

C3i Japan GK

STANDALONE FINANCIAL STATEMENT

Year ended December 31, 2018 and 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of C3i Japan GK

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of **C3i Japan GK** ("the Company"), which comprise the Balance Sheet as at December 31, 2018, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the **1st January 2018 to December 31, 2018**, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit. We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor

PRYD & Associates

CHARTERED ACCOUNTANTS



considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Ind AS 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 December 31, 2018, its profit including other comprehensive income, its cash flows and the changes in equity for the **period 1st January 2018 to December 31, 2018.**

Other matters

This report covering the financial statements of the Company for the **period 1st January 2018 to December 31, 2018** is intended for the information and use of the board of directors of the Company and HCL Technologies Limited, the ultimate holding company to comply with the financial reporting requirement in India. These financial statements have been prepared in all material respects in accordance with the basis of preparation as set out in Note 1 (a) to the financial statements of the company, which describes the basis of accounting and the related audit covered by the report was carried out following the generally accepted auditing principles in India. Use of these financial statements or the related audit report for any other purpose will be subject to the above explanation.

For M/s PRYD & Associates
F No. 011626N
Chartered Accountants



Date – 25 June 2019
Place – New Delhi, India

CA P M Mittal
M No. 094667
(Partner)

C3i Japan GK

Balance Sheet as at 31 December 2018

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

	Note No.	As at 31 December 2018 (JPY)	As at 31 December 2017 (JPY)	As at 01 January 2017 (JPY)	As at 31 December 2018 (₹)
I. ASSETS					
(1) Non-current assets					
(a) Property, Plant and Equipment	2.01	-	-	46	-
(b) Deferred tax assets (net)	2.15	1,245	302	8	790
(2) Current assets					
(a) Financial Assets					
(i) Trade receivables	2.02	14,318	3,712	1,716	9,086
(ii) Security deposits	2.03	1,028	603	-	652
(iii) Cash and cash equivalents	2.04	12	5,943	948	8
(b) Other current assets	2.05	3,056	2,403	1,696	1,938
TOTAL ASSETS		19,659	12,963	4,414	12,474
II. EQUITY					
(a) Equity Share Capital	2.06	-	-	-	-
(b) Other Equity		12,197	6,390	3,182	7,740
III. LIABILITIES					
(1) Non - current liabilities					
(2) Current liabilities					
(a) Financial Liabilities					
(i) Trade payables	2.07	748	919	339	475
(ii) Others	2.08	1,411	2,772	435	895
(b) Other current liabilities	2.09	2,371	1,412	377	1,503
(c) Current Tax Liabilities (Net)		2,932	1,470	81	1,861
TOTAL EQUITY AND LIABILITIES		19,659	12,963	4,414	12,474

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 M/S PRYD & Associates
ICAI Firm Registration Number : 011626N
Chartered Accountants

per P.M. Mittal
Partner
Membership Number: 094667

New Delhi, India

Date: 25th June 2019

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

Neelanjana Bhattacharjee
Director

Sundaram Sridharan
Director

Date: 25th June 2019

C3i Japan GK

Statement of Profit and Loss for the year ended 31 December 2018

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

	Note No.	Year ended 31 December 2018 (JPY)	Year ended 31 December 2017 (JPY)	Year ended 31 December 2018 (₹)
I Revenue				
Revenue from operations	2.10	108,165	62,785	68,642
Other income	2.11	421	13	267
Total revenue		108,586	62,798	68,909
II Expenses				
Employee benefits expense	2.12	62,386	28,484	39,590
Finance costs	2.13	176	116	112
Depreciation and amortization expense	2.01	583	1,544	370
Other expenses	2.14	37,093	27,992	23,540
Total expenses		100,238	58,136	63,612
III Profit before tax		8,348	4,662	5,297
IV Tax expense				
Current tax		3,484	1,748	2,211
Deferred tax credit		(943)	(294)	(598)
Total tax expense/(credit)	2.15	2,541	1,454	1,613
V Profit for the year		5,807	3,208	3,684
VI Profit for the year		5,807	3,208	3,684
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		5,807	3,208	3,684
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 M/S PRYD & Associates
ICAI Firm Registration Number 011626N
Chartered Accountants

per P.M. Mittal
Partner
Membership Number: 094667

New Delhi, India

Date: 25th June 2019

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

Neelanjan Bhattacharjee
Director

Sundaram Sridharan
Director

Date: 25th June 2019

C3i Japan GK

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

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

	Equity share capital	Other Equity
	(JPY)	(JPY)
Balance as of January 1, 2017	-	3,182
Profit for the year	-	3,208
Other comprehensive income	-	-
Total comprehensive income for the year	-	3,208
Dividend	-	-
Balance as of 31 December, 2017	-	6,390
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

	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

The accompanying notes are an integral part of the financial statements

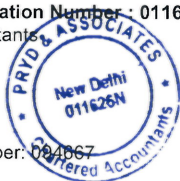
As per our report of even date

FOR M/S PRYD & Associates
ICAI Firm Registration Number : 011626N
Chartered Accountants

per P.M. Mittal
Partner
Membership Number: 084067

New Delhi, India

Date: 25th June 2019



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

Neelanjana Bhattacharjee
Director

Date: 25th June 2019

Sundaram Sridharan
Director

C3i Japan GK

Cash Flow Statement for the year ended 31 December 2018

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

	Year ended 31 December 2018 (JPY)	Year ended 31 December 2017 (JPY)	Year ended 31 December 2018 (₹)
A. Cash flows from operating activities			
Profit before tax	8,348	4,662	5,297
Adjustment for:			
Depreciation and amortization	583	1,544	370
Unrealised exchange loss/(gain) on short term loans	(472)	-	(300)
Operating profit/(Loss) before working capital changes	8,459	6,206	5,367
Movement in Working Capital			
Increase in trade receivables	(10,134)	(1,996)	(6,431)
(Increase)/decrease in other financial assets and other assets	(1,078)	(1,310)	(684)
Increase/ (decrease) in trade payables	(171)	580	(108)
Increase/ (decrease) in provisions, other financial liabilities and other liabilities	(401)	3,371	(254)
Cash generated from/(used in) operations	(3,325)	6,851	(2,110)
Direct taxes paid (net of refunds)	(2,023)	(358)	(1,284)
Net cash flow/(used) in operating activities (A)	(5,348)	6,493	(3,394)
B. Cash flows from investing activities			
Purchase of property, plant and equipment, including capital work in progress and capital advances	(583)	(1,498)	(370)
Net cash flow from/(used) in investing activities (B)	(583)	(1,498)	(370)
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)	(5,931)	4,995	(3,764)
Cash and cash equivalents at the beginning of the year	5,943	948	3,772
Cash and cash equivalents at the end of the year as per note 2.04	12	5,943	8
Summary of significant accounting policies (Note 1)			

As per our report of even date

FOR M/S PRYD & Associates
ICAI Firm Registration Number : 011626N
Chartered Accountants

per P.M. Mittal
Partner
Membership Number: 094667

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

Neelanjan Bhattacharjee
Director

Sundaram Sridharan
Director

New Delhi, India

Date: 25th June 2019

Date: 25th June 2019

C3i Japan GK

Notes to financial statements for the year ended 31 December 2018

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

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 2018 were approved and authorized for issue by the Board of Directors on 25th June 2019

1. Significant Accounting Policies

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time). These financial statements have been prepared under the historical cost convention on an accrual and going concern basis except certain assets and liabilities which have been measured at fair value (refer accounting policy regarding financial instruments).

As the Company is not domiciled in India and hence not registered under Companies Act 2013, these financial statements have not been prepared to fully comply with the Companies Act 2013, and so they do not reflect all the disclosures requirements of the Act.

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

The functional currency of the Company is Japanese Yen (JPY). The translation from JPY to ₹ is unaudited and is included solely for the convenience of readers in India and has been performed using rate of JPY 1 = ₹ 0.6346, 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, future obligations under employee benefit plans, the useful lives of property, plant and equipment and other contingencies and commitments. Changes in estimates are reflected in the financial statements in the 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.

C3i Japan GK**Notes to financial statements for the year ended 31 December 2018**

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

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)
Computer, Laptops & Networking equipment	1
Office Equipment	1

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:

- Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Income approach – Converting the future amounts based on market expectations to its present value using the discounting methodology.
- 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

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognized.

Rendering of services

Revenue from a contract to provide services is recognized in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of the revenue can be measured reliably;
- it is probable that the Company will receive the consideration due from the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

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, unbilled revenue, 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.

Equity investments

Equity investments in subsidiaries are measured at cost.

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.

C3i Japan GK**Notes to financial statements for the year ended 31 December 2018**

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

Compensated absences: The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date. The expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

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) 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.

C3: Japan GK

Notes to financial statements for the year ended 31 December 2018

(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, 2018

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

The changes in the carrying value for the year ended 31 December, 2017

	Gross block			Accumulated depreciation / amortization			Net block	
	As at 1 January 2017	Additions	Deletions/ Adjustments	As at 31 December 2017	Charge for the period	Deletions/ Adjustments	As at 31 December 2017	As at 31 December 2016
	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)
Office Equipment	84	-	-	84	-	-	84	-
Computers	371	1,498	-	1,869	1,544	-	1,869	-
Total	455	1,498	-	1,953	1,544	-	1,953	46

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	Charge for the period	Deletions/ Adjustments	As at 31 December 2018	As at 31 December 2017
	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)
Office Equipment	53	-	-	53	-	-	53	-
Computers	1,186	370	-	1,556	370	-	1,556	-
Total	1,239	370	-	1,609	370	-	1,609	-

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Notes to financial statements for the year ended 31 December 2018

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

2.02 Trade Receivable

	As at			
	31 December 2018	31 December 2017	01 January 2017	31 December 2018
	(JPY)	(JPY)	(JPY)	(₹)
Current				
Unsecured considered good (refer note below)	14,318	3,712	1,716	9,086
	14,318	3,712	1,716	9,086
Impairment Allowance (allowance for bad and doubtful debts)				
Unsecured considered good (refer note below)	-	-	-	-
	14,318	3,712	1,716	9,086

Note: Includes receivables from related parties amounting to JPY 14,318 (31 December 2017, JPY 3,712)

2.03 Other financial assets

	As at			
	31 December 2018	31 December 2017	01 January 2017	31 December 2018
	(JPY)	(JPY)	(JPY)	(₹)
Current				
Security deposits	1,028	603	-	652
	1,028	603	-	652

2.04 Cash and cash equivalent

	As at			
	31 December 2018	31 December 2017	01 January 2017	31 December 2018
	(JPY)	(JPY)	(JPY)	(₹)
Balance with banks				
in current accounts	12	5,943	948	8
	12	5,943	948	8

2.05 Other current assets

	As at			
	31 December 2018	31 December 2017	01 January 2017	31 December 2018
	(JPY)	(JPY)	(JPY)	(₹)
Others				
Prepaid expenses	-	194	1,210	-
Consumption tax receivable	3,056	2,209	486	1,938
	3,056	2,403	1,696	1,938

2.06 Share Capital

	As at		
	31 December 2018	31 December 2017	01 January 2017
	Amount (JPY)	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.

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Notes to financial statements for the year ended 31 December 2018

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

Shares held by holding company and or their subsidiaries/associates

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

Particulars	As at		
	31 December 2018	31 December 2017	01 January 2017
	Amount (JPY)	Amount (JPY)	Amount (JPY)
Telerex Marketing Inc. C3i Inc.	1 -	1 -	- 1

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

Particulars	As at		
	31 December 2018	31 December 2017	01 January 2017
	Amount (JPY)	Amount (JPY)	Amount (JPY)
Telerex Marketing Inc. C3i Inc.	100% -	100% -	- 100%

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 2018	31 December 2017	01 January 2017	31 December 2018
	(JPY)	(JPY)	(JPY)	(₹)
Trade payables	748	919	339	475
	748	919	339	475

2.08 Other financial liabilities

	As at			
	31 December 2018	31 December 2017	01 January 2017	31 December 2018
	(JPY)	(JPY)	(JPY)	(₹)
Current				
Others				
Liabilities for expenses	1,411	2,772	435	895
	1,411	2,772	435	895

2.09 Other current liabilities

	As at			
	31 December 2018	31 December 2017	01 January 2017	31 December 2018
	(JPY)	(JPY)	(JPY)	(₹)
Accrued salaries and benefits				
Employee costs	2,063	1,317	354	1,308
Withholding and other taxes payable	308	95	23	195
	2,371	1,412	377	1,503

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Notes to financial statements for the year ended 31 December 2018

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

2.10 Revenue from operations

	Year ended	Year ended	Year ended
	31 December 2018	31 December 2017	31 December 2018
	(JPY)	(JPY)	(₹)
Sale of services	108,165	62,785	68,642
	108,165	62,785	68,642

2.11 Other income

	Year ended	Year ended	Year ended
	31 December 2018	31 December 2017	31 December 2018
	(JPY)	(JPY)	(₹)
Exchange differences (net)	396	-	251
Miscellaneous income	25	13	16
	421	13	267

2.12 Employee benefits expense

	Year ended	Year ended	Year ended
	31 December 2018	31 December 2017	31 December 2018
	(JPY)	(JPY)	(₹)
Salaries, wages and bonus	51,855	24,663	32,907
Contribution to Japan legal welfare and other funds	7,578	3,151	4,809
Staff welfare expenses	2,953	670	1,874
	62,386	28,484	39,590

2.13 Finance cost

	Year ended	Year ended	Year ended
	31 December 2018	31 December 2017	31 December 2018
	(JPY)	(JPY)	(₹)
Bank charges	176	116	112
	176	116	112

2.14 Other expenses

	Year ended	Year ended	Year ended
	31 December 2018	31 December 2017	31 December 2018
	(JPY)	(JPY)	(₹)
Rent	9,412	3,136	5,973
Power and fuel	503	3	319
Communication costs	2,973	1,801	1,887
Travel and conveyance	6,718	4,902	4,263
Business promotion	118	34	75
Legal and professional charges	5,254	3,814	3,334
Recruitment, training and development	7,726	11,421	4,903
Outsourcing cost	2,259	1,383	1,434
Miscellaneous expenses	2,130	1,498	1,352
	37,093	27,992	23,540

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Notes to financial statements for the year ended 31 December 2018

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

2.15 Income taxes

Particulars	Year ended	Year ended	Year ended
	31 December 2018	31 December 2017	31 December 2018
	(JPY)	(JPY)	(₹)
Current income tax charge	3,715	1,763	2,358
	(231)	(15)	(147)
Adjustments in respect of current income tax of previous year			
Current tax charge	3,484	1,748	2,211
Deferred tax charge (credit)	(943)	(294)	(598)
	2,541	1,454	1,613

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

Particulars	Year ended	Year ended	Year ended
	31 December 2018	31 December 2017	31 December 2018
	(JPY)	(JPY)	(₹)
Profit before income tax	8,348	4,662	5,298
Statutory tax rate	33.67%	25.23%	33.67%
Expected tax expense	2,811	1,176	1,784
Adjustments in respect of current income tax of previous year	(231)	(15)	(147)
Permanent differences	62	59	39
Additional tax expense	-	231	-
Impact of rate change	(101)	3	(63)
Total taxes	2,541	1,454	1,613
Effective income tax rate	30.44%	31.19%	30.45%

Components of deferred tax assets and liabilities as on 31 December 2018

Particulars	Opening balance	Recognized in profit and loss	Amount in (JPY)
			Closing balance
Deferred tax assets			
Provision for expenses	42	777	819
Accrued employee costs	-	127	127
Depreciation and amortization	260	39	299
Net deferred tax assets	302	943	1,245

Components of deferred tax assets and liabilities as on 31 December 2018

Particulars	Opening balance	Recognized in profit and loss	Amount in (₹)
			Closing balance
Deferred tax assets			
Provision for doubtful debts	26	493	519
Accrued employee costs	-	81	81
Depreciation and amortization	165	25	190
Net deferred tax assets	191	599	790

C3i Japan GK**Notes to financial statements for the year ended 31 December 2018**

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

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 8,094 (₹ 5,136). (31 December, 2017 JPY 2,796)

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

Particulars	As at		
	31st December 2018	31st December 2017	31st December 2018
	JPY	JPY	(₹)
Not later than one year	5,015	1,733	3,183
Later than one year but not later than five years	-	-	-
Later than five years	-	-	-
	5,015	1,733	3,183

2.17 Segment reporting

The Company is exclusively engaged in providing IT services to its parent Telere Marketing Inc. Accordingly, in terms of Ind AS 108 on Segment Reporting, its operations are considered to constitute one single primary segment.

Segment accounting policies

The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments and are as set out in note 1 to the financial statements on significant accounting policies. The accounting policies in relation to segment accounting are as under:

a) Segment assets and liabilities

Assets and liabilities are not identified to any reportable segments, since these are increasingly used interchangeably across segments and consequently, the management believes that it is not practicable or meaningful to provide segment disclosures relating to assets and liabilities.

b) Segment revenue and expenses

Segment revenue is directly attributable to the segment and segment expenses have been allocated to various segments on the basis of specific identification. However, segment revenue does not include other income. Segment expenses do not include finance cost.

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

Particulars	Year ended		
	31 December 2018	31 December 2017	31 December 2018
	JPY	JPY	(₹)
America	108,165	62,785	68,642
Total	108,165	62,785	68,642

C3i Japan GK

Notes to financial statements for the year ended 31 December 2018

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

2.18 Financial assets and liabilities

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

Particulars	Amortized cost	Total carrying value	Amortized cost	Total carrying value
	(JPY)	(JPY)	(₹)	(₹)
Financial assets				
Trade receivables	14,318	14,318	9,086	9,086
Cash and cash equivalents	12	12	8	8
Others	1,028	1,028	652	652
Total	15,358	15,358	9,746	9,746
Financial liabilities				
Trade payables	748	748	475	475
Others	1,411	1,411	895	895
Total	2,159	2,159	1,370	1,370

The carrying value of financial instruments by categories as at 31 December 2017 is as follows:

Particulars	Amortized cost	Total carrying value
	(JPY)	(JPY)
Financial assets		
Trade receivables	3,712	3,712
Cash and cash equivalents	5,943	5,943
Others	603	603
Total	10,258	10,258
Financial liabilities		
Trade payables	919	919
Others	2,772	2,772
Total	3,691	3,691

The carrying value of financial instruments by categories as at 01 January 2017 is as follows:

Particulars	Amortized cost	Total carrying value
	(JPY)	(JPY)
Financial assets		
Trade receivables	1,716	1,716
Cash and cash equivalents	948	948
Total	2,664	2,664
Financial liabilities		
Trade payables	339	339
Others	435	435
Total	774	774

C3i Japan GK**Notes to financial statements for the year ended 31 December 2018**

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

2.18 Financial assets and liabilities(continued)**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk and interest rate risk. The Company is primarily exposed to fluctuation in foreign currency exchange rates.

(i) Foreign currency risk

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

The exchange rate risk primarily arises from assets and liabilities denominated in currencies other than foreign currency. An insignificant portion of the Company's revenue is in other foreign currency while a large portion of costs are in JPY . The fluctuation in exchange rates in respect to JPY may not have potential impact on the statement of profit and loss and equity.

Appreciation / depreciation of 1% in respective foreign currencies with respect to functional currency of the Company would result in decrease / increase in the Company's profit before tax by approximately JPY 154 for the year ended 31 December 2018

(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, trade receivables, unbilled revenue, finance lease receivables. By their nature, all such financial instruments involve risks, including the credit risk of non-performance by counterparties.

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 2018	31 December 2017	01 January 2017	31 December 2018
	(JPY)	(JPY)	(JPY)	(₹)
Due from the parent company (Note (I))	14,318	3,712	1,716	9,086
Consultancy fees charged to parent company (Note (I))	108,165	62,785	22,669	68,642

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

This is the first year of the Company to present its audited financial statements for the year ended 31 December 2018 in accordance with the Indian Accounting Standards (Ind AS). Hence the previous years figures disclosed in the financial statements remain unaudited.