HCL Technologies SEP Holdings, Inc.

Financial Statements

For the year ended 31 December 2020 and 2019

HCL Technologies SEP Holdings, Inc.

Balance Sheet as at 31 December 2020

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

	Note No.	As at 31 December 2020 (USD)	As at 31 December 2019 (USD)	As at 31 December 2020 (₹) Refer note 1(a)
I. ASSETS				
(1) Non-current assets				
(a) Financial assets				
(i) Investment	**2.1**	223,366	218,646	16,321,302
(2) Current assets				
(a) Financial assets				
(i) Cash and cash equivalents	**2.2**	3,340	6,495	244,055
(ii) Others	**2.3**	-	508	-
TOTAL ASSETS		**226,706**	**225,649**	**16,565,357**
II. EQUITY				
(a) Equity share capital	**2.4**	-	-	1
(b) Other equity		160,936	167,100	11,759,594
TOTAL EQUITY		**160,936**	**167,100**	**11,759,595**
III. LIABILITIES				
(1) Non - current liabilities				
(a) Financial liabilities				
(i) Others	**2.5**	61,232	54,054	4,474,222
(2) Current liabilities				
(a) Financial liabilities				
(i) Others	**2.5**	4,502	4,400	328,933
(b) Current tax liabilities (net)		36	95	2,607
TOTAL EQUITY AND LIABILITIES		**226,706**	**225,649**	**16,565,357**
Summary of significant accounting policies	**1**			

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

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

Anurag Maheshwary

Anurag Maheshwary
Partner
Membership Number: 506533

Place: Gurugram, India
Date: 18 June 2021

For and on behalf of the Board of Directors of HCL Technologies SEP Holdings, Inc.

G. Anand

Vijay Anand Guntur
Director

prbansal

Prahlad Rai Bansal
Director

Place: Noida (UP), India
Date: 18 June 2021

HCL Technologies SEP Holdings, Inc.

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

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

		Note No.	Year ended 31 December 2020 (USD)	Year ended 31 December 2019 (USD)	Year ended 31 December 2020 (₹)
I	**Revenue**				
	Revenue from operations		-	-	-
	Other income	**2.6**	2,338	6,774	170,838
	Total income		**2,338**	**6,774**	**170,838**
II	**Expenses**				
	Finance costs	**2.7**	11,592	7,293	847,028
	Other expenses	**2.8**	3	27	219
	Total expenses		**11,595**	**7,320**	**847,247**
III	**Loss before tax**		**(9,257)**	**(546)**	**(676,409)**
IV	**Current tax expense**	**2.9**			
	Current tax		36	95	2,607
	Tax for previous years		(19)	(508)	(1,398)
	Total tax expense		17	(413)	1,209
V	**Loss for the year**		**(9,274)**	**(133)**	**(677,618)**
VI	**Other comprehensive income**		-	-	-
VII	**Total comprehensive loss for the year**		**(9,274)**	**(133)**	**(677,618)**
	Loss per equity share of USD par value	**2.10**			
	Basic		(562.78)	(8.06)	(41,120)
	Diluted		(562.78)	(8.06)	(41,120)
	Summary of significant accounting policies	**1**			

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

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

Anurag Maheshwary

Anurag Maheshwary
Partner
Membership Number: 506533

Place: Gurugram, India
Date: 18 June 2021

For and on behalf of the Board of Directors of HCL Technologies SEP Holdings, Inc.

G. Anand

Vijay Anand Guntur
Director

Place: Noida (UP), India
Date: 18 June 2021

prbansal

Prahlad Rai Bansal
Director

HCL Technologies SEP Holdings, Inc.

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

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

	Equity share capital		Other equity			
	Number of Shares	Share capital (refer note below)	Securities premium	Equity component of Preferred Stock (refer note 2.4)	Reserves and Surplus - Retained earnings	Total
Balance as of 1 January 2019	16,500	-	165,000	9,160	(6,927)	167,233
Loss for the period	-	-	-	-	(133)	(133)
Other comprehensive income / (loss)	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(133)	(133)
Balance as of 31 December 2019	16,500	-	165,000	9,160	(7,060)	167,100
Balance as of 1 January 2020	16,500	-	165,000	9,160	(7,060)	167,100
Loss for the year	-	-	-	-	(9,274)	(9,274)
Other comprehensive income (loss)	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(9,274)	(9,274)
Redemption of common stock (refer note 2.4)	(100)	-	(1,000)	-	(610)	(1,610)
Revaluation of equity component of preferred stock (refer note 2.4)	-	-	-	4,720	-	4,720
Balance as of 31 December 2020	16,400	-	164,000	13,880	(16,944)	160,936
Balance as of 31 December 2020 (₹)	16,400	1	11,983,480	1,014,212	(1,238,098)	11,759,594

(In absolute : Share capital amounts to $16)

Summary of significant accounting policies (Note 1)

As per our report of even date attached

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

For and on behalf of the Board of Directors of HCL Technologies SEP Holdings, Inc.

Anurag Maheshwary

Anurag Maheshwary
Partner
Membership Number: 506533

Vijay Anand Guntur
Director

prbansal

Prahlad Rai Bansal
Director

Place: Gurugram, India
Date: 18 June 2021

Place: Noida (UP), India
Date: 18 June 2021

HCL Technologies SEP Holdings, Inc.

Statement of Cash flows for the year ended 31 December 2020

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

	Year ended 31 December 2020 (USD)	Year ended 31 December 2019 (USD)	Year ended 31 December 2020 (₹)
A. Cash flows from operating activities			
Loss before tax	(9,257)	(546)	(676,409)
Adjustment for:			
Interest expense on liability component of preference share capital	11,583	7,291	846,370
Dividend from subsidiary	(2,188)	(6,372)	(159,877)
Interest income on escrow balance	(136)	(387)	(9,938)
	2	(14)	146
Net change in			
Other receivable	508	-	37,123
Other payable	102	-	7,425
Income taxes	(76)	-	(5,553)
Net cash flow from (used) in operating activities (A)	**536**	**(14)**	**39,141**
B. Cash flows from investing activities			
Dividend from subsidiary	2,188	6,372	159,877
Interest income on escrow balance	136	387	9,938
Working capital adjustment in purchase consideration	-	2,253	-
Payment to employees of subsidiary in respect to unvested options considered as investment	-	(2,430)	-
Net cash flow from investing activities (B)	**2,324**	**6,582**	**169,815**
C. Cash flows from financing activities			
Payment of dividend on preference share capital	(4,405)	(4,154)	(321,873)
Redemption of common stock	(1,610)	-	(117,606)
Net cash flow used in financing activities (C)	**(6,015)**	**(4,154)**	**(439,479)**
Net increase (decrease) in cash and cash equivalents (A+B+C)	(3,155)	2,414	(230,523)
Cash and cash equivalents at the beginning of the year	6,495	4,081	474,578
Cash and cash equivalents at the end of the year as per note 2.2	**3,340**	**6,495**	**244,055**
Summary of significant accounting policies (Note 1)			

As per our report of even date attached

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

Anurag Maheshwary

Anurag Maheshwary
Partner
Membership Number: 506533

Place: Gurugram, India
Date: 18 June 2021

For and on behalf of the Board of Directors
of HCL Technologies SEP Holdings, Inc.

Vijay Anand Guntur
Director

prbansal

Prahlad Rai Bansal
Director

Place: Noida (UP), India
Date: 18 June 2021

ORGANIZATION AND NATURE OF OPERATIONS

HCL Technologies SEP Holdings, Inc. (hereinafter referred to as "the Company") was incorporated in state of Delaware on 28 March 2018. The Company acts as a parent and has invested in subsidiary which is primarily engaged in business of providing software solutions for enterprises.

The financial statements for the year ended 31 December 2020 were approved and authorized for issue by the Board of Directors on 18 June 2021.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules as amended from time to time and presentation requirements of Schedule III (Division II) to the Companies Act, 2013, as applicable to the financial statements. These financial statements have been prepared on the request of "HCL Technologies Limited" to comply with the financial reporting requirement in India.

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

As the company is not domiciled in India and hence not registered under Companies Act 2013, these financial statements have not been prepared to fully comply with the Companies Act 2013, and so they do not reflect all the disclosures requirements of the Act.

The functional currency of the Company is US Dollars (USD). The translation from USD to ₹ is included solely for the convenience of readers in India and has been performed using rate of USD 1 = ₹ 73.07, the exchange rate prevailing as at the last day of the financial year. Such translation should not be construed as representation that the ₹ amount represents, or have been or could be converted into, USD at that or any other rate.

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.

(b) *Use of estimates*

The preparation of financial statements in conformity with Ind AS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and other comprehensive income (OCI) that are reported and disclosed in the financial statements and accompanying notes. These estimates are based on the management's best knowledge of current events, historical experience, actions that the Company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Significant estimates and assumptions are used for income taxes and fair valuation of financial liabilities. Changes in estimates are reflected in the financial statements in the year in which the changes are made. Actual results could differ from those estimates.

In view of pandemic relating to COVID -19, the company has considered and taken into account internal and external information in assessing the recoverability of investment, 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) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the aggregate of the consideration transferred measured at fair value at the acquisition date. Acquisition related costs are expensed as incurred. Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as financial liability is measured at fair value with changes in fair value recognized in the statement of profit and loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the excess is recognized as capital reserve after reassessing the fair values of the net assets.

(d) Foreign currency and translation

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated to the relevant functional currency at exchange rates in effect at the balance sheet date. Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of initial transaction. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

(e) Fair value measurement

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

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

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

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

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

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

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

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

c) Cost approach – Replacement cost method.

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

(f) Financial Instruments

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

i. **Financial assets**

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

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

Equity investments
Equity investments in subsidiaries are measured at cost less impairment if any. Dividends from subsidiaries are recognized in statement of profit or loss when the right to receive payment of reliably measurable dividend is established and payment is probable.

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.

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.

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 subsequent measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. Changes in fair value of such liability are recognized in the statement of profit or loss.

Financial liabilities at amortized cost
The Company's financial liabilities at amortized cost includes trade payables, borrowings including bank overdrafts and other payables.

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in the statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process. 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.

(g) Income taxes

Income tax expense comprises current and deferred income tax.

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

Deferred income tax assets and liabilities recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. For this purpose, reversal of timing differences is determined using first-in-first-out method.

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.

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

(h) Dividend

Dividends are provided for on declaration by the Board of Directors.

(i) Earnings per share (EPS)

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

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

(j) Provisions and contingent liabilities

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

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

(k) Nature and purpose of reserves

Securities premium reserve
Securities premium reserve is used to record the premium on issue of shares.

Equity component of Preferred Stock
The reserve is used to record the equity component of compound financial instrument issued by the Company as per the accounting guidance. Same can be utilized for the redemption of preferred stock.

(l) Recently issued accounting pronouncements

On 24 March 2021, the Ministry of Corporate Affairs (MCA), notified amendments in Schedule III to the Companies Act, 2013 effective from 1 April 2021.

The Company is currently evaluating the impact of these amendment on its financial statements.

HCL Technologies SEP Holdings, Inc.

Notes to financial statements for the year ended 31 December 2020

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

2.1 Investments

	As at		
	31 December 2020	**31 December 2019**	**31 December 2020**
	(USD)	**(USD)**	**(₹)**
Investment in equity shares of Actian Corporation Inc.	223,366	218,646	16,321,302
	223,366	**218,646**	**16,321,302**

Note : Investment as on 31 December 2020 has been increased by $4,720 with corresponding increase in value of equity component of preferred stock on account of revaluation of conversion option of preferred stock.

2.2 Cash and cash equivalent

	As at		
	31 December 2020	**31 December 2019**	**31 December 2020**
	(USD)	**(USD)**	**(₹)**
Carried at amortized cost			
Balance with banks			
- in current accounts	3,340	6,495	244,055
	3,340	**6,495**	**244,055**

2.3 Other financial assets

	As at		
	31 December 2020	**31 December 2019**	**31 December 2020**
	(USD)	**(USD)**	**(₹)**
Current			
Carried at amortized cost			
Other receivable - related party (refer note 2.11)	-	508	-
	-	**508**	**-**

The Company assessed that fair value of cash and other receivables which approximate their carrying amounts due to the short-term maturities of these instruments.

HCL Technologies SEP Holdings, Inc.
Notes to financial statements for the year ended 31 December 2020
(All amounts in thousands, except share data and as stated otherwise)

2.4 Share Capital

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(USD)	(USD)	(₹)
Issued, subscribed and fully paid up			
16,400 (31 December 2019, 16,500) common stock of par value $0.001 per share *	0	0	1
4,000 Series A Preferred Stock of par value $0.001 per share **	0	0	0

* Absolute amount $16.40 (₹ 1,198)
** Absolute amount $4 (₹ 292)

Terms / rights attached to common stock
Each shareholder is entitled to one vote per share. In the event of liquidation of the Company, the share holders will be entitled to receive remaining assets of the company, after distribution of all preferential amounts.

Reconciliation of the number of common stock outstanding at the beginning and at the end of the financial year

	As at					
	31 December 2020		31 December 2019		31 December 2020	
	No. of shares	(USD)	No. of shares	(USD)	No. of shares	(₹)
Number of shares at the beginning	16,500	0	16,500	0	16,500	1
Less: shares redeemed during the year (refer note below)	(100)	-	-	-	(100)	-
Number of shares at the end	16,400	0	16,500	0	16,400	1

During the year, in accordance with an agreement entered with one of the shareholder, the Company has re-purchased 100 shares at a price of $16,095/- per share agreegating to $1,610. Upon the Company's purchase and redemption of the shares from seller, the shares were cancelled and retired by the Company.

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

Name of the shareholder	As at			
	31 December 2020		31 December 2019	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of par value $0.001 each fully paid				
HCL America Inc.	16,400	100.00%	16,400	99.39%

Terms/ rights attached to Series A Preferred Stock
As part of the joint venture agreement between parent and SEP, SEP has contributed $40,000 in form of Series A Preferred Stock qualified as "compound financial instrument" (equity and financial liability) in the books of the Company. The compound financial instrument carries 11% cumulative dividend rights with participating dividend rights, conversion rights into equity, voting rights and has a put option, after the expiry of 3 years to require the Company to repurchase all the stake owned by SEP at a price dependent upon performance of the subsidiary "Actian Corporation". The parent also has a call option to purchase all stake held by SEP after the expiry of 4.5 years at a price dependent upon the performance of "Actian Corporation".

The contribution by SEP of $40,000 including the value of put option have been initially fair valued at $60,820 and has been treated as compound financial instrument as per the guidance under Ind AS 109. The compound financial instrument has been fair valued and equity portion has been segregated and recorded as other equity of $9,160 and financial liability of $51,660. Further, during the year ended 31 December 2020, equity component of preferred stock has been increased by $4,720 with corresponding increase in value Investments on account of revaluation of conversion option of preferred stock.

During the year ended 31 December 2020, finance cost of $11,583 (previous period $7,291) has been recognized on preferred stock.

2.4 Share Capital (continued)

Capital management

This is an investment Company for acquisition of Actian Corporation Inc. and initial funding requirement was contributed by the shareholders of the Company. The continuous funding requirements are generally met through cash flows received from subsidiary by way of dividend.

2.5 Other financial liabilities

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(USD)	(USD)	(₹)
Non - current			
Carried at fair value through profit and loss			
Liability component of preference share capital	61,232	54,054	4,474,222
Current			
Carried at amortized cost			
Other payable - related party (refer note 2.11)	102	-	7,425
Carried at fair value through profit and loss			
Liability component of preference share capital	4,400	4,400	321,508
	4,502	4,400	328,933

The financial liability component of preferred share capital is initially and subsequently re-measured based on independent third party valuation using "Monte Carlo Simulation" methodology. Change in significant unobservable input of volatility in the valuation by 500 bps does not have a significant impact on the carrying value of the liability in the financial statement.

The following table discloses reconciliation of financial the above liability categorized as Level 3 of the fair value hierarchy:

	Year ended		
	31 December 2020	31 December 2019	31 December 2020
	(USD)	(USD)	(₹)
Balance at the beginning of the year	58,454	55,317	4,271,233
Fair value changes on liabilities carried at fair value through profit and loss	11,583	7,291	846,370
Payment of liability	(4,405)	(4,154)	(321,873)
Balance at the end of the year	65,632	58,454	4,795,730

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

Maturity profile of the above liability based on expected payments is as below:

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(USD)	(USD)	(₹)
Year 1 (current)	4,400	4,400	321,508
Year 2 onwards	61,232	54,054	4,474,222
	65,632	58,454	4,795,730

Also refer note 2.4 for terms/ rights attached to Series A Preferred Stock

HCL Technologies SEP Holdings, Inc.

Notes to financial statements for the year ended 31 December 2020

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

2.6 Other income

	Year ended		
	31 December 2020	**31 December 2019**	**31 December 2020**
	(USD)	**(USD)**	**(₹)**
Dividend from subsidiary	2,188	6,372	159,877
Interest			
-on escrow balance	136	387	9,938
-on bank balance	14	15	1,023
	2,338	**6,774**	**170,838**

2.7 Finance cost

	Year ended		
	31 December 2020	**31 December 2019**	**31 December 2020**
	(USD)	**(USD)**	**(₹)**
Fair value changes on liabilities carried at fair value through profit and loss	11,583	7,291	846,370
Bank charges	9	2	658
	11,592	**7,293**	**847,028**

2.8 Other expenses

	Year ended		
	31 December 2020	**31 December 2019**	**31 December 2020**
	(USD)	**(USD)**	**(₹)**
Legal and professional charges	3	27	219
	3	**27**	**219**

2.9 Income taxes

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

	Year ended		
	31 December 2020	**31 December 2019**	**31 December 2020**
	(USD)	**(USD)**	**(₹)**
Profit before income tax	(9,257)	(546)	(676,409)
Statutory tax rate in USA	25.66%	25.40%	25.40%
Expected tax expense	(2,375)	(139)	(173,541)
Dividend from subsidiary	(561)	(1,618)	(41,023)
Finance cost	2,972	1,852	217,171
Tax benefit for US parent consolidated return for previous year	(19)	(508)	(1,398)
Total taxes	17	(413)	1,209
Effective income tax rate	-0.18%	75.64%	-0.18%

2.10 Earnings Per Share

The computation of earnings per share is as follows:

	31 December 2020	31 December 2019	31 December 2020
	(USD)	(USD)	(₹)
Net loss as per statement of profit and loss	(9,274)	(133)	(677,618)
Weighted average number of equity shares outstanding in calculating Basic EPS	16,479	16,500	16,479
Weighted average number of equity shares outstanding in calculating dilutive EPS (refer note below)	16,479	16,500	16,479
Nominal value of equity shares (in USD)	0.00	0.00	0.00
Earnings per equity share (in USD)			
- Basic	(562.78)	(8.06)	(41,120)
- Diluted	(562.78)	(8.06)	(41,120)

Note: For the year ended 31 December 2020 and 2019, 4,000 equity shares issuable on conversion of preference shares were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

2.11 Related party transactions

a) Related parties where control exists

Actian Corporation	Subsidiary

b) Others

HCL America, Inc.	Holding Company
SEP Octavian L.P.	Significant influence

Transactions with related parties during the normal course of business	Subsidiary	Holding Company	Significant influence
For the year ended 31 December 2020		(USD)	
Dividend income	2,188	-	-
Interest accrued on liability component of preference share capital	-	-	11,583
Payment of dividend on preference share capital	-	-	4,405
For the year ended 31 December 2019		(USD)	
Dividend income	6,372	-	-
Interest accrued on liability component of preference share capital	-	-	7,291
Payment of dividend on preference share capital	-	-	4,154
Payment to employees of subsidiary in respect to unvested options considered as investment	2,430	-	-
For the year ended 31 December 2020		(₹)	
Dividend income	159,877	-	-
Interest accrued on liability component of preference share capital	-	-	846,370
Payment of dividend on preference share capital	-	-	321,873

HCL Technologies SEP Holdings, Inc.
Notes to financial statements for the year ended 31 December 2020
(All amounts in thousands, except share data and as stated otherwise)

2.11 Related party transactions (continued)

Outstanding balances	Subsidiary	Holding Company	Significant influence
As at 31 December 2020		**(USD)**	
Liability component of preference share capital	-	-	65,632
Other payable	-	102	-
As at 31 December 2019		**(USD)**	
Liability component of preference share capital	-	-	58,454
Other receivable	-	508	-
As at 31 December 2020		**(₹)**	
Liability component of preference share capital	-	-	4,795,730
Other payable	-	7,425	-

2.12 Segment reporting
The company is involved in single business activity of holding investments and earning income thereon and operates in a single geography. Accordingly, segment reporting as envisaged in the Ind AS-108 "Operating Segments" is not applicable.

As per our report of even date attached

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

Anurag Maheshwary

Anurag Maheshwary
Partner
Membership Number: 506533

Place: Gurugram, India
Date: 18 June 2021

For and on behalf of the Board of Directors
of HCL Technologies SEP Holdings, Inc.

G. Vijay

Vijay Anand Guntur
Director

prbansal

Prahlad Rai Bansal
Director

Place: Noida (UP), India
Date: 18 June 2021