December 2017	31 December 2018
	(RON)	(RON)	(₹)
Balance with banks			
- in current accounts	794	618	13,605
	794	618	13,605

2.7 Other current assets

	As at		
	31 December 2018	31 December 2017	31 December 2018
	(RON)	(RON)	(₹)
Unsecured , considered good			
Advances other than capital advances			
Advances to related parties (refer note 2.24)	8	7	137
Advances to employees	1	-	17
Advances to suppliers	74	-	1,268
Others			
Deferred cost	2	-	34
	85	7	1,456

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

2.8 Share Capital

	As at		
	31 December 2018	31 December 2017	31 December 2018
	(RON)	(RON)	(₹)
Issued, subscribed and fully paid up			
35,329 (Previous year- 35,329) equity shares of RON 10 each	353	353	6,049

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 2018		31 December 2017		31 December 2018	
	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	6,049
Add: Shares issued during the year	-	-	-	-	-	-
Number of shares at the end	35,329	353	35,329	353	35,329	6,049

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

Name of the shareholder	As at			
	31 December 2018		31 December 2017	
	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 2018	31 December 2017	31 December 2018
	(RON)	(RON)	(₹)
Income tax charged to statement of profit and loss			
Current income tax charge	72	54	1,233
Adjustment in respect of prior year	31	0	529
Deferred tax charge (credit)	(16)	8	(272)
Adjustment in respect of prior year	12	(24)	200
	99	38	1,690

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Notes to financial statements for the year ended 31 December 2018
(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 2018	31 December 2017	31 December 2018
	(RON)	(RON)	(₹)
Profit before income tax	515	337	8,824
Statutory tax rate	16%	16%	16%
Expected tax expense	**82**	54	**1,412**
Carried forward loss set off	-	(14)	-
Adjustment in respect of prior year	43	(11)	729
WDV difference	(22)	9	(380)
Others	(4)	(0)	(71)
Total taxes	**99**	**38**	**1,690**
Effective income tax rate	19%	11%	19%

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					
Others	-	-	-	-	-
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 2017 **(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					
Business losses	8	(8)	-	-	-
Provision for DD	-	11	-	-	11
Provision for Leave Encashment	-	1	-	-	1
Provision for expenses	-	3	-	-	3
Capital Allowances	-	9	-	-	9
Gross deferred tax assets (A)	8	16	-	-	24
Deferred tax liabilities					
Others	-	-	-	-	-
Gross deferred tax liabilities (B)	-	-	-	-	-
Net deferred tax assets/(liabilities) (A-B)	8	16	-	-	24

Components of deferred tax assets and liabilities as on 31 December 2018 **(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					
Provision for DD	188	(17)	-	-	171
Provision for Leave Encashment	17	107	-	-	124
Provision for expenses	51	(51)	-	-	-
Capital Allowances	154	33	-	-	187
Gross deferred tax assets (A)	410	72	-	-	482
Deferred tax liabilities					
Others	-	-	-	-	-
Gross deferred tax liabilities (B)	-	-	-	-	-
Net deferred tax assets/(liabilities) (A-B)	410	72	-	-	482

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

2.10 Trade payables

	As at		
	31 December 2018	31 December 2017	31 December 2018
	(RON)	(RON)	(₹)
Trade payables- related parties (refer note 2.24)	2,701	1,330	46,282
Trade payables	32	18	548
	2,733	**1,348**	**46,830**

2.11 Other financial liabilities

	As at		
	31 December 2018	31 December 2017	31 December 2018
	(RON)	(RON)	(₹)
Current			
Carried at amortized cost			
Employee bonus accrued	38	7	651
Other employee cost accrued	5	-	86
Interest accrued but not due on borrowings (related parties)-(refer note 2.24)	-	0	-
Others			
Liabilities for expenses	225	291	3,855
Liabilities for expenses-related parties (refer note 2.24)	169	36	2,896
	437	**334**	**7,488**

2.12 Other current liabilities

	As at		
	31 December 2018	31 December 2017	31 December 2018
	(RON)	(RON)	(₹)
Advances received from customers- related parties (refer note 2.24)	153	-	2,622
Others			
Withholding and other taxes payable	257	143	4,404
	410	**143**	**7,026**

2.13 Provisions

	As at		
	31 December 2018	31 December 2017	31 December 2018
	(RON)	(RON)	(₹)
Current			
Provision for leave benefits	45	6	771
	45	**6**	**771**

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Notes to financial statements for the year ended 31 December 2018

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

2.14 Revenue from operations

	Year ended		
	31 December 2018	31 December 2017	31 December 2018
	(RON)	(RON)	(₹)
Sale of services	5,410	2,634	92,700
Sale of hardware and software	40	25	685
	5,450	2,659	93,385

2.15 Other income

	Year ended		
	31 December 2018	31 December 2017	31 December 2018
	(RON)	(RON)	(₹)
Provision for doubtful debts / bad debts written back	14	-	240
	14	-	240

2.16 Changes in inventories of traded goods

	Year ended		
	31 December 2018	31 December 2017	31 December 2018
	(RON)	(RON)	(₹)
Opening stock	23	55	394
Closing stock	102	23	1,748
	(79)	32	(1,354)

2.17 Employee benefits expenses

	Year ended		
	31 December 2018	31 December 2017	31 December 2018
	(RON)	(RON)	(₹)
Salaries, wages and bonus	568	115	9,733
Contribution to provident fund and other employee funds	58	32	994
	626	147	10,727

2.18 Finance cost

	Year ended		
	31 December 2018	31 December 2017	31 December 2018
	(RON)	(RON)	(₹)
Bank charges	6	5	103
	6	5	103

2.19 Other expenses

	Year ended		
	31 December 2018	31 December 2017	31 December 2018
	(RON)	(RON)	(₹)
Travel and conveyance	8	-	137
Legal and professional charges	121	47	2,073
Exchange differences (net)	49	9	840
Provision for doubtful debts / bad debts written off	-	102	-
Recruitment, training and development	25	1	428
Rates and taxes	9	0	154
	212	159	3,632

2.20 Earnings Per Share

The computation of earnings per share is as follows:

	Year ended		
	31 December 2018	31 December 2017	31 December 2018
	(RON)	(RON)	(₹)
Net profit as per statement of profit and loss for computation of EPS	416	299	7,134
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	11.78	8.46	201.93
- Diluted	11.78	8.46	201.93

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

2.21 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 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 2017 (RON)			
Not later than one year	64	15	49
Later than one year and not later than 5 years	144	15	129
	208	30	178
As on 31 December 2018 (₹)			
Not later than one year	1,097	172	925
Later than one year and not later than 5 years	1,371	86	1,285
	2,468	258	2,210

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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 three geographic segments : 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.

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

Financial information about the business segments for the year ended 31 December 2018 is as follows: (Amount in RON)

	Software services	IT Infrastructure services	Total
Segment revenues	647	4,803	5,450
Less : Inter-segment revenue	-	-	-
Net revenue of operations from external customers	**647**	**4,803**	**5,450**
Segment Results	**32**	**524**	**556**
Unallocated corporate expenses			-
Finance cost			(6)
Other income			14
Exchange difference (net)			(49)
Profit before share of profit (loss) of associate and tax			**515**
Tax expense			(99)
Net profit after taxes			**416**
Significant non-cash items			
Depreciation and amortization		76	76
Provision for doubtful debts & advances / bad debts & advances written back			(14)

Financial information about the business segments for the year ended 31 December 2017 is as follows: (Amount in RON)

	Software services	IT Infrastructure services	Total
Segment revenues	251	2,407	2,659
Less : Inter-segment revenue	-	-	-
Net revenue of operations from external customers	**251**	**2,407**	**2,659**
Segment Results	**179**	**175**	**354**
Unallocated corporate expenses			(3)
Finance cost			(5)
Other income			-
Exchange difference (net)			(9)
Profit before share of profit (loss) of associate and tax			**337**
Tax expense			38
Net profit after taxes			**299**
Significant non-cash items			
Depreciation and amortization		32	32
Provision for doubtful debts & advances / bad debts & advances written off			102

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

	Software services	IT Infrastructure services	Total
Segment revenues	11,086	82,299	93,385
Less : Inter-segment revenue	-	-	-
Net revenue of operations from external customers	**11,086**	**82,299**	**93,385**
Segment Results	544	8,983	**9,527**
Unallocated corporate expenses			-
Finance cost			(103)
Other income			240
Exchange difference (net)			(840)
Profit before share of profit (loss) of associate and tax			**8,824**
Tax expense			(1,690)
Net profit after taxes			**7,134**
Significant non-cash items			
Depreciation and amortization		1,302	1,302
Provision for doubtful debts & advances / bad debts & advances written back			(240)

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

	Year ended		
	31 December 2018	31 December 2017	31 December 2018
	(RON)	(RON)	(₹)
America	681	536	11,669
Europe	4,412	2,001	75,599
Others	357	122	6,117
Total	**5,450**	**2,659**	**93,385**

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

2.23 Financial Instruments

(a) Financial assets and liabilities

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

	As at					
	31 December 2018		31 December 2017		31 December 2018	
	Amortized cost	Total carrying value	Amortized cost	Total carrying value	Amortized cost	Total carrying value
	(RON)	(RON)	(RON)	(RON)	(₹)	(₹)
Financial assets						
Trade receivables	3,522	3,522	1,620	1,620	-	-
Cash and cash equivalents	794	794	618	618	13,605	13,605
Others (refer note 2.2)	171	171	177	177	2,930	2,930
Total	**4,487**	**4,487**	**2,415**	**2,415**	**16,535**	**16,535**
Financial liabilities						
Trade payables	2,733	2,733	1,348	1,348	46,830	46,830
Others (refer note 2.11)	437	437	334	334	7,488	7,488
Total	**3,170**	**3,170**	**1,682**	**1,682**	**54,318**	**54,318**

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

2.23 Financial instruments (continued)

(b) Financial risk management

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

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk and interest rate risk.

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

(i) Foreign currency risk

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

The exchange rate risk primarily arises from assets and liabilities denominated in currencies other than the functional currency. A significant portion of the Company revenue is in US Dollar 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 3 (₹ 57) for the period ended 31 December, 2018.

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

	Net financial assets			Net financial liabilities		
	31 December 2018 (RON)	31 December 2017 (RON)	31 December 2018 (₹)	31 December 2018 (RON)	31 December 2017 (RON)	31 December 2018 (₹)
EUR / RON	36	-	619	278	35	4,757
USD / RON	338	245	5,786	23	561	401
SGD/ RON	-	-	-	271	-	4,646

(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. 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 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.

	As at 31 December 2018 (RON)	As at 31 December 2017 (RON)	As at 31 December 2018 (₹)
Balance at the beginning of the year	102	-	1,748
Additional provision during the year	88	102	1,516
Deductions on account of write offs and collections	(102)	-	(1,748)
Balance at the end of the year	88	102	1,516

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.

S.R. BATLIBOI & CO. LLP GURUGRAM

HCL Technologies Romania S.R.L.

Notes to financial statements for the year ended 31 December 2018

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

2.24 Related party transactions

a) Related parties where control exists

Ultimate Holding Company

HCL Technologies Limited

Holding Company

HCL Bermuda Limited, Bermuda

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
HCL Japan Limited
HCL (Brazil) Tecnologia Da Inf
HCL America Inc.
HCL Australia Services Pty Limited
HCL Belgium N.V./S.A.
HCL GmbH
HCL Great Britain Limited
HCL Singapore Pte Limited
GEG- Netherland Branch
HCL Sweden AB
HCL Technologies (Thailand) Ltd.
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 Mexico, S. de R.L.
HCL Technologies S.A.
HCL Technologies UK Limited
HCLT Hungry Kft

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

HCL Technologies Romania S.R.L.
Notes to financial statements for the year ended 31 December 2018
(All amounts in thousands, except share data and as stated otherwise)

Transactions with related parties during the normal course of business	Sale of materials and services	Outsourcing costs
For the Year 2018 (RON)		
Ultimate Holding Company	245	1,950
Fellow Subsidiaries	2,384	870
Total	**2,629**	**2,820**
For the Year 2017 (RON)		
Ultimate Holding Company	-	408
Fellow Subsidiaries	1,744	530
Total	**1,744**	**938**
For the Year 2018 (₹)		
Ultimate Holding Company	4,198	33,413
Fellow Subsidiaries	40,850	14,907
Total	**45,048**	**48,320**

c) Outstanding balances

Outstanding balances	Trade receivables	Trade Payables and other Current Liabilities	Advances to related parties	Advances received from customers	Interest accrued but not due on borrowings
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, 2017 (RON)					
Ultimate Holding Company	-	777	-	-	-
Fellow Subsidiaries	1,059	589	7	-	0
Total	**1,059**	**1,366**	**7**	**-**	**0**
As on 31st December, 2018 (₹)					
Ultimate Holding Company	-	33,396	-	-	-
Fellow Subsidiaries	21,247	15,782	137	2,622	-
Total	**21,247**	**49,178**	**137**	**2,622**	**-**

3. Previous year comparatives

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

As per our report of even date

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

S.R. BATLIBOI & CO. LLP GURUGRAM

per Nilangshu Katriar
Partner
Membership Number: 58814

Gurugram, India
Date: 28 June 2019

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

Bejoy George
Director

Shiv Walia
Director

Date: 28 June 2019