C3i Japan GK

SPECIAL PURPOSE FINANCIAL STATEMENTS

Year ended December 31, 2020 and 2019

Building No. 10, 12th Floor, Tower-C
DLF Cyber City, Phase - II
Gurugram - 122 002, India

Telephone: +91 124 719 1000
Fax: +91 124 235 8613

TO THE BOARD OF DIRECTORS OF C3i Japan GK

Report on the Audit of Special Purpose Financial Statements

Opinion

We have audited the Special Purpose Financial Statements of **C3i Japan GK** ("the Company"), which comprise the Special Purpose Balance Sheet as at 31 December 2020, the Special Purpose Statement of Profit and Loss (including Other Comprehensive Income), Special Purpose Statement of Changes in Equity and Special Purpose Statement of Cash Flows for the year then ended, and notes to the special purpose financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter collectively referred to as 'financial statements').These financial statements have been prepared by the management in accordance with the basis described in Note 1(a) to the accompanying notes to the financial statements.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2020, and of its profit (including other comprehensive income), changes in equity and its cash flows for the year ended on that date in accordance with the basis described in Note 1(a) to the financial statements.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) issued by the Institute of Chartered Accountants of India. Our responsibilities under those SA's are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibility for the Financial Statements

The Company's management and Board of Directors are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the basis described in Note 1(a) to the financial statements. This responsibility also includes maintenance of adequate accounting records, for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 1(a) to the financial statements, which describes the basis of accounting. These financial statements are prepared for the use of the Company and the ultimate holding Company, HCL Technologies Limited, to comply with the requirements of the Companies, Act 2013. These financial statements are not the statutory financial statements of the Company. As a result, these financial statements may not be suitable for any other purpose. Our report must not be copied, disclosed, quoted or circulated, or referred to, in correspondence or discussion, in whole or in part or distributed to anyone other than the purpose for which it has been issued without our prior written consent.

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

Rakesh Dewan
Digitally signed by Rakesh Dewan
Date: 2021.07.28 21:03:57 +05'30'

Rakesh Dewan
Partner
Membership No.: 092212
ICAI UDIN: **21092212AAAABW4839**

Place: Gurugram
Date: 28 July 2021

C3i Japan GK
Special Purpose Balance Sheet as at 31 December 2020
(All amount in thousands, except share data and as stated otherwise)

	Note No.	As at 31 December 2020 (JPY)	As at 31 December 2019 (JPY)	As at 31 December 2020 (₹)
I. ASSETS				
(1) Non-current assets				
(a) Property, plant and equipment	**2.01(A)**	28,413	981	20,147
(b) Right-of-use assets	**2.16**	12,481	-	8,849
(c) Other intangible assets	**2.01(B)**	275	-	195
(d) Deferred tax assets (net)	**2.15**	4,015	825	2,847
(e) Other non-current assets	**2.02**	18,500	36,502	13,117
(2) Current assets				
(a) Financial assets				
(i) Trade receivables	**2.03**	10,041	-	7,119
(ii) Cash and cash equivalents	**2.04**	29,863	14,159	21,173
(iii) Unbilled receivables		248	-	173
(b) Other current assets	**2.05**	9,912	5,001	7,027
TOTAL ASSETS		**113,748**	**57,468**	**80,647**
II. EQUITY				
(a) Equity share capital	**2.06**	-	-	-
(b) Other equity		36,912	22,535	26,170
III. LIABILITIES				
(1) Current liabilities				
(a) Financial liabilities				
(i) Borrowings		32,172	-	22,810
(ii) Trade payables	**2.07**	4,534	-	3,215
(iii) Lease liabilities	**2.16**	10,842	-	7,687
(iv) Others	**2.08**	3,809	381	2,700
(b) Other current liabilities	**2.09**	22,057	32,443	15,639
(c) Current tax liabilities (net)		3,422	2,109	2,426
TOTAL EQUITY AND LIABILITIES		**113,748**	**57,468**	**80,647**

Summary of significant accounting policies **1**

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

Rakesh Dewan

Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date: July 28, 2021

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

Neelanjan Bhattacharjee

Neelanjan Bhattacharjee
Manager

Date: July 28, 2021

Sridharan S

Sundaram Sridharan
Manager

C3i Japan GK

Statement of Special Purpose Profit and Loss for the year ended 31 December 2020

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

		Note No.	Year ended 31 December 2020 (JPY)	Year ended 31 December 2019 (JPY)	Year ended 31 December 2020 (₹)
I	**Revenue**				
	Revenue from operations	**2.10**	166,622	138,891	118,135
	Other income	**2.11**	7,580	2,172	5,374
	Total revenue		**174,202**	**141,063**	**123,509**
II	**Expenses**				
	Employee benefits expense	**2.12**	82,775	77,342	58,686
	Finance costs	**2.13**	618	201	438
	Depreciation and amortization expense		23,038	202	16,334
	Other expenses	**2.14**	47,304	48,593	33,540
	Total expenses		**153,735**	**126,338**	**108,998**
III	**Profit before tax**		**20,467**	**14,725**	**14,511**
IV	**Tax expense**				
	Current tax		9,280	3,966	6,580
	Deferred tax (credit)/expense		(3,190)	421	(2,262)
	Total tax expense	**2.15**	6,090	4,387	4,318
V	**Profit for the year**		**14,377**	**10,338**	**10,193**
VI	**Profit for the year**		**14,377**	**10,338**	**10,193**
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**		**14,377**	**10,338**	**10,193**
	Earnings per share				
	Basic and Diluted	**2.20**			
	Summary of significant accounting policies	**1**			

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

Rakesh Dewan

Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date: July 28, 2021

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

Neelanjan Bhattacharjee

Neelanjan Bhattacharjee
Manager

Sridharan S

Sundaram Sridharan
Manager

Date: July 28, 2021

C3i Japan GK

Statement of Special Purpose Changes in Equity for the year ended 31 December 2020

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

	Equity share capital	Other Equity
	(JPY)	(JPY)
Balance as of January 1, 2019	-	12,197
Profit for the year	-	10,338
Other comprehensive income	-	-
Total comprehensive income for the year	-	10,338
Balance as of 31 December, 2019	-	22,535
Balance as of January 1, 2020	-	22,535
Profit for the year	-	14,377
Other comprehensive income	-	-
Total comprehensive income for the year	-	14,377
Balance as of 31 December, 2020	-	36,912

	Equity share capital	Other Equity
	(₹)	(₹)
Balance as of January 1, 2019	-	8,026
Profit for the year	-	6,802
Other comprehensive income	-	-
Total comprehensive income for the year	-	6,802
Balance as of 31 December, 2019	-	14,828
Balance as of January 1, 2020	-	15,977
Profit for the year	-	10,193
Other comprehensive income	-	-
Total comprehensive income for the year	-	10,193
Balance as of 31 December, 2020	-	26,170

Summary of significant accounting policies **1**

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

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

Rakesh Dewan

Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date: July 28, 2021

Neelanjan Bhattacharjee

Neelanjan Bhattacharjee
Manager

Sridharan S

Sundaram Sridharan
Manager

Date: July 28, 2021

C3i Japan GK
Special Purpose Cash Flow Statement for the year ended 31 December 2020
(All amount in thousands, except share data and as stated otherwise)

		Year ended 31 December 2020 (JPY)	Year ended 31 December 2019 (JPY)	Year ended 31 December 2020 (₹)
A. Cash flows from operating activities				
Profit before tax		20,467	14,725	14,511
Adjustment for:				
Depreciation and amortization expense		23,038	202	16,334
Interest expense		384	-	272
Unrealised exchange (gain)/loss		(9,091)	424	(6,446)
Provision for doubtful advances		44	24	31
		34,842	**15,375**	**24,702**
Net change in				
Trade receivables		(1,197)	13,894	(849)
Other financial assets and other assets		11,322	(37,689)	8,027
Trade payables		4,534	(748)	3,215
Provisions, other financial liabilities and other liabilities		(7,196)	29,288	(5,102)
Cash generated from operations		**42,305**	**20,120**	**29,993**
Income taxes paid (net of refunds)		(7,968)	(4,790)	(5,650)
Net cash flow from operating activities	**(A)**	**34,337**	**15,330**	**24,343**
B. Cash flows from investing activities				
Purchase of property,plant and equipment		(31,590)	(1,183)	(22,397)
Purchase of intangibles		(393)	-	(278)
Net cash flow used in investing activities	**(B)**	**(31,983)**	**(1,183)**	**(22,675)**
C. Cash flows from financing activities				
Payment of lease liability including interest		(18,650)	-	(13,223)
Proceeds from short term borrowings		32,000	-	22,689
Net cash flow from financing activities	**(C)**	**13,350**	**-**	**9,466**
Net increase in cash and cash equivalents (A+B+C)		15,704	14,147	11,134
Cash and cash equivalents at the beginning of the year		14,159	12	10,039
Cash and cash equivalents at the end of the year as per note 2.04		**29,863**	**14,159**	**21,173**

Summary of significant accounting policies (Note 1)

As per our report of even date

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

Rakesh Dewan

Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date: July 28, 2021

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

Neelanjan Bhattacharjee

Neelanjan Bhattacharjee
Manager

Sridharan S

Sundaram Sridharan
Manager

Date: July 28, 2021

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 32nd Floor East, Ark Mori Building, 1-12-32 Akasaka, Minato-Ku, Tokyo 107-6032.

The financial statements for the year ended 31 December 2020 were approved and authorized for issue by the Board of Managers on 28th July'21.

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) 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. These financial statements have been prepared on the request of HCL Technologies Ltd, being the Ultimate Holding Company to comply with the requirement of the Companies Act, 2013 and are accordingly special purpose financial statements.
As the company is not domiciled in India and hence not registered under Companies Act 2013, these financial statements have not been prepared to fully comply with the Companies Act 2013, and so they do not reflect all the disclosures requirements of the Act.

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

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

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

The functional currency of the Company is Japanese Yen (JPY). The translation from JPY to ₹ is included solely for the convenience of readers in India and has been performed using rate of JPY 1 = ₹ 0.709, 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.

In view of pandemic relating to COVID-19, the company has considered and taken into account internal and external information and has performed sensitivity analysis based on current estimates in assessing the recoverability of receivables, unbilled receivables, intangible assets, other assets and impact on revenues and costs, including but not limited to the assessment of liquidity and going concern assumption. However, the actual impact of COVID-19 on the company's financial statements may differ from that estimated and the company will continue to closely monitor any material changes to future economic conditions.

c) Leases

Company as a lessee

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

Company as a lessee

Company is lessee in case of office accommodation. These leases are evaluated to determine whether it contains lease based on principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors as defined in Ind AS 116.

Effective 1 January 2020, all leases with a term of more than 12 months are recognized as right-of-use assets along with associated lease liabilities, in the balance sheet.

Right-of-use asset represents the Company's right to control the underlying assets under lease and the lease liability is the obligation to make the lease payments related to the underlying asset under lease. Right-of-use asset is measured initially based on the lease liability adjusted for any initial direct costs, prepaid rent, and lease incentives. Right-of-use asset is depreciated based on straight line method over the lease term or useful life of right-of-use asset, whichever is less. Subsequently, right-of-use asset is measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of lease liability.

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

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

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 or contingency is resolved.

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 present value of lease receivable. 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.

When arrangements include multiple performance obligations, the Company allocates the consideration in the contract between the lease components and the non-lease components on a relative selling price basis.

Transition to Ind AS 116

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both lessees and lessors.

The Company has adopted Ind AS 116, effective 1 January 2020 using the modified retrospective approach which involves recognizing new right-of-use assets and lease liabilities on its balance sheet. Comparative information has not been adjusted and continues to be reported under Ind AS 17. As a result of the Company's adoption of this new standard, all leases are recorded on the balance sheet. The Company has also elected the practical expedients, not to reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. The Company has used a single discount rate to a portfolio of leases with reasonably similar characteristics. The Company has elected the lessee practical expedient to combine lease and non-lease components and account for the combined unit as a single lease component in case there is no separate payment defined under the contract, and to use the recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases").

Impact on financial statements

As a result of adoption of Ind AS 116, the Company recognized additional lease liabilities of JPY 30,833 ('000) and rights-of-use assets of JPY 30,833 ('000) as on 1 January 2020.

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

The weighted average incremental borrowing rate of 1.02% has been applied to lease liabilities recognized in the balance sheet at the date of initial application, in respect of leases classified as operating leases as per Ind AS 17.

The difference between future minimum lease rental commitments against non-cancellable operating leases reported as at 31 December 2020 and lease liability recognized as at 1 January 2020 is primarily due to:

a) inclusion of present value of future minimum lease rental commitments towards operating leases
b) exclusion of short-term lease commitments for which the Company has chosen to apply the practical expedient as per the standard.

The following table summarize the impact of the Company's adoption of Ind AS 116 on its financial statements as of 1 January 2020.

	As reported 31 Dec 2019	Adoption of Ind AS 116	Balance as of 1 Jan 2020
Prepaid expenses (including current and non-current portion) (Note)	1,554	(-)1,554	-
Other financial liabilities (current) - liabilities for Expenses	-	-	-
Right-of-use assets	-	30,833	30,833
Lease liability (including current and non-current portion)	-	30,833	30,833

Note-: Prepaid expenses above incudes prepaid rent amounting to JPY 1,554 ('000) reclassified to right-of-use assets.

d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. The company identifies and determines separate useful lives for each major component of the property, plant and equipment, if they have a useful life that is materially different from that of the assets as a whole. All other expenses on existing fixed assets, including day - to - day repairs, maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

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

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

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

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

Category of asset	*Life (in years)*
Laptop	4
Office Equipment	5
Computer	5
Furniture and Fixture	7
Leasehold Improvements-Equipment	5
Leasehold Improvements-Furniture & Fixture	7
Plant and Machinery	10

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) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation 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 or loss when the asset is derecognized.

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

Category of asset	*Life (in years)*
Software	3

f) Fair value measurement

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

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

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

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

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

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

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

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

c) Cost approach – Replacement cost method.

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

g) Revenue Recognition

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.

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.

h) 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.

i) 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.

j) Financial Instruments

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

(i) Financial assets

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

Financial instruments at amortized cost

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

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

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

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

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
b) The asset's contractual cash flows represent solely payments of principal and interest.

Financial instruments included within the OCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in OCI. On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from OCI to statement of profit and loss.

Financial instrument at Fair Value through Profit and Loss

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

Derecognition of financial assets

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

Impairment of financial assets

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

(ii) Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade payables, borrowings including bank overdrafts and other payables. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in the statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

Derecognition

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

Offsetting of financial instruments

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

k) Provisions

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

l) Retirement and other Employee benefits

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.

m) 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.

n) Contingent liabilities

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.

o) Impairment of non-financial assets

Intangible assets and property, plant and equipment

Intangible assets and 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.

p) Recently issued accounting pronouncements

On 24 March 2021, the Ministry of Corporate Affairs (MCA), notified amendments in Schedule III to the Companies Act, 2013 effective from 1 April 2021.The Company is currently evaluating the impact of these amendment on its financial statements.

C3i Japan GK
Notes to Special Purpose financial statements for the year ended 31 December 2020
(All amount in thousands, except share data and as stated otherwise)

2.01(A) Property, plant and equipment

The changes in the carrying value for the year ended 31 December, 2020

	Gross block				Accumulated depreciation				Net block	
	As at 1 January 2020	Additions	Deletions/ Adjustments	As at 31 December, 2020	As at 1 January 2020	Charge for the period	Deletions/ Adjustments	As at 31 December, 2020	As at 31 December, 2020	As at 31 December 2019
	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)
Leasehold improvements-equipment	-	14,890	-	14,890	-	2,175	-	2,175	12,715	-
Leasehold improvements-furniture and fixture	-	5,300	-	5,300	-	560	-	560	4,740	-
Furniture and Fixture	-	466	-	466	-	49	-	49	416	-
Office Equipment	-	2,792	-	2,792	-	258	-	258	2,534	-
Computers	3,282	6,530	-	9,812	2,301	1,015	-	3,316	6,496	981
Plant & Machinery	-	1,612	-	1,612	-	99	-	99	1,512	-
Total	**3,282**	**31,590**	**-**	**34,872**	**2,301**	**4,156**	**-**	**6,457**	**28,413**	**981**

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

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

The changes in the carrying value for the year ended 31 December, 2020

	Gross block				Accumulated depreciation				Net block	
	As at 1 January 2020	Additions	Deletions/ Adjustments	As at 31 December 2020	As at 1 January 2020	Charge for the period	Deletions/ Adjustments	As at 31 December 2020	As at 31 December 2020	As at 31 December 2019
	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)
Leasehold improvements-equipment	-	10,557	-	10,557	-	1,542	-	1,542	9,015	-
Furniture and Fixture	-	330	-	330	-	35	-	35	295	-
Leasehold improvements-furniture and fixture	-	3,758	-	3,758	-	397	-	397	3,361	-
Office Equipment	-	1,980	-	1,980	-	183	-	183	1,797	-
Computers	2,327	4,630	-	6,957	1,631	720	-	2,351	4,606	696
Plant & Machinery	-	1,143	-	1,143	-	70	-	70	1,073	-
Total	**2,327**	**22,398**	**-**	**24,725**	**1,631**	**2,947**	**-**	**4,578**	**20,147**	**696**

2.01(B) Other intangible assets

The changes in the carrying value for the year ended 31 December, 2020

	Gross block				Accumulated amortization				Net block	
	As at 1 January 2020	Additions	Deletions/ Adjustments	As at 31 December 2020	As at 1 January 2020	Charge for the period	Deletions/ Adjustments	As at 31 December 2020	As at 31 December 2020	As at 31 December 2019
	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)
Software	-	393	-	393	-	118	-	118	275	-
Total	**-**	**393**	**-**	**393**	**-**	**118**	**-**	**118**	**275**	**-**

The changes in the carrying value for the year ended 31 December, 2020

	Gross block				Accumulated amortization				Net block	
	As at 1 January 2020	Additions	Deletions/ Adjustments	As at 31 December 2020	As at 1 January 2020	Charge for the period	Deletions/ Adjustments	As at 31 December 2020	As at 31 December 2020	As at 31 December 2019
	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)
Software	-	278	-	278	-	83	-	83	195	-
Total	**-**	**278**	**-**	**278**	**-**	**83**	**-**	**83**	**195**	**-**

C3i Japan GK
Notes to Special Purpose financial statements for the year ended 31 December 2020
(All amount in thousands, except share data and as stated otherwise)

2.02 Other non-current assets

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(JPY)	(JPY)	(₹)
Non Current			
Security deposits	18,500	19,678	13,117
Capital advances	-	16,824	-
	18,500	**36,502**	**13,117**

2.03 Trade Receivable

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(JPY)	(JPY)	(₹)
Current			
Unsecured considered good (refer note below)	10,041	-	7,119
	10,041	**-**	**7,119**

Note: Trade receivables Includes receivables from related parties amounting to JPY 8,921 (31 December 2019, JPY Nil)

2.04 Cash and cash equivalent

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(JPY)	(JPY)	(₹)
Balance with banks			
in current accounts	29,863	14,159	21,173
	29,863	**14,159**	**21,173**

2.05 Other current assets

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(JPY)	(JPY)	(₹)
Unsecured			
Advances to supplier	19	13	13
Advances to employees	170	55	120
Less: Provision for doubtful advances	(67)	(24)	(48)
	122	**44**	**85**
Others			
Prepaid expenses	1,532	1,554	1,087
Consumption tax receivable	8,258	3,403	5,855
	9,912	**5,001**	**7,027**

2.06 Share Capital

	As at	
	31 December 2020	31 December 2019
	Amount (JPY)	Amount (JPY)
Equity share capital*	-	-

Terms/ rights attached to equity shares

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

*Note: Represents value less than 10

C3i Japan GK
Notes to Special Purpose financial statements for the year ended 31 December 2020
(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 2020	31 December 2019
	Amount (JPY)	Amount (JPY)
Telerex Marketing Inc.	1	1

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

Particulars	As at	
	31 December 2020	31 December 2019
	Amount (JPY)	Amount (JPY)
Telerex Marketing Inc.	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.The Company have also resorted to borrowing to meet local funding requirements from other group affiliate entity.

2.07 Trade payables

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(JPY)	(JPY)	(₹)
Trade payables	660	-	468
Trade payables-related parties (refer note-2.19 (d))	3,874	-	2,747
	4,534	**-**	**3,215**

2.08 Other financial liabilities

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(JPY)	(JPY)	(₹)
Current			
Liabilities for expenses	3,809	381	2,700
	3,809	**381**	**2,700**

2.9 Other current liabilities

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(JPY)	(JPY)	(₹)
Advances received from customers- related parties	11,644	28,633	8,256
Accrued salaries and benefits			
Employee costs	8,636	1,166	6,123
Withholding and other taxes payable	1,777	2,644	1,260
	22,057	**32,443**	**15,639**

2.10 Revenue from operations

	Year ended	Year ended	Year ended
	31 December 2020	31 December 2019	31 December 2020
	(JPY)	(JPY)	(₹)
Sale of services	166,622	138,891	118,135
	166,622	**138,891**	**118,135**

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

Disaggregate Revenue Information

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

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2020
Contract type	(JPY)	(JPY)	(₹)
Time and material	166,622	138,891	118,135.14
	166,622	**138,891**	**118,135**
Geography wise			
America	165,350	138,891	117,233
Japan	1,272	-	902
	166,622	**138,891**	**118,135**

Remaining performance obligations

As at 31 December 2020, the aggregate amount of transaction price allocated to remaining performance obligations as per the requirements of Ind AS 115 was nil. This is after exclusions of below:
Contracts for which we recognize revenues based on the right to invoice for services performed,

Contract balances

Contract assets : A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets are recognized where there is excess of revenue over the billings. 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 fixed price contracts using the cost to cost method of revenue recognition. Unbilled receivables represents contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

Contract liabilities : A contract liability arises when there is excess billing over the revenue recognized. The company does not have any contract liabilities as on 31 December 2020.

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

The company does not have any deferred contract cost as on 31 December 2020 and 31 December 2019.

Reconciliation of revenue recognised with the contracted price is as follows:

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2020
	(JPY)	(JPY)	(₹)
Contract price	166,622	138,891	118,135
Reduction towards variable consideration components	-	-	-
Revenue recognised	**166,622**	**138,891**	**118,135**

The reduction towards variable consideration comprises of volume discounts, service level credits, etc.

2.11 Other income

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2020
	(JPY)	(JPY)	(₹)
Exchange differences (net)	7,317	2,172	5,188
Interest income on financial instruments carried at amortized cost	263	-	186
	7,580	**2,172**	**5,374**

2.12 Employee benefits expense

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2020
	(JPY)	(JPY)	(₹)
Salaries, wages and bonus	72,424	66,484	51,348
Contribution to legal welfare and other funds	10,184	10,009	7,220
Staff welfare expenses	167	849	118
	82,775	**77,342**	**58,686**

2.13 Finance cost

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2020
	(JPY)	(JPY)	(₹)
Interest			
-on lease liability	212	-	150
-on loans from related party	172	-	122
Bank charges	234	201	166
	618	**201**	**438**

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

2.14 Other expenses

	Year ended 31 December 2020 (JPY)	Year ended 31 December 2019 (JPY)	Year ended 31 December 2020 (₹)
Rent	7,351	18,305	5,212
Power and fuel	4,738	2,850	3,359
Repairs and maintenance - Others	8,980	188	6,367
Communication costs	900	3,006	638
Travel and conveyance	9,748	7,698	6,912
Business promotion	17	236	12
Legal and professional charges	5,826	7,384	4,132
Recruitment, training and development	3,203	2,662	2,271
Outsourcing cost	226	2,563	160
Miscellaneous expenses	6,315	3,701	4,477
	47,304	**48,593**	**33,540**

2.15 Income taxes

Particulars	Year ended 31 December 2020 (JPY)	Year ended 31 December 2019 (JPY)	Year ended 31 December 2020 (₹)
Current income tax charge	9,280	3,966	6,579
Deferred tax charge	(3,190)	421	(2,261)
Total	**6,090**	**4,387**	**4,318**

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

Particulars	Year ended 31 December 2020 (JPY)	Year ended 31 December 2019 (JPY)	Year ended 31 December 2020 (₹)
Profit before income tax	20,467	14,725	14,511
Statutory tax rate	36.34%	30.56%	36.22%
Expected tax expense	**7,437**	**4,500**	**5,273**
Permanent differences	8	73	6
Interest on refund	-	2	-
Impact of rate change	(596)	115	(423)
Lease - IND AS 116 (transition impact)	714	-	506
Deduction for enterprise tax paid	(826)	(303)	(586)
Others	(691)	-	(489)
Reversal of prior period provision	44	-	31
Total taxes	**6,090**	**4,387**	**4,318**
Effective income tax rate	29.76%	29.79%	29.76%

Components of deferred tax assets and liabilities as on 31 December 2020 **Amount in (JPY)**

Particulars	Opening balance	Recognized in profit and loss	Closing balance
Deferred tax assets			
Travel Provision	358	724	1,082
Provision for expenses	159	97	256
Accrued employee costs	251	712	963
Depreciation and amortization	59	1,297	1,356
Others	-	27	27
Leave Encashment	-	927	927
Net deferred tax assets	**827**	**3,784**	**4,611**
Deferred tax liabilities			
Lease - IND AS 116	-	595	595
Others	3	(2)	1
Gross deferred tax liabilities (B)	**3**	**593**	**596**
Net deferred tax assets (A-B)	**824**	**3,191**	**4,015**

C3i Japan GK
Notes to Special Purpose financial statements for the year ended 31 December 2020
(All amount in thousands, except share data and as stated otherwise)

2.15 Income taxes (continued)
Components of deferred tax assets and liabilities as on 31 December 2020 **Amount in (₹)**

Particulars	Opening balance	Recognized in profit and loss	Recognized in/ classified from OCI
Deferred tax assets			
Travel Provision	254	513	767
Provision for expenses	113	69	182
Accrued employee costs	178	506	684
Depreciation and amortization	42	920	962
Others	-	19	19
Leave Encashment	-	657	657
Net deferred tax assets	**587**	**2,684**	**3,271**
Deferred tax liabilities			
Lease - IND AS 116	-	422	422
Others	2	(1)	1
Gross deferred tax liabilities (B)	**2**	**421**	**423**
Net deferred tax assets (A-B)	**585**	**2,263**	**2,848**

2.16 Leases

(a) company as a lessee

The company's significant leasing arrangements is in respect of leases for office accommodation.

The details of the right-of-use asset held by the company is as follows:

	Year ended	
	31 December 2020	31 December 2020
	(JPY)	(₹)
Balance as at 1 January 2020	-	-
Transition impact of Ind AS 116	30,833	21,860
Additions	412	292
Depreciation charge for the year	(18,764)	(13,304)
Balance as at 31 December 2020	**12,481**	**8,849**

The reconciliation of lease liabilities is as follows:

	Year ended	
	31 December 2020	31 December 2020
	(JPY)	(₹)
Balance as at 1 January 2020	-	-
Transition impact of Ind AS 116	29,280	20,759
Amounts recognized in statement of profit and loss as interest expense	212	150
Payment of lease liabilities	(18,650)	(13,222)
Balance as at 31 December 2020	**10,842**	**7,687**

The lease rental expense relating to short-term leases recognized in the statement of profit and loss for the year amounted to JPY 7,351 (₹) (5212)

The following table presents a maturity analysis of expected undiscounted cash flows for lease liabilities as on 31 December 2020:

	Year ended	Year ended	Year ended
	31 December 2020	31 December 2019	31 December 2020
	(JPY)	(JPY)	(₹)
Within one year	10,879	18,650	7,713
One to two years	-	12,433	-
Total lease payments	**10,879**	**31,083**	**7,713**
Imputed interest	(37)	-	(26)
Total lease liabilities	**10,842**	**31,083**	**7,687**

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

During the previous year ended 31 December 2019, the aggregate lease rental expense recognized in the statement of profit and loss as per Ind AS 17 amounted to JPY 18,305 and the lease equalization amount for non-cancellable operating lease payable in future years and accounted for by the company was Nil.

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

2.17 Segment reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available and whose their results are reviewed regularly by the chief operating decision maker (CODM), for allocation of resources and assessing performance. The Company's ultimate 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 segment. The ultimate Holding Company 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 disaggregation as per geography is given in note 2.10.

2.18 Financial assets and liabilities

The carrying value of financial instruments by categories as at 31 December 2020 is as follows:

Particulars	Amortized	Total	Amortized	Total
	(JPY)	(JPY)	(₹)	(₹)
Financial assets				
Trade receivables	10,041	10,041	7,119	7,119
Cash and cash equivalents	29,863	29,863	21,173	21,173
Unbilled receivables	248	248	173	173
Total	**40,151**	**40,151**	**28,465**	**28,465**
Financial liabilities				
Borrowings	32,172	32,172	22,810	22,810
Trade payables	4,534	4,534	3,215	3,215
Lease liabilities	10,842	10,842	7,687	7,687
Others	3,809	3,809	2,700	2,700
Total	**51,357**	**51,357**	**36,412**	**36,412**

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

Particulars	Amortized	Total
	(JPY)	(JPY)
Financial assets		
Cash and cash equivalents	14,159	14,159
Total	**14,159**	**14,159**
Financial liabilities		
Others	381	381
Total	**381**	**381**

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

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 2025 (INR 1436) for the year ended 31 December 2020.

(ii) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's investments

are primarily in fixed rate interest bearing investments. Hence the Company is not significantly exposed to interest rate risk.

Credit risk
Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances and trade receivables. The cash resources of the Company are invested with banks after an evaluation of the credit risk. By their nature, all such financial instruments involve risks, however there is no credit risk of nonperformance by counterparties as the entire revenue belongs to group company.

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

C3i Japan GK
Notes to financial statements for the year ended 31 December 2020
(All amount in thousands, except share data and as stated otherwise)

Maturity profile of the company's financial liabilities based on contractual payments is as below:

	Year 1 Current	Year 2	Year 3	Year 4-5 and thereafter	Total
As at 31 December 2020					
Borrowings	32172	-	-	-	32,172
Trade payables	4,534	-	-	-	4,534
Lease liabilities	10,879	-	-	-	10,879
Other financial liabilities	3,809	-	-	-	3,809
Total	**51,394**	**-**	**-**	**-**	**51,394**
As at 31 December 2019					
Other financial liabilities	381	-	-	-	381
Total	**381**	**-**	**-**	**-**	**381**

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)
HCL Japan Limited (Subsidiary)

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

	Revenue	Interest Expense	Loan taken
For the year ended 31 December 2020(JPY)			
Holding company	166,622	-	-
Subsidiary company	-	172	32,000
Total	**166,622**	**172**	**32,000**
For the year ended 31 December 2019(JPY)			
Holding company	138,891	-	-
Total	**138,891**	**-**	**-**
For the year ended 31 December 2020(₹)			
Holding company	118,135	-	-
Subsidiary company	-	122	22,688
Total	**118,135**	**122**	**22,688**

d) Outstanding balances

	Trade receivables & other receivables	Interest payable on borrowings	Trade payables	Advances	Borrowings
For the year ended 31 December 2020(JPY)					
Holding company	133		-	11,644	-
Subsidiary company	8,788	172	3,874	-	32,000
Total	**8,921**	**172**	**3,874**	**11,644**	**32,000**
For the year ended 31 December 2019(JPY)					
Holding company	-	-	-	28,633	-
Total	**-**	**-**	**-**	**28,633**	**-**
For the year ended 31 December 2020(₹)					
Holding company	94	-	-	8,256	-
Subsidiary company	6,231	122	2,747.31	-	22,688
Total	**6,325**	**122**	**2,747**	**8,256**	**22,688**

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 Commitments

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(JPY)	(JPY)	(₹)
Capital commitments			
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	170,730	18,388	121,048
	170,730	**18,388**	**121,048**

2.22 Subsequent event

The Company has evaluated all the subsequent events through 28 July 2021 which is the date on which these special purpose financial statements were issued, and no events have occurred from the special purpose balance sheet date through that date except for matters that have already been considered in the special purpose financial statements.

The Company has presented its special purpose financial statements in "JPY in Thousands" and accordingly, amounts less than JPY 0.50 thousands are rounded off to zero.

As per our report of even date

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

Rakesh Dewan

Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date: July 28, 2021

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

Neelanjan Bhattacharjee

Neelanjan Bhattacharjee
Manager

Sridharan S

Sundaram Sridharan
Manager

Date: July 28, 2021