C3i Japan GK

STANDALONE FINANCIAL STATEMENT

Year ended December 31, 2019 and 2018

B S R & Co. LLP
Chartered Accountants

Building No. 10, 8th Floor, Tower-B
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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF C3i Japan GK

Report on the Audit of Special Purpose Financial Statements

Opinion

We have audited the special purpose financial statements of **C3i Japan GK** ("the Company"), which comprise the balance sheet as at 31 December 2019, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information. These financial statements have been prepared by management in accordance with Note 1(a) to the accompanying notes to the special purpose financial statements.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 December 2019, and of its profit (including other comprehensive income), changes in equity and its cash flows for the year ended on that date in accordance with Note 1(a) to the financial statements.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) issued by the Institute of Chartered Accountants of India. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the 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 opinion.

Management's Responsibility for the Financial Statements

The Company's management and Board of Directors are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Companies Act, 2013 ('the Act'), read with the Companies (Indian Accounting Standards) Rule, 2015, as amended, as described in Note 1 (a) to the financial statements. This responsibility also includes maintenance of adequate accounting records for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management and Board of Directors are 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.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

• Identify and assess the risks of material misstatement of the 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 entity's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 financial statements, including the disclosures, and whether the 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, including any significant deficiencies in internal control that we identify during our audit.

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

Other Matter

Attention is drawn to the fact that the corresponding figures for the year ended 31 December 2018 are based on the previously issued special purpose financial statements of the Company that were audited by the predecessor auditor who expressed an unmodified opinion on those special purpose financial statements on 25 June 2019.

Our opinion on the special purpose financial statements is not modified in respect of this matter.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 1(a) to the financial statements, which describes the basis of accounting. These financial statements are prepared for the use of the Company and the ultimate holding Company, HCL Technologies Limited, to comply with the requirements of Section 129[3] of the Act. These financial statements are not the statutory financial statements of the Company. As a result, these financial statements may not be suitable for any other purpose. Our report must not be copied, disclosed, quoted or circulated, or referred to, in correspondence or discussion, in whole or in part or distributed to anyone other than the purpose for which it has been issued without our prior written consent.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No.:101248W/W-100022

Anurag Maheshwary
Partner
Membership No.: 506533
ICAI UDIN: 20506533AAAACD2333

Place: Gurugram
Date: 01 September, 2020

C3i Japan GK
Balance Sheet as at 31 December 2019
(All amount in thousands, except share data and as stated otherwise)

	Note No.	As at 31 December 2019 (JPY)	As at 31 December 2018 (JPY)	As at 31 December 2019 (₹)
I. ASSETS				
(1) Non-current assets				
(a) Property, Plant and Equipment	**2.01**	981	-	645
(b) Deferred tax assets (net)	**2.15**	825	1,245	543
(c) Other non-current assets	**2.02**	36,502	1,028	24,018
(2) Current assets				
(a) Financial Assets				
(i) Trade receivables	**2.03**	-	14,318	-
(ii) Cash and cash equivalents	**2.04**	14,159	12	9,317
(b) Other current assets	**2.05**	5,001	3,056	3,291
TOTAL ASSETS		**57,468**	**19,659**	**37,814**
II. EQUITY				
(a) Equity Share Capital	**2.06**	-	-	-
(b) Other Equity		22,535	12,197	14,828
III. LIABILITIES				
(1) Non - current liabilities		**-**	**-**	**-**
(2) Current liabilities				
(a) Financial Liabilities				
(i) Trade payables	**2.07**	-	748	-
(ii) Others	**2.08**	381	1,411	251
(b) Other current liabilities	**2.09**	32,443	2,371	21,347
(c) Current Tax Liabilities (Net)		2,109	2,932	1,388
TOTAL EQUITY AND LIABILITIES		**57,468**	**19,659**	**37,814**

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

Anurag Maheshwary

Anurag Maheshwary
Partner
Membership Number: 506533

Gurugram, India
Date: 1 September 2020

For and on behalf of the Board of Managers of C3i Japan GK

Sridharan S

Neelanjan Bhattacharjee
Manager

Sundaram Sridharan
Manager

Date: 1 September 2020

C3i Japan GK
Statement of Profit and Loss for the year ended 31 December 2019
(All amount in thousands, except share data and as stated otherwise)

		Note No.	Year ended 31 December 2019 (JPY)	Year ended 31 December 2018 (JPY)	Year ended 31 December 2019 (₹)
I	**Revenue**				
	Revenue from operations	**2.10**	138,891	108,165	91,390
	Other income	**2.11**	2,172	421	1,429
	Total revenue		**141,063**	**108,586**	**92,819**
II	**Expenses**				
	Employee benefits expense	**2.12**	77,342	62,386	50,891
	Finance costs	**2.13**	201	176	132
	Depreciation and amortization expense		202	583	133
	Other expenses	**2.14**	48,593	37,093	31,974
	Total expenses		**126,338**	**100,238**	**83,130**
III	**Profit before tax**		**14,725**	**8,348**	**9,689**
IV	**Tax expense**				
	Current tax		3,966	3,484	2,610
	Deferred tax credit		421	(943)	277
	Total tax expense/(credit)	**2.15**	4,387	2,541	2,887
V	**Profit for the year**		**10,338**	**5,807**	**6,802**
VI	**Profit for the year**		**10,338**	**5,807**	**6,802**
VII	**Other comprehensive income**				
	Items that will not be reclassified to profit or loss		-	-	-
	Items that will be reclassified subsequently to profit or loss		-	-	-
			-	-	-
VIII	**Total Comprehensive Income for the year**		**10,338**	**5,807**	**6,802**
	Earnings per share				
	Basic and Diluted	**2.20**	-	-	-
	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 B S R & Co. LLP
ICAI Firm Registration Number : 101248W/W-100022
Chartered Accountants

Anurag Maheshwary

Anurag Maheshwary
Partner
Membership Number: 506533

Gurugram, India
Date: 1 September 2020

For and on behalf of the Board of Managers of C3i Japan GK

Neelanjan Bhattacharjee
Manager

Sundaram Sridharan
Manager

Date: 1 September 2020

C3i Japan GK

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

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

	Equity share capital	Other Equity
	(JPY)	(JPY)
Balance as of January 1, 2018	-	6,390
Profit for the year	-	5,807
Other comprehensive income	-	-
Total comprehensive income for the year	-	5,807
Dividend	-	-
Balance as of 31 December, 2018	-	12,197
Balance as of January 1, 2019	-	12,197
Profit for the year	-	10,338
Other comprehensive income	-	-
Total comprehensive income for the year	-	10,338
Dividend	-	-
Balance as of 31 December, 2019	-	22,535

	Equity share capital	Other Equity
	(₹)	(₹)
Balance as of January 1, 2018	-	4,055
Profit for the year	-	3,685
Other comprehensive income	-	-
Total comprehensive income for the year	-	3,685
Dividend	-	-
Balance as of 31 December, 2018	-	7,740
Balance as of January 1, 2019	-	8,026
Profit for the year	-	6,802
Other comprehensive income	-	-
Total comprehensive income for the year	-	6,802
Dividend	-	-
Balance as of 31 December, 2019	-	14,828

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

Anurag Maheshwary

Anurag Maheshwary
Partner
Membership Number: 506533

Gurugram, India
Date: 1 September 2020

For and on behalf of the Board of Managaers
of C3i Japan GK

Sridharan S

Neelanjan Bhattacharjee
Manager

Sundaram Sridharan
Manager

Date: 1 September 2020

C3i Japan GK
Cash Flow Statement for the year ended 31 December 2019
(All amount in thousands, except share data and as stated otherwise)

	Year ended 31 December 2019 (JPY)	Year ended 31 December 2018 (JPY)	Year ended 31 December 2019 (₹)
A. Cash flows from operating activities			
Profit before tax	14,725	8,348	9,689
Adjustment for:			
Depreciation and amortization	202	583	133
Unrealised exchange loss/(gain) on short term loans	424	(472)	279
Provision for Doubtful Advance	24	-	16
Provision for increment in salary	246	-	162
Operating profit/(Loss) before working capital changes	**15,621**	**8,459**	**10,279**
Movement in Working Capital			
(Increase)/decrease in trade receivables	13,894	(10,134)	9,142
Increase in other financial assets and other assets	(37,689)	(1,078)	(24,799)
Decrease in trade payables	(748)	(171)	(492)
Increase/ (decrease) in provisions, other financial liabilities and other liabilities	29,042	(401)	19,110
Cash generated from/(used in) operations	**20,120**	**(3,325)**	**13,240**
Direct taxes paid (net of refunds)	(4,790)	(2,023)	(3,153)
Net cash flow/(used) in operating activities (A)	**15,330**	**(5,348)**	**10,087**
B. Cash flows from investing activities			
Purchase of property,plant and equipment	(1,183)	(583)	(778)
Net cash flow from/(used) in investing activities (B)	**(1,183)**	**(583)**	**(778)**
C. Cash flows from financing activities			
Interest paid	-	-	-
Net cash flow used in financing activities (C)	**-**	**-**	**-**
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	14,147	(5,931)	9,309
Cash and cash equivalents at the beginning of the year	12	5,943	8
Cash and cash equivalents at the end of the year as per note 2.04	**14,159**	**12**	**9,317**
Summary of significant accounting policies (Note 1)			

As per our report of even date

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

Anurag Maheshwary

Anurag Maheshwary
Partner
Membership Number: 506533

Gurugram, India
Date: 1 September 2020

For and on behalf of the Board of Managers
of C3i Japan GK

Sridharan S

Neelanjan Bhattacharjee
Manager

Sundaram Sridharan
Manager

Date: 1 September 2020

ORGANIZATION AND NATURE OF OPERATIONS

C3i Japan GK (hereinafter referred to as the 'Company') is primarily engaged in business of development, installation and implementation of software and management services. The Company was incorporated in Japan in July 2013, having its registered office at c/o TMF Group Limited (Japan), Tokyo Club Building 11F, 3-2-6 Kasumigaseki, Chiyoda-ku, Tokyo.

The financial statements for the year ended 31 December 2019 were approved and authorized for issue by the Board of Managers on 1 September 2020.

1. Significant Accounting Policies

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with recognition and measurement principle laid down in Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time.) and presentation requirements of Schedule III (Division II) to the Companies Act, 2013, as applicable to the financial statements. The company is not domiciled in India and hence was not incorporated under Companies Act, 2013 or under any previous Company law in India. These financial statements have been prepared on the request of the Ultimate Holding Company to comply with the financial reporting requirement in India.

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

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

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

The functional currency of the Company is Japanese Yen (JPY). The translation from JPY to ₹ is included solely for the convenience of readers in India and has been performed using rate of JPY 1 = ₹ 0.658, 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, JPY at that or any other rate.

b) Use of estimates

The preparation of financial statements in conformity with Ind AS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, expenses and other comprehensive income (OCI) that are reported and disclosed in the financial statements and accompanying notes. These estimates are based upon 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 receivable, income taxes, the useful lives of property, plant and equipment and other contingencies and commitments. Changes in estimates are reflected in the financial statements in the period in which the changes are made. Actual results could differ from those estimates.

c) Leases

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.
Finance leases are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit and loss.
A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset or the lease term. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

d) 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 assets as a whole.
All other expenses on existing fixed assets, including day - to - day repairs, maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

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

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

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

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

Category of asset	*Life (in years)*
Laptop	4
Office Equipment	5

The useful life as given above best represent the period over which the management expects to use these assets, based on technical assessment. Hence, the useful life for the assets is different from the useful life 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.

e) 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.

The guidance of fair value specifies a hierarchy of valuation techniques based on whether the inputs to each measurement are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions about current market conditions. The fair value hierarchy also requires a company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The prescribed fair value hierarchy and related valuation methodologies are as follows:

Level 1 - Quoted inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are directly or indirectly observable in active markets.

Level 3 - Valuations derived from valuation techniques, in which one or more significant inputs are unobservable inputs which are supported by little or no market activity.

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 methodology.

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.

f) Revenue Recognition

Adoption of new accounting principles

Effective 1 January 2019, the Company has adopted Ind AS 115 using the cumulative effect method. The standard is applied retrospectively only to contracts that are not completed as at the date of initial application and the comparative information is not restated in the financial statement. The adoption of the standard did not have any material impact to the financial statements of the Company.

Contracts involving provision of services and material

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

Time-and-material / Volume based / Transaction based contracts

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

g) Foreign currency transactions

The financial statements of the company are presented in its functional currency JPY. For each foreign operation, the company determines the functional currency which is its respective local currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date 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, expense 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.

h) Income Taxes

Income tax expense comprises current and deferred income tax.

Income tax expense is recognized in 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.

The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the period 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.

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 company and the same taxation authority.

i) 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.

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, trade and other receivables.

Financial instrument at Fair Value through Other Comprehensive Income (OCI)

A financial instrument is classified and measured at fair value through OCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
b) The asset's contractual cash flows represent solely payments of principal and interest. Financial instruments included within the OCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in OCI. On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from OCI to statement of profit and loss.

Financial instrument at Fair Value through Profit and Loss

Any financial instrument, which does not meet the criteria for categorization at amortized cost or at fair value through other comprehensive income, is classified at fair value through profit and loss. Financial instruments included in the fair value through profit and loss category are measured at fair value with all changes recognized in the statement of profit and loss.

Derecognition of financial assets

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

Impairment of financial assets

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

j) 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 at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

k) Retirement and other Employee benefits

The Company has implemented a public insurance scheme for all employees, which includes health insurance, welfare pension insurance and worker's accident compensation insurance.

The contribution to the public insurance scheme, a defined contribution plan, is made in accordance with the local statutory requirements and charged to the statement of profit and loss for every period, when the contribution is due.

l) Cash and short-term deposits

Cash and short-term deposits in the balance sheet comprise cash in banks and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

m) Contingent liabilities

A contingent liability is a possible obligation that may arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

n) Impairment of non-financial assets

These assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

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 inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generated units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset is reversed, only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognised for the asset in prior years.

o) Recently issued accounting pronouncements

Ind AS 116 – Leases

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

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

C3i Japan GK
Notes to financial statements for the year ended 31 December 2019
(All amount in thousands, except share data and as stated otherwise)

2.01 Property, plant and equipment

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

	Gross block				Accumulated depreciation / amortization				Net block	
	As at 1 January 2019	Additions	Deletions/ Adjustments	As at 31 December, 2019	As at 1 January 2019	Charge for the period	Deletions/ Adjustments	As at 31 December, 2019	As at 31 December, 2019	As at 31 December 2018
	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)
Office Equipment	84	-	84	-	84	-	84	-	-	-
Computers	2,452	1,183	353	3,282	2,452	202	353	2,301	981	-
Total	**2,536**	**1,183**	**437**	**3,282**	**2,536**	**202**	**437**	**2,301**	**981**	**-**

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

	Gross block				Accumulated depreciation / amortization				Net block	
	As at 1 January 2018	Additions	Deletions/ Adjustments	As at 31 December 2018	As at 1 January 2018	Charge for the period	Deletions/ Adjustments	As at 31 December 2018	As at 31 December 2018	As at 31 December 2017
	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)
Office Equipment	84	-	-	84	84	-	-	84	-	-
Computers	1,869	583	-	2,452	1,869	583	-	2,452	-	-
Total	**1,953**	**583**	**-**	**2,536**	**1,953**	**583**	**-**	**2,536**	**-**	**-**

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

	Gross block				Accumulated depreciation / amortization				Net block	
	As at 1 January 2019	Additions	Deletions/ Adjustments	As at 31 December 2019	As at 1 January 2019	Charge for the period	Deletions/ Adjustments	As at 31 December 2019	As at 31 December 2019	As at 31 December 2018
	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)
Office Equipment	55	-	55	-	55	-	55	-	-	-
Computers	1,613	778	232	2,159	1,613	133	232	1,514	645	-
Total	**1,668**	**778**	**287**	**2,159**	**1,668**	**133**	**287**	**1,514**	**645**	**-**

C3i Japan GK
Notes to financial statements for the year ended 31 December 2019
(All amount in thousands, except share data and as stated otherwise)

2.02 Other non-current assets

	As at		
	31 December 2019	**31 December 2018**	**31 December 2019**
	(JPY)	**(JPY)**	**(₹)**
Non Current			
Security deposits	19,678	1,028	12,948
Capital advances	16,824	-	11,070
	36,502	**1,028**	**24,018**

2.03 Trade Receivable

	As at		
	31 December 2019	**31 December 2018**	**31 December 2019**
	(JPY)	**(JPY)**	**(₹)**
Current			
Unsecured considered good (refer note below)	-	14,318	-
	-	14,318	-
Impairment Allowance (allowance for bad and doubtful debts)			
Unsecured considered good (refer note below)	-	-	-
	-	**14,318**	**-**

Note: Includes receivables from related parties amounting to JPY 0 (31 March 2018, JPY 14,318)

2.04 Cash and cash equivalent

	As at		
	31 December 2019	**31 December 2018**	**31 December 2019**
	(JPY)	**(JPY)**	**(₹)**
Balance with banks			
in current accounts	14,159	12	9,317
	14,159	**12**	**9,317**

2.05 Other current assets

	As at		
	31 December 2019	**31 December 2018**	**31 December 2019**
	(JPY)	**(JPY)**	**(₹)**
Unsecured			
Advances to supplier	13	-	9
Advances to employees	55	-	36
Less: Provision for doubtful advances	(24)	-	(16)
	44	-	29
Others			
Prepaid expenses	1,554	-	1,023
Consumption tax receivable	3,403	3,056	2,239
	5,001	**3,056**	**3,291**

2.06 Share Capital

	As at	
	31 December 2019	**31 December 2018**
	Amount (JPY)	**Amount (JPY)**
Equity share capital*	-	-

Terms/ rights attached to equity shares

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.

*Note: Represents value less than 10

Shares held by holding company and or their subsidaries/asociates

Out of equity shares issued by the Company shares held by its holding company, are as below:

Particulars	As at	
	31 December 2019	31 December 2018
	Amount (JPY)	Amount (JPY)
Telerex Marketing Inc.	1	1
C3i Inc.	-	-

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

Particulars	As at	
	31 December 2019	31 December 2018
	Amount (JPY)	Amount (JPY)
Telerex Marketing Inc.	100%	100%
C3i Inc.	-	-

The immediate parent company is Telerex Marketing Inc. and the ultimate holding company is HCL Technologies Limited.

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.

2.07 Trade payables

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(JPY)	(JPY)	(₹)
Trade payables	-	748	-
	-	748	-

2.08 Other financial liabilities

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(JPY)	(JPY)	(₹)
Current			
Liabilities for expenses	381	1,411	251
	381	1,411	251

2.9 Other current liabilities

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(JPY)	(JPY)	(₹)
Advances received from customers- related parties	28,633	-	18,839
Accrued salaries and benefits			
Employee costs	1,166	2,063	768
Withholding and other taxes payable	2,644	308	1,740
	32,443	**2,371**	**21,347**

2.10 Revenue from operations

	Year ended	Year ended	Year ended
	31 December 2019	31 December 2018	31 December 2019
	(JPY)	(JPY)	(₹)
Sale of services	138,891	108,165	91,390
	138,891	**108,165**	**91,390**

C3i Japan GK
Notes to financial statements for the year ended 31 December 2019
(All amount in thousands, except share data and as stated otherwise)

2.10 Revenue from operations (continued)

Disaggregate Revenue Information
The disaggregated revenue from contracts with the customers by contract type is as follows:

	Year ended 31 December 2019 (JPY)	Year ended 31 December 2018 (JPY)	Year ended 31 December 2019 (₹)
Contract type			
Time and material	138,891	108,165	91,390
	138,891	**108,165**	**91,390**
Geography wise			
America	138,891	108,165	91,390
	138,891	**108,165**	**91,390**

Of the above time and material revenue, IT and Business Services accounts for 100% (previous year 100%).

Remaining performance obligations

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

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

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

Contract liablities : A contract liability arises when there is excess billing over the revenue recognized. The company does not have any contract liabilities as on 31 December 2019.

There will be no impact of COVID-19 on the company resulting from termination/deferment of projects as the entire revenue is recognised from group company. We would continue to assess COVID-19 impact as we go along due to uncertainties associated with its nature and duration.

2.11 Other income

	Year ended 31 December 2019 (JPY)	Year ended 31 December 2018 (JPY)	Year ended 31 December 2019 (₹)
Exchange differences (net)	2,172	396	1,429
Miscellaneous income	-	25	-
	2,172	**421**	**1,429**

2.12 Employee benefits expense

	Year ended 31 December 2019 (JPY)	Year ended 31 December 2018 (JPY)	Year ended 31 December 2019 (₹)
Salaries, wages and bonus	66,484	51,855	43,746
Contribution to Japan legal welfare and other funds	10,009	7,578	6,586
Staff welfare expenses	849	2,953	559
	77,342	**62,386**	**50,891**

2.13 Finance cost

	Year ended 31 December 2019 (JPY)	Year ended 31 December 2018 (JPY)	Year ended 31 December 2019 (₹)
Bank charges	201	176	132
	201	**176**	**132**

C3i Japan GK
Notes to financial statements for the year ended 31 December 2019
(All amount in thousands, except share data and as stated otherwise)

2.14 Other expenses

	Year ended 31 December 2019 (JPY)	Year ended 31 December 2018 (JPY)	Year ended 31 December 2019 (₹)
Rent	18,305	9,412	12,045
Power and fuel	2,850	503	1,875
Repairs and maintenance - Others	188	-	124
Communication costs	3,006	2,973	1,978
Travel and conveyance	7,698	6,718	5,065
Business promotion	236	118	155
Legal and professional charges	7,384	5,254	4,859
Audit Fees	-	-	-
Recruitment, training and development	2,662	7,726	1,752
Outsourcing cost	2,563	2,259	1,686
Miscellaneous expenses	3,701	2,130	2,435
	48,593	**37,093**	**31,974**

2.15 Income taxes

Particulars	Year ended 31 December 2019 (JPY)	Year ended 31 December 2018 (JPY)	Year ended 31 December 2019 (₹)
Current income tax charge	3,966	3,715	2,610
Adjustments in respect of current income tax of previous year	-	(231)	
Current tax charge	3,966	3,484	2,610
Deferred tax charge (credit)	421	(943)	277
	4,387	**2,541**	**2,887**

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

Particulars	Year ended 31 December 2019 (JPY)	Year ended 31 December 2018 (JPY)	Year ended 31 December 2019 (₹)
Profit before income tax	14,725	8,348	9,689
Statutory tax rate	30.56%	33.67%	-
Expected tax expense	**4,500**	**2,811**	2,961
Adjustments in respect of current income tax of previous year	-	(231)	-
Permanent differences	73	62	48
Interest on refund	2	-	1
Impact of rate change	115	(101)	76
Deduction for enterprise tax paid	(303)	-	(199)
Total taxes	**4,387**	**2,541**	**2,887**
Effective income tax rate	29.79%	30.44%	29.79%

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

Particulars	Opening balance	Recognized in profit and loss	Closing balance
Deferred tax assets			
Travel Provision	-	358	358
Provision for expenses	819	(660)	159
Accrued employee costs	127	124	251
Depreciation and amortization	299	(240)	59
Net deferred tax assets	**1,245**	**(418)**	**827**
Deferred tax liabilities			
Others	-	3	3
Gross deferred tax liabilities (B)	**-**	**3**	**3**
Net deferred tax assets (A-B)	**1,245**	**(421)**	**824**

C3i Japan GK
Notes to financial statements for the year ended 31 December 2019
(All amount in thousands, except share data and as stated otherwise)

2.15 Income taxes (continued)

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

Amount in (₹)

Particulars	Opening balance	Recognized in profit and loss	Recognized in/ classified from OCI
Deferred tax assets			
Travel Provision	-	236	236
Provision for expenses	539	(434)	105
Accrued employee costs	84	82	166
Depreciation and amortization	197	(158)	39
Net deferred tax assets	**820**	**(274)**	**546**
Deferred tax liabilities			
Others	-	2	2
Gross deferred tax liabilities (B)	**-**	**2**	**2**
Net deferred tax assets (A-B)	**820**	**(276)**	**544**

2.16 Leases

i) Operating Leases: In case of assets taken on lease

The Company leases office spaces and accommodation for its employees under operating lease agreements. The lease rental expense recognized in the statement of profit and loss for the year is JPY 18,305 (₹ 12,045). (31 December, 2018 JPY 8,094)

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

Particulars	As at		
	31st December 2019	31st December 2018	31st December 2019
	JPY	JPY	(₹)
Not later than one year	18,650	5,015	12,272
Later than one year but not later than five years	12,433	-	8,181
Later than five years	-	-	-
	31,083	**5,015**	**20,453**

2.17 Segment reporting

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

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

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

Revenue disagreegation as per geography is given in note 2.11.

2.18 Financial assets and liabilities

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

Particulars	Amortized cost	Total carrying value	Amortized cost	Total carrying value
	(JPY)	(JPY)	(₹)	(₹)
Financial assets				
Security deposits	19,678	19,678	12,948	12,948
Cash and cash equivalents	14,159	14,159	9,317	9,317
Total	**33,837**	**33,837**	**22,265**	**22,265**
Financial liabilities				
Others	381	381	251	251
Total	**381**	**381**	**251**	**251**

2.18 Financial assets and liabilities (continued)

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

Particulars	Amortized cost	Total carrying value
	(JPY)	(JPY)
Financial assets		
Security deposits	1,028	1,028
Trade receivables	14,318	14,318
Cash and cash equivalents	12	12
Total	**15,358**	**15,358**
Financial liabilities		
Trade payables	748	748
Others	1,411	1,411
Total	**2,159**	**2,159**

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

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 curriences other than foreign curreny. An insignificant portion of the Company's revenue is in other foreign currency while a large protion of costs are in JPY . The fluctuation in exchange rates in respect to JPY may not have potential impact on the statement fo 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 JPY 315 for the year ended 31 December 2019

(ii) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's investments are primarily in fixed rate interest bearing investments. 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 and trade 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, however there is no credit risk of nonperformance by counterparties as the entire revenue belongs to group company.

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

2.19 Related party transactions

a) Related parties where control exists
HCL Technologies Limited, India (Ultimate holding company)
Telerex Marketing Inc (Holding company)

b) Related parties with whom transactions have taken place during the year
Telerex Marketing Inc (Holding company)

c) Transactions with related parties during the normal course of business

	31 December 2019	31 December 2018	31 December 2019
	(JPY)	(JPY)	(₹)
Due from the parent company (Note (I))	-	14,318	-
Due to the parent company (Note (I))	28,633	-	18,839
Consultancy fees charged to parent company (Note (I))	138,891	108,165	91,390

Note: (I) The consultancy fees charged to parent company is based on agreement between the parties.

2.20 Earnings Per Share (EPS)

C3i Japan GK has no physical shares and the share capital of the company is JPY 1. Therefore calculation of basic and diluted EPS is not applicable.

2.21 Previous years comparatives

The Company has presented its Financial Statements in " JPY in thousands" and accordingly, amounts less than USD 0.50 thousands are rounded off to zero.

2.22 Commitments

	As at		
	31 December 2019	**31 December 2018**	**31 December 2019**
	(JPY)	**(JPY)**	**(₹)**
Capital commitments			
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	18,388	-	12,099
	18,388	**-**	**12,099**

2.23 Subsequest event

The Company has evaluated all the subsequent events through 1 September 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.

As per our report of even date

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

Anurag Maheshwary

Anurag Maheshwary
Partner
Membership Number: 506533

Gurugram, India
Date: 1 September 2020

For and on behalf of the Board of Managers
of C3i Japan GK

Sridharan S

Neelanjan Bhattacharjee
Manager

Sundaram Sridharan
Manager

Date: 1 September 2020