HCL Technologies Bulgaria EOOD

Financial Statements

For the year ended 31 December 2020 and 31 December 2019

HCL Technologies Bulgaria EOOD

Balance Sheet as at 31 December 2020

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

	Note No.	As at 31-Dec-20 (BGN)	As at 31-Dec-19 (BGN)	As at 31-Dec-20 Refer Note 1(a) (₹)
I. ASSETS				
(1) Non-current assets				
(a) Property, plant and equipment	**2.1**	10	-	481
(b) Capital work in progress		3	-	147
(c) Deferred tax assets (net)	**2.15**	1	-	83
(d) Financial assets	**2.2**	43	-	1,983
(2) Current assets				
(a) Financial assets				
(i) Trade receivables	**2.3**	333	-	15,271
(ii) Cash and cash equivalents	**2.4**	321	85	14,744
(iii) Others	**2.2**	12	-	530
(b) Other current assets	**2.5**	130	-	5,968
TOTAL ASSETS		**853**	**85**	**39,207**
II. EQUITY				
(a) Equity share capital	**2.6**	85	85	3,900
(b) Other Equity		92	-	4,264
TOTAL EQUITY		**177**	**85**	**8,164**
III. LIABILITIES				
(1) Current liabilities				
(a) Financial liabilities				
(i) Trade payables	**2.7**	82	-	3,783
(ii) Others	**2.8**	573	-	26,271
(b) Provisions	**2.9**	18	-	833
(c) Current Tax Liabilities (net)		3	-	156
TOTAL EQUITY AND LIABILITIES		**853**	**85**	**39,207**
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
Firm's Registration No. : 101248W/W-100022
Chartered Accountants

Anurag Maheshwary

Anurag Maheshwary
Partner
Membership no. 506533

Gurugram, India
Date: 24 June 2021

For and on behalf of the Board of Directors of HCL Technologies Bulgaria EOOD

Shiv Walia
Director

Subramanian Gopalakrishnan
Director

Date: 24 June 2021

HCL Technologies Bulgaria EOOD
Statement of Profit and Loss for the year ended 31 December 2020
(All amounts in thousands except share data and as stated otherwise)

		Note No.	Year ended 31-Dec-20 (BGN)	Period ended 31-Dec-19 (BGN)	Year ended 31-Dec-20 Refer note 1(a) (₹)
I	**Revenue**				
	Revenue from operations	**2.10**	387	-	17,773
	Other income	**2.11**	1	-	29
	Total income		**388**	**-**	**17,802**
II	**Expenses**				
	Purchase of traded goods		50	-	2,280
	Employee benefits expense	**2.12**	245	-	11,236
	Finance costs	**2.13**	2	-	77
	Depreciation expense	**2.1**	1	-	37
	Outsourcing Cost		48		2,221
	Other expenses	**2.14**	26	-	1,197
	Total expenses		**372**	**-**	**17,048**
III	**Profit before tax**		**16**	**-**	**754**
IV	**Tax expense**	**2.15**			
	Current tax		**3**	**-**	**156**
	Deferred tax credit		(1)	-	(83)
	Total tax expense		2	-	73
V	**Profit for the year**		**14**	**-**	**681**
VI	**Total Comprehensive income for the year**		**14**	-	**681**
	Earning per equity share of BGN 1 each				
	Basic	**2.16**	**0.17**	**-**	**8.01**
	Diluted	**2.16**	**0.16**	**-**	**7.95**
	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
Firm's Registration No. : 101248W/W-100022
Chartered Accountants

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Gurugram, India
Date: 24 June 2021

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of HCL Technologies Bulgaria EOOD

Shiv Walia
Director

Subramanian Gopalakrishnan
Director

Date: 24 June 2021

HCL Technologies Bulgaria EOOD

Statement of Changes in Equity for year ended 31 December 2020

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

(Amount in BGN)

	Equity share capital		Share application money	Other Equity
	No. of Shares	Share Capital		
Balance as of January 1, 2019	-	-	-	-
Issue of equity shares during the period	85,000	85	-	-
Balance as of December 31, 2019	85,000	85	-	-
Balance as of January 1, 2020	85,000	85	-	-
Share Application money pending allottment			78	78
Profit for the year	-	-	-	14
Total comprehensive income for the year	-	-	78	92
Balance as of December 31, 2020	**85,000**	**85**	**78**	**92**

(Amount in ₹)

	Equity share capital		Share application money	Other Equity
	No. of Shares	Share Capital		
Balance as of January 1, 2020	85,000	3,900	-	-
Share Application money pending allottment	-	-	3,583	3,583
Profit for the year	-	-	-	681
Total comprehensive income for the year	-	-	3,583	4,264
Balance as of December 31, 2020	**85,000**	**3,900**	**3,583**	4,264

Note: The share application money pending allotment represents the amount of additional shares amounting to BGN 78 (₹ 3,583) to be issued by the entity to its sole shareholder HCL Technologies UK Ltd. These shares have been subsequently issued to the shareholder on 5th March 2021.

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
Firm's Registration No. : 101248W/W-100022
Chartered Accountants

Anurag Maheshwary

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Partner
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Gurugram, India
Date: 24 June 2021

For and on behalf of the Board of Directors
of HCL Technologies Bulgaria EOOD

Shiv Walia
Director

Subramanian Gopalakrishnan
Director

Date: 24 June 2021

HCL Technologies Bulgaria EOOD

Statement of Cash flow for the year ended 31 December 2020

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

	Year Ended 31-Dec-20 (BGN)	Period Ended 31-Dec-19 (BGN)	Year Ended 31-Dec-20 Refer Note 1(a) (₹)
A. Cash flows from operating activities			
Profit before tax	16	-	754
Adjustment for:			
Depreciation expense	1	-	37
	17	**-**	**791**
Net changes in			
Trade receivables	(333)	-	(15,271)
Other financial assets and other assets	(184)	-	(8,465)
Trade payables	82	-	3,783
Provisions, other financial liabilities and other liabilities	576	-	26,413
Cash generated from operations	**158**	**-**	**7,251**
Net cash flow from operating activities (A)	**158**	**-**	**7,251**
B. Cash flows from financing activities			
Proceeds from issue of share capital	-	85	-
Proceeds from share application money	78	-	3,583
Net cash generated from financing activities (B)	**78**	**85**	**3,583**
Net increase in cash and cash equivalents (A+B)	236	85	10,834
Cash and cash equivalents at the beginning of the year	85	-	3,910
Cash and cash equivalents at the end of the year as per note 2.4	**321**	**85**	**14,744**
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
Chartered Accountants
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Date: 24 June 2021

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Shiv Walia
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Company Overview

HCL Technologies Bulgaria EOOD (hereinafter referred to as 'Company') is a Business Transformation consultancy company aiming to provide medium and large size organizations with Business Transformation solutions that encompass all elements of Business Consulting, Solution Implementation and ongoing Application Management. The Company was incorporated on 18 November 2019 in Bulgaria.

The financial statements for the year ended 31 December 2020 were approved and authorized for issue by the Board of Directors on 24 June 2021.

1. Significant Accounting Policies

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with recognition and measurement principle laid down in Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act, 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 BGN. The translation from BGN to ₹ is included solely for the convenience of readers in India and has been performed using rate of BGN 1 = ₹ 45.8857/-, the exchange rate prevailing as at the last day of the financial period. Such translation should not be construed as representation that the ₹ amount represents, or have been or could be converted into, BGN 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,

i. Accounting for costs expected to be incurred to complete performance under fixed price projects, refer note 1(d)
ii. Useful lives of property, plant and equipment, refer note 1(c)
iii. Recognition of income and deferred taxes, refer note 1(g) and note 2.15
iv. Provisions and contingent liabilities, refer note 1(j) and note 2.9.

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, other assets, 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) 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.

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 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 before the year-end, are disclosed as capital work – in - progress.

Depreciation on property, plant and equipment is provide 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 following assets for computing depreciation are as follows: -

	Life (in years)
Computer	4-5

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

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

d) 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.

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.

e) Fair value measurement

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

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

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

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

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

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

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

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

c. Cost approach – Replacement cost method.

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

f) ***Foreign currency transactions***

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 the 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 year 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.

g) ***Taxation***

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.

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.

h) 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 equivalents

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.

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 statement of profit and loss.

ii. Financial liabilities

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

The Company's financial liabilities include trade payables 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.

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.

i) ***Earnings per share***

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

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.

j) Provisions & 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 at a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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.

k) Retirement and other employee benefits

Contributions to defined contribution plans are recognized as expense when employees have rendered services entitling them to such benefits. The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The employees can carry forward up to the specified portion of the unutilized accumulated compensated absences and utilize it in future periods or receive cash at retirement or termination of employment. The expense on non-accumulating compensated absences is recognized in the statement of profit and loss in the year in which the absences occur.

l) ***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.

HCL Technologies Bulgaria EOOD
Notes to Financial Statement for the year ended 31 December 2020
(All amounts in thousands except share data and as stated otherwise)

2.1 Property, plant and equipment
The changes in the carrying value for the year ended 31 December 2020

	Computers	Total	Computers	Total
	(BGN)	(BGN)	(₹)	(₹)
Gross block as at 1 January 2020	-	-	-	-
Additions	11	11	518	518
Gross block as at 31 December 2020	11	**11**	**518**	**518**
Accumulated depreciation as at 1 January 2020	-	-	-	-
Charge for the year	1	1	37	37
Deletions	-	-	-	-
Accumulated depreciation as at 31 December 2020	1	1	37	37
Net block as at 31 December 2020	10	10	481	481

The changes in the carrying value for the period ended 31 December 2019 was Nil.

2.2 Other Financial Assets

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(BGN)	(BGN)	(₹)
Non Current			
Finance lease receivables	43	-	1,983
	43	**-**	**1,983**
Current			
Carried at amortized cost			
Finance lease receivables	11	-	493
Unbilled receivables-related parties (Refer Note 2.17)	1	-	37
	12	**-**	**530**

2.3 Trade Receivable

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(BGN)	(BGN)	(₹)
Unsecured considered good (refer note below)	333	-	15,271
	333	**-**	**15,271**

Note:-
1. Includes receivables from related parties amounting to BGN 333 (31 December 2019, BGN 0) (Refer Note 2.17)

2.4 Cash and cash equivalents

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(BGN)	(BGN)	(₹)
Balance with banks			
- in current accounts	321	85	14,744
	321	**85**	**14,744**

2.5 Other current assets

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(BGN)	(BGN)	(₹)
Unsecured , considered good			
Advances other than capital advances			
Advances to employees	8	-	367
Others			
Deferred contract cost	111	-	5,086
Other Taxes Receivables	11	-	515
	130	**-**	**5,968**

HCL Technologies Bulgaria Ltd.
Notes to Financial Statement for the year ended 31 December 2020
(All amounts in thousands except share data and as stated otherwise)

2.6 Share Capital

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(BGN)	(BGN)	(₹)
Authorized			
85,000 Equity shares of BGN 1 each	85	85	3,900
Issued, subscribed and fully paid up			
85,000 Equity shares of BGN 1 each	85	85	3,900

Terms/ rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of BGN 1/-. 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 2020		31 December 2019	
	No. of shares	Amount in BGN	No. of shares	Amount in BGN
Number of shares at the beginning	85,000	85	-	-
Add: Shares issued during the year	-	-	85,000	85,000
Number of shares at the end	85,000	85	85,000	85,000

Shares held by holding Company and/or their subsidiaries / associates:

	As at			
	31 December 2020		31 December 2019	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of BGN 1 each fully paid				
HCL Tehnologies UK limited (the holding company)	85,000	100%	85,000	100%

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

	As at			
	31 December 2020		31 December 2019	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of BGN 1 each fully paid				
HCL Tehnologies UK limited (the holding company)	85,000	100%	85,000	100%

As per the records of the Company, including its register of shareholders/members received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

There are no bonus shares issued, no shares issued for consideration other than cash and no shares bought back immediately preceding the reporting date from date of incorporation.

Capital management

The primary objective of the Company's capital management is to support business continuity and growth of the company while maximizing the shareholder value. The Company determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are generally met through operating cash flows generated.

2.7 Trade payables

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(BGN)	(BGN)	(₹)
Trade payables	82	-	3,783
	82	**-**	**3,783**

2.8 Other financial liabilities

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(BGN)	(BGN)	(₹)
Current			
Carried at amortized cost			
Capital Account Payable	15	-	690
Others			
Liabilities for expenses	130	-	5,942
Other Payables - related parties (Refer note 2.17)	428	-	19,639
	573	**-**	**26,271**

2.9 Provisions

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(BGN)	(BGN)	(₹)
Current			
Provision for employee benefits			
Provision for leave benefits	18	-	833
	18	**-**	**833**

2.10 Revenue from operations

	Year ended	Period ended	Year ended
	31 December 2020	31 December 2019	31 December 2020
	(BGN)	(BGN)	(₹)
Sale of services	333	-	15,297
Sale of hardware and software	54	-	2,476
	387	**-**	**17,773**

Disaggregate Revenue Information

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

	Year ended	Period ended	Year ended
	31 December 2020	31 December 2019	31 December 2020
	(BGN)	(BGN)	(₹)
Contract type			
Fixed price	338	-	15,539
Time and material	49	-	2,234
Total	**387**	**-**	**17,773**
Geography wise			
Europe	317	-	14,573
India	70	-	3,200
Total	**387**	**-**	**17,773**

Remaining performance obligations

As at 31 Decemeber 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:

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 consolidated 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).

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

The below table discloses the movement in balance of deferred contract cost:

	Year ended	Period ended	Year ended
	31 December 2020	31 December 2019	31 December 2020
	(BGN)	(BGN)	(₹)
Balance as at beginning of the year	-	-	-
Additional cost capitalised during the year	111	-	5,086
Deduction on account of cost amortised during the year	-	-	-
Balance as at end of the year	**111**	**-**	**5,086**

The contracted price equals the revenue recognized since there is no reduction towards variable consideration component during the year.

2.11 Other income

	Year ended	Period ended	Year ended
	31 December 2020	31 December 2019	31 December 2020
	(BGN)	(BGN)	(₹)
Exchange differences (net)	1	-	29
	1	**-**	**29**

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2.12 Employee benefits expense

	Year ended 31 December 2020 (BGN)	Period ended 31 December 2019 (BGN)	Year ended 31 December 2020 (₹)
Salaries, wages and bonus	175	-	8,034
Social Security Contribution	33	-	1,510
Leave encashment	16	-	714
Other welfare expenses	21	-	978
	245	**-**	**11,236**

2.13 Finance cost

	Year ended 31 December 2020 (BGN)	Period ended 31 December 2019 (BGN)	Year ended 31 December 2020 (₹)
Bank charges	2	-	77
	2	**-**	**77**

2.14 Other expenses

	Year ended 31 December 2020 (BGN)	Period ended 31 December 2019 (BGN)	Year ended 31 December 2020 (₹)
Legal and professional charges	7	-	317
Consumables	7	-	307
Miscellaneous expenses	12	-	573
	26	**-**	**1,197**

2.15 Income taxes

	Year ended 31 December 2020 (BGN)	Period ended 31 December 2019 (BGN)	Year ended 31 December 2020 (₹)
Income tax charged to statement of profit and loss			
Current income tax charge	3	-	156
Deferred tax credit	(1)	-	(83)
	2	**-**	**73**

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

	Year ended 31 December 2020 (BGN)	Period ended 31 December 2019 (BGN)	Year ended 31 December 2020 (₹)
Profit before income tax	16	-	754
Statutory tax rate	10%	-	10%
Expected tax expense	2	-	73
Total taxes	**2**	**-**	**73**
Effective income tax rate	10%	-	10%

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

	Opening balance	Recognized in profit and loss	Recognised in/ reclassified from OCI	Closing balance
Deferred tax assets				
Accrued employee costs	-	1	-	1
Net deferred tax assets (A)	**-**	**1**	**-**	**1**

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

	Opening balance	Recognized in profit and loss	Recognised in/ reclassified from OCI	Closing balance
Deferred tax assets				
Accrued employee costs	-	83	-	83
Net deferred tax assets (A)	-	83	-	83

The amount of deferred tax assets and liabilities as on 31 December 2019 was Nil.

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2.16 The computation of earnings per equity share (EPS) is as follows:

Particulars	As at		
	31 December 2020	31 December 2019	31 December 2020
	(BGN)	(BGN)	(₹)
Net profit as per statement of profit and loss for computation of EPS	14	-	681
Weighted average number of equity shares outstanding - Basic	85,000	85,000	85,000
Weighted average number of equity shares outstanding - Diluted	85,640	85,000	85,640
Nominal value of equity shares	1	1	46
Earning per equity share			
- Basic	0.17	-	8.01
- Diluted	0.16	-	7.95

2.17 Related party transaction

a) Related parties where control exists

Ultimate Holding company
HCL Technologies limted

Holding company
HCL Technologies UK limited

b) Related Parties where transactions have taken place during the year

Ultimate Holding company
HCL Technologies limted

Holding company
HCL Technologies UK limited

Fellow Subsidiary
HCL POLAND SP.Z O.O.

c) Transactions with related parties during the ordinary course of business **(Amount in BGN)**

	Ultimate Holding company		Holding company		Fellow subsidiaries	
	Year ended	Period ended	Year ended	Period ended	Year ended	Period ended
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Revenue from operations	70	-	263	-	-	-

(Amount in ₹)

	Ultimate Holding company	Holding company	Fellow subsidiaries
	Year ended	Year ended	Year ended
	31 December 2020	31 December 2020	31 December 2020
Revenue from operations	3,200	12,097	-

d) Outstanding balances of related parties as at 31st December 2020 **(Amount in BGN)**

	Ultimate Holding company		Holding company		Fellow subsidiaries	
	As at		As at		As at	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Others Payable	420	-	-	-	8	-
Trade Receivables	69	-	264	-	-	-
Unbilled receivables	1	-	-	-	-	-

(Amount in ₹)

	Ultimate Holding company	Holding company	Fellow subsidiaries
	As at	As at	As at
	31 December 2020	31 December 2020	31 December 2020
Others Payable	19,272	-	367
Trade Receivables	3,162	12,109	-
Unbilled receivables	37	-	-

2.18 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.

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. 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 2.10.

2.19 Financial Instruments

(a) Financial assets and liabilities

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

	Amortized Cost	Total Carrying Value	Amortized Cost	Total Carrying Value
	(BGN)	(BGN)	(₹)	(₹)
Financial Assets				
Trade Receivables	333	333	15,271	15,271
Cash and Cash Equivalents	321	321	14,744	14,744
Others (refer note 2.2)	55	55	2,513	2,513
Total	**709**	**709**	**32,528**	**32,528**
Financial Liabilities				
Trade payables	82	82	3,783	3,783
Others (refer note 2.8)	573	573	26,271	26,271
Total	**655**	**655**	**30,054**	**30,054**

The carrying value of financial instruments by categories as at 31 December 2019 was Nil.

(b) Financial risk management

The Company is exposed to market risk and liquidity risk which may impact the fair value of its financial instruments. The Company has a risk management policy to manage & mitigate these risks.

The Company's risk management policy aims to reduce volatility in financial statements while maintaining balance between providing predictability in the Company's business plan along with reasonable participation in market movement.

Market risk

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

(i) Foreign currency risk

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

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

Appreciation / depreciation of 1% in respective foreign currencies with respect to functional currency of the Company would result in decrease / increase in the Company's profit before tax by approximately BGN 210 (INR 9,636) for the year ended 31 December 2020.

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

Non-derivative foreign currency exposure as of 31 December 2020 and 31 December 2019 in major currencies is as below:

	Financial assets		Financial liabilities		Financial assets	Financial liabilities
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2020
	(BGN)	(BGN)	(BGN)	(BGN)	(₹)	(₹)
USD/BGN	11	-	102	-	498	4,669
EUR/BGN	70	-	-	-	3,209	-
GBP/BGN	12	-	12	-	570	570
PLN/BGN	8	-	8	-	354	354

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.

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	Total
As at 31 December 2020 (BGN)					
Trade payables	82	-	-	-	82
Other financial liabilities	573	-	-	-	573
Total	655	-	-	-	655
As at 31 December 2020 (₹)					
Trade payables	3,783	-	-	-	3,783
Other financial liabilities	26,271	-	-	-	26,271
Total	30,054	-	-	-	30,054

2.21 Capital and other commitments

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(BGN)	(BGN)	(₹)
Capital and other commitments			
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	21	-	966
	21	**-**	**966**

2.22 Subsequent event

The Company has evaluated all the subsequent events through 24 June 2021, which is the date on which these financial statements were issued, and no events have occurred from the balance sheet date through that date except for matters that have already been considered in the financial statements.

2.23 The Company has presented its financial statements in "BGN in Thousands" and accordingly, amounts less than BGN 0.50 thousands are rounded off to zero. Previous year figures are from 18 November 2019 to 31 December 2019 and are not comparable with current year.

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's Registration No. : 101248W/W-100022

Anurag Maheshwary

Anurag Maheshwary
Partner
Membership no. 506533

Gurugram, India
Date: 24 June 2021

For and on behalf of the Board of Directors
of HCL Technologies Bulgaria EOOD

Shiv Walia
Director

Subramanian Gopalakrishnan
Director

Date: 24 June 2021