HCL Technologies Chile Spa

Financial Statements

For the year ended 31st December 2019 and 2018

HCL Technologies Chile Spa

Balance Sheet as at 31 December 2019

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

	Note No.	As at 31 December 2019 (CLP)	As at 31 December 2018 (CLP)	As at 31 December 2019 (₹)
I. ASSETS				
(1) Non-current assets				
(a) Property, plant and equipment	**2.1**	525,853	510,344	49,988
(b) Capital work in progress		35	-	3
(c) Other intangible assets	**2.2**	11,534	-	1,096
(d) Financial assets				
(i) Others	**2.3**	246,412	114,579	23,424
(e) Other non-current assets	**2.4**	33,671	92,878	3,201
(f) Deferred tax assets (net)	**2.11**	22,933	-	2,180
(2) Current assets				
(a) Inventories	**2.5**	84,483	209,634	8,031
(b) Financial assets				
(i) Trade receivables	**2.6**	2,709,993	1,377,223	257,611
(ii) Cash and cash equivalents	**2.7**	2,564,645	1,518,433	243,795
(iii) Loans	**2.8**	714,286	658,920	67,900
(iv) Others	**2.3**	707,372	1,195,580	67,243
(c) Other current assets	**2.9**	131,548	258,095	12,506
(d) Current tax assets (net)		31,977	-	3,040
TOTAL ASSETS		**7,784,742**	**5,935,686**	**740,018**
II. EQUITY				
(a) Equity share capital	**2.10**	602,000	602,000	57,226
(b) Other equity		2,126,111	1,569,037	202,108
III. LIABILITIES				
(1) Non - current liabilities				
(a) Deferred tax liabilities (net)	**2.11**	-	1,595	-
(2) Current liabilities				
(a) Financial liabilities				
(i) Trade payables	**2.12**	3,764,275	2,275,931	357,832
(ii) Others	**2.13**	698,945	1,094,382	66,442
(b) Other current liabilities	**2.14**	593,411	376,626	56,410
(c) Current tax liabilities (net)		-	16,115	-
TOTAL EQUITY AND LIABILITIES		**7,784,742**	**5,935,686**	**740,018**
Summary of significant accounting policies	**1**			

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

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

ANURAG KUMAR MAHESHWARY Digitally signed by ANURAG KUMAR MAHESHWARY Date: 2020.08.18 22:18:36 +05'30'

Anurag Maheshwary
Partner
Membership Number: 506533

Gurugram, India
Date: 18 August 2020

For and on behalf of the Board of Directors
of HCL Technologies Chile Spa

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Raghu Raman Lakshmanan
Director

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Subramanian Gopalakrishan
Director

Date: 18 August 2020

HCL Technologies Chile Spa

Statement of Profit and Loss for the year ended 31 December 2019

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

		Note No.	Year ended 31 December 2019 (CLP)	Year ended 31 December 2018 (CLP)	Year ended 31 December 2019 (₹)
I	**Revenue**				
	Revenue from operations	**2.15**	6,917,294	6,168,670	657,558
	Other income	**2.16**	42,478	176,658	4,038
	Total income		**6,959,772**	**6,345,328**	**661,596**
II	**Expenses**				
	Purchase of stock in trade		521,402	724,773	49,564
	Changes in inventories of stock in trade	**2.17**	125,151	(148,135)	11,897
	Finance costs	**2.18**	19,368	15,918	1,840
	Depreciation and amortization expense	**2.1**	184,567	66,393	17,545
	Outsourcing costs		5,091,081	4,801,206	483,958
	Other expenses	**2.19**	236,042	209,081	22,438
	Total expenses		**6,177,611**	**5,669,236**	**587,242**
III	**Profit before tax**		**782,161**	**676,092**	**74,354**
IV	**Tax expense**	**2.11**			
	Current tax		249,614	327,429	23,728
	Deferred tax charge (credit)		(24,527)	(3,232)	(2,331)
	Total tax expense		225,087	324,197	21,397
V	**Profit for the year**		**557,074**	**351,895**	**52,957**
VI	**Total Comprehensive Income for the year**		**557,074**	**351,895**	**52,957**
	Earnings per equity share of no par value	**2.20**			
	Basic		506	320	48
	Diluted		506	320	48
	Summary of significant accounting policies	**1**			

The accompanying notes are an integral part of the financial statements

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Date: 18 August 2020

For and on behalf of the Board of Directors
of HCL Technologies Chile Spa

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Raghu Raman Lakshmanan
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Subramanian Gopalakrishan
Director

Date: 18 August 2020

HCL Technologies Chile Spa

Statement of cash flows for the year ended 31 December 2019

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

	Year ended 31 December 2019 (CLP)	Year ended 31 December 2018 (CLP)	Year ended 31 December 2019 (₹)
A. Cash flows from operating activities			
Profit before tax	782,161	676,092	74,352
Adjustment for:			
Depreciation and amortization	184,567	66,393	17,545
Interest income	(22,616)	(21,432)	(2,150)
Provision for doubtful debts/bad debts (written back)/ written off	(232)	27,423	(22)
Other non cash benefits	(61,068)	(79,617)	(5,805)
Operating profit before working capital changes	**882,812**	**668,859**	**83,920**
Movement in Working Capital			
(Increase)/decrease in trade receivables	(1,332,538)	(460,964)	(126,671)
(Increase)/decrease in inventories	125,151	(166,970)	11,897
(Increase)/decrease in other financial assets and other assets	570,500	44,174	54,232
Increase/ (decrease) in trade payables	1,488,343	1,672,837	141,482
Increase/ (decrease) in other financial liabilities and other liabilities	283,617	(255,403)	26,960
Cash generated from operations	**2,017,885**	**1,502,533**	**191,820**
Direct taxes paid (net of refunds)	297,706	284,860	28,300
Net cash flow from operating activities (A)	**1,720,179**	**1,217,673**	**163,520**
B. Cash flows from investing activities			
Purchase of property,plant and equipment and intangibles	(673,967)	(69,187)	(64,067)
Net cash flow used in investing activities (B)	**(673,967)**	**(69,187)**	**(64,067)**
Net increase (decrease) in cash and cash equivalents (A+B)	1,046,212	1,148,486	99,453
Cash and cash equivalents at the beginning of the year	1,518,433	369,947	144,342
Cash and cash equivalents at the end of the year as per note 2.7	**2,564,645**	**1,518,433**	**243,795**
Summary of significant accounting policies (Note 1)			

As per our report of even date attached

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Partner
Membership Number: 506533

Gurugram, India
Date: 18 August 2020

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Raghu Raman Lakshmanan
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Subramanian Gopalakrishan
Director

Date: 18 August 2020

HCL Technologies Chile Spa

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

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

(Amount in CLP)

	Equity share capital		Other equity
	Number of shares	Share capital	**Reserves and Surplus**
			Retained earnings
Balance as at 1 January, 2018	1,100,000	602,000	1,217,142
Profit for the year	-	-	351,895
Other comprehensive income / (loss)	-	-	-
Total comprehensive income for the year	-	-	351,895
Balance as at 31 December, 2018	1,100,000	602,000	1,569,037
Balance as at 1 January, 2019	1,100,000	602,000	1,569,037
Profit for the year	-	-	557,074
Other comprehensive income / (loss)	-	-	-
Total comprehensive income for the year	-	-	557,074
Balance as at 31 December, 2019	1,100,000	602,000	2,126,111
Balance as at 31 December, 2019 (Amounts in ₹)	1,100,000	57,226	202,108
Summary of significant accounting policies (Note 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
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Partner
Membership Number: 506533

Gurugram, India
Date: 18 August 2020

For and on behalf of the Board of Directors
of HCL Technologies Chile Spa

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Subramanian Gopalakrishan
Director

Date: 18 August 2020

ORGANIZATION AND NATURE OF OPERATIONS

HCL Technologies Chile Spa (hereinafter referred to as the 'Company') is primarily engaged in providing a range of IT and Business services. The Company was incorporated in Chile in June 2013, having its registered office at EL Golf 40 Piso, Las Condes, Santigo, CP 755-0107, Chile.

The financial statements for the year ended 31st December, 2019 were approved and authorized for issue by the Board of Directors on 18 August 2020.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

These financial statements have been prepared under the historical cost convention on an accrual and going concern basis except for certain financial assets and liabilities 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 CLP. The translation from CLP to ₹ is included solely for the convenience of readers in India and has been performed using rate of CLP 1 = 0.09506 , 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, CLP at that or any other rate.

(b) *Use of estimates*

The preparation of financial statements in conformity with Ind AS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and other comprehensive income (OCI) that are reported and disclosed in the financial statements and accompanying notes. These estimates are based on the management's best knowledge of current events, historical experience, actions that the Company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Significant estimates and assumptions are used for, but not limited to, allowance for uncollectible accounts receivables, income taxes, and the useful lives of property, plant and equipment. Changes in estimates are reflected in the financial statements in the year in which the changes are made. Actual results could differ from those estimates.

(c) Foreign currency and translation

Transactions in foreign currencies are initially recorded by the company at their respective functional currency spot rates at the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated to the relevant functional currency at exchange rates in effect at the balance sheet date. Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of initial transaction. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined.
Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled. Revenue, expenses and cash-flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

(d) Fair value measurement

The Company records certain financial assets and liabilities at fair value on a recurring basis. The Company determines fair values based on the price it would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

In accordance with Ind AS 113, assets and liabilities are to be measured based on the following valuation techniques:

a) Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

b) Income approach – Converting the future amounts based on market expectations to its present value using the discounting method.

c) Cost approach – Replacement cost method.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant who would use the asset in its highest and best use.

(e) Revenue recognition

Adoption of new accounting principles

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

Contracts involving provision of services and material

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

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

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

Fixed Price contracts

Revenue related to fixed price contracts where performance obligations and control are satisfied over a period of time like technology integration, complex network building contracts, ERP implementations and Application development are recognized based on progress towards completion of the performance obligation using a cost-to cost measure of progress (i.e., percentage-of-completion (POC) method of accounting). Revenue is recognized based on the costs incurred to date as a percentage of the total estimated costs to fulfill the contract. Any revision in cost to complete would result in increase or decrease in revenue and such changes are recorded in the period in which they are identified. Provisions for estimated losses, if any, on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates. Contract losses are determined to be the amount by which the estimated incremental cost to complete exceeds the estimated future revenues that will be generated by the contract and are included in cost of revenues and recorded in other accrued liabilities Revenue related to other fixed price contracts providing maintenance and support services, are recognized based on our right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered. If our invoicing is not consistent with value delivered, revenues are recognized as the service is performed based on the cost to cost method described above.

In arrangements involving sharing of customer revenues, revenue is recognized when the right to receive is established.

Revenue from product sales are shown net of sales tax and applicable taxes, discounts and allowances. Revenue related to product with installation services that are critical to the product is recognized when installation of product at customer site is completed and accepted by the customer. If the revenue for a delivered item is not recognized for non-receipt of acceptance from the customer, the cost of the delivered item continues to be in inventory.

Multiple performance obligations

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

Revenue recognition for delivered elements is limited to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified return or refund privileges.

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

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

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

Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in balance sheet. Contract assets primarily relate to unbilled amounts on those contracts utilizing the cost to cost method of revenue recognition and right to consideration is not unconditional. Unbilled receivables represent contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

Revenue from sales-type leases is recognized when risk of loss has been transferred to the client and there are no unfulfilled obligations that affect the final acceptance of the arrangement by the client.

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

Interest Income

Interest income for all financial instruments measured at amortized cost is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortized cost of a financial liability. When calculating the EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in other income in the statement of profit and loss.

(f) Income taxes

Income tax expense comprises current and deferred income tax.

Income tax expense is recognized in the statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Provision for income tax includes the impact of provisions established for uncertain income tax positions.

Deferred income tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities.

The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the year that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. The Company identifies and determines separate useful lives for each major component of the property, plant and equipment, if they have a useful life that is materially different from that of the asset as a whole.

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard or period of performance. All other expenses on existing property, plant and equipment, including day-to-day repairs, maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the year during which such expenses are incurred.

Gains or losses arising from de-recognition of assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Property, plant and equipment under construction and cost of assets not ready for use at the period-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 assets for computing depreciation are as follows:

Asset description	Asset life (in years)
Computers	4-5

The useful lives as given above best represent the period over which the management expects to use these assets, based on technical assessment. The estimated useful lives for these assets are therefore different from the useful lives prescribed under Part C of Schedule II of the Companies Act 2013.

The residual values, useful life and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

(h) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequently, following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit and loss.

Gains or losses arising from derecognition of an intangible asset 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.

The intangible assets are amortized over the estimated useful life of the assets as mentioned below:

Asset description	Asset life (in years)
Software	3

(i) Inventory

Stock in trade are valued at the lower of the cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Cost of stock in trade procured for specific projects is assigned by identifying individual costs of each item. Cost of stock in trade, that are interchangeable and not specific to any project are determined using the weighted average cost formula.

(j) Leases

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which they are earned.

Leases in which the Company transfers substantially all the risk and benefits of ownership of the asset are classified as finance leases. Assets given under finance lease are recognized as a receivable at an amount equal to the net investment in the leased assets. After initial recognition, the Company apportions lease rentals between the principal repayment and interest income so as to achieve a constant periodic rate of return on the net investment outstanding in respect of the finance leases. The interest income is recognized in the statement of profit and loss. Initial direct costs such as legal cost, brokerage cost etc. are recognized immediately in the statement of profit and loss.

(k) Impairment of non-financial assets

Property, plant and equipment

Property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs. If such assets are considered to be impaired, the impairment to be recognized in the statement of profit and loss is measured by the amount by which the carrying value of the asset exceeds the estimated recoverable amount of the asset.

(l) Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows.

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

(m) Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

   All financial assets are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value measured on initial recognition of financial asset. Purchase and sale of financial assets are accounted for at trade date.

   Cash and Cash equivalent
   Cash in the balance sheet comprise cash in banks, which is subject to an insignificant risk of changes in values.

Financial instruments at amortized cost

A financial instrument is measured at the amortized cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in other income in the statement of profit and loss. The losses arising from impairment are recognized in the statement of profit and loss. This category includes cash and bank balances, loans, unbilled revenue, trade and other receivables.

De-recognition of financial assets

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

Impairment of financial assets

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

ii. Financial liabilities

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

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

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

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

De-recognition

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

Offsetting of financial instruments

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

(n) Earnings per share (EPS)

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

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

***(o)* Recently issued accounting pronouncements**

1. Ind AS 116 Leases was notified in October 2018 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after 1 January 2020. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17.

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

HCL Technologies Chile Spa
Notes to financial statements for the year ended 31 December 2019
(All amounts in thousands, except share data and as stated otherwise)

2. Notes to financial statements

2.1 Property, plant and equipment

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

	Computers and networking equipment (CLP)	Computers and networking equipment (₹)
Gross block as at 1 January 2019	**615,298**	**58,490**
Additions	193,598	18,404
Deletions	-	-
Gross block as at 31 December 2019	**808,896**	**76,894**
Accumulated depreciation as at 1 January 2019	**104,954**	**9,977**
Charge for the year	178,089	16,929
Accumulated depreciation as at 31 December 2019	**283,043**	**26,906**
Net block as at 31 December 2019	**525,853**	**49,988**

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

	Computers and networking equipment (CLP)
Gross block as at 1 January 2018	**140,323**
Additions	474,975
Gross block as at 31 December 2018	**615,298**
Accumulated depreciation as at 1 January 2018	**38,561**
Charge for the year	66,393
Accumulated depreciation as at 31 December 2018	**104,954**
Net block as at 31 December 2018	**510,344**

2.2 Other intangibles assets

	Software (CLP)	Software (₹)
Gross block as at 1 January 2019	**-**	**-**
Additions	18,012	1,712
Gross block as at 31 December 2019	**18,012**	**1,712**
Accumulated depreciation as at 1 January 2019	**-**	**-**
Charge for the year	6,478	616
Accumulated depreciation as at 31 December 2019	**6,478**	**616**
Net block as at 31 December 2019	**11,534**	**1,096**
Estimated remaining useful life (in years)	**3**	**3**

The Company tests intangible assets for impairment when there is an indication for impairment. The Company has performed an evaluation of the amortization period and method for its intangible assets, along with intangible assets impairment testing considering the likely impact of COVID-19 on future cash flows and growth rates, along with subjecting these variables to sensitivity analysis considering impacted industry verticals and geographies.

2.3 Other financial assets

	As at		
	31 December 2019	**31 December 2018**	**31 December 2019**
	(CLP)	**(CLP)**	**(₹)**
Non - Current			
Carried at amortized cost			
Finance lease receivables (refer note 2.21)	246,412	114,579	23,424
	246,412	**114,579**	**23,424**
Current			
Carried at amortized cost			
Finance lease receivables (refer note 2.21)	206,655	185,915	19,645
Unbilled receivable	373,999	942,677	35,552
Unbilled receivable-related parties (refer note 2.24)	-	15,147	-
Interest receivable-related party (refer note 2.24)	80,159	51,841	7,620
Contract assets	46,559	-	4,426
	707,372	**1,195,580**	**67,243**

HCL Technologies Chile Spa
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(All amounts in thousands, except share data and as stated otherwise)

2.4 Other non- current assets

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(CLP)	(CLP)	(₹)
Unsecured considered good unless otherwise stated			
Capital advances	54	-	5
Prepaid expenses	33,617	92,878	3,196
	33,671	**92,878**	**3,201**

2.5 Inventories

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(CLP)	(CLP)	(₹)
Stock in trade	84,483	209,634	8,031
	84,483	**209,634**	**8,031**

2.6 Trade Receivable

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(CLP)	(CLP)	(₹)
Unsecured, considered good (refer note below)	2,711,135	1,380,520	257,720
Trade receivables which have significant increase in credit risk	28,325	26,402	2,693
	2,739,460	**1,406,922**	**260,413**
Impaired allowance for bad and doubtful debts	(29,467)	(29,699)	(2,802)
	2,709,993	**1,377,223**	**257,611**

Note:-

1. Includes receivables from related parties amounting to CLP 344,555 (₹ 32,753) and previous year ended on 31 December 2018, CLP 385,659.

2.7 Cash and cash equivalent

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(CLP)	(CLP)	(₹)
Balance with banks			
- in current accounts	2,564,645	1,518,433	243,795
	2,564,645	**1,518,433**	**243,795**

2.8 Financial Assets - Loans

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(CLP)	(CLP)	(₹)
Current			
Carried at amortized cost			
Unsecured , considered good			
Loan to related party (refer note 2.24)	714,286	658,920	67,900
	714,286	**658,920**	**67,900**

2.9 Other current assets

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(CLP)	(CLP)	(₹)
Unsecured , considered good			
Advances to suppliers	2,468	11,256	235
Advances to suppliers - related parties (refer note 2.24)	36,219	-	3,443
Others			
Prepaid expenses	87,666	224,503	8,334
Cenvat credit available	-	17,141	-
Other advances	5,195	5,195	494
	131,548	**258,095**	**12,506**

HCL Technologies Chile Spa
Notes to financial statements for the year ended 31 December 2019
(All amounts in thousands, except share data and as stated otherwise)

2.10 Share Capital

	As at		
	31 December 2019	**31 December 2018**	**31 December 2019**
	(CLP)	**(CLP)**	**(₹)**
Authorized			
1,100,000 (31 December 2018, 1,100,000) equity shares with no nominal value	602,000	602,000	57,226
Issued, subscribed and fully paid up			
1,100,000 (31 December 2018, 1,100,000) equity shares with no nominal value	602,000	602,000	57,226

Terms/ rights attached to equity shares
The Company has only one class of shares referred to as equity shares having no par value. Each holder of equity shares is entitled to one vote per share.
In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting year

	As at					
	31 December 2019		**31 December 2018**		**31 December 2019**	
	No. of shares	**CLP**	**No. of shares**	**CLP**	**No. of shares**	**(₹)**
Number of shares at the beginning	1,100,000	602,000	1,100,000	602,000	1,100,000	57,226
Add: Shares issued during the year	-	-	-	-	-	-
Number of shares at the end	1,100,000	602,000	1,100,000	602,000	1,100,000	57,226

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

Name of the shareholder	As at			
	31 December 2019		**31 December 2018**	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares with no nominal value each fully paid up				
Axon Solutions Limited	1,100,000	100%	1,100,000	100%

As per the records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.
There are no bonus shares issued, shares issued for consideration other than cash and shares bought back during the year ended 31 December 2019.

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.

HCL Technologies Chile Spa
Notes to financial statements for the year ended 31 December 2019
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2.11 Income taxes

	As at		
	31 December 2019	**31 December 2018**	**31 December 2019**
	(CLP)	**(CLP)**	**(₹)**
Income tax charged to statement of profit and loss			
Current income tax charge	206,154	215,055	19,597
Adjustment in respect of prior year	43,460	112,374	4,131
Deferred tax charge (credit)	12,250	(426)	1,165
Adjustment in respect of prior year	(36,777)	(2,806)	(3,496)
	225,087	**324,197**	**21,397**

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

	As at		
	31 December 2019	**31 December 2018**	**31 December 2019**
	(CLP)	**(CLP)**	**(₹)**
Profit before income tax	782,161	676,092	74,352
Statutory tax rate in Chile	27%	27%	27%
Expected tax expense	**211,183**	**182,545**	**20,075**
Permanent difference	30,460	21,268	2,896
Impact of rate change	-	119	-
Moneatry correction of advance tax	(3,152)	-	(300)
Deduction for Tax equity	(20,471)	-	(1,946)
Adjustment in respect of prior year	6,682	109,568	635
Others	385	10,697	37
Total taxes	**225,087**	**324,197**	**21,397**
Effective tax rate	29%	48%	29%

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

	Opening balance	**Recognized in profit and loss**	**Closing balance**
Deferred tax assets			
Depreciation and amortization	-	14,977	14,977
Provision for doubtful debts	-	7,956	7,956
Gross deferred tax assets (A)	-	22,933	22,933
Deferred tax liabilities			
Depreciation and amortization	1,595	(1,595)	-
Gross deferred tax liabilities (B)	1,595	(1,595)	-
Net deferred tax liabilities (B-A)	1,595	(24,528)	(22,933)

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

	Opening balance	**Recognized in profit and loss**	**Closing balance**
Deferred tax assets			
Depreciation and amortization	75,900	(75,900)	-
Provision for doubtful debts	569	(569)	-
Gross deferred tax assets (A)	76,469	(76,469)	-
Deferred tax liabilities			
Finance lease receivables	81,296	(81,296)	-
Depreciation and amortization	-	1,595	1,595
Gross deferred tax liabilities (B)	81,296	(79,701)	1,595
Net deferred tax liabilities (B-A)	4,827	(3,232)	1,595

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

	Opening balance	**Recognized in profit and loss**	**Closing balance**
Deferred tax assets			
Written Down Value	-	1,424	1,424
Provision for DD	-	756	756
Gross deferred tax assets (A)	-	2,180	2,180
Deferred tax liabilities			-
Local Gaap Adjustment	-	-	-
Written Down Value	152	(152)	-
Gross deferred tax liabilities (B)	152	(152)	-
Net deferred tax liabilities (B-A)	152	(2,332)	(2,180)

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2.12 Trade payables

	As at		
	31 December 2019	**31 December 2018**	**31 December 2019**
	(CLP)	**(CLP)**	**(₹)**
Trade payables	704,062	325,536	66,928
Trade payables-related parties (refer note 2.24)	3,060,213	1,950,395	290,904
	3,764,275	**2,275,931**	**357,832**

2.13 Other financial liabilities

	As at		
	31 December 2019	**31 December 2018**	**31 December 2019**
	(CLP)	**(CLP)**	**(₹)**
Current			
Carried at amortized cost			
Interest accrued but not due on borrowings--related parties (refer note 2.24)	-	3,166	-
Others			
Capital accounts payables	20,458	482,726	1,945
Liabilities for expenses	678,487	608,280	64,497
Liabilities for expenses-related parties (refer note 2.24)	-	210	-
	698,945	**1,094,382**	**66,442**

2.14 Other current liabilities

	As at		
	31 December 2019	**31 December 2018**	**31 December 2019**
	(CLP)	**(CLP)**	**(₹)**
Contract liabilities (previous year : revenue received in advance)	49,060	44,164	4,664
Others			
Withholding and other taxes payable	544,351	332,462	51,746
	593,411	**376,626**	**56,410**

2.15 Revenue from operations

	Year ended		
	31 December 2019	**31 December 2018**	**31 December 2019**
	(CLP)	**(CLP)**	**(₹)**
Sale of services	6,109,886	5,446,699	580,806
Sale of hardware and software	807,408	721,971	76,752
	6,917,294	**6,168,670**	**657,558**

2.15 Revenue from operations (continued)

Disaggregate Revenue Information

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

	Year ended 31 December 2019 (CLP)	Year ended 31 December 2019 (₹)
Contract type		
Fixed price	6,866,317	652,712
Time and material	50,977	4,846
Total	**6,917,294**	**657,558**
Geography wise		
America	1,184	113
Europe	6,916,110	657,445
	6,917,294	**657,558**

Remaining performance obligations

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

a) Contracts for which we recognize revenues based on the right to invoice for services performed,
b) Variable consideration allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation, or
c) Variable consideration in the form of a sales-based or usage-based royalty promised in exchange for a license of intellectual property.

Contract balances

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

Out of CLP 46,559 thousands of contract assets as on 31 December 2019, 100% pertain to current year.

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

The below table discloses the significant movement in contract liabilities :

	Contract liabilities (CLP)	Contract liabilities (₹)
Balance as at 1 January 2019	44,164	4,198
Additional amounts billed but not recognized as revenue	4,896	466
Deduction on account of revenues recognized during the year	-	-
Balance as at 31 December 2019	**49,060**	**4,664**

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

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

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

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2.16 Other income

	Year ended		
	31 December 2019	31 December 2018	31 December 2019
	(CLP)	(CLP)	(₹)
Exchange differences (net)	-	155,226	-
Interest income			
- On other financial instruments carried at amortized cost	22,616	21,432	2,150
- On income tax refund	328	-	31
Provision for doubtful/bad debts written back	232	-	22
Miscellaneous income	19,302	-	1,835
	42,478	**176,658**	**4,038**

2.17 Changes in inventories of stock in trade

	Year ended		
	31 December 2019	31 December 2018	31 December 2019
	(CLP)	(CLP)	(₹)
Opening stock	209,634	61,499	19,928
Less. Closing stock	84,483	209,634	8,031
	125,151	**(148,135)**	**11,897**

2.18 Finance cost

	Year ended		
	31 December 2019	31 December 2018	31 December 2019
	(CLP)	(CLP)	(₹)
Interest			
-on direct taxes	1,751	-	166
-others	152	-	14
Bank charges	17,465	15,918	1,660
	19,368	**15,918**	**1,840**

2.19 Other expenses

	Year ended		
	31 December 2019	31 December 2018	31 December 2019
	(CLP)	(CLP)	(₹)
Insurance	9,725	4,468	924
Repairs and maintenance			
-Building	-	677	-
-Others	149,131	2,067	14,176
Legal and professional charges	52,426	63,274	4,984
Rates and taxes	-	109,520	-
Provision for doubtful debts / bad debts written off	-	27,423	-
Exchange differences net	23,596	-	2,243
Miscellaneous expenses	1,164	1,652	111
	236,042	**209,081**	**22,438**

2.20 Earnings Per Share

The computation of earnings per share is as follows:

	Year ended		
	31 December 2019	31 December 2018	31 December 2019
	(CLP)	(CLP)	(₹)
Net profit as per statement of profit and loss for computation of EPS	557,074	351,895	52,957
Weighted average number of equity shares outstanding in calculating Basic EPS	1,100,000	1,100,000	1,100,000
Dilutive effect of stock options outstanding			
Weighted average number of equity shares outstanding in calculating dilutive EPS	1,100,000	1,100,000	1,100,000
Nominal value of equity shares *	-	-	-
Earnings per equity share			
- Basic	506	320	48
- Diluted	506	320	48

* As per local laws there is no nominal value of shares.

2.21 Leases

Finance Lease: In case of assets given on lease

The Company has given IT equipments to its customers on a finance lease basis. The future lease receivables in respect of assets given on finance lease are as follows:

	Total minimum lease payments receivable	Interest included in minimum lease payments receivable	Present value of minimum lease payments receivable
As on 31 December 2019 (CLP)			
Not later than one year	223,967	17,580	206,655
Later than one year and not later than 5 years	266,456	20,044	246,412
	490,423	37,624	453,067
As on 31 December 2018 (CLP)			
Not later than one year	190,670	4,755	185,915
Later than one year and not later than 5 years	121,268	6,689	114,579
	311,938	11,444	300,494
As on 31 December 2019 (₹)			
Not later than one year	21,290	1,671	19,645
Later than one year and not later than 5 years	25,329	1,905	23,424
	46,619	3,576	43,069

2.22 Financial instruments

(a) Financial assets and liabilities

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

	Amortized cost (CLP)	Total carrying value (CLP)	Amortized cost (₹)	Total carrying value (₹)
Financial assets				
Trade receivables	2,709,993	2,709,993	257,611	257,611
Cash and cash equivalents	2,564,645	2,564,645	243,795	243,795
Loans	714,286	714,286	67,900	67,900
Others (refer note 2.2)	953,784	953,784	90,667	90,667
Total	6,942,708	6,942,708	659,973	659,973
Financial liabilities				
Trade payables	3,764,275	3,764,275	357,832	357,832
Others (refer note 2.12)	698,945	698,945	66,442	66,442
Total	4,463,220	4,463,220	424,274	424,274

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

	Amortized cost (CLP)	Total carrying value (CLP)
Financial assets		
Trade receivables	1,377,223	1,377,223
Cash and cash equivalents	1,518,433	1,518,433
Loans	658,920	658,920
Others (refer note 2.2)	1,310,159	1,310,159
Total	4,864,735	4,864,735
Financial liabilities		
Trade payables	2,275,931	2,275,931
Others (refer note 2.12)	1,094,382	1,094,382
Total	3,370,313	3,370,313

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

2.22 Financial instruments (continued)

(b) Financial risk management

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

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

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

The exchange rate risk primarily arises from assets and liabilities denominated in currencies other than the functional currency. A significant portion of the Company revenue is in US Dollar and Euro while a large portion of costs are in CLP. The fluctuation in exchange rates in respect to CLP 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 CLP 2,420 (₹ 230) for the year ended 31 December, 2019.

The rate sensitivity is calculated by aggregation of the net foreign exchange exposure and a simultaneous parallel foreign exchange rates shift of all the currencies by 1% against the respective functional currencies of the Company. The sensitivity analysis presented above may not be representative of the actual change.

Non-derivative foreign currency exposure as of 31 December, 2019, 31 December 2018 in major currencies is as below:

	Net financial assets			Net financial liabilities		
	31 December 2019	31 December 2018	31 December 2019	31 December 2019	31 December 2018	31 December 2019
	(CLP)	(CLP)	(₹)	(CLP)	(CLP)	(₹)
USD / CLP	127,532	780,037	12,123	15,727	121,476	1,495
EUR / CLP	-	-	-	38,922	16,006,047	3,700
GBP / CLP	-	-	-	17,827	82,380	1,695
JPY / CLP	-	-	-	252,112	-	23,966

(ii) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company exposure to risk of changes in market interest rates arises on loan given to fellow subsidiary with floating interest rate which is not material.

Credit risk
Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, trade receivables, unbilled receivable, contract assets and finance lease receivables. The cash resources of the Company are invested with banks after an evaluation of the credit risk. By their nature, all such financial instruments involve risks, including the credit risk of non-performance by counterparties.

The customers of the Company are primarily corporations based in Chile and accordingly, trade receivables and finance lease receivables are concentrated in Chile. The Company periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivables.

The allowance for lifetime expected credit loss on customer balances is as below:

	As at		
	31 December 2019	31 December 2018	31 December 2019
	(CLP)	(CLP)	(₹)
Balance at the beginning of the year	29,699	2,276	2,823
Additional provision during the year	5,708	27,423	543
Deductions on account of write offs and collections	5,940	-	565
Balance at the end of the year	**29,467**	**29,699**	**2,801**

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.

2.23 Segment Reporting

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

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

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

Revenue disagreegation as per geography is given in note 2.15.

2.24 Related party transactions

a) Related parties where control exists

HCL Technologies Limited (Ultimate holding company)
Axon Solutions Limited (Holding Company)

b) Related parties with whom transactions have taken place during the current period

Ultimate holding Company
HCL Technologies Limited

Fellow Subsidiaries
HCL America Inc.
HCL (Brazil) Technologia da informacao EIRELI (Formally known as HCL (Brazil) Technologia da informacao Ltda.)
HCL Argentina S.A.
HCL Australia Services Pty. Limited
HCL Mexico S. de R.L.
HCL Technologies (PTY) Limited (Formerly known as HCL Axon (Proprietary) Ltd.
HCL Great Britain Limited
Filial Espanola De HCL Technoloiges S.L.
HCL Poland sp. z o.o
HCL Technologies B.V.
HCL Technologies Austria GmbH
HCL Technologies UK Limited
HCL Technologies Belgium BVBA
HCL (Ireland) Information Systems Limited
HCL Technologies Middle East FZ-LLC
HCL GmbH
HCL Technologies Italy S.P.A.
HCL Technologies Norway AS
HCL Technologies France SAS
HCL Technologies Denmark Aps
HCL Technologies Corporate Services Limited
HCL Technologies (Shanghai) Limited
HCL Technologies Columbia S.A.S.
HCL Technologies Finland Oy

HCL Technologies Chile Spa
Notes to financial statements for the year ended 31 December 2019
(All amounts in thousands, except share data and as stated otherwise)

b) Related parties with whom transactions have taken place during the current period (Continued)

HCL Technologies Germany GmbH
HCL Technologies Greece Single Member P.C.
HCL Technologies Romania s.r.l.
HCL Technologies Sweden AB
HCL Technologies (Taiwan) Ltd.
Axon Solutions Limited
HCL Technologies Solutions Gmbh (formerly Axon Solutions Schweiz GmbH)
Axon Solutions (Shanghai) Co. Ltd.
HCL Canada Inc. (Formally known as HCL Axon Technologies Inc.)
HCL Guatemala, Sociedad Anónima
HCL Hong Kong SAR Limited
HCL Istanbul Bilisim Teknolojileri Limited Sirketi
HCL Latin America Holding LLC
HCL Arabia LLC
HCL (Netherlands) BV
HCL Hungary Kft
PT HCL Technologies Indonesia Limited
HCL America Inc. (Axon)
HCL Axon Malaysia Sdn. Bhd. .
HCL Singapore Pte. Limited
HCL Japan Limited
HCL (New Zealand) Limited
HCL Technologies Philippines, Inc
HCL Technologies South Africa (Proprietary) Limited
HCL Axon Malaysia Sdn. Bhd. .
HCL Technologies Beijing Co. Ltd.

Transactions with related parties during the normal course of business	Sale of materials and services	Outsourcing costs	Insurance	Interest income
For the Year 2019 (CLP)				
Ultimate Holding Company	40,842	2,074,354	2,170	-
Fellow Subsidiaries	315,145	509,081	-	22,616
Total	**355,987**	**2,583,435**	**2,170**	**22,616**
For the Year 2018 (CLP)				
Ultimate Holding Company	68	2,243,303	-	-
Fellow Subsidiaries	429,665	698,999	210	21,432
Total	**429,733**	**2,942,302**	**210**	**21,432**
For the Year 2019 (₹)				
Ultimate Holding Company	3,882	197,188	206	-
Fellow Subsidiaries	29,958	48,393	-	2,150
Total	33,840	245,581	206	2,150

c) Outstanding balances

Outstanding balances	Trade Receivables	Advance to suppliers	Trade Payables and Other Current Liability	Interest Payable	Loan Advanced	Unbilled Receivable	Interest Receivable
As on 31st December, 2019 (CLP)							
Ultimate Holding Company	37,439	-	2,023,633	-	-	-	-
Fellow Subsidiaries	307,116	36,219	1,036,580	-	714,286	-	80,159
Total	**344,555**	**36,219**	**3,060,213**	**-**	**714,286**	**-**	**80,159**
As on 31st December, 2018 (CLP)							
Ultimate Holding Company	68	-	1,427,593	-	-	-	-
Holding Company	-	-	-	3,166	-	-	-
Fellow Subsidiaries	385,591	-	523,012	-	658,920	15,147	51,841
Total	**385,659**	**-**	**1,950,605**	**3,166**	**658,920**	**15,147**	**51,841**
As on 31st December, 2019 (₹)							
Ultimate Holding Company	3,559	-	192,367	-	-	-	-
Fellow Subsidiaries	29,194	3,443	98,537	-	67,900	-	7,620
Total	**32,753**	**3,443**	**290,904**	**-**	**67,900**	**-**	**7,620**

2.25 Commitments

	As at		
	31 December 2019 (CLP)	31 December 2018 (CLP)	31 December 2019 (₹)
i) Capital and other commitments			
Capital commitments			
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	-	9,684	-
	-	**9,684**	**-**

As per our report of even date attached

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

ANURAG KUMAR MAHESHWARY Digitally signed by ANURAG KUMAR MAHESHWARY Date: 2020.08.18 22:29:08 +05'30'

Anurag Maheshwary
Partner
Membership Number: 506533

Gurugram, India
Date: 18 August 2020

For and on behalf of the Board of Directors
of HCL Technologies Chile Spa

RAGHU RAMAN LAKSHMANAN Digitally signed by RAGHU RAMAN LAKSHMANAN Date: 2020.08.18 21:05:23 +05'30'

Raghu Raman Lakshmanan
Director

SUBRAMANIAN GOPALAKRISHNAN Digitally signed by SUBRAMANIAN GOPALAKRISHNAN Date: 2020.08.18 21:04:57 +05'30'

Subramanian Gopalakrishnan
Director

Date: 18 August 2020