HCL Technologies Azerbaijan Limited Liability Company

Financial statements

for the year ended 31 December 2022

B S R & Co. LLP

Chartered Accountants

Building No. 10, 12th Floor, Tower-C,

DLF Cyber City, Phase-II

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 2022, 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 conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 December 2022, and its profit and other comprehensive income, 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 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.

Material Uncertainty Related to Going Concern

We draw attention to note 1(a) in the financial statements, wherein it is stated that the Company has incurred a net loss of AZN 23,639 for the year ended 31 December 2022 and that the Company does not currently envisage immediate commencement of new business. The Company is in the process of making future business plans. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter

Management's and Board of Directors' Responsibilities 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 accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section

133 of the Companies Act, 2013 ('the Act'). 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.

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 opinion on whether the company has in place adequate internal financial controls with reference to financial statements and the operating effectiveness of such controls.

- 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 in preparation of financial statements 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

As explained in note 1(a), these financial statements are prepared for the use by 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 another 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
Partner
Membership No. 511230
ICAI UDIN: 23511230BGZTTG6850

Place: Gurugram, India
Date: 07 June 2023

HCL Technologies Azerbaijan Limited Liability Company
Balance Sheet as at 31 December 2022
(All amounts in thousands exept share data and as stated otherwise)

	Note No.	As at 31 December 2022 (AZN)	As at 31 December 2021 (AZN)
I. ASSETS			
(1) Current Assets			
(a) Financial assets			
(i) Trade receivables	2.1	2	3
(ii) Cash and cash equivalents	2.2	16	89
Total Current Assets		**18**	**92**
TOTAL ASSETS		**18**	**92**
II. EQUITY			
(a) Equity share capital	2.3	78	78
(b) Other equity		(65)	(41)
TOTAL EQUITY		**13**	**37**
III. LIABILITIES			
(1) Non- Current Liabilities			
(a) Financial liabilities			
(i) Borrowings	2.4	-	51
Total Non-Current Liabilities		**-**	**51**
(2) Current Liabilities			
(a) Financial liabilities			
(i) Trade payables	2.5	4	3
(ii) Others	2.6	1	1
Total Current Liabilities		**5**	**4**
TOTAL LIABILITIES		**5**	**55**
TOTAL EQUITY AND LIABILITIES		**18**	**92**
Summary of significant accounting policies	**1**		

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

vimal chauhan
vimal chauhan (Jun 7, 2023 23:49 GMT+5.5)
Vimal Chauhan
Partner
Membership Number: 511230

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

Shiv Kumar Walia
Director

Sundaram Sridharan
Director

Gurugram, India
Date: 7 June 2023

Date: 7 June 2023

HCL Technologies Azerbaijan Limited Liability Company

Statement of Profit and Loss for the year ended 31 December 2022

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

	Note No.	Year ended 31 December 2022 (AZN)	Year ended 31 December 2021 (AZN)
I Revenue			
Revenue from operations	2.7	2	2
Total income		**2**	**2**
II Expenses			
Finance cost	2.8	-	1
Outsourcing costs		2	1
Other expenses	2.9	24	19
Total expenses		**26**	**21**
III Loss before tax		**(24)**	**(19)**
IV Tax expense			
Tax expense		-	-
V Loss for the year		**(24)**	**(19)**
VI Other comprehensive income		-	-
VII Total Comprehensive loss for the year		**(24)**	**(19)**
Earnings per equity share of USD 45 each			
Basic (in AZN)	2.15	(0.02)	(0.02)
Diluted (in AZN)	2.15	(0.02)	(0.02)
Summary of significant accounting policies	**1**		

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Gurugram, India
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Shiv Kumar Walia
Director

Sundaram Sridharan
Director

Date: 7 June 2023

HCL Technologies Azerbaijan Limited Liability Company

Statement of Changes in Equity for the year ended 31 December 2022

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

	Equity share capital (AZN)	Other Equity (AZN)
Balance as at 31 December 2020	2	(22)
Proceeds on account of increase in par value	76	-
Loss for the year	-	(19)
Total comprehensive loss for the year	**-**	**(19)**
Balance as at 31 December 2021	**78**	**(41)**
Loss for the year	-	(24)
Total comprehensive loss for the year	**-**	**(24)**
Balance as at 31 December 2022	**78**	**(65)**

Refer note 1 for summary of significant accounting policies

The accompanying notes are an integral part of the financial statements

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Shiv Kumar Walia
Director

Sundaram Sridharan
Director

Date: 7 June 2023

HCL Technologies Azerbaijan Limited Liability Company

Statement of Cash Flows for the year ended 31 December 2022

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

	Note No.	Year ended 31 December 2022 (AZN)	Year ended 31 December 2021 (AZN)
A. Cash flows from operating activities			
Loss before tax		(24)	(19)
Adjustments for :			
Interest expenses on loan from group company		-	1
		(24)	**(18)**
Net change in:			
Trade receivables		1	(3)
Trade payables		2	3
Other financial liabilities		(1)	(2)
Cash used in operations		**(22)**	**(20)**
Income taxes paid (net of refunds)		**-**	**-**
Net cash used in operating activities (A)		**(22)**	**(20)**
B. Cash flows from investing activities		**-**	**-**
Net cash from investing activities (B)		**-**	**-**
C. Cash from financing activities			
Repayment of Short Term Loan		(51)	-
Proceeds on account of increase in par value		-	76
Net cash flow (used in)/from financing activities (C)		**(51)**	**76**
Net (decrease)/increase in cash and cash equivalents (A+B+C)		**(73)**	**56**
Cash and cash equivalents at the beginning of the year		89	33
Cash and cash equivalents at the end of the year	2.2	**16**	**89**
Summary of significant accounting policies	**1**		

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

Shiv Kumar Walia
Director

Sundaram Sridharan
Director

Date: 7 June 2023

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 2022 were approved and authorized for issue by the Board of Directors on 7 June 2023.

1. Significant Accounting Policies

a) Basis of preparation

These financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules 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 has incurred a net loss of AZN 24 for the year ended 31 December 2022 and the net worth has declined due to loss incurred. Also the cash flows during the year ended 31 December 2022 were negative. The company is in the process of making future business plans and bidding for new customers. To meet the working capital requirements, HCL Technologies Limited, the ultimate holding company, has confirmed its intention to provide financial and operational support for day-to-day business requirements of the company, for a period of not less than 12 months from the date of approval of the financial statements of the company. However, the company does not currently envisage immediate commencement of new business and is in the process of making future business plans. These events or conditions indicate that a material uncertainty related to event od conditions exist that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. 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. All amounts are presented in thousands of 'rounded to whole number and amounts less than '0.50 thousand are presented as "-".

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)

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.

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 pf 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 such losses 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.

e) Revenue Recognition(continued)

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.

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).

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.

h) Financial Instruments(continued)

Financial instrument at Fair Value through Profit and Loss

i) 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.

k) Recently issued accounting pronouncements

On 23 March 2022, the Ministry of Corporate Affairs (MCA), notified Companies (Indian Accounting Standards) Amendment Rules,2022 effective from annual reporting periods beginning on or after 1 April 2022. Following is the key amended provision which may have an impact on the financial statements of the Company:

Onerous Contracts – Cost of Fulfilling a Contract (Amendment to Ind AS 37)
The amendments clarifies that the 'costs of fulfilling a contract' comprise both the incremental costs and allocation of other direct costs. The Company does not expect the adoption of this update to have a material impact on its financial statements.

Further, on 31 March 2023, the Ministry of Corporate Affairs(MCA), notified companies(Indian Accounting Standards) Amendments Rules,2023 effective for annual reporting periods beginning on or after 1 April 2023, which brought certain amendments to the existing Indian Accounting Standards. The company is currently evaluating the impact of the adoption of these amendments on its financial statements.

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

	As at	
	31 December 2022	31 December 2021
	(AZN)	(AZN)
2.1 Trade Receivable		
Billed		
Unsecured, considered good	2	3
Impairment allowance for bad and doubtful debts	(2)	-
	-	3
Unbilled receivables	2	-
	2	**3**

Trade receivables - current	Not Due	Outstanding as at 31st December 2022 from the due date of payment					
		Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
Undisputed- considered good	-	-	1	1	-	-	2
Impairment allowance for bad and doubtful debts	-	-	-	-	-	-	(2)
							-
Unbilled receivables							2
							2

Trade receivables - current	Not Due	Outstanding as at 31st December 2021 from the due date of payment					
		Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
Undisputed- considered good	1	2	-	-	-	-	3
							3

	31 December 2022	31 December 2021
2.2 Cash and cash equivalents		
Balances with banks	16	89
	16	**89**
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	78	78
	78	**78**

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. 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 2022		31 December 2021	
	No. of shares	Amount in AZN	No. of shares	Amount in AZN
Number of shares at the beginning	1,000	78	1,000	2
Add: Proceeds on account of increase in par value	-	-	-	76
Number of shares at the end	1,000	78	1,000	78

Shares held by holding Company:-

	As at			
	31 December 2022		31 December 2021	
	% holding in the class	% holding	% holding in the class	% holding in the class
Equity shares of USD 45 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%

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

2.3 Share capital (continued)

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

	As at			
	31 December 2022		31 December 2021	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of USD 45 each fully paid				
HCL Tehnologies UK limited, the holding company	999	99.90%	999	99.90%

Details of promoters holding shares in the company:-

	As at			
	31 December 2022		31 December 2021	
	No. of shares	% holding	No. of shares	% holding
Equity shares of USD 45 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 2022	31 December 2021
	(AZN)	(AZN)
2.4 Borrowings		
Long term borrowings unsecured		
From related parties (refer note 2.13 (d))	-	51
	-	**51**
2.5 Trade payables		
Trade Payables	-	1
Trade payables-related parties (refer note 2.13 (d))	1	1
Unbilled and Accruals	1	1
Unbilled and Accruals-related parties (refer note 2.13 (d))	2	-
	4	**3**

Particulars	Not Due	Outstanding as at 31st December 2022 from the due date of Payment				
		Less than 1 year	1-2 year	2-3 years	more than 3 years	Total
Trade Paybles	-	-	-	-	-	-
Trade Paybles-related parties	-	-	1	-	-	1
Unbilled and Accruals						1 3
						4

Particulars	Not Due	Outstanding as at 31st December 2021 from the due date of Payment				
		Less than 1 year	1-2 year	2-3 years	more than 3 years	Total
Trade Paybles	1	-	-	-	-	1
Trade Paybles-related parties	-	1	-	-	-	1
Unbilled and Accruals						2 1
						3

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

	Year Ended	
	31 December 2022	31 December 2021
	(AZN)	(AZN)
2.6 Other financial liabilities		
Interest payable to related party (refer note 2.13 (d))	1	1
	1	**1**
2.7 Revenue from operations		
Sale of services	2	2
	2	**2**

Disaggregate revenue information

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

Fixed price	2	2
	2	**2**

Revenue disaggregation as per geography has been included in segment information (Refer note 2.11).

Remaining performance obligations
Remaining performance obligations are subject to variability due to several factors such as terminations, changes in scope of contracts, periodic revalidations of the estimates, economic factors (changes in currency rates, tax laws etc). As at 31 December 2022, the aggregate amount of transaction price allocated to remaining performance obligation as per the requirements of Ind AS 115 was AZN 2 .This is after exclusions as below:
a)Contracts for which 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. The company does not have any contract assets as on 31 December 2022.

Contract liablities : 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 2022.

	Year Ended	
	31 December 2022	31 December 2021
2.8 Finance Cost		
Interest expenses on loan from related party (refer note 2.13 (c))	-	1
	-	**1**
2.9 Other Expenses		
Provision for doubtful debts	2	-
Professional charges	22	19
	24	**19**

2.10 Income Tax

No tax provision/expense has been made/recognised for the year ended 31 December 2022 as the company has no taxable income.

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

2.11 Segment reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available and whose their results are reviewed regularly by the chief operating decision maker (CODM), for allocation of resources and assessing performance.
The Company's ultimate holding company, HCL Technologies Limited's chief operating decision maker (CODM) reviews its results for allocation of resources and assessing performance by business segment comprising IT and Business Services, Engineering and R&D Services, and Products & Platforms segment. The ultimate Holding Company monitors the risk and returns of the Company's businesses on an entity level and evaluates the performance of the Company as one business segment. 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	Year ended	
	31 December 2022	31 December 2021
	(AZN)	(AZN)
Azerbaijan	2	2
Total	**2**	**2**

2.12 Financial assets and liabilities

The carrying value of financial instruments by categories as at 31 December 2022 is as follows:

Particulars	Amortized cost	Total carrying value
	(AZN)	(AZN)
Financial assets		
Trade receivables	2	2
Cash and cash equivalents	16	16
Total	**18**	**18**
Financial liabilities		
Trade payables	4	4
Others	1	1
Total	**5**	**5**

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	3	3
Cash and cash equivalents	89	89
Total	**92**	**92**
Financial liabilities		
Borrowings	51	51
Trade payables	3	3
Others	1	1
Total	**55**	**55**

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 curriences other than foreign curreny. All the revenue of the Company is in AZN currency while a large protion of costs are in AZN . The fluctuation in exchange rates in respect to AZN 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 loss which is not significant for the period ended 31 December 2022.

Non-derivative foreign currency exposure as of 31 December 2022 in major currency is as below:

	Financial assets		Financial liabilities	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	(AZN)	(AZN)	(AZN)	(AZN)
USD/AZN	16	88	2	53

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's investments are primarily in fixed rate interest bearing investments. Hence the Company is not significantly exposed to interest rate risk.

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

2.12 Financial assets and liabilities (continued)

(iv) 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.

(v) 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 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 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 2022					
Trade payables	4	-	-	-	4
Other financial liabilities	1	-	-	-	1
Total	**5**	**-**	**-**	**-**	**5**
As at 31 December 2021					
Borrowings	-	-	-	51	51
Trade payables	3	-	-	-	3
Other financial liabilities	1	-	-	-	1
Total	**4**	**-**	**-**	**51**	**55**

2.13 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)
HCL Technologies Belgium BVBA(Fellow Subsidiary)

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 2022		
Ultimate Holding company	2	-
Holding company	-	-
Fellow subsidiaries	-	-
Total	**2**	**-**
For the year ended 31 December 2021		
Holding company	-	1
Fellow subsidiaries	1	-
Total	**1**	**1**

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

	Liability for expenses	Trade payables	Advance from group companies	Interest payable short term loans	Short term loan
As at 31 December 2022					
Ultimate Holding company	2	-	-	-	-
Holding company	-	-	-	1	-
Fellow subsidiaries	-	1	-	-	-
Total	**2**	**1**	**-**	**1**	**-**
As at 31 December 2021					
Holding company	-	-	-	1	51
Fellow subsidiaries	-	1	-	-	-
Total	**-**	**1**	**-**	**1**	**51**

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

2.14 Ratio

Ratio	Numerator	Denominator	Units	Year ended 31-Dec-22	Year ended 31-Dec-21	% Variance
Current ratio	Current assets	Current liabilities	Times	3.8	21.7	**-82%**
Debt equity ratio	Total debts (refer note 1 below)	Total equity	Times	-	1.4	**-100%**
Debt service coverage ratio	Earning availables for debt service (refer note 2 below)	Debt service (refer note 3 below)	Times	(0.4)	(30.4)	**-99%**
Return on equity ratio	Profit for the year	Average total equity	%	(1)	(2)	**-60%**
Trade receivables turnover ratio	Revenue from operations	Average trade receivables	Times	0.9	1.4	**-38%**
Trade payables turnover ratio	Net credit purchases (refer note 4 below)	Average trade payables	Times	7.0	11.7	**-40%**
Net capital turnover ratio	Revenue from operations	Working capital (refer note 5 below)	Times	0.2	0.0	**572%**
Net profit ratio	Profit for the year	Revenue from operations	%	(1,128.5)	(935.6)	**21%**
Return on capital employed	Earning before interest and taxes	Capital employed (refer note 6 below)	%	(176.9)	(52.0)	**240%**

Notes :
(1) Total debts consists of borrowings
(2) Earning availables for debt services = Profit for the year + interest + Provision for doubtful debts + non cash charges
(3) Debt service = Interest + principal repayments
(4) Net credit purchase includes purchase of stock-in-trade , change in inventories of stock-in-trade, outsourcing costs and other expenses
(5) Working capital = current assets - current liabilities
(6) Capital employed = Tangible net worth includes acquired goodwill and other intangibles assets + total debt - deferred tax assets
(7) Average is calculated based on simple average of opening and closing balances.

Explanation where change in the ratio is more than 25%
1) Current ratio: Primarily on account of significant decrease in current assets.

2) Debt equity ratio: The company has outsatnding loan of AZN 51 and the same has been paid in current year.

3) Debt service coverage ratio: The company has repaid the loan in current year and also the loss has been widened.

4) Return on equity ratio: As compared to the last year loss has been increased on account of increase in professional charges.

5) Trade Receivables Turnover ratio: This is on account of decrease in revenue and hence corresponding decline in trade receivables.

6)Trade Payables ratio: This is due to decline in trade payables and increase in other expenses majorly professional charges.

7) Net capital turnover ratio: This Ratio decreased primarily on account of significant increase in Trade payables and Liabilities as compared to last year**.**

8) Net profit ratio: As compared to the last year loss has been increased on account of increase in professional charges.

9) Return on capital employed: This is on account of significant decline in total assets and total liabilities.

HCL Technologies Azerbaijan Limited Liability Company

Notes to financial statements for the year ended 31 December 2022

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

2.15 Earnings Per Share (EPS)

Particulars	Year ended	
	31 December 2022	31 December 2021
	(AZN)	(AZN)
Loss for the year attributable to shareholders of the Company	(24)	(19)
Weighted average number of equity shares outstanding in calculating Basic	1,000	1,000
Weighted average number of equity shares outstanding in calculating	1,000	1,000
Nominal value of equity shares (USD)	45	45
Loss per equity share (AZN)		
- Basic	**(0.02)**	**(0.02)**
- Diluted	**(0.02)**	**(0.02)**

2.16 Change in Classification

1. Pursuant to amendment in Schedule III to the Companies Act, 2013, effective from 1 April 2021, the company has modified the classification of certain assets and liabilities. Comparative amounts in the notes to the standalone financial statement were reclassified for consistency.

	As earlier reported	Revised Classification	Difference
Liabilities			
Fiancial Liabilities			
Trade Paybles			
Trade Payables-others	-	1	(1)
Trade Paybles-Related Parties	2	1	1

2.17 Subsequent events

There have been no significant subsequent events since the year ended 31 December 2022 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.

As per our report of even date

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

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

vimal chauhan
vimal chauhan (Jun 7, 2023 23:49 GMT+5.5)

Vimal Chauhan
Partner
Membership Number: 511230

Shiv Kumar Walia
Director

Sundaram Sridharan
Director

Gurugram, India
Date: 7 June 2023

Date: 7 June 2023