Powerteam, LLC. d/b/a PowerObjects

Financial Statements

Years ended March 31, 2018,2019 and 2020

With report of Independent Auditors

Powerteam, LLC. d/b/a PowerObjects

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Powerteam, LLC. d/b/a PowerObjects
Balance Sheet
Amount in USD, except share and per share data

	As of March	
	2019	**2020**
ASSETS		
Current assets		
Cash and cash equivalents	$516,459	$587,827
Accounts receivable,net	19,947,057	19,024,223
Unbilled receviable	852,655	1,109,808
Short term loan	-	2,000,000
Other current assets	1,060,169	363,246
Total current assets	**22,376,340**	**23,085,104**
Deferred income taxes, net	389,321	-
Property and equipment, net	819,727	876,815
Operating lease right of use assets	-	1,776,247
Goodwill	24,710,000	24,710,000
Intangibles, net	1,563,750	639,716
Other assets	104,281	135,986
Total Assets	**$49,963,419**	**$51,223,868**
LIABLITIES & EQUITY		
Current liabilities		
Accounts payable	$3,995,058	$4,045,287
Accrued employee cost	2,497,096	1,812,555
Income taxes payable	815,021	14,236
Current portion of operating lease liabilities	-	656,512
Other current liabilities	4,725,421	5,409,555
Total current liabilities	**12,032,595**	**11,938,145**
Operating lease liabilities, net of current portion	-	1,220,896
Deferred income taxes, net	-	552,547
Total Non current liabilities	**-**	**1,773,443**
Shareholders' equity		
Common stock par value $5 per share:		
authorised 250 shares as of March 31, 2019 and March 31, 2020	1,250	1,250
Additional paid- in capital	36,012,075	36,012,075
Retained earnings	1,917,499	1,498,955
Total shareholders' equity	**37,930,824**	**37,512,280**
Total Liabilities & Equity	**$49,963,419**	**$51,223,868**

See accompanying notes to the financial statements:

Powerteam, LLC. d/b/a PowerObjects
Statements of Income
Amount in USD, except share and per share data

	Year ended March, 31 2018	Year ended March, 31 2019	Year ended March, 31 2020
Revenues	**$66,775,980**	**$78,354,948**	**$73,596,149**
Cost of revenues (exclusive of depreciation and amortization)	47,679,398	57,252,908	51,287,794
Gross Profit	**19,096,582**	**21,102,040**	**22,308,355**
Selling, general and administration expenses	12,950,493	17,499,165	17,278,363
Depreciation and amortisation	1,919,007	1,680,628	1,182,280
Other (income) expense, net	(156,029)	(712,894)	(19,171)
Finance cost	320,620	357,506	303,743
Income before income taxes	**4,062,491**	**2,277,635**	**3,563,140**
Provision for income taxes	1,795,374	800,272	981,683
Net Income	**$2,267,117**	**$1,477,363**	**$2,581,457**
Earnings per share (EPS) (See Note 12)			
Basic	$9,068	$5,909	$10,326
Diluted	$9,068	$5,909	$10,326
Weighted average number of equity shares used in computing earnings per equity share			
Basic	250	250	250
Diluted	250	250	250

See accompanying notes to the financial statements.

Powerteam, LLC. d/b/a PowerObjects

Statements of Equity

Amount in USD, except share and per share data

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total
	No. of stock	Par value			
Balance as at April 1, 2017	250	1,250	$36,012,075	3,173,019	39,186,344
Net income	-	-	-	2,267,117	2,267,117
Dividends paid	-	-	-	5,000,000	5,000,000
Balance as at April 1, 2018	250	$1,250	$36,012,075	$440,136	$36,453,461
Net income	-	-	-	1,477,363	1,477,363
Balance as at March 31, 2019	250	1,250	36,012,075	1,917,499	37,930,824
Net income	-	-	-	2,581,457	2,581,457
Dividends paid	-	-	-	3,000,000	3,000,000
Balance as at March 31, 2020	**250**	**$1,250**	**$36,012,075**	**$1,498,955**	**$37,512,280**

See accompanying notes to the financial statements.

Powerteam, LLC. d/b/a PowerObjects
Statements of Cash Flows
Amount in USD, except share and per share data

	Year ended Mar 31, 2018	Year ended Mar 31, 2019	Year ended Mar 31, 2020
Cash flows from operating activities			
Net income	**$2,267,117**	**$1,477,363**	**$2,581,457**
Adjustments to reconcile net income to net cash provided by /from operating activities			
Depreciation and amortisation	1,919,007	1,680,628	1,182,280
Provision/(Reversal) for bad debts	-	588,697	(186,244)
Deferred income taxes	413,589	(32,342)	941,868
Loss on sale of property and equipment		-	31,638
Change in current assets and liabilities			
Accounts receivables and unbilled revenue	(4,558,049)	(8,830,014)	851,925
Other current, operating lease right-of-use assets and other assets	17,718	(859,813)	(1,070,627)
Accounts payable	34,772	7,655,227	50,229
Accrued employee cost	109,065	1,114,305	(684,541)
Other current, operating lease liabilities and other liabilities	(788,339)	320,558	2,561,542
Income Taxes Payable	1,366,695	(3,492,342)	(800,784)
Net cash provided by/(used in) operating activities	**781,575**	**(377,732)**	**5,458,743**
Cash flows from investing activities			
Loan extended to related party	3,950,000	1,050,000	(2,000,000)
Purchase of property and equipment	(516,558)	(359,150)	(381,215)
Net cash provided by investing activities	**3,433,442**	**690,850**	**(2,381,215)**
Cash flows from financing activities			
Dividends Paid	(5,000,000)	-	(3,000,000)
Net cash used in financing activities	**(5,000,000)**	**-**	**(3,000,000)**
Net change in cash and cash equivalents	(784,983)	313,117	77,528
Cash and cash equivalents and restricted cash beginning of period (Note 1)	1,049,843	264,860	577,977
Cash and cash equivalents and restricted cash at the end of the period	**$264,860**	**$577,977**	**$655,505**

Note 1: The Company has adopted Accounting Standards Update No. 2016-18 (ASU 2016-18) "Restricted Cash - Statement of Cash Flows (Topic 230)" effective March 31, 2020. Accordingly, for 2019 and 2018, restricted cash and restricted cash equivalents movements have been reclassified from the head Other current, operating lease right-of-use assets and other assets and included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the statements of cash flows.

See accompanying notes to the financial statements

1. Organization and Nature of Operations

Powerteam, LLC. d/b/a PowerObjects, (the "Company") is a professional services company providing service, support, education and add-ons for Microsoft Dynamics Customer Relationship Management (MSCRM) software.

On October 28, 2015, PowerTeam, Inc. was acquired by HCL America Inc. The company was reorganized as a wholly owned subsidiary of HCL America as a Delaware limited Liability Corporation under the name Powerteam, LLC.

2. Summary of Significant Accounting Policies

a. Basis of preparation of financial statements

The accompanying financial statements are prepared on the basis of U. S. generally accepted accounting principles ("U.S. GAAP"). These financial statements have been prepared on the request of the Ultimate Holding Company to comply with the financial reporting requirement in India.

The Company uses the United States Dollar ('$' or 'USD') as its reporting currency.

The ultimate holding company is "HCL Technologies Limited" which is domiciled in India, accordingly section 2(41) of the Companies Act, 2013 requires all companies to have their financial year ending on March 31.

b. Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, cost that are reported and disclosed in the financial statements and accompanying notes. These estimates are based on 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, but not limited to accounting for costs expected to be incurred to complete performance under IT service arrangements, allowance for uncollectible accounts receivables and unbilled receivable , income taxes, future obligations under employee benefit plans and performance incentives, the measurement of lease liabilities and right of use assets,, the useful lives of property, equipment and intangible assets, impairment of property, equipment, intangibles and goodwill, estimates used to determine the fair value of assets acquired, including intangible assets and goodwill, and liabilities assumed in business combinations, valuation allowances for deferred tax assets, and other contingencies and commitments. Changes in estimates are reflected in the financial statements in the period in which the changes are made. Actual results could differ from those estimates.

c. Functional currency and translation

Functional currency of the company is US dollars. Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

Foreign currency denominated monetary assets and liabilities are re-measured at the rates of exchange in effect at the balance sheet dates. Foreign currency translation gains and losses are recorded in the accompanying statement of income within other income.

d. Revenue Recognition

Contracts involving provision of services and material

The Company generates revenues primarily from professional services provided to assist customers with their use of Microsoft Dynamics Customer Relationship Management (MSCRM) software, hosted services contracts for customers with MSCRM, and from the resale of third-party licenses and software. The Company provides post- contract customer support and other professional services. The Company also generates subscription revenues from its own internally developed proprietary MSCRM add-ons. The Company uses written contracts to document the elements and obligations of arrangements with its customers.

The Company recognizes revenue when all of the following conditions are satisfied: (1) persuasive evidence of an arrangement exists; (2) service has been delivered to the customer; (3) amount of the fees to be paid by the customer is fixed or determinable; and (4) collection of the fees is reasonably assured or probable.

Time-and-Material contracts

Revenue with respect to time-and-material, volume based and transaction based contracts is recognized as the related services are performed through efforts expended, volume serviced, transactions processed etc. that correspond with value transferred to customer till date which is related to our right to invoice for services performed, in accordance with the practical expedient in ASC 606-10-55-18.

Fixed Price contracts

Revenue related to Fixed price contracts where performance obligations and control are satisfied over a period of time is 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 direct and 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, in accordance with the practical expedient in ASC 606-10-55-18. If 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 sales tax and applicable discounts and allowances. Revenue related to product with installation services that are critical to the product is recognized when installation of product at customer site is completed and accepted by the customer. If the revenue for a delivered item is not recognized for non-receipt of acceptance from the customer, the cost of the delivered item continues to be in inventory.

e. Property and Equipment

Property and equipment is recorded at historical cost less accumulated depreciation. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in the statements of income.

Depreciation is provided using the straight-line method, based on useful lives of the assets which are as follows:

Asset Description	Asset life (in years)
Software	3
Furniture and fixtures	7 to 10
Office Equipment	5 to 7

Leasehold improvements are amortized on a straight-line basis over the shorter of the lease period or the estimated useful life of the asset. The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at March 31, 2019 and March 31, 2020.

f. Leases

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

Company as Lessee

Company is Lessee in case of office space. The leases are evaluated to determine whether it contains a lease and they are classified as Finance lease or operating lease in accordance with Financial Accounting Standard Board's (FASB) guidance under ASC 842, 'Accounting For Leases'.

Effective April 1, 2019, all leases with a term of more than 12 months are recognized as right-of-use assets and associated lease liabilities, in the balance sheet.

Right-of-use assets represent the Company's right to control the underlying assets under lease, and the lease liability is the obligation to make the lease payments related to the underlying assets under lease. Right-of-use assets are for finance lease and operating lease.

Operating lease - Right-of-use asset is measured initially based on the lease liability adjusted for any initial direct costs, prepaid rent, and lease Incentives. Right-of-use asset is depreciated based on straight line method over the lease term or useful life of right-of-use asset, whichever is less.

Finance lease – Right-of-use asset is capitalized at the lower of the net present value of the total amount of rent payable under the leasing agreement (excluding finance charges) or the fair market value of the leased asset. Finance lease assets are depreciated on a straight-line basis, over a period consistent with the Company's normal depreciation policy for tangible

fixed assets, but not exceeding the lease term. Interest charges are expensed over the period of the lease in relation to the carrying value of the finance lease obligation.

Subsequently, right-of-use asset is measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of lease lability.

The lease liabilities are measured at the lease commencement date and determined using the present value of the minimum lease payments not yet paid and the entity's incremental borrowing rate, which approximates the rate at which the entity would borrow in the country where the lease was executed. The lease payment comprises fixed payment less any lease incentives, variable lease payment that depends on an index or a rate, exercise price of a purchase option if the entity is reasonably certain to exercise the option and payment of penalties for terminating the lease, if the lease term reflects the company exercising an option to terminate the lease. Lease Liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made and remeasuring the carrying amount to reflect any reassessment or modification, if any.

The entity has elected to not recognize leases with a lease term of 12 months or less in the balance sheet, including those acquired in a business combination, and lease costs for those short-term leases are recognized on a straight-line basis over the lease term in the statement of income. For all asset classes, the entity has elected the lessee practical expedient to combine lease and non-lease components and account for the combined unit as a single lease component in case there is no separate payment defined under the contract.

g. Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each balance sheet date, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. If it is determined that it is more likely than not that future tax benefits associated with a deferred income tax asset will not be realized, a valuation allowance is provided. The effect on deferred income tax assets and liabilities due to change in the tax rates is recognized in income in the period that includes the enactment date. Provision for income taxes also includes the impact of provisions established for uncertain income tax positions, as well as the related interest and penalties.

h. Earnings per share

Basic earnings per share are computed using the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the period.

i. Employee Benefits

<u>Defined contribution plan</u>
The Company operates a defined contribution plan covering substantially all employees and these costs are charged through the statements of income as incurred. The plan provides that employees who have completed three months of service can voluntarily contribute a percentage of their earnings.

Company matches the first 4% of gross compensation contributed to the plan by each employee. Employer contributions are discretionary and are determined and authorized by the Board of Directors each plan year.

Compensated absences

The employees of the Company are entitled to compensated absences. The employees can carry forward up to the specified portion of the unutilized accumulated compensated absences and utilize it in future periods or receive cash at retirement or termination of employment. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The Company measures the expected cost of compensated absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

j. Dividend

Final dividend proposed by the Board of Directors is recognized upon approval by the shareholders who have the right to decrease but not increase the amount of dividend recommended by the Board of Directors. Interim dividends are recognized on declaration by the Board.

k. Adoption of Pushdown accounting

The Company has chosen to adopt pushdown accounting and therefore goodwill and intangibles arising on acquisition has been reported on the balance sheet of the acquired company (i.e. Powerteam, LLC) .

On October 28, 2015, HCL America Inc., the wholly owned subsidiary of HCL Technologies Limited, acquired 100% equity interest of Minneapolis-based Powerteam, LLC – a North American professional services firm providing service, support, education and add-ons for Microsoft Dynamics CRM. The total purchase price for the acquisition was $41,356,766, including deferred earn-out component of $13,500,000 dependent on achievement of certain specified performance obligations as set out in the agreement and is payable in tranches over a three year period ending November 2018.

This earn-out liability was considered probable and initially fair valued at $8,157,000 and recorded as part of the purchase price allocation. The purchase price of $36,013,472 has been allocated to the acquired assets and liabilities as follows:

	Amount
Net working capital	2,936,615
Property plant and equipment	666,857
Customer relationship	6,500,000
Customer contract	500,000
Brand	700,000
Goodwill	24,710,000
Total purchase consideration	**36,013,472**

Based on satisfaction of the performance obligation as set out in agreement, during the year ended March 31, 2020, HCL America Inc. has paid earn out liability of $2,278,819 for the third and final tranche, including finance charge of $1,028,753 which was recognized in the statement of income of HCL America Inc. for the difference between the earn out liability initially recorded for the third tranche and the amount paid.

l. Goodwill and intangibles

Goodwill

Goodwill is not amortized but is reviewed for impairment annually or more frequently if indicators arise. Goodwill is tested annually on March 31, for impairment, or sooner when circumstances indicate impairment may exist, using a fair-value approach at the reporting unit level. A reporting unit is the operating segment, or a business, which is one level below that operating segment (the "component" level) if discrete financial information is prepared and regularly reviewed by the management at that level. Components are aggregated as a single reporting unit if they have similar economic characteristics. In accordance with ASC topic 350, "Intangibles - Goodwill and Other", all assets and liabilities of the acquired businesses including goodwill are assigned to reporting units. The evaluation is based upon a comparison of the estimated fair value of the reporting unit to which the goodwill has been assigned with the sum of the carrying value of the assets and liabilities for that reporting unit. The fair value used in this evaluation is estimated based upon discounted future cash flow projections for the reporting unit. These cash flow projections are based upon a number of estimates and assumptions.

Intangibles

Intangible assets are initially valued at fair market value using generally accepted valuation methods appropriate for the type of intangible asset. Certain Licensed IPRs which include the right to modify, enhance or exploit are amortized in proportion to the expected benefits over the useful life which could range up to 5.8 years. Intangible assets with definite lives are amortized over the estimated useful lives and are reviewed for impairment, if indicators of impairment arise. The evaluation of impairment is based upon a comparison of the carrying amount of the intangible asset with the estimated future undiscounted net cash flows expected to be generated by the asset. If estimated future undiscounted cash flows are less than the carrying amount of the asset, the asset is considered impaired. The impairment expense is determined by comparing the estimated fair value of the intangible asset to its carrying value, with any shortfall from fair value recognized as an expense in the current period. The intangible assets with definite lives are amortized over the estimated useful lives of the assets as under:

The intangible assets with definite lives are amortized over the estimated useful life of the assets as under:

Asset Description	Asset Life (in years)
Customer relationship	5.8
Customer contract	0.6
Brand	3

m. Recently issued accounting pronouncements

Adoption of new accounting principles

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02) "Leases (ASC 842)". This update, as well as additional amendments and targeted improvements issued supersedes existing lease accounting guidance found under ASC 840, Leases, and requires the recognition of right-of-use assets and lease obligations by lessees for those leases originally classified as operating leases under prior lease guidance.

The Company has adopted the new Accounting Standards Codification ASC 842, Leases, effective April 1, 2019 using the modified retrospective approach which involves recognizing new right-of-use ("ROU") assets and lease liabilities on its balance sheets for various operating leases. Comparative information has not been adjusted and continues to be reported under ASC 840. As a result of the Company's adoption of this new standard, all leases are classified as either operating leases or finance leases and are recorded on the balance sheets. The Company also elected the "package of practical expedients", not to reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. The

Company has elected the lessee practical expedients to combine lease and non-lease components and account for the combined unit as a single lease component, in case there is no separate payment defined under the contract and to use the recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option that the lessee is reasonably certain to exercise ("short-term leases"). The accounting for finance leases (capital leases under ASC 840) is substantially unchanged.

As a result of adoption of ASC 842, the Company recognized additional lease liabilities of $2,461,890, and ROU assets of $2,354,733.

Impact on financial statements

The following table summarizes the impact of the adoption of ASC 842 on its financial statements as of April 1,2019.

	As reported March 31, 2019	Adoption of ASC 842 Increase (Decrease)	Balance as of April 01, 2019
Operating lease right-of-use assets	-	2,354,733	2,354,733
Operating leases liability (including current and non current portion)	-	2,461,890	2,461,890
Accrued liabilities and expenses – current (Note 1)	410,158	(107,157)	303,001

Note1: Includes lease equalization reserve of $107,157 adjusted with operating lease right-of-use assets.

New accounting pronouncements

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). The standard requires investments previously accounted for under the cost method of accounting to be measured at fair value with changes in fair value recognized in net income. Investments in equity securities that do not have readily determinable fair values will be measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions. The Company adopted ASU 2016-01 effective March 31, 2020, and the adoption did not have any material impact on its financial statements.

In August 2016, the FASB issued Accounting Standards Update No. 2016-15 (ASU 2016-15) "Classification of Certain Cash Receipts and Cash Payments", which adds or clarifies guidance on the presentation and classification of eight specific types of cash receipts and cash payments in the statement of cash flows, with the intent of reducing diversity in practice. The amendments in this Update are effective for the year ended March 31, 2020. The Company has adopted the new Accounting Standards Update No. 2016-15, effective March 31, 2020 using a prospective transition method. The adoption of guidance does not have any impact in the financial statements.

In October 2016, the FASB issued Accounting Standards Update No. 2016-16 (ASU 2016-16) "Intra-Entity Transfers of Assets Other Than Inventory". Current GAAP prohibits the recognition of current and deferred income taxes for intra-entity asset transfers until the asset has been sold to an outside party. The amendments in this Update eliminate this prohibition for intra-entity transfer of assets other than inventory but retain the prohibition for intra-entity transfer of inventory. Consequently, an entity is required to recognize the current and deferred income taxes resulting from an intra-entity transfer of assets other than inventory when the transfer occurs. The Company has adopted the new Accounting Standards Update

No. 2016-16, effective March 31, 2020. The adoption of this update did not have any impact on the company financial statements.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18 (ASU 2016-18) "Restricted Cash - Statement of Cash Flows (Topic 230)". Diversity exists in the classification and presentation of changes in restricted cash on the statement of cash flows. This Update requires that the amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update are effective for the year ended March 31, 2020. The Company has adopted the new Accounting Standards Update No. 2016-18, effective March 31, 2020 using a retrospective transition method to each period presented. The adoption of this update did not have a material impact on the financial statements.

In March 2017, the FASB issued Accounting Standards Update No. 2017-07 (ASU 2017-07) "Compensation—Retirement Benefits (Topic 715)", Under generally accepted accounting principles (GAAP), defined benefit pension cost and postretirement benefit cost (net benefit cost) comprise several components that reflect different aspects of an employer's financial arrangements as well as the cost of benefits provided to employees. The amendments in this update require that an employer disaggregate the service cost component from the other components of net benefit cost and to include only the service cost component of net periodic pension cost and net periodic post-retirement benefit cost in operating expenses (together with other employee compensation costs). The other components of net benefit cost, including amortization of prior service cost/credit, and settlement and curtailment effects, are to be included in non-operating expenses. The amendments in this update are effective for the year ended March 31, 2020.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13 (ASU 2016-13) "Financial Instruments—Credit Losses" which require a financial asset (or a Company of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is to be deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The amendments are effective for the fiscal year beginning April 01, 2023 including interim periods within those fiscal years. The Company is currently in the process of evaluating the impact that adoption of this standard will have on its financial statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04 (ASU 2017-04) "Intangibles—Goodwill and Other (Topic 350)", Simplifying the Test for Goodwill Impairment, which eliminates Step 2 of the goodwill impairment test that had required a hypothetical purchase price allocation. Rather, entities should apply the same impairment assessment to all reporting units and recognize an impairment loss for the amount by which a reporting unit's carrying amount exceeds its fair value, without exceeding the total amount of goodwill allocated to that reporting unit. Entities will continue to have the option to perform a qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendments are effective for the fiscal year beginning April 01, 2022 including interim periods within those fiscal years. The Company is currently in the process of evaluating the impact that adoption of this standard will have on its financial statements.

In August 2017, the FASB issued Accounting Standards Update No. 2017-12 (ASU 2017-12) "Derivatives and Hedging (Topic 815)". The amendments in this Update more closely align the results of cash flow and fair value hedge accounting with risk management activities through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results in the financial statements. The amendments address specific limitations in current GAAP by expanding hedge accounting for both non financial and financial risk components and by refining the measurement of hedge results to better reflect an entity's hedging strategies. Thus, the amendments will enable an entity to include the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is presented. The amendments are effective for fiscal years beginning April 01, 2021. Early application is

permitted in any interim period after issuance of the Update. The Company is currently in the process of evaluating the impact that the adoption of this standard will have on its financial statements.

In August 2018, the FASB issued Accounting Standards Update No. 2018-13 (ASU 2018-13) "Fair value measurement (Topic 820)". The amendments in this Update apply to all entities that are required, under existing GAAP, to make disclosures about recurring or nonrecurring fair value measurements. The amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, including the consideration of costs and benefits. The amendments are effective beginning April 01, 2020 including interim periods. The Company does not expect the adoption of this update to have a material impact on its financial statements

In August 2018, the FASB issued ASU No. 2018-14, "Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans." The ASU modifies the disclosure requirements with respect to defined benefit pension plans. The ASU is effective for the Company beginning April 1, 2022. Early adoption is permitted. The Company is in the process of assessing the impact of this ASU on its results of operations, cash flows, financial position and disclosures.

In May 2019, the FASB issued ASU No. 2019-05, "Financial Instruments—Credit Losses (Topic 326)." The ASU provides final guidance that allows entities to make an irrevocable one-time election upon adoption of the new credit losses standard to measure financial assets measured at amortized cost (except held-to-maturity securities) using the fair value option. The amendments are effective for the fiscal year beginning April 01, 2023, including interim periods within those fiscal years. The Company is currently in the process of evaluating the impact that adoption of this standard will have on its financial statements.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740). The amendments in this Update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The ASU amendments are effective for fiscal years beginning April 01, 2022. Early adoption of the amendments is permitted. The Company is currently in the process of evaluating the impact that adoption of this standard will have on its financial statements.

3. Financial Instruments and Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash equivalents, accounts receivables and unbilled receivable. In the management's opinion, as of March 31, 2019 and March 31, 2020, there was no significant risk of loss in the event of non-performance of the counterparties to these financial instruments, other than the amounts already provided for in the financial statements.

The customers of the Company are primarily corporations based in the United States of America and Europe and accordingly, trade receivables are concentrated in the United States of America. 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 receivable.

Impact of COVID-19 (Global pandemic)

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

4. Cash and Cash Equivalents:

The cash and cash equivalents as of March 31, 2019 and March 31, 2020 are as follows:

	March 31, 2019	March 31, 2020
Bank Balances	$516,459	$587,827
Total	$516,459	$587,827

5. Short term loan

The Company has given short term loan (repayable on demand) to HCL America Inc and the amount of loan due from HCL America Inc is amounting $NIL and $2,000,000 as of March 31, 2019 and March 31, 2020, respectively, at the effective interest rate of LIBOR plus 100 basis points.

6. Other Assets

As of March 31, 2019, and March 31, 2020, other assets comprise the following:

	March 31, 2019	March 31, 2020
Current Assets		
Security deposits	13,510	-
Contract assets	56,163	28,570
Prepaid expense	54,967	101,902
Restricted cash	61,518	67,678
Advance to vendors	752,524	250
Interest receivables - related party	121,487	164,845
	$1,060,169	**$363,246**
Non current assets		
Security deposits	$104,281	135,986
	$1,164,450	**$499,232**

7. Property and Equipment

Property and equipment at March 31, 2019 and March 31, 2020 consist of the following:

	March 31, 2019	March 31, 2020
Leasehold improvements	$156,426	$301,346
Software	8,307	8,307
Computer	1,107,816	639,414
Equipment	44,835	81,438
Furniture and fixtures	888,110	886,219
	2,205,495	1,916,723
Less: Accumulated depreciation	(1,385,768)	(1,039,908)
Property and equipment Net	**$819,727**	**$876,815**

Depreciation expense was $201,372, $336,305 and $258,247 for the years ended March 31 2018, March 31, 2019 and March 31, 2020, respectively.

8. Intangibles:

The allocation of values for Intangibles are as follows:

	March 31, 2019			March 31, 2020		
	Gross Carrying amount	Accumulated amortization	Net	Gross Carrying amount	Accumulated amortization	Net
Customer relationship	$6,500,000	$4,936,250	$1,563,750	$6,500,000	$5,860,284	$639,716
Customer contract	500,000	500,000	-	500,000	500,000	-
Brand	700,000	700,000	-	700,000	700,000	-
	$7,700,000	**$6,136,250**	**$1,563,750**	**$7,700,000**	**$7,060,284**	**$639,716**

Amortization expense for the years ended March 31, 2018, March 31, 2019 and March 31, 2020 is $1,717,635, $1,344,323 and $924,034 respectively.

The estimated annual amortization expense schedule for intangible assets based on current balance is as follows:

Year ending March 31,	
2021	533,096
2022	106,620
	639,716

The company tests goodwill for impairment annually, or more frequently when there is an indication for impairment. The company has performed its annual goodwill impairment testing considering the likely impact of COVID-19 on future cash flows, discount rates, growth rates, earnings before interest and taxes, including terminal growth rate, along with subjecting these variables to sensitivity analysis considering impacted industry verticals and geographies.

9. Employee Benefits Plans:

Total contributions by the Company to the plan for the years ended March 31 2018, March 31, 2019 and March 31, 2020 was $ 1,121,911, $1,375,899 and $ 1,350,301 respectively.

10. Allowances for Accounts Receivable

The Company maintains an allowance for uncollectible receivables based on the trade receivables at the end of the year. Factors considered by the management in determining the adequacy of the allowance includes the present and prospective financial condition of the debtors and the ageing of the trade receivables.

The movement in allowance for accounts receivables is given below:

	March 31, 2019	March 31, 2020
Balance at the beginning of the year	-	$86,429
Additional provision during the year	$86,429	401,050
Deductions on account of write offs and collections	-	(85,026)
Other adjustment	-	(4,300)
Balance at the end of the year	**$86,429**	**$398,153**

11. Other Liabilities

As of March 31, 2019, and March 31, 2020, accrued liabilities comprise the following:

	March 31, 2019	March 31, 2020
Deferred revenue	-	92,224
Other current liabilities (Refer Note 16 - Related party transactions)	4,725,421	5,317,331
Other liabilities	**$4,725,421**	**$5,409,555**

12. Equity Shares

The Company has only one class of capital stock referred to herein as equity shares. Par value of each equity share outstanding as of March 31, 2020 is $ 5.

Voting

Each holder of equity shares is entitled to one vote per share.

Liquidation

In the event of liquidation of the Company, the holders of equity shares shall be entitled to receive all of the remaining assets of the Company, after distribution of preferential amounts, if any. Such amounts will be in proportion to the number of

equity shares held by the stockholders.

Dividend

Dividend declared and paid by the Company are in USD. The company has paid dividend of to its holding company HCL America Inc. NIL during the previous year and $3,000,000 in current year.

13. Other Income (Expenses), Net:

For the years ended March 31, 2019 and March 31, 2020, other income, net consists of:

	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020
Interest income	143,007	$70,401	$67,889
Foreign exchange gain (loss) , net	2,721	(91,725)	(17,080)
Loss on sale of property and equipment	-	-	(31,638)
Miscellaneous income	10,301	734,218	-
Other income, net	**156,029**	**$712,894**	**$19,171**

14. Income taxes:

The company provisions (benefits) for income taxes consists of following:

	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020
Current taxes	1,381,785	832,614	39,815
Deferred Taxes	413,589	(32,342)	941,868
	$1,795,374	**$800,272**	**$981,683**

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

	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020
Income before taxes	$4,062,491	$2,277,635	$3,563,140
Average enacted tax rate in USA	36.38%	27.13%	26.95%
Expected tax expense	1,478,099	617,860	960,411
Rate difference	181,866	(6,711)	2,485
Others	135,409	188,961	18,787
Prior year taxes	-	162	-
Total Taxes	**$1,795,374**	**$800,272**	**$981,683**

The tax returns are subject to examination by the tax authorities in USA where the Company conducts business. The examination may result in assessment of additional taxes that are resolved with the authorities. Resolution of these matters involves some degree of uncertainty; accordingly, the Company recognizes income tax liability that it believes will ultimately result from proceedings.

The components of the deferred tax balance as of March 31, 2019 and 2020 are as follows:

	March 31, 2019	March 31, 2020
Deferred tax assets:		
Accrued employees' costs	$639,698	96,576
Doubtful debts	159,697	107,318
Lease liabilities	-	27,267
Total deferred tax assets	**$799,395**	**$231,161**
Deferred tax liabilities:		
Depreciation and amortization	410,074	783,701
Total deferred tax liabilities	**$410,074**	**$783,701**
Net deferred tax assets/(Liability)	**$389,321**	**($552,547)**

15. Earning per equity share

The following is the reconciliation of the weighted average number of equity shares used in the computation of basic and diluted Earning per share:

	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020
Weighted average number of equity shares outstanding used in computing basic EPS	250	250	250
Dilutive effect of stock options	NIL	NIL	NIL
Weighted average number of equity and equity equivalent shares outstanding used in computing diluted EPS	**250**	**250**	**250**

16. Related Party Transactions:

The Company has entered into transactions with the following related parties:

a. Ultimate holding company
b. Holding company and
c. Affiliates of the company and their subsidiaries (Affiliates)

The related party transactions are categorized as follows

***Revenues*:**

The Company earns revenues from rendering services to related parties. The related parties to whom these services were provided, and the corresponding amounts of revenue earned are as follows:"

	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020
Ultimate Holding Company			
HCL Technologies Ltd.	-	-	158,941
Total		**-**	**158,941**
Holding Company:			
HCL America Inc.	2,260,455	7,018,054	2,570,045
Total	**2,260,455**	**7,018,054**	**2,570,045**
Affiliates			
HCL Axon Technology Inc.	895,792	206,805	133,941
HCL America Solutions Inc	-	-	23,672
HCL Technologies UK Ltd	78,425	203,488	153,856
HCL Technologies Corporate Service Ltd.	-	4,067,125	27,845,776
HCL Singapore Pte Limited	-	548,165	61,086
Point to Point Products Limited	-	179	-
HCL SWEDEN AB	-	-	127
HCL Tech Denmark ApS	-	-	625
Total	**974,217**	**5,025,763**	**28,219,083**

***Interest Income on short term loan**:*

Interest received from HCL America Inc. on short term loan totaling $131,935,$ 62,809 and $43,358 for the years ending on March 31, 2018 , March 31, 2019 and year ended on March 31,2020, respectively

Consulting Charges:

	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020
Ultimate Holding Company			
HCL Technologies Ltd.	169,830	1,119,733	541,045
Total	**169,830**	**1,119,733**	**541,045**
Holding Company:			
HCL America Inc.	-	605,421	21,216
Total		**605,421**	**21,216**
Affiliates			
Axon Solutions Ltd	-	137,716	219,808
HCL POLAND SP.Z O.O.	-	62,812	60,120
HCL Singapore Pte Limited	-	79,359	23,201
HCL Technologies Germany	-	47,145	34,099
HCL Tech. Italy S.p.A.	-	5,181	-
HCL AUSTRALIA SERVICES Pty	-	8,565	-
HCL Technologies UK Ltd.	-	631,083	285,372
Total	**-**	**971,860**	**622,600**

Insurance Charges:

	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020
Ultimate Holding Company			
HCL Technologies Ltd.	6,357	22,519	19,607
Total	**6,357**	**22,519**	**19,607**

Accounts receivable:

	Year ended March 31, 2019	Year ended March 31, 2020
Ultimate Holding Company		
HCL Technologies Ltd.	-	1,421,389
Total	**-**	**1,421,389**
Holding Company:		
HCL America Inc.	6,298,267	1,309,777
Total	**6,298,267**	**1,309,777**
Affiliates		
HCL Technologies Corporate Service Ltd.	4,491,660	13,191,004
HCL Axon Technology Inc.	999,975	127,500
HCL Technologies UK Ltd	22,846	249,251
Point to Point Products Limited	179	179
HCL Singapore Pte Limited	-	61,086
HCL SWEDEN AB	-	127
HCL Tech Denmark ApS	-	625
HCL America Solutions Inc	-	23,672
Total	**5,514,660**	**13,653,443**

***Short term loan*:**

Short term loan includes amounts due from Holding Company, HCL America Inc. in respect of short-term loan totaling $NIL and $2,000,000 as at the end of March 31, 2019 and March 31,2020, respectively.

Other current assets:

Other current assets include amounts due from Holding Company, HCL America Inc. in respect of interest on short term loan totaling $121,487 and $164,845 as at the end of March 31, 2019 and March 31,2020, respectively

Other current liabilities:

Other current liabilities include amounts due to Holding Company, HCL America Inc. in respect of income tax liability paid on behalf of the Company totaling $4,315,262 and $5,148,918 at the end of March 31, 2019 and March 31, 2020, respectively

Accounts payable:

	Year ended March 31, 2019	Year ended March 31, 2020
Ultimate Holding Company		
HCL Technologies Ltd.	1,238,516	
Total	**1,238,516**	**-**
Holding Company:		
HCL America Inc.	652,578	-
Total	**652,578**	**-**
Affiliates		
HCL Technologies UK Ltd.	479,095	345,919
Axon Solutions Ltd	53,198	72,706
HCL Poland SP.Z O.O.	22,863	4,535
HCL Technologies Germany	32,440	-
HCL Technologies Ltd Swis	46,205	1,254
HCL Singapore Pte Limited	6,292	168
Point to Point Products Limited	181	181
HCL Technologies Corporate Service Ltd.	-	2,174,806
Total	**640,274**	**2,599,567**

17.Leases:

The Company has taken office space on lease. Components of lease cost for operating leases for the year ended March 31, 2020 are summarized below:

	March 31, 2020
Operating Lease cost	673,443
Total Lease cost	**$673,443**

Operating lease cost is included in cost of revenues, selling general and administrative expenses in statement of Income.

Other information

	March 31, 2020
Cash paid for amounts included in the measurement of lease liabilities	-
Operating cash outflows from Operating leases	669,838
Weighted average remaining lease term - Operating leases	4 year
Weighted average discount rate - Operating leases	4.12%

The following table presents a maturity analysis of expected undiscounted cash flows for operating leases on an annual basis for next five years and thereafter, and its reconciliation with respective lease liabilities recorded at the balance sheet date.

Years ending March 31,2020	
2021	680,497
2022	670,274
2023	451,231
2024	191,418
Total Lease payments	**1,993,420**
Imputed Interest	116,011
Total lease Liabilities	**1,877,409**

Certain lease agreements include options to terminate or extend the leases. The lease agreements do not contain any material residual value guarantees or material restrictive covenants

Rental expenses under operating leases are amortized on the straight-line method. The expense for the year ended March 31 2018, March 31, 2019 and for the year ended March 31, 2020 amounts to $548,217, $774,019 and $673,443 respectively.

Before the adoption of ASC 842, The Company conducts operations from leased facilities that are leased under non-cancellable operating lease agreements.
Future minimum lease payments under non-cancellable operating leases (with initial or remaining leases terms in excess of one year) as of March 31, 2019 are:

Years ending March 31,2019	
2020	669,838
2021	680,497
2022	670,274
2023	451,231
2024	191,418
	2,663,258

Impact of COVID-19 (Global pandemic)

Most of the leases entered by the Company are long term in nature and the underlying leased properties are being used as delivery centers or offices. The Company doesn't foresee any major changes in lease terms or the leases in the foreseeable future as per current business projections after considering the impact of COVID - 19.

18. REVENUE FROM CONTRACT WITH CUSTOMERS:

A. Disaggregate Revenue Information

The disaggregated revenue from contracts with the customers for the year ended March 31, 2020 by contract type.

Revenues by contract type

	Year ended March 31, 2019	Year ended March 31, 2020
Fixed Price	717,031	5,338,722
Time and Material	77,637,917	68,257,427
Total	**78,354,948**	**73,596,149**

B. Remaining Performance Obligations

As of March 31, 2020, the aggregate amount of transaction price allocated to remaining performance obligations as per the requirements of ASC 606 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 in accordance with ASC 606-10-25-14(b), for which the criteria in ASC 60610-32-40 have been met, or
c) Variable consideration in the form of a sales-based or usage-based royalty promised in exchange for a license of intellectual property.

C. 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).

Contract liabilities

A contract liability arises when there is excess billing over the revenue recognized. The below table discloses the significant movement in contract liabilities:

	Year ended March 31, 2019	Year ended March 31, 2020
Balance as at beginning of the year	-	-
Additional amounts billed but not recognized as revenue	-	92,224
Deduction on account of revenues recognized during the year	-	-
Closing balance as at year end	-	92,224

Impact of COVID-19 (Global pandemic)

The group 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 recognized 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 its nature and duration.

18.Segment Reporting

The entity's operations predominantly relate to IT services in United States of America. Accordingly, no disclosure for segment reporting has been included in these financials' statements.

Revenue from the geographic segments, based on domicile of the customers, are as follows:

	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020
America	66,697,555	73,535,991	45,375,738
Europe	78,425	4,270,792	28,000,384
India	-	-	158,941
Others	-	548,165	61,086
	66,775,980	**78,354,948**	**73,596,149**

19.Subsequent Events

The Company has evaluated all the subsequent events through September 15th , 2020, which is the date on which these financial statements were issued, and no events have occurred from the balance sheet date through that date except for matters that have already been considered in the financial statements.