

HCL Technologies Azerbaijan Limited Liability Company
Financial statements
for the year ended 31 December 2021

B S R & Co. LLP

Chartered Accountants

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Gurugram – 122 002, India

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Independent Auditor's Report

To the Board of Directors of HCL Technologies Azerbaijan Limited Liability Company.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HCL Technologies Azerbaijan Limited Liability Company ("the Company"), which comprise the Balance Sheet as at 31 December 2021, and the Statement of Profit and Loss (including other comprehensive income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information (collectively referred to as '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 in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 December 2021, and its loss and other comprehensive loss, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (ICAI). Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) 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 on the financial statements.

Management's and Board of Directors' 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 Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 ('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. 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 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.

Registered Office:

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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's Internal Control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the financial statements made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matter-Restriction on Use

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 Act. These financial statements are not the statutory financial statements of the Company. As a result, these financial statements may not be suitable for any other purpose. Our report must not be copied, disclosed, quoted, or referred to, in correspondence or discussion, in whole or in part 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

VIMAL
CHAUHAN

Digitally signed by
VIMAL CHAUHAN
Date: 2022.05.25
18:48:13 +05'30'

Vimal Chauhan

Partner

Membership No. 511230

ICAI UDIN: 22511230AJPF6129

Place: Gurugram, India

Date: 25 May 2022

HCL Technologies Azerbaijan Limited Liability Company**Balance Sheet as at 31 December 2021**

(All amount in AZN, unless otherwise stated)

		As at 31 December 2021 (AZN)	As at 31 December 2020 (AZN)
	Note(s)		
I. ASSETS			
Current Assets			
a) Financial assets			
(i) Trade receivables	2.1	2,419	-
(ii) Cash and cash equivalents	2.2	89,219	32,985
Total Current Assets		91,638	32,985
TOTAL ASSETS		91,638	32,985
II. EQUITY			
a) Equity share capital	2.3	78,137	1,696
b) Other equity		(41,165)	(22,236)
Equity attributable to shareholders of the Company		36,972	(20,540)
TOTAL EQUITY		36,972	(20,540)
III. LIABILITIES			
Non- Current Liabilities			
a) Financial liabilities			
(i) Borrowings	2.4	50,997	50,964
Total Non-Current Liabilities		50,997	50,964
Current Liabilities			
a) Financial liabilities			
(i) Trade payables	2.5	1,996	-
(ii) Others	2.6	1,304	2,561
b) Other current liabilities	2.7	369	-
Total Current Liabilities		3,669	2,561
TOTAL EQUITY AND LIABILITIES		91,638	32,985
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

vimal chauhan

Vimal Chauhan
Partner
Membership Number: 511230

Gurugram, India
Date: 25 May 2022

For and on behalf of the Board of Directors
of HCL Technologies Azerbaijan Limited Liability Company

Shiv Kumar Walia

Shiv Kumar Walia
Director

Sundaram Sridharan

Sundaram Sridharan
Director

Date: 25 May 2022

HCL Technologies Azerbaijan Limited Liability Company**Statement of Profit and Loss for the year ended 31 December 2021**

(All amount in AZN, unless otherwise stated)

		For the year ended 31 December 2021	For the period 08 October 2019 to 31 December 2020
	Note(s)	(AZN)	(AZN)
I Revenue			
Revenue from operations	2.8	2,050	-
Total revenue		2,050	-
II Expenses			
Finance cost	2.9	766	360
Outsourcing costs		1,062	-
Other expenses	2.10	19,151	21,876
Total expenses		20,979	22,236
III Loss before tax		(18,929)	(22,236)
IV Tax expense			
Tax expense	2.11	-	-
V Loss for the year/period		(18,929)	(22,236)
VI Other comprehensive income		-	-
VII Total Comprehensive loss for the year/period		(18,929)	(22,236)
Earnings per equity share of USD 45 each (31 December 2020 USD 1 each)			
Basic (in AZN)	2.15	(18.93)	(22.24)
Diluted (in AZN)	2.15	(18.93)	(22.24)
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

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Date: 25 May 2022

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Director

Date: 25 May 2022

HCL Technologies Azerbaijan Limited Liability Company
Statement of Changes in Equity for the year ended 31 December 2021
(All amount in AZN, unless otherwise stated)

	Equity share capital	Other Equity
	(AZN)	(AZN)
Issue of share capital	1,696	-
Loss for the period	-	(22,236)
Total comprehensive loss for the period	-	(22,236)
Balance as at 31 December 2020	1,696	(22,236)
Proceeds on account of increase in par value	76,441	-
Loss for the year	-	(18,929)
Total comprehensive loss for the year	-	(18,929)
Balance as at 31 December 2021	78,137	(41,165)

Refer note 1 for summary of significant accounting policies

The accompanying notes are an integral part of the financial statements

As per our report of even date

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Membership Number: 511230

Gurugram, India
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For and on behalf of the Board of Directors
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Shiv Kumar Walia

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Director

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Director

Date: 25 May 2022

HCL Technologies Azerbaijan Limited Liability Company**Statement of Cash Flows for the year ended 31 December 2021**

(All amount in AZN, unless otherwise stated)

		For the year ended 31 December 2021	For the period 08 October 2019 to 31 December 2020
	Note(s)	(AZN)	(AZN)
Cash flows from operating activities			
Loss before tax		(18,929)	(22,236)
Adjustments for :			
Unrealised loss		32	-
Interest expenses on loan from group company		612	207
		(18,285)	(22,029)
Net change in:			
Trade receivables		(2,419)	-
Trade payables		1,997	-
Other financial liabilities and other liabilities		(1,500)	2,354
Cash used in operations		(20,207)	(19,675)
Income taxes paid (net of refunds)		-	-
Net cash used in operating activities (A)		(20,207)	(19,675)
Cash flows from investing activities		-	-
Net cash from investing activities (B)		-	-
Cash from financing activities			
Proceeds on account of increase in par value		76,441	1,696
Proceeds from borrowings from group companies		-	50,964
Net cash flow from financing activities (C)		76,441	52,660
Net increase in cash and cash equivalents (A+B+C)		56,234	32,985
Cash and cash equivalents at the beginning of the year/period		32,985	-
Cash and cash equivalents at the end of the year	2.1	89,219	32,985
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

for B S R & Co. LLP
ICAI Firm Registration Number : 101248W/W-100022
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Vimal Chauhan
Partner
Membership Number: 511230

Gurugram, India
Date: 25 May 2022

For and on behalf of the Board of Directors
of HCL Technologies Azerbaijan Limited Liability Company

Shiv Kumar Walia

Shiv Kumar Walia
Director

Sundaram Sridharan

Sundaram Sridharan
Director

Date: 25 May 2022

HCL Technologies Azerbaijan Limited Liability Company
Note to financial statements for the year ended 31 December 2021
(All amount in AZN, unless otherwise stated)

ORGANIZATION AND NATURE OF OPERATIONS

HCL Technologies Azerbaijan Limited Liability Company (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 Azerbaijan on 08 October 2019, having its registered office at AZ1010, Baku City Nasimi District, Pushkin Street 12/14 House no. 30.

The financial statements for the year ended 31 December 2021 were approved and authorized for issue by the Board of Directors on 25 May 2022.

1. Significant Accounting Policies

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 ('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 do not constitute a set of statutory financial statements in accordance with local laws of the Country in which the Company is incorporated.

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 Act.

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 except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy.

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 AZN.

b) Use of estimates

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

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 and determination of stand-alone selling prices for each distinct performance obligation in contracts involving multiple performance obligations, refer note 1(e).
- ii. Allowance for uncollectible accounts receivables, refer note 1(h)(i).
- iii. Recognition of income and deferred taxes, refer note 1(f)

HCL Technologies Azerbaijan Limited Liability Company
Note to financial statements for the year ended 31 December 2021
(All amount in AZN, unless otherwise stated)

b) Use of estimates (continued)

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, 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) Foreign currency transactions

The financial statements of the Company are presented in its functional currency AZN. 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.

d) Fair value measurement

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

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

e) Revenue Recognition

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 entity 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.

HCL Technologies Azerbaijan Limited Liability Company
Note to financial statements for the year ended 31 December 2021
(All amount in AZN, unless otherwise stated)

e) Revenue Recognition (continued)

Fixed Price contracts

Revenue related to 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.

Multiple performance obligation

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

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

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

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

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

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

HCL Technologies Azerbaijan Limited Liability Company
Note to financial statements for the year ended 31 December 2021
(All amount in AZN, unless otherwise stated)

f) 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.

g) Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

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.

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, trade and other receivables.

HCL Technologies Azerbaijan Limited Liability Company
Note to financial statements for the year ended 31 December 2021
(All amount in AZN, unless otherwise stated)

h) Financial Instruments (continued)

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 borrowings 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.

i) Earnings per share

Basic earnings per share are calculated by dividing the net profit 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. Dilutive potential equity shares are deemed converted as at the beginning of the year, unless issued at a later date. Dilutive potential equity shares are determined independently for each year presented.

j) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise balances with banks.

HCL Technologies Azerbaijan Limited Liability Company
Notes to financial statements for the year ended 31 December 2021
(All amount in AZN, unless otherwise stated)

	As at	
	31 December 2021 (AZN)	31 December 2020 (AZN)
2.1 Trade Receivable		
Unsecured considered good	2,419	-
	2,419	
2.2 Cash and cash equivalents		
Balances with banks	89,219	32,985
	89,219	32,985
2.3 Share capital		
Authorized		
1,000 Equity shares of USD 45 each		
Issued, subscribed and fully paid up		
1,000 Equity shares of USD 45 each (31 December 2020, 1,000 equity shares of USD 1 each)	78,137	1,696
	78,137	1,696

Terms / rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of USD 45/- which was in previous year USD 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 period

	As at			
	31 December 2021		31 December 2020	
	No. of shares	Amount in AZN	No. of shares	Amount in AZN
Number of shares at the beginning	1,000	1,696	-	-
Add: Proceeds on account of increase in par value	-	76,441	1,000	1,696
Number of shares at the end	1,000	78,137	1,000	1,696

Shares held by holding Company:-

	As at			
	31 December 2021		31 December 2020	
	% holding in the class	% holding in the class	% holding in the class	% holding in the class
Equity shares of USD 45 each (31 December 2020 USD 1 each) fully paid				
HCL Tehnologies UK limited, the holding company	999	99.90%	999	99.90%
HCL Bermuda Limited	1	0.10%	1	0.10%

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

	As at			
	31 December 2021		31 December 2020	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of USD 45 each (31 December 2020 USD 1 each) fully paid				
HCL Tehnologies UK limited, the holding company	999	99.90%	999	99.90%

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.

	As at	
	31 December 2021 (AZN)	31 December 2020 (AZN)
2.4 Borrowings		
Long term borrowings unsecured		
From related parties (refer note 1 below and note 2.14 (d))	50,997	50,964
	50,997	50,964

Note 1: The company has availed a long term loan of USD 30,000 at an interest of LIBOR+1%. The borrower shall repay the principal sum to the lender no later than (60) sixty months from the effective date of the loan agreement.

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Notes to financial statements for the year ended 31 December 2021
(All amount in AZN, unless otherwise stated)

	As at	
	31 December 2021 (AZN)	31 December 2020 (AZN)
2.5 Trade payables		
Trade payables-related parties (refer note 2.14 (d))	1,996	-
	1,996	-
2.6 Other financial liabilities		
Liability for expenses	426	2,295
Advance from group companies (refer note 2.14 (d))	59	59
Interest payable to group company (refer note 2.14 (d))	819	207
	1,304	2,561
2.7 Other current liabilities		
Other taxes payable	369	-
	369	-

	For the year ended 31 December 2021 (AZN)	For the period 08 October 2019 to 31 December 2020 (AZN)
2.8 Revenue from operations		
Sale of services	2,050	-
	2,050	-

Disaggregate revenue information

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

Fixed price	2,050	-
	2,050	-

Revenue disaggregation as per geography has been included in segment information (Refer note 2.12).

Remaining performance obligations

Remaining performance obligations are subject to variability due to several factors such as terminations, changes in scope of contracts, periodic revaluations of the estimates, economic factors (changes in currency rates, tax laws etc). As at 31 December 2021, the aggregate amount of transaction price allocated to remaining performance obligation as per the requirements of Ind AS 115 was AZN 10,962 thousands (31 December 2020, Nil) out of which, approximately 39% (31 December 2020, Nil) is expected to be recognized as revenues within one year and the balance beyond one year. These amounts are not adjusted for variable consideration allocated to remaining performance obligation, which are not probable. These amounts also exclude contracts for which we recognize revenues based on the right to invoice for services performed and contracts where 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. The company does not have any contract assets as on 31 December 2021.

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 2021.

	For the year ended 31 December 2021 (AZN)	For the period 08 October 2019 to 31 December 2020 (AZN)
2.9 Finance Cost		
Interest expenses on loan from group company (refer note 2.14 (c))	612	207
Bank charges	154	153
	766	360
2.10 Other Expenses		
Exchange differences (net)	196	233
Professional charges	18,955	21,643
	19,151	21,876
2.11 Income Tax	-	-

No tax provision/expense has been made/recognised for 2021 as the company has no taxable income.

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2.12 Segment reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available and whose 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".

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

Particulars	For the year ended	For the period
	31 December 2021	08 October 2019 to 31 December 2020
	(AZN)	(AZN)
Azerbaijan	2,050	-
Total	2,050	-

2.13 Financial assets and liabilities

The carrying value of financial instruments by categories as at 31 December 2021 is as follows:

Particulars	Amortized cost	Total carrying value
	(AZN)	(AZN)
Financial assets		
Trade receivables	2,419	2,419
Cash and cash equivalents	89,219	89,219
Total	91,638	91,638
Financial liabilities		
Borrowings	50,997	50,997
Trade payables	1,996	1,996
Others	1,304	1,304
Total	54,297	54,297

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

Particulars	Amortized cost	Total carrying value
	(AZN)	(AZN)
Financial assets		
Cash and cash equivalents	32,985	32,985
Total	32,985	32,985
Financial liabilities		
Borrowings	50,964	50,964
Others	2,561	2,561
Total	53,525	53,525

The Company assessed that fair value of cash and cash equivalents and trade receivables, trade payables and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Market Risk

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

(i) 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.

(ii) 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. All the revenue of the Company is in AZN currency while a large portion of costs are in AZN. The fluctuation in exchange rates in respect to AZN 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 loss by approximately AZN 346 for the period ended 31 December 2021.

Non-derivative foreign currency exposure as of 31 December 2021 in major currency is as below:

	Financial assets		Financial liabilities	
	31 December 2021	08 October 2019 to 31 December 2020	31 December 2021	08 October 2019 to 31 December 2020
	(AZN)	(AZN)	(AZN)	(AZN)
USD/AZN	87,500	33,239	52,931	52,912

HCL Technologies Azerbaijan Limited Liability Company**Notes to financial statements for the year ended 31 December 2021**

(All amount in AZN, unless otherwise stated)

2.13 Financial assets and liabilities (continued)**(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 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.

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 is still in the early stage of its operations and will generate sufficient cash flows from operations and has access to multiple sources of funding to meet the financial obligations and maintain adequate liquidity for use in future.

Maturity profile of the company's financial liabilities based on contractual payments is as below: **(Amount in AZN)**

	Year 1 (Current)	Year 2	Year 3	Year 4-5 and thereafter	Total
As at 31 December 2021					
Borrowings	-	-	-	50,997	50,997
Trade payables	1,996	-	-	-	1,996
Other financial liabilities	1,304	-	-	-	1,304
Total	3,300	-	-	50,997	54,297
As at 31 December 2020					
Borrowings	-	-	-	50,964	50,964
Other financial liabilities	2,561	-	-	-	2,561
Total	2,561	-	-	50,964	53,525

2.14 Related parties**a) Related parties where control exists**

HCL Technologies Limited, India (Ultimate holding company)

HCL Technologies UK Limited, (Holding company)

HCL Bermuda Limited (Holding company)

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

HCL Technologies UK Limited, (Holding company)

HCL Bermuda Limited (Holding company)

Fellow subsidiaries

HCL Technologies Belgium BVBA

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

	Operating expenses	Interest expense
For the year ended 31 December 2021		
Holding company	-	612
Fellow subsidiaries	1,062	-
Total	1,062	612
For the period 08 October 2019 to 31 December 2020		
Holding company	-	207
Total	-	207

d) Outstanding balances of related parties **(Amount in AZN)**

	Trade payables	Advance from group companies	Interest payable short term loans	Short term loan
As at 31 December 2021				
Holding company	-	59	819	50,997
Fellow subsidiaries	1,061	-	-	-
Total	1,061	59	819	50,997
As at 31 December 2020				
Holding company	-	59	207	50,964
Total	-	59	207	50,964

HCL Technologies Azerbaijan Limited Liability Company

Notes to financial statements for the year ended 31 December 2021

(All amount in AZN, unless otherwise stated)

2.15 Earnings Per Share (EPS)

Particulars	For the year ended	For the period
	31 December 2021	08 October 2019 to 31 December 2020
	(AZN)	(AZN)
Loss for the year/period attributable to shareholders of the Company	(18,929)	(22,236)
Weighted average number of equity shares outstanding in calculating Basic EPS	1,000	1,000
Weighted average number of equity shares outstanding in calculating Diluted EPS	1,000	1,000
Nominal value of equity shares (USD)	45	1
Loss per equity share (AZN)		
- Basic	(18.93)	(22.24)
- Diluted	(18.93)	(22.24)

2.16 Subsequent events

There have been no significant subsequent events since the year ended 31 December 2021 till the date of signing of the financials that would have material impact on the statement of financial position of the Company as shown in these financial statements.

for B S R & Co. LLP

ICAI Firm Registration Number : 101248W/W-100022

Chartered Accountants

vimal chauhan

Vimal Chauhan

Partner

Membership Number: 511230

Gurugram, India

Date: 25 May 2022

For and on behalf of the Board of Directors

of HCL Technologies Azerbaijan Limited Liability Company

Shiv Kumar Walia

Shiv Kumar Walia

Director

Sundaram Sridharan

Sundaram Sridharan

Director

Date: 25 May 2022