HCL GUATEMALA, SOCIEDAD ANÓNIMA

Special Purpose Financial Statements

For the year ended 31 December 2020 and 31 December 2019

HCL GUATEMALA, SOCIEDAD ANÓNIMA
Special Purpose Balance Sheet as at 31 December 2020
(All amounts in thousands except share data and as stated otherwise)

	Note No.	As at 31 December 2020 (GTQ)	As at 31 December 2019 (GTQ)	As at 31 December 2020 Refer Note 1(a) (₹)
I. ASSETS				
(1) Non-current assets				
(a) Property, plant and equipment	**2.1**	12,318	4,899	115,430
(b) Capital work in progress		-	45	-
(c) Right- of- use assets	**2.22**	95,313	-	893,281
(d) Financial assets				
(i) Others	**2.6**	77	-	723
(e) Deferred tax assets (net)		5,583	-	52,324
(f) Other non-current assets	**2.2**	22,061	19,552	206,750
(2) Current assets				
(a) Inventories	**2.3**	-	9,532	-
(b) Financial assets				
(i) Trade receivables	**2.4**	26,299	88,147	246,480
(ii) Cash and cash equivalents	**2.5**	36,531	8,022	342,374
(iii) Others	**2.6**	91,869	8,603	861,006
(c) Other current assets	**2.7**	31,191	36,021	292,309
TOTAL ASSETS		**321,242**	**174,821**	**3,010,677**
II. EQUITY				
(a) Equity share capital	**2.8**	21,066	21,066	197,432
(b) Other equity		25,413	9,022	238,182
TOTAL EQUITY		**46,479**	**30,088**	**435,614**
III. LIABILITIES				
(1) Non - current liabilities				
(a) Financial Liabilities				
(i) Lease liabilities		76,443	-	716,432
(b) Deferred tax liabilities (net)		-	3,371	-
(c) Other non-current liabilities	**2.12**	36,702	-	343,971
(d) Provisions	**2.13**	12,524	-	117,372
(2) Current liabilities				
(a) Financial liabilities				
(i) Borrowings	**2.9**	63,919	63,130	599,054
(ii) Trade payables	**2.10**	12,257	2,720	114,870
(iii) Lease liabilities		21,718	-	203,544
(iv) Others	**2.11**	26,123	59,360	244,816
(b) Other current liabilities	**2.12**	14,691	3,920	137,670
(c) Provisions	**2.13**	3,389	12,232	31,760
(d) Current tax liabilities (net)		6,997	-	65,574
TOTAL EQUITY AND LIABILITIES		**321,242**	**174,821**	**3,010,677**
Summary of significant accounting policies	**1**			

The accompanying notes are an integral part of the special purpose 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
Partner
Membership Number: 511230

Gurugram, India
Date: 6 July 2021

For and on behalf of the Board of Directors
of HCL GUATEMALA, SOCIEDAD ANÓNIMA

Raghu Raman Lakshmanan
Director

Shiv Kumar Walia
Director

Date: 6 July 2021

HCL GUATEMALA, SOCIEDAD ANÓNIMA
Special Purpose Statement of Profit and Loss for the year ended 31 December 2020
(All amounts in thousands except share data and as stated otherwise)

		Note No.	Year ended 31 December 2020 (GTQ)	Period ended 31 December 2019 (GTQ)	Year ended 31 December 2020 Refer Note 1(a) (₹)
I	**Revenue**				
	Revenue from operations	**2.14**	395,835	237,324	3,709,791
	Other income	**2.15**	666	16	6,244
	Total income		**396,501**	**237,340**	**3,716,035**
II	**Expenses**				
	Purchase of stock-in-trade		1,086	9,574	10,179
	Changes in inventories of stock-in-trade	**2.16**	9,532	(9,532)	89,332
	Employee benefits expense	**2.17**	307,706	170,838	2,883,839
	Finance costs	**2.18**	3,640	1,111	34,112
	Depreciation and amortization expense		17,014	190	159,452
	Outsourcing costs		9,738	36,262	91,264
	Other expenses	**2.19**	25,828	16,504	242,061
	Total expenses		**374,544**	**224,947**	**3,510,239**
III	**Profit before tax**		**21,957**	**12,393**	**205,796**
IV	**Tax expense**	**2.20**			
	Current tax		14,520	-	136,082
	Deferred tax charge (credit)		(8,954)	3,371	(83,914)
	Total tax expense		**5,566**	**3,371**	**52,168**
V	**Profit for the period**		**16,391**	**9,022**	**153,628**
VI	**Other comprehensive income**				
	Items that will not be reclassified to profit or loss		-	-	-
	Items that will be reclassified subsequently to profit or loss		-	-	-
VII	**Total Comprehensive Income for the period**		**16,391**	**9,022**	**153,628**
	Earnings per equity share of GTQ 1 each	**2.21**			
	Basic & Diluted		0.78	0.92	7.29
	Summary of significant accounting policies	**1**			

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HCL GUATEMALA, SOCIEDAD ANÓNIMA

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

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

(Amount in GTQ)

	Equity share capital		Other Equity
	No. of shares	Share capital	
Shares issued during the period	21,066,000	21,066	-
Profit for the period	-	-	9,022
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	-	9,022
Balance as of December 31, 2019	21,066,000	21,066	9,022
Balance as of January 1, 2020	**21,066,000**	**21,066**	**9,022**
Profit for the year	-	-	16,391
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	16,391
Balance as of December 31, 2020	21,066,000	21,066	25,413

(Amount in (₹))

	Equity share capital		Other Equity
	No. of shares	Share capital	
Balance as of January 1, 2020	21,066,000	197,432	84,554
Profit for the year	-	-	153,628
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	153,628
Balance as of December 31, 2020	21,066,000	197,432	238,182

As per our report of even date

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

Vimal Chauhan
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Membership Number: 511230

Gurugram, India
Date: 6 July 2021

For and on behalf of the Board of Directors
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Raghu Raman Lakshmanan
Director

Shiv Kumar Walia
Director

Date: 6 July 2021

HCL GUATEMALA, SOCIEDAD ANÓNIMA
Special Purpose Statement of Cash flow for the year ended 31 December 2020
(All amounts in thousands except share data and as stated otherwise)

	Year ended 31 December 2020 (GTQ)	Period ended 31 December 2019 (GTQ)	Year ended 31 December 2020 Refer Note 1(a) (₹)
A. Cash flows from operating activities			
Profit before tax	21,957	12,393	205,796
Adjustment for:			
Depreciation and amortization	17,014	190	159,452
Interest income	(214)	(16)	(2,007)
Interest expenses	3,632	1,108	34,044
Provisions no longer required written back	(452)	-	(4,237)
Other non cash (benefits)/charges	842	-	7,895
	42,779	**13,675**	**400,943**
Net Change in			
Trade receivables	61,847	(88,147)	579,636
Inventories	9,532	(9,532)	89,332
Other financial assets and other assets	(81,023)	(64,176)	(759,357)
Trade payables	9,537	2,720	89,382
Provisions, other financial liabilities and other liabilities	18,203	69,740	170,594
Cash generated from (used in) operations	**60,875**	**(75,720)**	**570,530**
Direct taxes paid (net of refunds)	(7,523)	-	(70,508)
Net cash flow from (used in) operating activities (A)	**53,352**	**(75,720)**	**500,022**
B. Cash flows from investing activities			
Purchase of property,plant and equipment, including capital work in progress and capital advances	(10,524)	(470)	(98,635)
Interest received	214	16	2,007
Net cash used in investing activities (B)	**(10,310)**	**(454)**	**(96,628)**
C. Cash flows from financing activities			
Proceeds from issue of share capital	-	21,066	-
Proceeds from short term borrowings	-	63,130	-
Payment of lease liabilities (including interest)	(14,533)	-	(136,204)
Net cash flow from (used in) financing activities (C)	**(14,533)**	**84,196**	**(136,204)**
Net increase in cash and cash equivalents (A+B+C)	28,509	8,022	267,190
Cash and cash equivalents at the beginning of the period	8,022	-	75,184
Cash and cash equivalents at the end of the period as per note 2.5	**36,531**	**8,022**	**342,374**

Summary of significant accounting policies (Note 1)

As per our report of even date.

For B S R & Co. LLP
Chartered Accountants
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Vimal Chauhan
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Membership Number: 511230

Gurugram, India
Date: 6 July 2021

For and on behalf of the Board of Directors
of HCL GUATEMALA, SOCIEDAD ANÓNIMA

Raghu Raman Lakshmanan
Director

Shiv Kumar Walia
Director

Date: 6 July 2021

Company Overview

HCL Guatemala, Sociedad Anónima (herein after referred to as the "Company") is primarily engaged in providing a range of software services and infrastructure services. The company was incorporated in Guatemala on 22 February 2019.

The special purpose financial statements for the period ended 31 December 2020 were approved and authorized for issue by the Board of Directors on 6 July 2021.

1. Significant Accounting Policies

a) Basis of preparation

The special purpose financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, 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 special purpose financial statements have been prepared on the request of the Ultimate Holding Company to comply with the financial reporting requirement in India.

These special purpose 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 functional currency of the Company is Guatemalan quetzal (GTQ). The translation from GTQ to ₹ is included solely for the convenience of readers in India and has been performed using rate of GTQ 1 = ₹ 9.372/-, the exchange rate prevailing as at the last day of the financial year. Such translation should not be construed as representation that the ₹ amounts represent, or have been or could be converted into, GTQ at that or any other rate.

b) Use of estimates

The preparation of special purpose 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 special purpose 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. Actual results could differ from those estimates. Changes in estimates are reflected in the special purpose financial statements in the period 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(h)
ii. Allowance for uncollectible accounts receivables, refer note 1(k)(i)
iii. Recognition of income and deferred taxes, refer note 1(j) and note 2.20
iv. Useful lives of property, plant and equipment, refer note 1(e)
v. Identification of leases and measurement of lease liabilities and right of use assets, refer note 1(c)
vi. Provisions and contingent liabilities, refer note 1(m)

In view of pandemic relating to COVID-19, the company has considered and taken into account internal and external information and has performed sensitivity analysis based on current estimates in assessing the recoverability of receivables, unbilled receivables, other assets, impact on revenues and costs and impact on leases including but not limited to assessment of liquidity and going concern assumption. However, the actual impact of COVID-19 on the Company's special purpose financial statements may differ from that estimated and the Company will continue to closely monitor any material changes to future economic conditions.

c) Leases

Company as a lessee

Company is lessee in case of office space. 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, all leases with a term of more than 12 months are recognized as right-of-use assets along with associated lease liabilities, in the special purpose balance sheet.

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 remeasurement 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 Company exercising an option to terminate the lease. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made and remeasuring 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 special purpose 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 special purpose 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.

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 net investment in the leased assets. 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 special purpose statement of profit and loss. Initial direct costs such as legal cost, brokerage cost etc. are recognized immediately in the special purpose statement of profit and loss.

Transition to Ind AS 116

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors.

The Company has adopted Ind AS 116, effective 1 January 2020 using the modified retrospective approach which involves recognizing new right-of-use assets and lease liabilities on its special purpose balance sheet. Comparative information has not been adjusted and continues to be reported under Ind AS 17. As a result of the Company's adoption of this new standard, all leases are recorded on the special purpose balance sheet. The Company has also elected the practical expedients, not to reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. The Company has used a single discount rate to a portfolio of leases with reasonably similar characteristics. 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, and to use the recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases").

Impact on special purpose financial statements

As a result of adoption of Ind AS 116, the Company recognized additional lease liabilities of GTQ 76,038 thousands and rights-of-use assets of GTQ 74,872 thousands as on 1 January 2020.

The weighted average incremental borrowing rate of 3.19% has been applied to lease liabilities recognized in the special purpose balance sheet at the date of initial application, in respect of leases classified as operating leases as per Ind AS 17.

The following table summarize the impact of the Company's adoption of Ind AS 116 on its special purpose financial statements as of 1 January 2020

GTQ ('000)

	As reported 31 December 2019	**Adoption of Ind AS 116**	**Balance as of 1 January 2020**
Other financial liabilities (current) - liabilities for expenses (note 1)	39,720	(1,166)	38,554
Right-of-use assets	-	74,872	74,872
Lease liability (including current and non-current portion)	-	76,038	76,038

Notes:.
1. Includes lease equalization reserve of GTQ 1,166 thousands adjusted with right-of-use assets.

d) Inventories

Stock in trade, stores and spares 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 identification of individual costs of each item. Cost of stock in trade, that are interchangeable and not specific to any project and cost of stores and spare parts are determined using the weighted average cost formula.

e) 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 assets 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 fixed assets, including day – to - day repairs, maintenance expenditure and cost of replacing parts, are charged to the special purpose statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from derecognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the special purpose statement of profit and loss when the asset is derecognized.

Property, plant and equipment under construction and cost of assets not ready for use before the year-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 following assets for computing depreciation are as follows: -

	Life (in years)
Computer	4-5
Plant and machinery (including office equipment, air conditioner and electrical installations)	10

The useful life as given above best represents the period over which the management expects to use these assets, based on technical assessment. Hence, the useful life for the assets is different from the useful life prescribed under Part C of Schedule II of the Companies Act 2013.

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

f) Impairment of non-financial assets

Property, plant and equipment

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 special purpose 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.

g) 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.

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

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

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

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

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

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

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

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.

h) 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 the right to invoice for services performed.

Fixed Price contracts

Revenue related to fixed price contracts where performance obligations and control are satisfied over a period of time like technology integration, complex network building contracts, ERP implementations and Application development are recognized based on progress towards completion of the performance obligation using a cost-to cost measure of progress (i.e., percentage-of-completion (POC) method 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 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 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 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 the special purpose 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.

i) Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Company at its 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 special purpose balance sheet date. Exchange differences arising on settlement or translation of monetary items are recognized in the special purpose 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 the 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 year 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.

j) Taxation

Income tax expense comprises current and deferred income tax.

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 special purpose balance sheet date. Provision for income tax includes the impact of provisions established for uncertain income tax positions, as well as the related interest.

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 special purpose financial statements.

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

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the special purpose 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.

k) 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 equivalents

Cash and cash equivalents in the special purpose 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:

The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and 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 special purpose statement of profit and loss. The losses arising from impairment are recognized in the special purpose statement of profit and loss. This category includes cash and bank balances, loans, unbilled revenue, trade and other receivables.

Derecognition of financial assets

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

Impairment of financial assets

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities at amortized cost

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

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method 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 special purpose 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 special purpose 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 special purpose 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.

l) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period 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.

m) 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 special purpose financial statements.

n) Retirement and other employee benefits

Contributions to defined contribution plans are recognized as expense when employees have rendered services entitling them to such benefits. The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The employees can carry forward up to the specified portion of the unutilized accumulated compensated absences and utilize it in future periods or receive cash at retirement or termination of employment. The expense on non-accumulating compensated absences is recognized in the special purpose statement of profit and loss in the year in which the absences occur.

o) Borrowing costs

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 costs also include exchange differences to the extent regarded as an adjustment to the borrowing costs.

p) 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 special purpose financial statements**.**

2.1 Property, plant and equipment

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

	Plant and equipment	Computers	Total	Plant and equipment	Computers	Total
	(GTQ)	(GTQ)	(GTQ)	(₹)	(₹)	(₹)
Gross block as at 1 January 2020	1,420	3,669	**5,089**	13,307	34,388	**47,695**
Additions	-	9,591	**9,591**	-	89,883	**89,883**
Gross block as at 31 December 2020	1,420	13,260	**14,680**	13,307	124,271	**137,578**
Accumulated depreciation as at 1 January 2020	49	141	**190**	462	1,323	**1,785**
Charge for the year	142	2,030	**2,172**	1,333	19,030	**20,363**
Accumulated depreciation as at 31 December 2020	191	2,171	**2,362**	1,795	20,353	**22,148**
Net block as at 31 December 2020	1,229	11,089	**12,318**	11,512	103,918	**115,430**

The changes in the carrying value for the period ended 31 December 2019

	Plant and equipment	Computers	Total
	(GTQ)	(GTQ)	(GTQ)
Additions	1,420	3,669	**5,089**
Gross block as at 31 December 2019	1,420	3,669	**5,089**
Charge for the year	49	141	**190**
Accumulated depreciation as at 31 December 2019	49	141	**190**
Net block as at 31 December 2019	1,371	3,528	**4,899**

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Notes to special purpose financial statements for the year ended 31 December 2020

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

2.2 Other non- current assets

	As at		
	31 December 2020	**31 December 2019**	**31 December 2020**
	(GTQ)	**(GTQ)**	**(₹)**
Unsecured considered good unless otherwise stated			
Advances other than capital advances			
Security deposits	470	-	4,405
Others			
Prepaid expenses	661	23	6,192
Deferred contract cost	20,930	19,529	196,153
	22,061	**19,552**	**206,750**

2.3 Inventories

	As at		
	31 December 2020	**31 December 2019**	**31 December 2020**
	(GTQ)	**(GTQ)**	**(₹)**
Stock in trade	-	9,532	-
	-	**9,532**	**-**

2.4 Trade receivable

	As at		
	31 December 2020	**31 December 2019**	**31 December 2020**
	(GTQ)	**(GTQ)**	**(₹)**
Unsecured, considered good (refer note below)	26,299	88,147	246,480
	26,299	**88,147**	**246,480**

Note:

1. Includes receivables from related parties amounting to GTQ 26,715/- thousands. (refer note 2.23).

2.5 Cash and bank balances

	As at		
	31 December 2020	**31 December 2019**	**31 December 2020**
	(GTQ)	**(GTQ)**	**(₹)**
Cash and cash equivalent			
Balance with banks			
- in current accounts	36,531	8,022	342,374
	36,531	**8,022**	**342,374**

2.6 Other financial assets

	As at		
	31 December 2020	**31 December 2019**	**31 December 2020**
	(GTQ)	**(GTQ)**	**(₹)**
Non - current			
Finance lease receivables	77	-	723
	77	**-**	**723**
Current			
Carried at amortized Cost			
Security deposits	3,317	692	31,089
Finance lease receivables	25	-	235
Unbilled receviable	157	1,307	1,474
Unbilled receviable-related parties (refer note no. 2.23)	88,370	6,604	828,208
	91,869	**8,603**	**861,006**

2.7 Other current assets

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(GTQ)	(GTQ)	(₹)
Unsecured , considered good			
Advances other than capital advances			
Advances to employees	-	207	-
Advances to suppliers	6,939	2,244	65,032
Others			
Deferred contract cost	4,925	8,129	46,154
Other receivables	10,282	23,150	96,361
Prepaid expenses	570	122	5,338
Withholding and other taxes receviable	8,087	2,169	75,790
Other advances	388	-	3,634
	31,191	**36,021**	**292,309**

2.8 Equity share capital

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(GTQ)	(GTQ)	(₹)
Authorized			
77,000,000 (31 December 2019: 77,000,000) equity shares of GTQ 1 each	77,000	77,000	721,649
Issued, subscribed and fully paid up			
21,066,000 (31 December 2019: 21,066,000) equity shares of GTQ 1 each	21,066	21,066	197,432

Terms/ rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of GTQ 1/-. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

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

	As at			
	31 December 2020		31 December 2019	
	No. of shares	GTQ	No. of shares	GTQ
Number of shares at the beginning	21,066,000	21,066	-	-
Add: Shares issued during the year	-	-	21,066,000	21,066
Number of shares at the end	21,066,000	21,066	21,066,000	21,066

Shares held by holding/ultimate holding company and/or their subsidiaries/associates:-

Name of the shareholder	As at			
	31 December 2020	31 December 2020	31 December 2019	31 December 2019
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of GTQ 1 each fully paid				
HCL Bermuda Ltd.	21,065,999	99.99%	21,065,999	99.99%
HCL Technologies UK Ltd.	1	0.01%	1	0.01%

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

Name of the shareholder	As at			
	31 December 2020	31 December 2020	31 December 2019	31 December 2019
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of GTQ 1 each fully paid				
HCL Bermuda Ltd.	21,065,999	99.99%	21,065,999	99.99%

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.

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 and short term borrowings.

2.9 Borrowings

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(GTQ)	(GTQ)	(₹)
Short term borrowings			
Unsecured			
Loan from related parties (refer note 2.23)	63,919	63,130	599,054
	63,919	**63,130**	**599,054**

Note:
Loan from related parties were availed for management of working capital.

2.10 Trade payables

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(GTQ)	(GTQ)	(₹)
Trade payables	12,050	2,637	112,931
Trade payables-related parties (refer note no. 2.23)	207	83	1,939
	12,257	**2,720**	**114,870**

2.11 Other financial liabilities

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(GTQ)	(GTQ)	(₹)
Current			
Carried at amortized Cost			
Capital accounts payables	3,685	4,664	34,538
Interest payable -related parties (refer note 2.23)	2,253	1,107	21,120
Employee bonuses accrued	12,033	12,157	112,771
Other employee costs	1,140	1,712	10,682
Others			
Liabilities for expenses	6,991	39,720	65,505
Liabilities for expenses-related parties (refer note no. 2.23)	21	-	200
	26,123	**59,360**	**244,816**

2.12 Other current liabilities

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(GTQ)	(GTQ)	(₹)
Non- current			
Contract liabilities-related parties (refer note no. 2.14 & 2.23)	36,702	-	343,971
	36,702	**-**	**343,971**
Current			
Contract liabilities-related parties (refer note no. 2.14 & 2.23)	8,636	-	80,934
Other Advances			
Employee payables	634	-	5,940
Advances received from customers	1,290	-	12,086
Others			
Withholding taxes payable	702	784	6,578
Other payable (social security)	3,429	3,136	32,132
	14,691	**3,920**	**137,670**

2.13 Provisions

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(GTQ)	(GTQ)	(₹)
Non - Current			
Provision for employee benefits			
Provision for leave benefits	12,524	-	117,372
	12,524	**-**	**117,372**
Current			
Provision for employee benefits			
Provision for leave benefits	3,389	12,232	31,760
	3,389	**12,232**	**31,760**

2.14 Revenue from operations

	Year ended		
	31 December 2020	31 December 2019	31 December 2020
	(GTQ)	(GTQ)	(₹)
Sale of services	380,186	237,324	3,563,132
Sale of hardware and software	15,649	-	146,659
	395,835	**237,324**	**3,709,791**

Disaggregate Revenue Information

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

	Year ended		
	31 December 2020	31 December 2019	31 December 2020
	(GTQ)	(GTQ)	(₹)
Contract type			
Fixed price	139,781	89,127	1,310,034
Time and material	256,054	148,197	2,399,757
Total	**395,835**	**237,324**	**3,709,791**
Geography wise			
America	-	44,214	-
Europe	363,817	163,803	3,409,717
India	30,818	29,307	288,830
Others	1,200	-	11,244
	395,835	**237,324**	**3,709,791**

Remaining performance obligations

As at 31 December 2020, 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 consolidated balance sheet. Contract assets primarily relate to unbilled amounts on fixed price contracts using 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).

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

The below table discloses the movement in balances of contract liabilities :

	Year ended		
	31 December 2020	31 December 2019	31 December 2020
	(GTQ)	(GTQ)	(₹)
Balance as at beginning of the year	-	-	-
Additional amounts billed but not recognized as revenue	52,862	-	495,424
Deduction on account of revenues recognized during the year	7,524	-	70,519
Balance as at end of the year	45,338	-	424,905

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

The below table discloses the movement in balance of deferred contract cost:

	Year ended		
	31 December 2020	31 December 2019	31 December 2020
	(GTQ)	(GTQ)	(₹)
Balance as at beginning of the year	27,658	-	259,212
Additional cost capitalised during the period	3,472	27,658	32,537
Deduction on account of cost amortised during the period	5,275	-	49,441
Balance as at end of the year	**25,855**	**27,658**	**242,307**

The contracted price equals the revenue recognized since there is no reduction towards variable consideration component during the year.

2.15 Other income

	Year ended		
	31 December 2020	31 December 2019	31 December 2020
	(GTQ)	(GTQ)	(₹)
Interest income			
- Others	214	16	2,007
Provisions no longer required written back	452	-	4,237
	666	**16**	**6,244**

2.16 Changes in inventories of stock-in-trade

	Year ended		
	31 December 2020	31 December 2019	31 December 2020
	(GTQ)	(GTQ)	(₹)
Opening stock	9,532	-	89,332
Less: Closing stock	-	9,532	-
	9,532	**(9,532)**	**89,332**

2.17 Employee benefits expense

	Year ended		
	31 December 2020	31 December 2019	31 December 2020
	(GTQ)	(GTQ)	(₹)
Salaries, wages and bonus	270,200	146,700	2,532,334
Social security contribution	27,606	18,223	258,722
Leave encashment	9,468	5,284	88,739
Staff welfare expenses	432	631	4,044
	307,706	**170,838**	**2,883,839**

2.18 Finance cost

	Year ended		
	31 December 2020	31 December 2019	31 December 2020
	(GTQ)	(GTQ)	(₹)
Interest			
-on leased assets	2,501	-	23,438
-others	1,132	1,108	10,606
Bank charges	7	3	68
	3,640	**1,111**	**34,112**

2.19 Other expenses

	Year ended		
	31 December 2020	31 December 2019	31 December 2020
	(GTQ)	(GTQ)	(₹)
Rent	981	2,659	9,195
Power and fuel	1,612	11	15,112
Insurance	-	1,359	-
Repairs and maintenance			
- Plant and machinery	186	7	1,740
- Buildings	3,506	845	32,855
- Others	4,445	579	41,658
Communication costs	2,509	300	23,518
Travel and conveyance	1,702	5,831	15,952
Business promotion	631	149	5,915
Legal and professional charges	3,542	2,251	33,194
Rates and taxes	316	-	2,966
Recruitment, training and development	942	1,494	8,827
Exchange differences (net)	1,800	454	16,869
Miscellaneous expenses	3,656	565	34,260
	25,828	**16,504**	**242,061**

2.20 Income taxes

	Year ended 31 December 2020 (GTQ)	Period ended 31 December 2019 (GTQ)	Year ended 31 December 2020 (₹)
Income tax charged to statement of profit and loss			
Current income tax charge	14,520	-	136,082
Deferred tax charge (credit)	(8,954)	3,371	(83,914)
	5,566	**3,371**	**52,168**

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

	Year ended 31 December 2020 (GTQ)	Period ended 31 December 2019 (GTQ)	Year ended 31 December 2020 (₹)
Profit before income tax	21,957	12,393	205,796
Statutory tax rate	25%	25%	25%
Expected tax expense	5,489	3,098	51,448
Other permanent differences	77	273	720
Total taxes	**5,566**	**3,371**	**52,168**
Effective income tax rate	**25%**	**27%**	**25%**

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

	Opening balance	Recognised in profit and loss	Closing balance
Deferred tax assets			
Business losses	3,544	(3,544)	-
Lease liabilities	-	712	712
Contract liabilities (Gross)		4,871	4,871
Gross Deferred tax assets (A)	**3,544**	**2,039**	**5,583**
Deferred tax liabilities			
Deferred contract cost (Gross)	6,915	(6,915)	-
Gross Deferred tax liabilities (B)	**6,915**	**(6,915)**	**-**
Net deferred tax assets/ liabilities (A-B)	**(3,371)**	**8,954**	**5,583**

(Amount in (₹))

	Opening balance	Recognised in profit and loss	Closing balance
Deferred tax assets			
Business losses	33,215	(33,215)	-
Lease liabilities	-	6,674	6,674
Contract liabilities (Gross)	-	45,650	45,650
Gross Deferred tax assets (A)	**33,215**	**19,109**	**52,324**
Deferred tax liabilities			
Deferred contract cost (Gross)	64,805	(64,805)	-
Gross Deferred tax liabilities (B)	**64,805**	**(64,805)**	**-**
Net deferred tax assets/ liabilities (A-B)	**(31,590)**	**83,914**	**52,324**

Components of deferred tax assets and liabilities as on 31 December 2019

(Amount in GTQ)

	Opening balance	Recognised in profit and loss	Closing balance
Deferred tax assets			
Business losses	-	3,544	3,544
Gross Deferred tax assets (A)	**-**	**3,544**	**3,544**
Deferred tax liabilities			
Deferred contract cost (Gross)	-	6,915	6,915
Gross Deferred tax liabilities (B)	**-**	**6,915**	**6,915**
Net deferred tax liabilities (A-B)	**-**	**(3,371)**	**(3,371)**

2.21 Earnings Per Share

The computation of earnings per share is as follows:

	Year ended		
	31 December 2020	31 December 2019	31 December 2020
	(GTQ)	(GTQ)	(₹)
Net profit as per Statement of profit and loss for computation of EPS	16,391	9,022	153,628
Weighted average number of equity shares outstanding in calculating Basic EPS	21,066,000	9,759,546	21,066,000
Nominal value of equity shares	1	1	9
Earnings per equity share			
- Basic & Diluted	0.78	0.92	7.29

2.22 Leases

i) Operating Leases

The Company leases office spaces and accommodation for its employees under operating lease agreements.

The details of right-of-use assets held by company are as follows:

	Building	
	GTQ	(₹)
Balance as at beginning of the year	-	-
Transition impact of Ind AS 116	74,872	701,706
Additions	34,368	322,099
Depreciation charge for the year	(14,842)	(139,098)
Translation exchange differences	915	8,574
Balance as at end of the year	**95,313**	**893,281**

The recognition of lease liabilities is as follows:

	GTQ	(₹)
Balance as at beginning of the year	-	-
Transition impact of Ind AS 116	76,038	712,634
Additions	34,091	319,505
Amount recognised in statement of profit and loss as interest	2,501	23,438
Payment of lease liabilities	(15,423)	(144,541)
Translation exchange differences	954	8,940
Balance as at end of the year	**98,161**	**919,976**

The lease rentals recognised in the statement of profit and loss for the year is GTQ 981 thousands (INR 9,195 thousands)

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

	GTQ	(₹)
Within one year	24,465	229,283
One to two years	24,986	234,172
Two to three years	22,258	208,604
Three to five years	18,085	169,494
Thereafter	16,454	154,212
Total lease payments	106,248	995,765
Imputed interest	(8,087)	(75,789)
Total lease liabilities	**98,161**	**919,976**

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.

ii) Finance Lease: In case of assets given on lease

The Company has given networking equipment to its customers on finance lease basis. The future lease receivables in respect of assets given on finance lease as at 31 Dec 2020 are as follows:

	Total minimum lease payments receivable (GTQ)	Interest included in minimum lease payments receivable (GTQ)	Present value of minimum lease payments receivable (GTQ)
Not later than one year	29	4	25
Later than one year and not later than 5 years	82	5	77
Total	**111**	**9**	**102**

	Total minimum lease payments receivable (₹)	Interest included in minimum lease payments receivable (₹)	Present value of minimum lease payments receivable (₹)
Not later than one year	271	36	235
Later than one year and not later than 5 years	768	46	723
Total	**1,039**	**82**	**958**

2.23 Related Party Transaction

a) Related Parties where control exists

Ultimate Holding Company
HCL Technologies Limited, India

Holding Company
HCL Bermuda Ltd.

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

Ultimate Holding Company
HCL Technologies Limited, India

Holding Company
HCL Bermuda Ltd.

Fellow Subsidiaries
HCL America Inc.
HCL Argentina s.a.
HCL (Brazil) Technologia da infformacao EIRELI
HCL Technologies Columbia S.A.S
HCL Axon (Pty) Ltd
HCL Canada Inc.- SD
HCL (Netherlands) B.V.
HCLTechnologies Chile SPA
HCL Sweden AB
HCL Technologies Italy S.PA.
HCL Technologies Corporate
HCL (New Zealand) Ltd.
HCL EAS Ltd.
HCL Technologies UK Ltd.

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Notes to special purpose financial statements for the year ended 31 December 2020

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

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

	Ultimate Holding company		Holding company		Fellow subsidiaries	
	Year ended	Period ended	Year ended	Period ended	Year ended	Period ended
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Consulting charges	38	34	-	-	79	-
Revenue	30,818	29,307	-	-	365,017	205,019
Interest Expense	-	-	-	-	1,132	1,108
Loan Taken during the period	-	-	-	-	-	63,130

(₹)

	Ultimate Holding company	Holding company	Fellow subsidiaries
	Year ended		
	31 December 2020	31 December 2020	31 December 2020
Consulting charges	360	-	743
Revenue	288,830	-	3,420,961
Interest Expense	-	-	10,606

d) Outstanding balances of related parties **(GTQ)**

	Ultimate Holding company		Holding company		Fellow subsidiaries	
	As at	As at	As at	As at	As at	As at
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Trade Payable	72	33	50	50	85	-
Contract liabilities	-	-	-	-	45,338	-
Liabilities for expenses	-	-	-	-	21	-
Interest Payable	-	-	-	-	2,253	1,107
Unbilled Receivables	17,211	-	-	-	71,159	6,604
Trade Receivables	15	29,307	50	50	26,651	57,032
Short Term Loans	-	-	-	-	63,919	63,130

(₹)

	Ultimate Holding company	Holding company	Fellow subsidiaries
	As at		
	31 December 2020	31 December 2020	31 December 2020
Trade Payable	675	466	798
Contract liabilities	-	-	424,905
Liabilities for expenses	-	-	200
Interest Payable	-	-	21,120
Unbilled Receivables	161,298	-	666,910
Trade Receivables	139	466	249,774
Short Term Loans	-	-	599,054

2.24 Segment reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available and 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 disagreegation as per geography is given in note 2.14.

2.25 Financial Instruments

Financial assets and liabilities

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

	Amortized Cost	Total Carrying Value	Amortized Cost	Total Carrying Value
	GTQ	GTQ	(₹)	(₹)
Financial Assets				
Trade receivables	26,299	26,299	246,480	246,480
Cash and cash equivalents	36,531	36,531	342,374	342,374
Others (refer note 2.6)	91,946	91,946	861,729	861,729
Total	154,776	154,776	1,450,583	1,450,583
Financial Liabilities				
Borrowings	63,919	63,919	599,054	599,054
Trade payables	12,257	12,257	114,870	114,870
Lease liabilities	98,161	98,161	919,976	919,976
Others (refer note 2.11)	26,123	26,123	244,816	244,816
Total	200,460	200,460	1,878,717	1,878,717

The carrying value of financial instruments by categories as at 31 Dec, 2019 is as follows:

	Amortized Cost	Total Carrying Value
	GTQ	GTQ
Financial Assets		
Trade Receivables	88,147	88,147
Cash and Cash Equivalents	8,022	8,022
Others (refer note 2.6)	8,603	8,603
Total	104,772	104,772
Financial Liabilities		
Borrowings	63,130	63,130
Trade Payables	2,720	2,720
Others (refer note 2.11)	59,360	59,360
Total	125,210	125,210

(b) Financial risk management

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.

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 funtional currency. An insignificant portion of the Company's revenue is in other functional currency while a large protion of costs are in GTQ. The fluctuation in exchange rates in respect to GTQ 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 GTQ 1,628 thousands for the period ended 31 December 2020.

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

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

	Financial assets		Financial liabilities		Financial assets	Financial liabilities
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2020
	GTQ	GTQ	GTQ	GTQ	(₹)	(₹)
BRL/GTQ	-	-	61	-	-	574
CLP/GTQ	-	-	19	-	-	176
USD/GTQ	131,297	4,124	294,015	121,548	1,230,520	2,755,532

(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. Hence the Company is not significantly exposed to interest rate risk.

Credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, trade receivables, unbilled revenue, finance lease receivables. By their nature, all such financial instruments involve risks, including the credit risk of nonperformance by counterparties.

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 financial liabilities based on contractual payments is as below:

	Year 1 (Current)	Year 2	Year 3	Year 4 - 5 and thereafter	Total
	(GTQ)	(GTQ)	(GTQ)	(GTQ)	(GTQ)
As at 31 December 2020					
Borrowings	63,919	-	-	-	63,919
Trade payables	12,257	-	-	-	12,257
Lease liabilities	24,465	24,986	22,258	34,539	106,248
Others financial liabilities	26,123	-	-	-	26,123
Total	**126,763**	**24,986**	**22,258**	**34,539**	**208,547**
As at 31 December 2019					
Borrowings	63,130	-	-	-	63,130
Trade payables	2,720	-	-	-	2,720
Others financial liabilities	59,360	-	-	-	59,360
Total	**125,210**	**-**	**-**	**-**	**125,210**

	Year 1 (Current)	Year 2	Year 3	Year 4 - 5 and thereafter	Total
	(₹)	(₹)	(₹)	(₹)	(₹)
As at 31 December 2020					
Borrowings	599,054	-	-	-	599,054
Trade payables	114,869	-	-	-	114,869
Lease liabilities	229,283	234,172	208,604	323,706	995,765
Others financial liabilities	244,816	-	-	-	244,816
Total	**1,188,022**	**234,172**	**208,604**	**323,706**	**1,954,504**

2.26 Capital and other commitments

	As at		
	31 December 2020	31 December 2019	31 December 2020
	(GTQ)	(GTQ)	(₹)
Capital and other commitments			
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	44	3,361	411
	44	**3,361**	**411**

2.27 Subsequent event

The Company has evaluated all the subsequent events through 6 July 2021, which is the date on which these special purpose financial statements were issued, and no events have occurred from the special purpose balance sheet date through that date except for matters that have already been considered in the special purpose financial statements.

3. The Company has presented its special purpose financial statements in "GTQ in Thousands" and accordingly, amounts less than GTQ 0.50 thousands are rounded off to zero.

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

Vimal Chauhan
Partner
Membership Number: 511230

Gurugram, India
Date: 6 July 2021

For and on behalf of the Board of Directors
of HCL GUATEMALA, SOCIEDAD ANÓNIMA

Raghu Raman Lakshmanan
Director

Shiv Kumar Walia
Director

Date: 6 July 2021