

HCL Technologies Azerbaijan Limited Liability Company
Financial statements
for the year ended 31 December 2023 and 2022

B S R & Co. LLP

Chartered Accountants

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

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

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 2023, 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 2023, and its loss 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 22,061 for the year ended 31 December 2023 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.



Managements 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.



Place: Gurugram, India
Date: 7th May 2024

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

A handwritten signature in blue ink, appearing to read "Rakesh Dewan".

Rakesh Dewan
Partner
Membership No. 092212
ICAI UDIN: 24092212BKFADZ8043

HCL Technologies Azerbaijan Limited Liability Company
Balance Sheet as at 31 December 2023
(All amounts in thousands except share data and as stated otherwise)

	Note No.	As at 31 December 2023 (AZN)	As at 31 December 2022 (AZN)
I. ASSETS			
(1) Current Assets			
(a) Financial assets			
(i) Trade receivables	2.1	5	2
(ii) Cash and cash equivalents	2.2	16	16
Total Current Assets		21	18
TOTAL ASSETS		21	18
II. EQUITY			
(a) Equity share capital	2.3	78	78
(b) Other equity		(87)	(65)
TOTAL EQUITY		(9)	13
III. LIABILITIES			
(1) Current Liabilities			
(a) Financial liabilities			
(i) Borrowings	2.4	21	-
(ii) Trade payables	2.5	8	4
(iii) Others	2.6	1	1
Total Current Liabilities		30	5
TOTAL LIABILITIES		30	5
TOTAL EQUITY AND LIABILITIES		21	18
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



Rakesh Dewan
Partner
Membership Number: 092212

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



Shiv Kumar Walia
Director



Goutam Rungta
Director

Gurugram, India
Date: 07 May 2024

Date: 07 May 2024



HCL Technologies Azerbaijan Limited Liability Company
Statement of Profit and Loss for the year ended 31 December 2023
(All amounts in thousands except share data and as stated otherwise)

	Note No.	Year ended	
		31 December 2023 (AZN)	31 December 2022 (AZN)
I Revenue			
Revenue from operations	2.7	3	2
Total income		<u>3</u>	<u>2</u>
II Expenses			
Outsourcing costs		3	2
Other expenses	2.8	22	24
Total expenses		<u>25</u>	<u>26</u>
III Loss before tax		<u>(22)</u>	<u>(24)</u>
IV Tax expense			
Tax expense		-	-
V Loss for the year		(22)	(24)
VI Other comprehensive income		-	-
VII Total Comprehensive loss for the year		<u>(22)</u>	<u>(24)</u>
Earnings per equity share of USD 45 each			
Basic (in AZN)	2.14	(0.02)	(0.02)
Diluted (in AZN)	2.14	(0.02)	(0.02)
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



Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date: 07 May 2024

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



Shiv Kumar Walia
Director

Date: 07 May 2024



Goutam Rungta
Director



HCL Technologies Azerbaijan Limited Liability Company
Statement of Changes in Equity for the year ended 31 December 2023
(All amounts in thousands except share data and as stated otherwise)

	Equity share capital (AZN)	Other Equity (AZN)
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)
Loss for the year	-	(22)
Total comprehensive loss for the year	-	(22)
Balance as at 31 December 2023	78	(87)

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
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Rakesh Dewan
Partner
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Gurugram, India
Date: 07 May 2024

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



Shiv Kumar Walia
Director

Date: 07 May 2024



Goutam Rungta
Director



HCL Technologies Azerbaijan Limited Liability Company
Statement of Cash Flows for the year ended 31 December 2023
(All amounts in thousands except share data and as stated otherwise)

	Note No.	Year ended	
		31 December 2023 (AZN)	31 December 2022 (AZN)
A. Cash flows from operating activities			
Loss before tax		(22)	(24)
		(22)	(24)
Net change in:			
Trade receivables		(3)	1
Trade payables		4	2
Other financial liabilities		-	(1)
Cash used in operations		(21)	(22)
Income taxes paid		-	-
Net cash used in operating activities	(A)	(21)	(22)
C. Cash flows from financing activities			
Repayment of borrowings (refer note 2.12(d))		-	(51)
Proceeds from borrowings (refer note 2.12(d))		21	-
Net cash flow from/(used in) financing activities	(B)	21	(51)
Net decrease in cash and cash equivalents (A+B)		-	(73)
Cash and cash equivalents at the beginning of the year		16	89
Cash and cash equivalents at the end of the year	2.2	16	16
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



Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date: 07 May 2024

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



Shiv Kumar Walia
Director

Date: 07 May 2024



Goutam Rungta
Director



HCL Technologies Azerbaijan Limited Liability Company
Note to financial statements for the year ended 31 December 2023
(All amounts in thousands except share data and as stated otherwise)

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 2023 were approved and authorized for issue by the Board of Directors on 07 May 2024.

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 22,061 for the year ended 31 December 2023 and the net worth has declined due to loss incurred. Also, the cash flows during the year ended 31 December 2023 were nil. The company is in the process of making future business plans and bidding for new customers. To meet the working capital requirements, HCL Technologies UK Limited, the 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 or 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. There are no new accounting standards adopted or revision to an existing accounting standard which requires any 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, judgements and assumptions

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. 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, judgements and assumptions are used for, but not limited to,

- i. Accounting for costs expected to be incurred to complete performance under fixed price projects, refer note 1(e)
- ii. Allowance for uncollectible accounts receivables, refer note 1(h)(i).



HCL Technologies Azerbaijan Limited Liability Company
Note to financial statements for the year ended 31 December 2023
(All amounts in thousands except share data and as stated otherwise)

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

Fixed Price contracts

Revenue related to fixed price contracts where performance obligations and control are satisfied over a period of time like technology integration, complex network building contracts, ERP implementations and Application development are recognized based on progress towards completion of the performance obligation using a cost-to-cost measure of progress (i.e., percentage-of-completion (POC) method of accounting). Revenue is recognized based on the costs incurred to date as a percentage of the total estimated costs to fulfill the contract. Any revision in cost to complete would result in increase or decrease in revenue and such changes are recorded in the period in which 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.

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.

HCL Technologies Azerbaijan Limited Liability Company
Note to financial statements for the year ended 31 December 2023
(All amounts in thousands except share data and as stated otherwise)

e) Revenue Recognition(continued)

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.



HCL Technologies Azerbaijan Limited Liability Company
Note to financial statements for the year ended 31 December 2023
(All amounts in thousands except share data and as stated otherwise)

f) Income Taxes(continued)

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.

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.

B

HCL Technologies Azerbaijan Limited Liability Company
Note to financial statements for the year ended 31 December 2023
(All amounts in thousands except share data and as stated otherwise)

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

Adoption of new accounting principles

Onerous contracts – cost of fulfilling a contract (amendment to Ind AS 37 - Provisions, Contingent Liabilities and Contingent Assets). The amendment clarified that the 'costs of fulfilling a contract' comprise both the incremental costs and allocation of other direct costs. The Company has adopted this amendment effective 1 January 2023 and the adoption did not have any material impact on its financial statements.

Recently issued accounting pronouncements

On 31 March 2023, the Ministry of Corporate Affairs (MCA), notified Companies (Indian Accounting Standards) Amendment Rules, 2023 effective from 1 April 2023. Following is key amended provision which is relevant for financial statements of the Company:

Disclosure of accounting policies (amendments to Ind AS 1 - Presentation of Financial Statements)

The amendments intend to assist in deciding which accounting policies to disclose in the financial statements. The amendments to Ind AS 1 require entities to disclose their material accounting policies rather than their significant accounting policies. The amendments provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Company does not expect this amendment to have any significant impact in its financial statements.



HCL Technologies Azerbaijan Limited Liability Company
Note to financial statements for the year ended 31 December 2023
(All amounts in thousands except share data and as stated otherwise)

Definition of accounting estimate (amendments to Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)

The amendments distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates has been replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The Company does not expect this amendment to have any significant impact in its financial statements.

Deferred tax related to assets and liabilities arising from a single transaction (amendments to Ind AS 12 - Income taxes)

The amendments specify how to account for deferred tax on transactions such as leases. The amendments clarify that lease transactions give rise to equal and offsetting temporary differences and financial statements should reflect the future tax impacts of these transactions through recognizing deferred tax. The Company is evaluating the impact, if any, in its financial statements.



HCL Technologies Azerbaijan Limited Liability Company
Notes to financial statements for the year ended 31 December 2023
(All amounts in thousands except share data and as stated otherwise)

	As at	
	31 December 2023 (AZN)	31 December 2022 (AZN)
2.1 Trade Receivable		
Billed		
Unsecured, considered good	4	2
Impairment allowance for bad and doubtful debts	(2)	(2)
Unbilled receivables	3	2
	5	2

Trade receivables - current	Not Due	Outstanding as at 31st December 2023 from the due date of payment					Total
		Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed- considered good	1	1	-	1	1	-	4
Impairment allowance for bad and doubtful debts	-	-	-	(1)	(1)	-	(2)
Unbilled receivables	3	-	-	-	-	-	3
							5

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

	As at	
	31 December 2023 (AZN)	31 December 2022 (AZN)
2.2 Cash and cash equivalents		
Balances with banks	16	16
	16	16

	As at	
	31 December 2023 (AZN)	31 December 2022 (AZN)
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 2023		31 December 2022	
	No. of shares	Amount in AZN	No. of shares	Amount in AZN
Number of shares at the beginning	1,000	78	1,000	78
Number of shares at the end	1,000	78	1,000	78
Shares held by holding Company:-				
	As at			
	31 December 2023		31 December 2022	
	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%
HCL Bermuda Limited	1	0.10%	1	0.10%

B

HCL Technologies Azerbaijan Limited Liability Company
Notes to financial statements for the year ended 31 December 2023
(All amounts in thousands except 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 2023		31 December 2022	
	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%

Details of promoters holding shares in the company:-

	As at			
	31 December 2023		31 December 2022	
	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 2023	31 December 2022
	(AZN)	(AZN)
2.4 Borrowings		
Short term borrowings unsecured		
From related parties (refer note 2.12 (d))	21	-
	21	-

	As at	
	31 December 2023	31 December 2022
	(AZN)	(AZN)
2.5 Trade payables		
Trade payables	1	-
Trade payables-related parties (refer note 2.12 (d))	3	1
Unbilled and accruals	1	1
Unbilled and accruals-related parties (refer note 2.12 (d))	3	2
	8	4

Particulars	Not Due	Outstanding as at 31st December 2023 from the due date of Payment				
		Less than 1 year	1-2 year	2-3 years	more than 3 years	Total
		Trade paybles	1	-	-	-
Trade paybles-related parties	-	2	-	1	3	
					4	
Unbilled and accruals					4	
					8	

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-related parties	-	-	1	-
					1	
Unbilled and accruals					3	
					4	

HCL Technologies Azerbaijan Limited Liability Company
Notes to financial statements for the year ended 31 December 2023
(All amounts in thousands except share data and as stated otherwise)

	As at	
	31 December 2023	31 December 2022
	(AZN)	(AZN)
2.6 Other financial liabilities		
Interest payable to related party (refer note 2.12 (d))	1	1
	<u>1</u>	<u>1</u>

	For the year ended	
	31 December 2023	31 December 2022
	(AZN)	(AZN)
2.7 Revenue from operations		
Sale of services	3	2
	<u>3</u>	<u>2</u>

	For the year ended	
	31 December 2023	31 December 2022
	(AZN)	(AZN)
Disaggregate revenue information		
The disaggregated revenue from contracts with the customers by contract type is as follows:		
Fixed price	3	2
	<u>3</u>	<u>2</u>

Revenue disaggregation as per geography has been included in segment information (Refer note 2.10).

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 2023, the aggregate amount of transaction price allocated to remaining performance obligation as per the requirements of Ind AS 115 was AZN 9. 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 2023.

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 2023.

	For the year ended	
	31 December 2023	31 December 2022
	AZN	AZN
2.8 Other Expenses		
Provision for doubtful debts	-	2
Legal and professional charges	22	22
	<u>22</u>	<u>24</u>

2.9 Income Tax

No tax provision/expense has been made/recognised for the year ended 31 December 2023 as the company has no taxable income.

HCL Technologies Azerbaijan Limited Liability Company

Notes to financial statements for the year ended 31 December 2023

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

2.10 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	Year ended	
	31 December 2023	31 December 2022
	(AZN)	(AZN)
Azerbaijan	3	2
Total	3	2

2.11 Financial assets and liabilities

The carrying value of financial instruments by categories as at 31 December 2023 is as follows:

Particulars	Amortized cost	Total carrying value
	(AZN)	(AZN)
Financial assets		
Trade receivables	5	5
Cash and cash equivalents	16	16
Total	21	21
Financial liabilities		
Trade payables	8	8
Borrowings	21	21
Others	1	1
Total	30	30

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 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 which is not significant for the period ended 31 December 2023.

Non-derivative foreign currency exposure as of 31 December 2023 in major currency is as below which is shown in AZN'000:

	Financial assets		Financial liabilities	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	(AZN)	(AZN)	(AZN)	(AZN)
USD / AZN	-	-	-	-

(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 exposure to the risk of changes in market interest rates arises on borrowings with floating interest rate.

B

HCL Technologies Azerbaijan Limited Liability Company

Notes to financial statements for the year ended 31 December 2023

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

2.11 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. The entity periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of trade receivables. By their nature, all such financial instruments involve risks.

The allowance for lifetime expected credit loss on customer balance is as below:

	As at	
	31 December 2023 (AZN)	31 December 2022 (AZN)
Balance at the beginning of the year	2	-
Addition/(Reversal) during the year	-	2
Balance at the end of the year	2	2

(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 has access to internal sources of funding to meet the financial obligations and maintain adequate liquidity for use in future. Moreover, the company has future business plans of generating revenues which will mitigate the liquidity risk factor to a large extent.

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 2023					
Borrowings	21	-	-	-	21
Trade payables	8	-	-	-	8
Other financial liabilities	1	-	-	-	1
Total	30	-	-	-	30
As at 31 December 2022					
Trade payables	4	-	-	-	4
Other financial liabilities	1	-	-	-	1
Total	5	-	-	-	5

2.12 Related parties

a) Related parties where control exists

HCL Technologies Limited, India (Ultimate holding company)

HCL Technologies UK Limited.(Holding company)

HCL Bermuda Limited

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

HCL Technologies Belgium BVBA(Fellow Subsidiary)

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

	(Amount in AZN)
	Outsourcing Cost
For the year ended 31 December 2023	
Ultimate Holding company	3
Total	3
For the year ended 31 December 2022	
Ultimate Holding company	2
Total	2

d) Outstanding balances of related parties

	(Amount in AZN)			
	Liability for expenses	Trade payables	Interest payable short term loans	Short term loan
As at 31 December 2023				
Ultimate Holding company	3	2	-	-
Holding company	-	-	1	21
Fellow subsidiaries	-	1	-	-
Total	3	3	1	21
As at 31 December 2022				
Ultimate Holding company	2	-	-	-
Holding company	-	-	1	-
Fellow subsidiaries	-	1	-	-
Total	2	1	1	-

B

HCL Technologies Azerbaijan Limited Liability Company
Notes to financial statements for the year ended 31 December 2023

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

2.13 Ratio

Ratio	Numerator	Denominator	Units	Year ended		% Variance
				31 December 2023	31 December 2022	
Current ratio	Current assets	Current liabilities	Times	0.7	3.8	-82%
Debt equity ratio	Total debts (refer note 1 below)	Total equity	Times	(2.3)	-	0%
Debt service coverage ratio	Earning availables for debt service (refer note 2 below)	Debt service (refer note 3 below)	Times	(22.1)	(0.4)	5202%
Return on equity ratio	Profit for the year	Average total equity	%	(11)	(1)	1049%
Trade receivables turnover ratio	Revenue from operations	Average trade receivables	Times	0.9	0.9	11%
Trade payables turnover ratio	Net credit purchases (refer note 4 below)	Average trade payables	Times	4.2	7	-44%
Net capital turnover ratio	Revenue from operations	Working capital (refer note 5 below)	Times	(0.3)	0.2	-318%
Net profit ratio	Profit for the year	Revenue from operations	%	(682.0)	(1,128.5)	-40%
Return on capital employed	Earning before interest and taxes	Capital employed (refer note 6 below)	%	(186.9)	(176.9)	6%

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 increase in current liabilities.
- 2) **Debt service coverage ratio:** The company has taken a loan in current year.
- 3) **Return on equity ratio:** As compared to the last year loss has been decreased and net worth has declined.
- 4) **Trade payables ratio:** This is due to increase in trade payables.
- 5) **Net capital turnover ratio:** This Ratio increased primarily on account of significant increase in Trade payables and loan taken in current year.
- 6) **Net profit ratio:** As compared to the last year loss has decreased.

8

HCL Technologies Azerbaijan Limited Liability Company

Notes to financial statements for the year ended 31 December 2023

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

2.14 Earnings Per Share (EPS)

Particulars	Year ended	
	31 December 2023	31 December 2022
	(AZN)	(AZN)
Loss for the year attributable to shareholders of the Company	(22)	(24)
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)

2.15 Subsequent events

There have been no significant subsequent events since the year ended 31 December 2023 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



Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date: 07 May 2024

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



Shiv Kumar Walia
Director



Goutam Rungta
Director

Date: 07 May 2024

