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 Chile Spa.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HCL Technologies Chile Spa. (the " Company"), which comprise the Balance Sheet as at 31 December 2021, and the Statement of Profit and Loss (including other comprehensive income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information (collectively referred to as "the financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 ('the Act') and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 December 2021, 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 the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

Management's and Board of Directors' 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') and presentation requirements of Schedule III (Division II) to the Companies Act, 2013, as applicable, to the financial statements. This responsibility also includes maintenance of adequate accounting records for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's Internal Control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the financial statements made by the Management and Board of Directors.

- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matter-Restriction on Use

These financial statements are prepared for the use of the Company and the ultimate holding Company, HCL Technologies Limited, to comply with the requirements of the Act. These financial statements are not the statutory financial statements of the Company. As a result, these financial statements may not be suitable for any other purpose. Our report must not be copied, disclosed, quoted, or referred to, in correspondence or discussion, in whole or in part to anyone other than the purpose for which it has been issued without our prior written consent.

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

VIMAL CHAUHAN Digitally signed by VIMAL CHAUHAN Date: 2022.07.06 21:37:00 +05'30'

Vimal Chauhan
Partner
Membership No. 511230
ICAI UDIN: 22511230AMHTWZ2521

Place: Gurugram, India
Date: 06 July 2022

HCL Technologies Chile Spa

Financial Statements

For the year ended 31st December 2021 and 2020

HCL Technologies Chile Spa

Balance Sheet as at 31 December 2021

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

	Note No.	As at 31 December 2021 (CLP)	As at 31 December 2020 (CLP)
I. ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	2.1	209,892	361,743
(b) Other intangible assets	2.2	155	5,839
(c) Financial assets			
(i) Others	2.3	166,752	436,443
(d) Deferred tax assets (net)	2.10	878,795	904,929
(e) Other non-current assets	2.4	351	5,260
(2) Current assets			
(a) Inventories	2.5	169,192	253,416
(b) Financial assets			
(i) Trade receivables	2.6	2,752,106	2,357,001
(ii) Cash and cash equivalents	2.7	5,644,295	7,229,126
(iii) Others	2.3	617,815	589,046
(c) Other current assets	2.8	92,919	61,971
TOTAL ASSETS		**10,532,272**	**12,204,774**
II. EQUITY			
(a) Equity share capital	2.9	602,000	602,000
(b) Other equity		3,313,283	2,623,194
TOTAL EQUITY		**3,915,283**	**3,225,194**
III. LIABILITIES			
(1) Non - current liabilities			
(a) Financial liabilities			
(i) Lease liabilities	2.20	10,180	4,560
(2) Current liabilities			
(a) Financial liabilities			
(i) Trade payables	2.11	2,739,600	6,860,848
(ii) Lease liabilities	2.20	12,671	2,588
(iii) Others	2.12	2,268,900	1,247,058
(b) Other current liabilities	2.13	884,118	99,548
(c) Current tax liabilities (net)		701,520	764,978
TOTAL EQUITY AND LIABILITIES		**10,532,272**	**12,204,774**
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
ICAI Firm Registration Number : 101248W/W-100022

VIMAL CHAUHAN Digitally signed by VIMAL CHAUHAN Date: 2022.07.06 21:32:06 +05'30'

Vimal Chauhan
Partner
Membership Number: 511230

Gurugram, India
Date: 06 July 2022

For and on behalf of the Board of Directors
of HCL Technologies Chile Spa

RAGHU RAMAN LAKSHMANAN Digitally signed by RAGHU RAMAN LAKSHMANAN Date: 2022.07.06 18:00:11 +05'30'

Raghu Raman Lakshmanan
Director

SHIV KUMAR WALIA Digitally signed by SHIV KUMAR WALIA Date: 2022.07.06 17:59:44 +05'30'

Shiv Kumar Walia
Director

Date: 06 July 2022

HCL Technologies Chile Spa
Statement of Profit and Loss for the year ended 31 December 2021
(All amounts in thousands, except share data and as stated otherwise)

		Note No.	Year ended 31 December 2021 (CLP)	Year ended 31 December 2020 (CLP)
I	**Revenue**			
	Revenue from operations	**2.14**	7,593,607	8,011,794
	Other income	**2.15**	452,285	27,250
	Total income		**8,045,892**	**8,039,044**
II	**Expenses**			
	Purchase of stock in trade		146,197	826,075
	Changes in inventories of stock in trade	**2.16**	84,224	(168,933)
	Finance costs	**2.17**	24,263	14,318
	Depreciation and amortization expense		137,700	173,089
	Outsourcing costs		6,587,264	5,747,590
	Other expenses	**2.18**	198,217	810,855
	Total expenses		**7,177,865**	**7,402,994**
III	**Profit before tax**		**868,027**	**636,050**
IV	**Tax expense**	**2.10**		
	Current tax		151,804	1,020,963
	Deferred tax charge (credit)		26,134	(881,996)
	Total tax expense		177,938	138,967
V	**Profit for the year**		**690,089**	**497,083**
VI	**Other comprehensive income**		-	-
VII	**Total Comprehensive Income for the year**		**690,089**	**497,083**
	Earnings per equity share of no par value	**2.19**		
	Basic		627	452
	Diluted		627	452
	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
ICAI Firm Registration Number : 101248W/W-100022

VIMAL CHAUHAN Digitally signed by VIMAL CHAUHAN Date: 2022.07.06 21:32:48 +05'30'

Vimal Chauhan
Partner
Membership Number: 511230

Gurugram, India
Date: 06 July 2022

For and on behalf of the Board of Directors
of HCL Technologies Chile Spa

RAGHU RAMAN LAKSHMANAN Digitally signed by RAGHU RAMAN LAKSHMANAN Date: 2022.07.06 18:02:36 +05'30'

Raghu Raman Lakshmanan
Director

SHIV KUMAR WALIA Digitally signed by SHIV KUMAR WALIA Date: 2022.07.06 18:01:38 +05'30'

Shiv Kumar Walia
Director

Date: 06 July 2022

HCL Technologies Chile Spa

Statement of cash flows for the year ended 31 December 2021

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

		Year ended 31 December 2021 (CLP)	Year ended 31 December 2020 (CLP)
A. Cash flows from operating activities			
Profit before tax		868,027	636,050
Adjustment for:			
Depreciation and amortization expense		137,700	173,089
Interest income		(17,553)	(27,250)
Provision for doubtful debts/bad debts (written back)/ written off		(253,947)	331,128
Interest expenses		1,150	-
Other non cash benefits		-	(15,324)
		735,377	**1,097,693**
Net change in			
Trade receivables		(141,158)	21,865
Inventories		84,224	(168,932)
Other financial assets and other assets		205,880	(44,874)
Trade payables		(4,121,248)	3,096,573
Other financial liabilities and other liabilities		1,832,793	76,136
Cash generated from (used in) operations		**(1,404,132)**	**4,078,461**
Direct taxes paid (net of refunds)		212,861	224,009
Net cash flow from (used in) operating activities	**(A)**	**(1,616,993)**	**3,854,452**
B. Cash flows from investing activities			
Purchase of property,plant and equipment		(17,578)	(17,987)
Proceeds from Sale of property,plant and equipment		33,158	-
Repayment of loan given to related party		-	729,610
Interest received		24,155	98,406
Net cash flow from investing activities	**(B)**	**39,735**	**810,029**
C. Cash flows from financing activities			
Payment of lease liabilities including interest		(7,573)	-
Net cash flow used in financing activities	**(C)**	**(7,573)**	**-**
Net (decrease) increase in cash and cash equivalents	(A+B+C)	(1,584,831)	4,664,481
Cash and cash equivalents at the beginning of the year		7,229,126	2,564,645
Cash and cash equivalents at the end of the year as per note 2.7		**5,644,295**	**7,229,126**

Summary of significant accounting policies (Note 1)

As per our report of even date attached

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

VIMAL CHAUHAN Digitally signed by VIMAL CHAUHAN Date: 2022.07.06 21:33:09 +05'30'

Vimal Chauhan
Partner
Membership Number: 511230

For and on behalf of the Board of Directors
of HCL Technologies Chile Spa

RAGHU RAMAN LAKSHMANAN Digitally signed by RAGHU RAMAN LAKSHMANAN Date: 2022.07.06 18:05:10 +0530'

Raghu Raman Lakshmanan
Director

SHIV KUMAR WALIA Digitally signed by SHIV KUMAR WALIA Date: 2022.07.06 18:03:42 +05'30'

Shiv Kumar Walia
Director

Gurugram, India
Date: 06 July 2022

Date: 06 July 2022

HCL Technologies Chile Spa

Statement of Changes in Equity for the year ended 31 December 2021

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

(Amount in CLP)

	Equity share capital		Other equity
			Reserves and Surplus
	Number of shares	Share capital	Retained earnings
Balance as at 1 January, 2020	1,100,000	602,000	2,126,111
Profit for the year	-	-	497,083
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	497,083
Balance as at 31 December, 2020	1,100,000	602,000	2,623,194
Balance as at 1 January, 2021	1,100,000	602,000	2,623,194
Profit for the year	-	-	690,089
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	690,089
Balance as at 31 December, 2021	1,100,000	602,000	3,313,283

Summary of significant accounting policies (Note 1)

The accompanying notes are an integral part of the financial statements

As per our report of even date.

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

VIMAL CHAUHAN Digitally signed by VIMAL CHAUHAN Date: 2022.07.06 21:33:29 +05'30'

Vimal Chauhan
Partner
Membership Number: 511230

For and on behalf of the Board of Directors
of HCL Technologies Chile Spa

RAGHU RAMAN LAKSHMANAN Digitally signed by RAGHU RAMAN LAKSHMANAN Date: 2022.07.06 18:07:17 +05'30'

Raghu Raman Lakshmanan
Director

SHIV KUMAR WALIA Digitally signed by SHIV KUMAR WALIA Date: 2022.07.06 18:06:21 +05'30'

Shiv Kumar Walia
Director

Gurugram, India
Date: 06 July 2022

Date: 06 July 2022

ORGANIZATION AND NATURE OF OPERATIONS

HCL Technologies Chile Spa (hereinafter referred to as the 'Company') is primarily engaged in providing a range of IT and Business services. The Company was incorporated in Chile in June 2013, having its registered office at EL Golf 40 Piso, Las Condes, Santigo, CP 755-0107, Chile.

The financial statements for the year ended 31st December 2021 were approved and authorized for issue by the Board of Directors on 06 July 2022.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Schedule III (Division II) to the Companies Act, 2013, as applicable, to the financial statements.

The Company is not domiciled in India and hence was not incorporated under Companies Act, 2013 or under any previous Company law in India. These financial statements do not constitute a set of statutory financial statements in accordance with local laws of the Country in which the Company is incorporated.

These financial statements are prepared for the use of the Company and the ultimate holding Company, HCL Technologies Limited, to comply with the requirements of the Act.

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

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy.

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle of 12 months.

The Statement of cash flows has been prepared under indirect method.

The functional currency of the Company is Chilean Peso (CLP).

(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. Actual results could differ from those estimates. Changes in the estimates are reflected in the financial statement in the year in which the changes are made.

Significant estimates and assumptions are used for, but not limited to,

i. Accounting for costs expected to be incurred to complete performance under fixed price projects, refer note 1(e)
ii. Allowance for uncollectible accounts receivables, refer note 1(m)(i)
iii. Recognition of income and deferred taxes, refer note 1(f) and note 2.10
iv. Useful lives of property, plant and equipment, refer note 1(g)

vii. Lives of intangible assets, refer note 1(h)
ix. Identification of leases and measurement of lease liabilities and right of use assets, refer note 1(j) and note 2.20
x. Provisions and contingent liabilities, refer note 1(l)

(c) 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. Revenue, expenses and cash-flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

(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.

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.

(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 Company expects to be entitled in exchange for transferring those products or services. To recognize revenues, the following five step approach is applied: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied. Contract is accounted when it is legally enforceable through executory contracts, approval and commitment from all parties, the rights of the parties are identified, payment terms are defined, the contract has commercial substance and collectability of consideration is probable.

Time-and-material / Volume based / Transaction based contracts

Revenue with respect to time-and-material, volume based and transaction based contracts is recognized as the related services are performed through efforts expended, volume serviced transactions are

processed, etc. that correspond with value transferred to customer till date which is related to our right to invoice for services performed.
Fixed Price contracts

Revenue related to fixed price contracts where performance obligations and control are satisfied over a period of time like technology integration, complex network building contracts, system implementations and Application development are recognized based on progress towards completion of the performance obligation using a cost-to cost measure of progress (i.e., percentage-of-completion (POC) method of accounting). Revenue is recognized based on the costs incurred to date as a percentage of the total estimated costs to fulfill the contract. Any revision in cost to complete would result in increase or decrease in revenue and such changes are recorded in the period in which they are identified. Provisions for estimated losses, if any, on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates. Contract losses are determined to be the amount by which the estimated incremental cost to complete exceeds the estimated future revenues that will be generated by the contract and are included in cost of revenues and recorded in other accrued liabilities Revenue related to other fixed price contracts providing maintenance and support services, are recognized based on our right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered. If our invoicing is not consistent with value delivered, revenues are recognized as the service is performed based on the cost to cost method described above.

In arrangements involving sharing of customer revenues, revenue is recognized when the right to receive is established.

Revenue from product sales are shown net of sales tax and applicable taxes, discounts and allowances. Revenue related to product with installation services that are critical to the product is recognized when installation of product at customer site is completed and accepted by the customer. If the revenue for a delivered item is not recognized for non-receipt of acceptance from the customer, the cost of the delivered item continues to be in inventory.

Multiple performance obligations

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 standalone selling price. Standalone selling price is the price at which company would sell a promised good or service separately to the customer. When not directly observable, we estimate standalone selling price by using the expected cost plus a margin approach. We establish a standalone 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 a group 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 and generate or enhance resources of the Company that will be used in satisfying the performance obligation in the future 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 and other upfront fee paid to customer are deferred and classified as Deferred contract cost and amortized to revenue or cost, 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 Company is a principal to the transaction and net of costs when the Company is acting as an agent between the customer and the vendor. Several factors are considered to determine whether the Company is a principal or an agent, most notably being group 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 balance sheet. Contract assets primarily relate to unbilled amounts on those contracts utilizing the cost to cost method of revenue recognition and right to consideration is not unconditional. Unbilled receivables represent contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

Revenue from sales-type leases is recognized when risk of loss has been transferred to the client and there are no unfulfilled obligations that affect the final acceptance of the arrangement by the client.

Interest attributable to sales-type leases and direct financing leases included therein is recognized on an accrual basis using the effective interest method and is recognized as other income.

Interest Income

Interest income for all financial instruments measured at amortized cost is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortized cost of a financial liability. When calculating the EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in other income in the statement of profit and loss.

(f) Income taxes

Income tax expense comprises current and deferred income tax.

Income tax expense is recognized in the statement of profit and loss. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Provision for income tax includes the impact of provisions established for uncertain income tax positions.

Deferred income tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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.

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.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. The Company identifies and determines separate useful lives for each major component of the property, plant and equipment, if they have a useful life that is materially different from that of the asset as a whole.

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard or period of performance. All other expenses on existing property, plant and equipment, including day-to-day repairs, maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the year during which such expenses are incurred.

Gains or losses arising from de-recognition of assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Property, plant and equipment under construction and cost of assets not ready for use at the period-end are disclosed as capital work- in- progress.

Depreciation on property, plant and equipment is provided on the straight-line method over their estimated useful lives, as determined by the management. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year.

The management's estimates of the useful lives of various assets for computing depreciation are as follows:

Asset description	Asset life (in years)
Computers	4-5

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

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

(h) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequently, following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit and loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

The intangible assets are amortized over the estimated useful life of the assets as mentioned below:

Asset description	Asset life (in years)
Software	3

(i) Inventory

Stock in trade are valued at the lower of the cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Cost of stock in trade procured for specific projects is assigned by identifying individual costs of each item. Cost of stock in trade, that are interchangeable and not specific to any project are determined using the weighted average cost formula.

(j) Leases

A lease is a contract that contains right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

Company is lessee in case of IT equipment. These leases are evaluated to determine whether it contains lease based on principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors as defined in Ind AS 116 effective 1 January 2020.

Right-of-use asset represents the company's right to control the underlying assets under lease and the lease liability is the obligation to make the lease payments related to the underlying asset under lease. Right-of-use asset is measured initially based on the lease liability adjusted for any initial direct costs, prepaid rent, and lease incentives. Right-of-use asset is depreciated based on straight line method over the lease term or useful life of right-of-use asset, whichever is less. Subsequently, right-of-use asset is measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any re-measurement of lease liability.

The lease liability is measured at the lease commencement date and determined using the present value of the minimum lease payments not yet paid and the company's incremental borrowing rate, which approximates the rate at which the company would borrow, in the country where the lease was executed. The company has used a single discount rate for a portfolio of leases with reasonably similar characteristics. The lease payment comprises fixed payment less any lease incentives, variable lease payment that depends on an index or a rate, exercise price of a purchase option if the company is reasonably certain to exercise the option and payment of penalties for terminating the lease, if the lease term reflects the exercising an option to terminate the lease. Lease liability is subsequently measured by increase the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made and re-measuring the carrying amount to reflect any reassessment or modification, if any.

The company has elected to not recognize leases with a lease term of 12 months or less in the balance sheet, including those acquired in a business combination, and lease costs for those short-term leases are recognized on a straight-line basis over the lease term in the statement of profit and loss. For all asset classes, the company has elected the lessee practical expedient to combine lease and non-lease components and account for the combined unit as a single lease component in case there is no separate payment defined under the contract.

Company as a lessor
Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which they are earned or contingency is resolved.

Leases in which the Company transfers substantially all the risk and benefits of ownership of the asset are classified as finance leases. Assets given under finance lease are recognized as a receivable at an amount equal to the present value of lease receivable. After initial recognition, the Company apportions lease rentals between the principal repayment and interest income so as to achieve a constant periodic rate of return on the net investment outstanding in respect of the finance leases. The interest income is recognized in the statement of profit and loss. Initial direct costs such as legal cost, brokerage cost etc. are recognized immediately in the statement of profit and loss.

When arrangements include multiple performance obligations, the Company allocates the consideration in the contract between the lease components and the non-lease components on a relative standalone selling price basis.

(k) Impairment of non-financial assets

Intangibles and Property, plant and equipment

Intangibles and Property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs. If such assets are considered to be impaired, the impairment to be recognized in the statement of profit and loss is measured by the amount by which the carrying value of the asset exceeds the estimated recoverable amount of the asset.

(l) 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.

(m) 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.

Financial instruments at amortized cost

A financial instrument is measured at the amortized cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in other income in the statement of profit and loss. The losses arising from impairment are recognized in the statement of profit and loss. This category includes cash and bank balances, loans, unbilled revenue, trade and other receivables.

De-recognition of financial assets

A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset.

Impairment of financial assets

The Company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit and loss. Lifetime ECL allowance is recognized for trade receivables with no significant financing component. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case they are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date is recognized in statement of profit and loss.

ii. Financial liabilities

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

The Company's financial liabilities at amortized cost are initially recognized at, net of transaction costs and include 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 except for deferred consideration recognized in a business combination which is subsequently measured at fair value through profit and loss. Gains and losses are recognized in the statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

De-recognition

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.

(n) 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 of the beginning of the year, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented

(o) 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.

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Notes to financial statements for the year ended 31 December 2021

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

2. Notes to financial statements

2.1 Property, plant and equipment

The changes in the carrying value for the year ended 31 December 2021

	Computers and networking equipment (CLP)
Gross block as at 1 January 2021	**812,180**
Additions	13,323
Disposal	250,791
Gross block as at 31 December 2021	**574,712**
Accumulated depreciation as at 1 January 2021	**450,437**
Charge for the year	132,016
Disposal	217,633
Accumulated depreciation as at 31 December 2021	**364,820**
Net block as at 31 December 2021	**209,892**

The changes in the carrying value for the year ended 31 December 2020

	Computers and networking equipment (CLP)
Gross block as at 1 January 2020	**808,896**
Additions	3,284
Gross block as at 31 December 2020	**812,180**
Accumulated depreciation as at 1 January 2020	**283,043**
Charge for the year	167,394
Accumulated depreciation as at 31 December 2020	**450,437**
Net block as at 31 December 2020	**361,743**

2.2 Other intangibles assets

The changes in the carrying value for the year ended 31 December 2021

	Software (CLP)
Gross block as at 1 January 2021	**18,012**
Additions	-
Disposal/Other adjustment	962
Gross block as at 31 December 2021	**17,050**
Accumulated depreciation as at 1 January 2021	**12,173**
Charge for the year	5,684
Disposal/Other adjustment	962
Accumulated depreciation as at 31 December 2021	**16,895**
Net block as at 31 December 2021	**155**
Estimated remaining useful life (in years)	**1**

The changes in the carrying value for the year ended 31 December 2020

	Software (CLP)
Gross block as at 1 January 2020	**18,012**
Additions	-
Gross block as at 31 December 2020	**18,012**
Accumulated depreciation as at 1 January 2020	**6,478**
Charge for the year	5,695
Accumulated depreciation as at 31 December 2020	**12,173**
Net block as at 31 December 2020	**5,839**
Estimated remaining useful life (in years)	**2**

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Notes to financial statements for the year ended 31 December 2021

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

2.3 Other financial assets

	As at	
	31 December 2021	31 December 2020
	(CLP)	(CLP)
Non - Current		
Carried at amortized cost		
Finance lease receivables (refer note 2.20)	166,752	436,443
	166,752	**436,443**
Current		
Carried at amortized cost		
Finance lease receivables (refer note 2.20)	344,310	484,792
Unbilled receivable	245,035	86,835
Unbilled receivable-related parties (refer note 2.23)	28,470	8,416
Interest receivable-related parties (refer note 2.23)	-	9,003
	617,815	**589,046**

2.4 Other non- current assets

	As at	
	31 December 2021	31 December 2020
	(CLP)	(CLP)
Unsecured considered good unless otherwise stated		
Capital advances	54	54
Prepaid expenses	297	5,206
	351	**5,260**

2.5 Inventories

	As at	
	31 December 2021	31 December 2020
	(CLP)	(CLP)
Stock in trade	169,192	253,416
	169,192	**253,416**

2.6 Trade Receivable

	As at	
	31 December 2021	31 December 2020
	(CLP)	(CLP)
Unsecured, considered good (refer note below)	2,845,146	2,712,549
	2,845,146	**2,712,549**
Impaired allowance for bad and doubtful debts	(93,040)	(355,548)
	2,752,106	**2,357,001**

Note:-

1. Includes receivables from related parties amounting to CLP 298,150 and previous year ended on 31 December 2020, CLP 271,661.

2.7 Cash and cash equivalent

	As at	
	31 December 2021	31 December 2020
	(CLP)	(CLP)
Balance with banks		
- in current accounts	5,644,295	7,229,126
	5,644,295	**7,229,126**

HCL Technologies Chile Spa
Notes to financial statements for the year ended 31 December 2021
(All amounts in thousands, except share data and as stated otherwise)

2.8 Other current assets

	As at	
	31 December 2021	31 December 2020
	(CLP)	(CLP)
Unsecured , considered good		
Advances other than capital advances		
Advances to suppliers - related parties (refer note 2.23)	23,141	19,360
Others		
Prepaid expenses	16,801	33,798
Deferred contract cost-related parties (refer note 2.23)	44,164	-
Other advances	8,813	8,813
	92,919	**61,971**

2.9 Share Capital

	As at	
	31 December 2021	31 December 2020
	(CLP)	(CLP)
Authorized		
1,100,000 (31 December 2020, 1,100,000) equity shares with no nominal value	602,000	602,000
Issued, subscribed and fully paid up		
1,100,000 (31 December 2020, 1,100,000) equity shares with no nominal value	602,000	602,000

Terms/rights attached to equity shares
The Company has only one class of shares referred to as equity shares having no par value. Each holder of equity shares is entitled to one vote per share.
In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting year

	As at			
	31 December 2021		31 December 2020	
	No. of shares	CLP	No. of shares	CLP
Number of shares at the beginning	1,100,000	602,000	1,100,000	602,000
Number of shares at the end	1,100,000	602,000	1,100,000	602,000

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

Name of the shareholder	As at			
	31 December 2021		31 December 2020	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares with no nominal value each fully paid up				
Axon Solutions Limited	1,100,000	100%	1,100,000	100%

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

There are no bonus shares issued, shares issued for consideration other than cash and shares bought back during the year ended 31 December 2021.

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.

HCL Technologies Chile Spa
Notes to financial statements for the year ended 31 December 2021
(All amounts in thousands, except share data and as stated otherwise)

2.10 Income taxes

	As at	
	31 December 2021	**31 December 2020**
	(CLP)	**(CLP)**
Income tax charged to statement of profit and loss		
Current income tax charge	151,804	1,020,963
Deferred tax charge (credit)	26,134	(881,996)
	177,938	**138,967**

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

	As at	
	31 December 2021	**31 December 2020**
	(CLP)	**(CLP)**
Profit before income tax	868,027	636,050
Statutory tax rate in Chile	27%	27%
Expected tax expense	**234,367**	**171,734**
Permanent difference	(58,498)	14,944
Monetary correction of advance tax	-	(2,162)
Deduction for Tax equity	-	(25,270)
Adjustment in respect of prior year	(75,604)	(20,841)
Additional Provision for interest and penalties	85,018	-
Others	(7,345)	562
Total taxes	**177,938**	**138,967**
Effective tax rate	20%	22%

Components of deferred tax assets and liabilities as on 31 December 2021 **(Amount in CLP)**

	Opening balance	**Recognized in profit and loss**	**Closing balance**
Deferred tax assets			
Depreciation and amortization	20,125	34,742	54,867
WHT not deducted on outsourcing cost	788,806	5,125	793,931
Advance from customer	-	10,439	10,439
Provision for doubtful debts	95,998	(70,878)	25,120
Gross deferred tax assets (A)	904,929	(20,572)	884,357
Deferred tax liabilities			
Adjustment for finance lease receivables	-	5,562	5,562
Gross deferred tax liabilities (B)	-	5,562	5,562
Net deferred tax assets (A-B)	904,929	(26,134)	878,795

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

	Opening balance	**Recognized in profit and loss**	**Closing balance**
Deferred tax assets			
Depreciation and amortization	14,977	5,148	20,125
WHT not deducted on outsourcing cost	-	788,806	788,806
Provision for doubtful debts	7,956	88,042	95,998
Gross deferred tax assets (A)	22,933	881,996	904,929
Gross deferred tax liabilities (B)	-	-	-
Net deferred tax assets (A-B)	22,933	881,996	904,929

Note :- Income tax payable includes amount of accrued interest and penalties related to uncertain tax positions.

HCL Technologies Chile Spa

Notes to financial statements for the year ended 31 December 2021

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

2.11 Trade payables

	As at	
	31 December 2021	31 December 2020
	(CLP)	(CLP)
Trade payables	426,168	737,432
Trade payables-related parties (refer note 2.23)	2,313,432	6,123,416
	2,739,600	**6,860,848**

2.12 Other financial liabilities

	As at	
	31 December 2021	31 December 2020
	(CLP)	(CLP)
Current		
Carried at amortized cost		
Capital accounts payables	1,466	5,720
Liabilities for expenses	1,504,178	525,147
Liabilities for expenses-related parties (refer note 2.23)	763,256	716,191
	2,268,900	**1,247,058**

2.13 Other current liabilities

	As at	
	31 December 2021	31 December 2020
	(CLP)	(CLP)
Contract liabilities	89,821	-
Other advances		
Advances received from customers	12,289	16,280
Others		
Withholding and other taxes payable	782,008	83,268
	884,118	**99,548**

2.14 Revenue from operations

	Year ended	
	31 December 2021	31 December 2020
	(CLP)	(CLP)
Sale of services	7,394,749	7,125,887
Sale of hardware and software	198,858	885,907
	7,593,607	**8,011,794**

Disaggregate Revenue Information

The disaggregated revenue from contracts with the customers is as follow:

	Year ended 31 December 2021 (CLP)	Year ended 31 December 2020 (CLP)
Contract type		
Fixed price	7,485,816	7,961,361
Time and material	107,791	50,433
Total	**7,593,607**	**8,011,794**
Geography wise		
America	12,153	117,705
Europe	7,153,428	7,894,089
India*	337,672	-
Rest of world	90,355	-
	7,593,607	**8,011,794**

* includes revenue billed to India based captive of global customers

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

2.14 Revenue from operations (continued)

Remaining performance obligations
As at 31 December 2021, the aggregate amount of transaction price allocated to remaining performance obligations as per the requirements of Ind AS 115 was nil. This is after exclusions of below:
a) Contracts for which we recognize revenues based on the right to invoice for services performed,
b) Variable consideration allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation, or
c) Variable consideration in the form of a sales-based or usage-based royalty promised in exchange for a license of intellectual property.

Contract balances

Contract assets : A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets are recognized where there is excess of revenue over the billings. Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in our balance sheet. Contract assets primarily relate to unbilled amounts on fixed price contracts using the cost to cost method of revenue recognition. Unbilled receivable represents contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

The company does not have any contract assets as on 31 December 2021.

Contract liablities : A contract liability arises when there is excess billing over the revenue recognized.

The below table discloses the significant movement in contract liabilities :

	Year ended 31 December 2021 (CLP)	Year ended 31 December 2020 (CLP)
Opening balance	-	49,060
Additional amount billed but not recognised as revenue	89,821	-
Deduction during the year	-	(49,060)
Closing balance	**89,821**	**-**

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

The below table discloses the significant movement in deferred contract cost :

	Year ended 31 December 2021 (CLP)	Year ended 31 December 2020 (CLP)
Balance as at beginning of the year	-	-
Additional cost capitalised during the year	44,164	-
Deduction on account of cost amortised during the year	-	-
Balance as at end of the year	**44,164**	**-**

Reconciliation of revenue recognised with the contracted price is as follows:

	Year ended 31 December 2021 (CLP)	Year ended 31 December 2020 (CLP)
Contract price	7,649,999	8,024,850
Reduction towards variable consideration components	(56,392)	(13,056)
Revenue recognised	**7,593,607**	**8,011,794**

The reduction towards variable consideration comprises of volume discounts, service level credits, etc.

2.15 Other income

	Year ended 31 December 2021 (CLP)	Year ended 31 December 2020 (CLP)
Interest income		
- On other financial instruments carried at amortized cost	15,152	27,250
- On income tax refund	2,401	-
Exchange differences (net)	153,314	-
Provision for doubtful/bad debts written back	253,947	-
Miscellaneous income	27,471	-
	452,285	**27,250**

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Notes to financial statements for the year ended 31 December 2021

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

2.16 Changes in inventories of stock in trade

	Year ended	
	31 December 2021	**31 December 2020**
	(CLP)	**(CLP)**
Opening stock	253,416	84,483
Less : Closing stock	169,192	253,416
	84,224	**(168,933)**

2.17 Finance cost

	Year ended	
	31 December 2021	**31 December 2020**
	(CLP)	**(CLP)**
Interest		
-on leased assets	1,150	-
Bank charges	23,113	14,318
	24,263	**14,318**

2.18 Other expenses

	Year ended	
	31 December 2021	**31 December 2020**
	(CLP)	**(CLP)**
Insurance	7,329	15,003
Repairs and maintenance		
-Plant and machinery	11,988	3
-Others	12,753	263,485
Legal and professional charges	59,566	53,523
Rates and taxes	-	127,936
Provision for doubtful debts / bad debts written off	-	331,128
Exchange differences (net)	-	19,777
Miscellaneous expenses	106,581	-
	198,217	**810,855**

2.19 Earnings Per Share

The computation of earnings per share is as follows:

	Year ended	
	31 December 2021	**31 December 2020**
	(CLP)	**(CLP)**
Net profit as per statement of profit and loss for computation of EPS	690,089	497,083
Weighted average number of equity shares outstanding in calculating Basic EPS	1,100,000	1,100,000
Weighted average number of equity shares outstanding in calculating dilutive EPS	1,100,000	1,100,000
Nominal value of equity shares *	-	-
Earnings per equity share		
- Basic	627	452
- Diluted	627	452

* As per local laws, there is no nominal value of shares.

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

2.20 Leases

(a) Company as a lessee

Company's significant leasing arrangements are in respect of IT equipments.

The reconciliation of lease liabilities is as follows:

	Year ended 31 December 2021 (CLP)	Year ended 31 December 2020 (CLP)
Balance as at the begnining	7,148	-
Additions	23,276	7,148
Payment of lease liabilities	(7,573)	-
Balance as at the end	**22,851**	**7,148**

The following table present a maturity analysis of expected undiscounted cash flows for lease liabilities as on 31st December 2021 and 31st December 2020 :

	As at 31 December 2021 (CLP)	As at 31 December 2020 (CLP)
Within one year	13,328	2,890
One to two year	9,235	2,431
Two to three years	1,199	2,078
Three to five years	-	257
Total lease payments	23,762	7,656
Imputed interest	(911)	(508)
Total lease liabilities	**22,851**	**7,148**

Certain lease agreements include options to terminate or extend the leases. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

(b) Company as a lessor
Finance Lease: In case of assets given on lease

The Company has given IT equipments to its customers on a finance lease basis. The future lease receivables in respect of assets given on finance lease are as follows:

	Total minimum lease payments receivable	Interest included in minimum lease payments receivable	Present value of minimum lease payments receivable
As on 31 December 2021 (CLP)			
Not later than one year	356,138	11,828	344,310
Later than one year and not later than 5 years			
	528,355	17,293	511,062
As on 31 December 2020 (CLP)			
Not later than one year	517,325	32,533	484,792
Later than one year and not later than 5 years			
	976,676	55,441	921,235

2.21 Financial instruments

(a) Financial assets and liabilities

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

	Amortized cost (CLP)	Total carrying value (CLP)
Financial assets		
Trade receivables	2,752,106	2,752,106
Cash and cash equivalents	5,644,295	5,644,295
Others (refer note 2.3)	784,568	784,568
Total	9,180,969	9,180,969
Financial liabilities		
Trade payables	2,739,600	2,739,600
Lease liabilities	22,851	22,851
Others (refer note 2.12)	2,268,900	2,268,900
Total	5,031,351	5,031,351

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

	Amortized cost (CLP)	Total carrying value (CLP)
Financial assets		
Trade receivables	2,357,001	2,357,001
Cash and cash equivalents	7,229,126	7,229,126
Others (refer note 2.3)	1,025,489	1,025,489
Total	10,611,616	10,611,616
Financial liabilities		
Trade payables	6,860,848	6,860,848
Lease liabilities	7,148	7,148
Others (refer note 2.12)	1,247,058	1,247,058
Total	8,115,054	8,115,054

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

2.21 Financial instruments (continued)

(b) Financial risk management

The Company is exposed to market risk, credit risk and liquidity risk which may impact the fair value of its financial 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) 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 the functional currency. A significant portion of the Company revenue is in US Dollar and Euro while a large portion of costs are in CLP. The fluctuation in exchange rates in respect to CLP 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 profit before tax by approximately CLP 9,494 for the year ended 31 December, 2021.

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

Non-derivative foreign currency exposure as of 31 December, 2021, 31 December 2020 in major currencies is as below:

	Financial assets		Financial liabilities	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	(CLP)	(CLP)	(CLP)	(CLP)
USD / CLP	1,976,372	1,901,326	467,372	138,639
EUR / CLP	-	-	61,024	3,887
GBP / CLP	-	-	47,769	265,627
JPY / CLP	-	-	7,443	28,317

(ii) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company does not have any borrowings therefore, not exposed to interest rate risk.

Credit risk
Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, trade receivables, unbilled receivable, contract assets and finance lease 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, including the credit risk of non-performance by counterparties.

The customers of the Company are primarily corporations based in Chile and accordingly, trade receivables and finance lease receivables are concentrated in Chile. The Company periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivables.

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

	As at	
	31 December 2021	31 December 2020
	(CLP)	(CLP)
Balance at the beginning of the year	355,548	29,467
Additional provision during the year	24,536	331,128
Deductions on account of write offs and collections	287,044	5,047
Balance at the end of the year	**93,040**	**355,548**

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

Maturity profile of the Company's financial statement based on contractual payment is as below :

	Year 1 (Current)	Year 2	Year 3	Year 4-5 and thereafter	Total
As at 31 December 2021 (CLP)					
Trade payables	2,739,600	-	-	-	2,739,600
Lease liabilities	13,328	9,235	1,199	-	23,762
Other financial liabilties	2,268,900	-	-	-	2,268,900
Total	**5,021,828**	**9,235**	**1,199**	**-**	**5,032,262**
As at 31 December 2020 (CLP)					
Trade payables	6,860,848	-	-	-	6,860,848
Lease liabilities	2,890	2,431	2,078	257	7,656
Other financial liabilties	1,247,058	-	-	-	1,247,058
Total	**8,110,796**	**2,431**	**2,078**	**257**	**8,115,562**

2.22 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".

Revenue disaggregation as per geography is given in note 2.14.

2.23 Related party transactions

a) Related parties where control exists

HCL Technologies Limited (Ultimate holding company)
HCL Technologies Austria GmbH (Intermediate Holding Company)

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

Ultimate holding Company
HCL Technologies Limited

Intermediate holding Company
HCL Technologies Austria GmbH (Intermediate Holding Company)

Fellow Subsidiaries
HCL America Inc.
Axon Solutions (Shanghai) Co. Ltd.
C3i Europe Eood
Filial Espanola De HCL Technoloiges S.L.
H C L Technologies Lanka (Private) Limited
HCL (Brazil) Technologia da informacao EIRELI
HCL America Solutions Inc.
HCL Argentina S.A.
HCL Australia Services Pty. Limited
HCL Canada Inc.
HCL Great Britain Limited
HCL Guatemala, Sociedad Anónima
HCL Hong Kong SAR Limited
HCL Hungary Kft
HCL Istanbul Bilisim Teknolojileri Limited Sirketi
HCL Japan Limited
HCL Latin America Holding LLC
HCL Mexico S. de R.L.
HCL (Netherlands) B.V.
HCL Poland sp. z o.o
HCL Singapore Pte. Ltd.
HCL Technologies (Proprietary) Ltd.
HCL Technologies (Taiwan) Ltd.

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

b) Related parties with whom transactions have taken place during the current period (Continued)

HCL Technologies (Thailand) Limited
HCL Technologies B.V.
HCL Technologies Belgium BVBA
HCL Technologies Columbia S.A.S.
HCL Technologies Czech Republic S.R.O.
HCL Technologies Denmark Aps
HCL Technologies Egypt Ltd
HCL Technologies France SAS
HCL Technologies Germany GmbH
HCL Technologies Greece Single Member P.C.
HCL Technologies Italy S.P.A.
HCL Technologies Malaysia Sdn. Bhd.
HCL Technologies Middle East FZ-LLC
HCL Technologies Norway AS
HCL Technologies Philippines, Inc
HCL Technologies Romania S.R.L
HCL Technologies Sweden AB
HCL Technologies UK Limited

Transactions with related parties during the normal course of business	Sale of materials and services	Outsourcing costs	Repayment of loan given	Interest income
For the Year 2021 (CLP)				
Ultimate Holding Company	347,652	2,029,275	-	-
Intermediate Holding Company	3,679	-	-	-
Fellow Subsidiaries	209,687	958,275	-	-
Total	**561,018**	**2,987,550**	**-**	**-**
For the Year 2020 (CLP)				
Ultimate Holding Company	52,478	2,983,543	-	-
Intermediate Holding Company	2,131	-	-	-
Fellow Subsidiaries	259,473	551,042	729,610	12,017
Total	**314,082**	**3,534,585**	**729,610**	**12,017**

c) Outstanding balances

Outstanding balances	Trade receivables, other financial assets and other assets	Trade Payables, Other Financial Liabilities and Other Liability
As on 31st December, 2021 (CLP)		
Ultimate Holding Company	163,971	1,922,326
Intermediate Holding Company	803	-
Fellow Subsidiaries	229,151	1,154,362
Total	**393,925**	**3,076,688**
As on 31st December, 2020 (CLP)		
Ultimate Holding Company	61,991	5,252,403
Intermediate Holding Company	2,131	3,165
Fellow Subsidiaries	244,318	1,584,039
Total	**308,440**	**6,839,607**

HCL Technologies Chile Spa
Notes to financial statements for the year ended 31 December 2021
(All amounts in thousands, except share data and as stated otherwise)

2.24 Commitments and contingent liabilities

	As at	
	31 December 2021	**31 December 2020**
	(CLP)	**(CLP)**
i) Capital and other commitments		
Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	5,486	-
ii) Contingent liabilities		
Others	-	-
	5,486	**-**

As per our report of even date attached

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

VIMAL CHAUHAN Digitally signed by VIMAL CHAUHAN Date: 2022.07.06 21:33:57 +05'30'

Vimal Chauhan
Partner
Membership Number: 511230

Gurugram, India
Date: 06 July 2022

For and on behalf of the Board of Directors
of HCL Technologies Chile Spa

RAGHU RAMAN LAKSHMANAN Digitally signed by RAGHU RAMAN LAKSHMANAN Date: 2022.07.06 18:08:00 +05'30'

Raghu Raman Lakshmanan
Director

SHIV KUMAR WALIA Digitally signed by SHIV KUMAR WALIA Date: 2022.07.06 18:07:44 +05'30'

Shiv Kumar Walia
Director

Date: 06 July 2022