**HCL Technologies Costa Rica S.R.L.**

Financial Statements

For the year ended 31 December 2022

# Directors' Report for the Financial Year ended December 31, 2022

**TO THE MEMBERS,**

The Director of your Company has pleasure in presenting the Annual Report of the Company together with the Audited Accounts for the financial year ended December 31, 2022.

**FINANCIAL RESULTS**

The Financial results of your Company for the period ended December 31, 2022, are summarized as follows:

**Amount in CRC'000**

| | **Year ended December 31, 2022** | **Period ended December 31, 2022** |
|---|---|---|
| Total Income | 1,950,387 | 94,656 |
| Total Expenditure | 1,747,150 | 86,051 |
| Profit before tax | 203,237 | 8,605 |
| Provision for tax | - | - |
| Profit for the year | 203,237 | 8,605 |

**DIVIDEND**

The board of director did not recommend any dividend for the financial year ended on December 31, 2022.

**TRANSFER TO RESERVES**

Your Company does not propose to transfer to the reserve out of amount available for appropriation.

**STATE OF COMPANY'S AFFAIRS AND FUTURE OUTLOOK**

Your Company's primary business is to provide Computer software (IT) services.

**MATERIAL CHANGES AND COMMITMENT IF ANY AFFECTING THE FINANCIAL POSITION BETWEEN THE END OF THE FINANCIAL YEAR AND THE DATE OF THE REPORT**

There were no major changes affecting the financial position of the Company between the end of the financial year and the date of the report.

**CHANGE IN NATURE OF BUSINESS**

There was no change in the nature of business of the Company during the year under review.

**SHARE CAPITAL**

As on December 31, 2022, the share capital of the Company comprises of 6,516,900 shares of CRC 100 each aggregating to CRC 651,690,000. The share capital is held by HCL Bermuda Limited.

**SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES**

Your Company does not have any subsidiary, joint venture or associate company.

**DIRECTOR /GENERAL MANAGER**

As on December 31, 2022, the Board consisted of one general manager namely Mr. Raghu Raman Lakshmanan, who is a non-executive.

During the year, the sole non-executive general manager of the Company had no pecuniary relationship or transactions with the Company.

**POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION AND OTHER DETAILS**

The Company does not have a Nomination and Remuneration Committee ("NRC") since not required by law of Costa Rica.

**INTERNAL FINANCIAL CONTROLS AND ITS ADEQUACY**

Your Company has a proper and adequate system of internal financial controls. This ensures that all assets are safeguarded and protected against loss from unauthorised use or disposition and the transactions are authorised, recorded and reported correctly. The internal financial control system has been designed to ensure that the financial and other records are reliable for preparing financial and other statements and for maintaining accountability of assets.
The parent company has an Internal Audit Department headed by an Internal Auditor.

**WHISTLE BLOWER/VIGILANCE POLICY**

The whistle blower policy/vigil mechanism to report any wrong doing occurring within the Company has been established. Adequate safeguards against victimization of whistleblowers who express their concerns against such wrongdoings has also been established. The whistleblower mechanism operate at the level of the parent company and it covers all the subsidiaries including your Company.

**STATUTORY AUDITORS'**

M/s. B.S.R. & Co. LLP, Chartered Accountants, were appointed as statutory auditors of the Company to hold office for the year 2022. It is proposed to appoint M/s. B.S.R. & Co. LLP, Chartered Accountants, as auditors of the Company for the year ended December 31, 2023.

**EXPLANATION OR COMMENTS ON QUALIFICATIONS, RESERVATIONS OR ADVERSE REMARKS OR DISCLAIMERS MADE BY THE AUDITORS' IN THEIR REPORT**

There were no qualifications, reservations or adverse remarks made by the Statutory Auditors in their report.

**PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS**

The provisions relating to Loans, Guarantees and investments covered under Section 186 of the Companies Act, 2013 and/or erstwhile Section 372A of Companies Act, 1956 are not applicable to the Company, being a body corporate incorporated outside India.

**PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES**

The Company has entered into any contracts or arrangements with related parties on arms' length price.

**EXTRACT OF ANNUAL RETURN**

The Company is a body corporate since the Corporation is incorporated outside India. Hence, the provisions of Section 92(3) of the Companies Act, 2013, being the extract of annual return (Form MGT-9), need not form part of this report.

**DEPOSITS FROM PUBLIC**

The Company has not accepted any deposits from the public and as such, no amount on account of principal or interest on deposits from the public was outstanding as on the date of the balance sheet.

**FRAUD**

Your Company is a very well-managed Company and neither the Auditors nor the Internal Auditors have brought to the notice of the Board of Directors the occurrence or brewing of any fraud in the Company.

**HUMAN RESOURCE MANAGEMENT**

Your Company believes that human capital is one of the key elements that would give the Company a sustainable competitive advantage in the market. Your Directors record their sincere appreciation for the dedicated efforts of the employees.

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors, to the best of their knowledge and ability, confirm that:

i. in the preparation of the Annual Accounts, the applicable accounting standards have been followed and there are no material departures;

ii. they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

iii. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. they have prepared the Annual Accounts on a going concern basis;

v. they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## ACKNOWLEDGEMENT

Your Directors also thank the customers, vendors, bankers, and all the stakeholders associated with the Company. The success of your Company would be incomplete without the commendable effort put in by the past and present employees of the Company.

**On behalf of the board**
**HCL Technologies Costa Rica S.R.L.**

Raghu Raman Lakshmanan
Raghu Raman Lakshmanan (Apr 6, 2023 09:42 CDT)

**Date: 06th April 2023**

**Raghu Raman Lakshmanan**

B S R & Co. LLP
Chartered Accountants

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

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

# Independent Auditor's Report

**To the Board of Directors of HCL Technologies Costa Rica S.R.L.**

## Report on the Audit of the Financial Statements

## Opinion

We have audited the financial statements of HCL Technologies Costa Rica S.R.L. (the "Company"), which comprise the Balance Sheet as at 31 December 2022, and the Statement of Profit and Loss (including other comprehensive income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information (collectively referred to as "the financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in 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 2022, and its profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

## Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (ICAI). Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by 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

Prince Sharma
Digitally signed by Prince Sharma
Date: 2023.04.06 20:54:37 +05'30'

Prince Sharma
Partner
Membership No. 521307
ICAI UDIN: 23521307BGYFTZ9068

Place: Gurugram, India
Date: 06 April 2023

**HCL Technologies Costa Rica S.R.L.**
**Balance Sheet as at 31 December 2022**
(All amounts in thousands except share data and as stated otherwise)

| | Note No. | As at 31 December 2022 (CRC) | As at 31 December 2021 (CRC) |
|---|---|---|---|
| **I. ASSETS** | | | |
| **(1) Non-current assets** | | | |
| (a) Property, plant and equipment | **2.1(A)** | 526,058 | - |
| (b) Capital work in progress | **2.1(B)** | 9,109 | - |
| (c) Right-of-use assets | **2.19** | 621,599 | - |
| (d) Financial assets | **2.2** | 18,873 | - |
| (e) Other non-current assets | **2.3** | 5,633 | - |
| **Total non-current assets** | | **1,181,272** | **-** |
| **(2) Current assets** | | | |
| (a) Financial assets | | | |
| (i) Trade receivables | | | |
| Billed | **2.4** | 736,755 | 82,520 |
| Unbilled | **2.4** | 95,548 | 12,147 |
| (ii) Cash and cash equivalents | **2.5** | 153,684 | - |
| (b) Other current assets | **2.6** | 59,699 | - |
| **Total current assets** | | **1,045,686** | **94,667** |
| **TOTAL ASSETS** | | **2,226,958** | **94,667** |
| **II. EQUITY** | | | |
| (a) Equity share capital | **2.7** | 651,690 | 12 |
| (b) Other Equity | | 211,842 | 8,605 |
| **TOTAL EQUITY** | | **863,532** | **8,617** |
| **III. LIABILITIES** | | | |
| **(1) Non - current liabilities** | | | |
| (a) Financial Liabilities | | | |
| (i) Lease liabilities | **2.19** | 424,958 | - |
| **Total non-current liabilities** | | **424,958** | **-** |
| **(2) Current liabilities** | | | |
| (a) Financial liabilities | | | |
| (i) Borrowings | **2.8** | 591,590 | 56,941 |
| (ii) Trade payables | | | |
| Billed | **2.9** | 57,507 | - |
| Unbilled and accruals | **2.9** | 31,508 | - |
| (iii) Lease liabilities | **2.19** | 110,822 | - |
| (iv) Others | **2.10** | 77,268 | 8,074 |
| (b) Other current liabilities | **2.11** | 51,316 | 18,203 |
| (c) Provisions | **2.12** | 18,457 | 2,832 |
| **Total current liabilities** | | **938,468** | **86,050** |
| **TOTAL LIABILITIES** | | **1,363,426** | **86,050** |
| **TOTAL EQUITY AND LIABILITIES** | | **2,226,958** | **94,667** |
| **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**

prince sharma
prince sharma (Apr 6, 2023 20:39 GMT+5.5)

**Prince Sharma**
**Partner**
Membership Number : 521307
Gurugram, India
Date: 06 April 2023

**For and on behalf of the Board of Directors**
**of HCL Technologies Costa Rica S.R.L.**

Raghu Raman Lakshmanan
Raghu Raman Lakshmanan (Apr 6, 2023 09:42 CDT)

**Raghu Raman Lakshmanan**
**General Manager**

America
Date: 06 April 2023

**HCL Technologies Costa Rica S.R.L.**
**Statement of Profit and Loss for the year ended 31 December 2022**
**(All amounts in thousands except share data and as stated otherwise)**

| | | Note No. | For the year ended 31 December 2022 (CRC) | For the Period 23 July 2021 to 31 December 2021 (CRC) |
|---|---|---|---|---|
| **I** | **Revenue** | | | |
| | Revenue from operations | **2.13** | 1,843,429 | 94,656 |
| | Other income | **2.14** | 106,958 | - |
| | **Total income** | | **1,950,387** | **94,656** |
| **II** | **Expenses** | | | |
| | Employee benefits expense | **2.15** | 1,320,101 | 85,414 |
| | Finance costs | **2.16** | 26,953 | 51 |
| | Depreciation expense | **2.1 and 2.19** | 150,562 | - |
| | Outsourcing cost | | 24,985 | - |
| | Other expenses | **2.17** | 224,549 | 586 |
| | **Total expenses** | | **1,747,150** | **86,051** |
| **III** | **Profit before tax** | | **203,237** | **8,605** |
| **IV** | **Tax expense** | | - | - |
| **V** | **Profit for the year** | | **203,237** | **8,605** |
| **VI** | **Other comprehensive income** | | - | - |
| **VII** | **Total Comprehensive income for the year** | | **203,237** | **8,605** |
| | **Earning per equity share of par value CRC 100 each** | | | |
| | Basic | **2.18** | **33.30** | **71,708.75** |
| | Diluted | **2.18** | **33.30** | **71,708.75** |
| | **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
dc
**For B S R & Co. LLP**
Chartered Accountants
**ICAI Firm Registration Number : 101248W/W-100022**

prince sharma
prince sharma (Apr 6, 2023 20:39 GMT+5.5)
**Prince Sharma**
**Partner**
Membership Number : 521307

Gurugram, India
Date: 06 April 2023

**For and on behalf of the Board of Directors**
**of HCL Technologies Costa Rica S.R.L.**

Raghu Raman Lakshmanan
Raghu Raman Lakshmanan (Apr 6, 2023 09:42 CDT)
**Raghu Raman Lakshmanan**
**General Manager**

America
Date: 06 April 2023

**HCL Technologies Costa Rica S.R.L.**
**Statement of Changes in Equity for the year ended 31 December 2022**
(All amounts in thousands except share data and as stated otherwise)

**(Amount in CRC)**

| | **Equity share capital** | | **Other Equity** | **Total Equity** |
|---|---|---|---|---|
| | **Number of Shares** | **Share Capital** | **Reserves and Surplus** | |
| Issue of equity shares during the period | 120 | 12 | - | 12 |
| Profit for the period | - | - | 8,605 | 8,605 |
| **Total comprehensive income for the period** | **-** | **-** | **8,605** | **8,617** |
| **Balance as of December 31, 2021** | **120** | **12** | **8,605** | **8,617** |
| **Balance as of January 1, 2022** | **120** | **12** | **8,605** | **8,617** |
| Issue of equity shares during the year | 6,516,780 | 651,678 | - | 651,678 |
| Profit for the year | - | - | 203,237 | 203,237 |
| **Total comprehensive income for the year** | **-** | **-** | **203,237** | **854,915** |
| **Balance as of December 31, 2022** | **6,516,900** | **651,690** | **211,842** | **863,532** |

**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 attached

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

prince sharma
prince sharma (Apr 6, 2023 20:39 GMT+5.5)
**Prince Sharma**
**Partner**
Membership Number : 521307

Gurugram, India
Date: 06 April 2023

**For and on behalf of the Board of Directors**
**of HCL Technologies Costa Rica S.R.L.**

Raghu Raman Lakshmanan
Raghu Raman Lakshmanan (Apr 6, 2023 09:42 CDT)
**Raghu Raman Lakshmanan**
**General Manager**

America
Date: 06 April 2023

**HCL Technologies Costa Rica S.R.L.**
**Statement of Cash flow for the year ended 31 December 2022**
(All amounts in thousands except share data and as stated otherwise)

| | | For the year ended 31 December 2022 | For the Period 23 July 2021 to 31 December 2021 |
|---|---|---|---|
| | | (CRC) | (CRC) |
| **A. Cash flows from operating activities** | | | |
| Profit before tax | | 203,237 | 8,605 |
| **Adjustment for:** | | | |
| Depreciation expense | | 150,562 | - |
| Interest income | | (687) | - |
| Interest expenses | | 23,308 | 51 |
| | | **376,420** | **8,656** |
| **Net changes in** | | | |
| Trade receivables | | (737,636) | (94,655) |
| Other financial and other assets | | (85,771) | - |
| Trade payables | | 89,015 | - |
| Provisions | | 15,626 | 2,832 |
| Financial liabilities and other current liabilities | | 95,814 | 26,226 |
| **Cash flow used in operations** | | **(246,532)** | **(56,941)** |
| **Net cash flow used in operating activities** | **(A)** | **(246,532)** | **(56,941)** |
| **B. Cash flows from investing activities** | | | |
| Purchase of property,plant and equipment. | | (575,973) | - |
| Interest received | | 687 | - |
| **Net cash used in investing activities** | **(B)** | **(575,286)** | **-** |
| **B. Cash flows from financing activities** | | | |
| Interest paid | | (1,551) | - |
| Proceeds from issue of share capital | | 651,678 | - |
| Proceeds from short term borrowings | | 534,649 | 56,941 |
| Payment of lease liabilities including interest | | (209,274) | - |
| **Net cash generated from financing activities** | **(C)** | **975,502** | **56,941** |
| Net increase in cash and cash equivalents (A+B+C) | | 153,684 | - |
| Cash and cash equivalents at the beginning of the year | | - | - |
| **Cash and cash equivalents at the end of the year as per note 2.5** | | **153,684** | **-** |
| **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 attached

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

prince sharma
prince sharma (Apr 6, 2023 20:39 GMT+5.5)
**Prince Sharma**
**Partner**
Membership Number : 521307

Gurugram, India
Date: 06 April 2023

**For and on behalf of the Board of Directors**
**of HCL Technologies Costa Rica S.R.L.**

Raghu Raman Lakshmanan
Raghu Raman Lakshmanan (Apr 6, 2023 09:42 CDT)
**Raghu Raman Lakshmanan**
**General Manager**

America
Date: 06 April 2023

**Organization and Nature of Operations**

HCL Technologies Costa Rica S.R.L. (herein after referred to as the "Company") is primarily engaged in providing all kind of IT services, services in cloud, application & infrastructure services and Customer technology support services. The Company was incorporated on 23 July 2021 in Costa Rica with registration number 3102823403 having registered office at Building C10, second floor, America Free Zone Park, Heredia, San Francisco.

The financial statements for the period ended 31 December 2022 were approved and authorized for issue by the Board of Directors on 06 April 2023.

**1. 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 not incorporated under Companies Act 2013 or under any previous Company law in India. These financial statements have been prepared on the request of the Ultimate Holding Company to comply with the requirement in India.

These financial statements have been prepared under the historical cost convention on an accrual and going concern basis except for certain financial assets and liabilities measured at fair value (refer note 1(h) for accounting policy regarding financial instruments).

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 Colones (CRC).

***b) Use of estimates***

The preparation of financial statements in conformity with Ind AS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, expenses and other comprehensive income (OCI) that are reported and disclosed in the financial statements and accompanying notes. These estimates are based upon management's best knowledge of current events, historical experience, actions that the company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. Changes in estimates are reflected in the 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 and determination of stand-alone selling prices for each distinct performance obligation in contracts involving multiple performance obligations, refer note 1(e).
ii. Allowance for uncollectible accounts receivables, refer note 1(h)(i).
iii. Recognition of income taxes, refer note 1(g)
iv. Useful lives of property, plant and equipment, refer note 1(d)
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(n) and note 2.12

### *c) 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 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.

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 increase 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 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.

### *d) 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.

All other expenses on existing fixed assets, including day – to - day repairs, maintenance expenditure and cost of replacing parts, are charged to the 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 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 period.

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

| **Category of asset** | Life (in years) |
|---|---|
| Computers and laptops | 5 |
| Office Equipment | 10 |
| Furniture and Fittings | 10 |
| Leasehold Improvements | 5-10 |
| Plant and Machinery | 10 |

The useful life as given above best represent 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.

***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, 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.

*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 fivestep 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 typically estimate standalone selling price by using the expected cost plus a margin approach. We typically 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 Company is then allocated to each software obligation and lease deliverable.

Revenue recognition for delivered elements is limited to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified return or refund privileges.

Revenue from certain activities in transition services in outsourcing arrangements are not capable of being distinct or represent separate performance obligation. Revenues relating to such transition activities are classified as Contract liabilities and subsequently recognized over the period of the arrangement. Direct and incremental costs in relation to such transition activities which are expected to be recoverable under the contract are considered as contract fulfilment costs classified as Deferred contract cost and recognized over the period of arrangement. Certain upfront non-recurring incremental contract acquisition costs incurred in the initial phases of outsourcing contracts are deferred and recorded as Deferred contract cost and amortized, usually on a straight line basis, over the term of the contract unless revenues are earned and obligations are fulfilled in a different pattern. The undiscounted future cash flows from the arrangement are periodically estimated and compared with the unamortized costs. If the unamortized costs exceed the undiscounted cash flow, a loss is recognized.

In instances when revenue is derived from sales of third-party vendor services, material or licenses, revenue is recorded on a gross basis when the 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 Company control the goods or service before it is transferred to customer, latitude in deciding the price being charged to customer. Revenue is recognized net of discounts and allowances, value-added and service taxes, and includes reimbursement of out-of-pocket expenses, with the corresponding out-of-pocket expenses included in cost of revenues.

Volume discounts, or any other form of variable consideration is estimated using either the sum of probability weighted amounts in a range of possible consideration amounts (expected value), or the single most likely amount in a range of possible consideration amounts (most likely amount), depending on which method better predicts the amount of consideration realizable. Transaction price includes variable consideration only to the extent it is probable that a significant reversal of revenues recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price may involve judgment and are based largely on an assessment of our anticipated performance and all information that is reasonably available to us.

Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in our statements of financial position, contract assets primarily relate to unbilled amounts on those contracts utilizing the cost to cost method of revenue recognition. Unbilled receivables represent contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

### *f) 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 an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The prescribed fair value hierarchy and related valuation methodologies are as follows:

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

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

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

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

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

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

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.

### *g) Taxation*

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Provision for income tax includes the impact of provisions established for uncertain income tax positions, as well as the related interest and penalties.

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

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

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable company and the same taxation authority.

HCL Technologies Costa Rica SRL is Free Trade Zone (FTZ) registered entity enjoying 100% income tax holiday for 8 years starting from November 30, 2021 granted by Ministry of Economy, Costa Rica, and hence, no current tax and deferred tax provided in the financial statements. This tax holiday extends to exemption on VAT for assets that are purchased locally, withholding tax on remittances abroad, including dividends, all import duties on machinery, raw materials, equipment, office furniture and any assets required for the FTZ activities, exemption of Municipal Taxes and Property Transfer Tax for a period of 10 years. These tax benefits are available for the period subject to meeting investment and employment conditions.

***h) Financial Instruments***

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

***i. Financial assets***

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

***Financial instruments at amortized cost***

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

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

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

***ii. Financial liabilities***

All financial liabilities are recognized initially at fair value and, in the case of loans and payables, net of directly attributable transaction costs.
The Company's financial liabilities include trade payables 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.

***Derecognition***

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis to realize the assets and settle the liabilities simultaneously.

***i) Earnings per share***

Basic earnings per share are calculated by dividing the net profit 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.

***j) 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 statement of profit and loss in the year in which the absences occur.

***k) 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.

Further, short term borrowing during the period is against the discharge of payroll liability of the company by its related party HCL Latin America Holding LLC as the company is in process of opening a bank account.

***l) Cash and short term deposits***

Cash and short-term deposits in the balance sheet comprise cash in banks and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

***m) Foreign currency and translation***

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 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 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 or loss 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.

***n) 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.

***o) Recently issued accounting pronouncements***

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

***Onerous Contracts – Cost of Fulfilling a Contract (Amendment to Ind AS 37)***

The amendments clarifies that the 'costs of fulfilling a contract' comprise both the incremental costs and allocation of other direct costs. The Company does not expect the adoption of this update to have a material impact on its financial statements.

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

**HCL Technologies Costa Rica S.R.L.**
**Notes to Financial Statement for the year ended 31 December 2022**
(All amounts in thousands except share data and as stated otherwise)

**2.1(A) Property, plant and equipment**
**The changes in the carrying value for the year ended 31 December 2022**

| | Leasehold improvements | Office equipment | Plant and equipment | Computers and networking equipment | Furniture and fixtures | Total |
|---|---|---|---|---|---|---|
| | (CRC) | (CRC) | (CRC) | (CRC) | (CRC) | (CRC) |
| **Gross block as at 1 January 2022** | - | - | - | - | - | - |
| Additions | 80,421 | 126,250 | 134,220 | 218,245 | 7,728 | 566,864 |
| **Gross block as at 31 December 2022** | **80,421** | **126,250** | **134,220** | **218,245** | **7,728** | **566,864** |
| **Accumulated depreciation as at 1 January 2022** | - | - | - | - | - | - |
| Charge for the year | 3,773 | 3,182 | 3,383 | 30,273 | 195 | 40,806 |
| **Accumulated depreciation as at 31 December 2022** | **3,773** | **3,182** | **3,383** | **30,273** | **195** | **40,806** |
| **Net block as at 31 December 2022** | **76,648** | **123,068** | **130,837** | **187,972** | **7,533** | **526,058** |

**2.1(B) Capital work in progress (CWIP)**

**The following table presents the ageing schedule for Capital-work-in progress:**

| | Amount in CWIP for a period of | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | Total |
| | (CRC) | (CRC) | (CRC) | (CRC) | (CRC) |
| **As at 31 December 2022** | | | | | |
| Projects in progress | 9,109 | - | - | - | 9,109 |
| | **9,109** | **-** | **-** | **-** | **9,109** |

**2.2 Other financial assets**

| | As at | |
|---|---|---|
| | 31 December 2022 | 31 December 2021 |
| | (CRC) | (CRC) |
| **Non Current** | | |
| Security deposits | 18,873 | - |
| | **18,873** | **-** |

**2.3 Other non-current assets**

| | As at | |
|---|---|---|
| | 31 December 2022 | 31 December 2021 |
| | (CRC) | (CRC) |
| Deferred contract cost | 5,633 | - |
| | **5,633** | **-** |

**2.4 Financial assets - Trade Receivable**

| | As at | |
|---|---|---|
| | 31 December 2022 | 31 December 2021 |
| | (CRC) | (CRC) |
| **Current** | | |
| Unsecured considered good (Refer Note 2.20) | 736,755 | 82,520 |
| Unbilled receivables- related parties (Refer Note 2.20) | 95,548 | 12,147 |
| | **832,303** | **94,667** |

| **Trade receivables - current** | **Not Due** | **Outstanding as at 31st December 2022 from the due date of payment** | | | | | |
|---|---|---|---|---|---|---|---|
| | | **Less than 6 months** | **6 months – 1 year** | **1-2 years** | **2-3 years** | **More than 3 years** | **Total** |
| Undisputed – considered good | - | 678,198 | 26,706 | 31,851 | - | - | 736,755 |
| | | | | | | | 736,755 |
| Unbilled | | | | | | | 95,548 |
| | | | | | | | **832,303** |

| **Trade receivables - current** | **Not Due** | **Outstanding as at 31st December 2021 from the due date of payment** | | | | | |
|---|---|---|---|---|---|---|---|
| | | **Less than 6 months** | **6 months – 1 year** | **1-2 years** | **2-3 years** | **More than 3 years** | **Total** |
| Undisputed – considered good | 82,520 | - | - | - | - | - | 82,520 |
| | | | | | | | 82,520 |
| Unbilled | | | | | | | 12,147 |
| | | | | | | | **94,667** |

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

**2.5 Cash and cash equivalents**

| | As at | |
|---|---|---|
| | **31 December 2022** | **31 December 2021** |
| | **(CRC)** | **(CRC)** |
| Balance with banks | | |
| - in current accounts | 153,684 | - |
| | **153,684** | **-** |

**2.6 Other current assets**

| | As at | |
|---|---|---|
| | **31 December 2022** | **31 December 2021** |
| | **(CRC)** | **(CRC)** |
| **Unsecured** | | |
| Advances to employees | 3,283 | - |
| | **3,283** | **-** |
| **Others** | | |
| Prepaid expenses | 35,324 | - |
| Deferred contract cost | 2,342 | - |
| Other advances | 18,750 | - |
| | **59,699** | **-** |

**2.7 Share capital**

| | As at | |
|---|---|---|
| | **31 December 2022** | **31 December 2021** |
| | **(CRC)** | **(CRC)** |
| **Authorized** | | |
| 6,516,900 (previous year 120) equity shares of CRC 100 each | 651,690 | 12 |
| **Issued, subscribed and fully paid up** | | |
| 6,516,900 (previous year 120) equity shares of CRC 100 each | 651,690 | 12 |

**Terms/ rights attached to equity shares**

The Company has only one class of shares referred to as equity shares having a par value of CRC 100/-. 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 | | As at | |
|---|---|---|---|---|
| | **31 December 2022** | | **31 December 2021** | |
| | **No. of shares** | **Amount in CRC** | **No. of shares** | **Amount in CRC** |
| Number of shares at the beginning | 120 | 12 | - | - |
| Add: Shares issued during the period | 6,516,780 | 651,678 | 120 | 12 |
| Number of shares at the end | 6,516,900 | 651,690 | 120 | 12 |

**Shares held by holding Company and/or their subsidiaries / associates:**

| | As at | | As at | |
|---|---|---|---|---|
| | **31 December 2022** | | **31 December 2021** | |
| | **No. of shares** | **% holding** | **No. of shares** | **% holding** |
| **Equity shares of CRC 100 each fully paid** | | | | |
| HCL Bermuda limited | 6,516,900 | 100% | 120 | 100% |

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

| | As at | | As at | |
|---|---|---|---|---|
| | **31 December 2022** | | **31 December 2021** | |
| | **No. of shares** | **% holding** | **No. of shares** | **% holding** |
| **Equity shares of CRC 100 each fully paid** | | | | |
| HCL Bermuda limited | 6,516,900 | 100% | 120 | 100% |

**Details of promoter holding shares in the Company:-**

| | As at | | As at | | **% change during the year** |
|---|---|---|---|---|---|
| | **31 December 2022** | | **31 December 2021** | | |
| | **No. of shares** | **% holding** | **No. of shares** | **% holding** | |
| **Equity shares of CRC 100 each fully paid** | | | | | |
| HCL Bermuda limited, the holding company | 6,516,900 | 100% | 120 | 100% | 0.00% |

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

There are no bonus shares issued, no shares issued for consideration other than cash and no shares bought back immediately preceding the reporting date from date of incorporation.

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

### 2.7 Share Capital (continued)

**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. The Company have also resorted the borrowing to meet local funding requirements from other group affiliate entity.

### 2.8 Borrowings

| | As at | |
|---|---|---|
| | 31 December 2022 | 31 December 2021 |
| | (CRC) | (CRC) |
| Short term borrowings- related parties (Refer Note 2.20) | 591,590 | 56,941 |
| | **591,590** | **56,941** |

The Company has availed short term loans of USD 1 million from HCL EAS Limited, at a interest rate of SOFR + 50 bps. The loan is repayable not later than twelve months. Both parties may mutually agree to extend the term of the loan for an additional one year beyond the contractual term. Loan given by HCL Latin America Holding, LLC, for the purpose to serve as working capital was repaid by the entity during the year ending 31 December 2022.

### 2.9 Trade payables

| | As at | |
|---|---|---|
| | 31 December 2022 | 31 December 2021 |
| | (CRC) | (CRC) |
| Trade payables | 55,930 | - |
| Trade payables-related parties (Refer Note 2.20) | 1,577 | - |
| | **57,507** | **-** |
| Unbilled and accruals | 31,508 | |
| | **31,508** | **-** |
| | **89,015** | **-** |

| Particulars | Not Due | Outstanding as at 31 December 2022 from the due date of payment | | | | |
|---|---|---|---|---|---|---|
| | | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | Total |
| (i) Others | 23,085 | 34,422 | - | - | - | 57,507 |
| | | | | | | 57,507 |
| Unbilled and accruals | | | | | | 31,508 |
| | | | | | | **89,015** |

### 2.10 Other financial liabilities

| | As at | |
|---|---|---|
| | 31 December 2022 | 31 December 2021 |
| | (CRC) | (CRC) |
| **Current** | | |
| Interest payable- related parties (Refer Note 2.20) | 6,544 | 51 |
| Employee bonuses accrued | 36,310 | 8,023 |
| Other employee costs | 5,425 | - |
| Other payables | 28,989 | - |
| | **77,268** | **8,074** |

### 2.11 Other current liabilities

| | As at | |
|---|---|---|
| | 31 December 2022 | 31 December 2021 |
| | (CRC) | (CRC) |
| Advances received from customers- related parties (Refer Note 2.20) | 17 | - |
| Others | | |
| Withholding and other payable | 51,299 | 18,203 |
| | **51,316** | **18,203** |

### 2.12 Provisions

| | As at | |
|---|---|---|
| | 31 December 2022 | 31 December 2021 |
| | (CRC) | (CRC) |
| **Current** | | |
| Provision for employee benefits | | |
| Provision for leave benefits | 18,457 | 2,832 |
| | **18,457** | **2,832** |

**HCL Technologies Costa Rica S.R.L.**
**Notes to Financial Statement for the year ended 31 December 2022**
**(All amounts in thousands except share data and as stated otherwise)**

**2.13 Revenue from operations**

| | For the year ended 31 December 2022 | For the period 23 July 2021 to 31 December 2021 |
|---|---|---|
| | (CRC) | (CRC) |
| Sale of services | 1,843,429 | 94,656 |
| | **1,843,429** | **94,656** |

**Disaggregate Revenue Information**

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

| | For the year ended 31 December 2022 | For the period 23 July 2021 to 31 December 2021 |
|---|---|---|
| | (CRC) | (CRC) |
| **Geography wise** | | |
| America | 152,081 | 94,656 |
| Europe | 1,353,808 | - |
| India | 105,961 | - |
| Others | 231,579 | - |
| **Total** | **1,843,429** | **94,656** |

**Remaining performance obligations**

Remaining performance obligations are subject to variability due to several factors such as terminations, changes in scope of contracts, periodic revalidations of the estimates, economic factors (change in currency rates, tax laws, etc.). As at 31 December 2022, the aggregate amount of transaction price allocated to remaining performance obligations as per the requirements of Ind AS 115 was CRC 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 represents 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 company does not have any contract assets and contact liability as on 31 December 2022.

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:

| | For the year ended 31 December 2022 | For the period 23 July 2021 to 31 December 2021 |
|---|---|---|
| | (CRC) | (CRC) |
| Balance as at beginning of the year | - | - |
| Additional cost capitalised during the year | 7,975 | - |
| **Balance as at end of the year** | **7,975** | **-** |

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

### 2.14 Other income

| | For the year ended 31 December 2022 (CRC) | For the period 23 July 2021 to 31 December 2021 (CRC) |
|---|---|---|
| Interest income on financial instruments carried at amortized cost | 687 | - |
| Exchange differences (net) | 106,271 | - |
| | **106,958** | **-** |

### 2.15 Employee benefits expense

| | For the year ended 31 December 2022 (CRC) | For the period 23 July 2021 to 31 December 2021 (CRC) |
|---|---|---|
| Salaries, wages and bonus | 1,014,824 | 67,754 |
| Contribution to legal welfare and other funds | 281,112 | 14,828 |
| Leave encashment | 23,883 | 2,832 |
| Staff welfare expenses | 282 | - |
| | **1,320,101** | **85,414** |

### 2.16 Finance cost

| | For the year ended 31 December 2022 (CRC) | For the period 23 July 2021 to 31 December 2021 (CRC) |
|---|---|---|
| Interest | | |
| -on lease liability | 15,263 | - |
| -on loans from related party (Refer note-2.20) | 8,045 | 51 |
| Bank charges | 3,645 | - |
| | **26,953** | **51** |

### 2.17 Other expenses

| | For the year ended 31 December 2022 (CRC) | For the period 23 July 2021 to 31 December 2021 (CRC) |
|---|---|---|
| Power and fuel | 40,832 | - |
| Repairs and maintenance | | |
| - Plant and machinery | 3,847 | - |
| - Buildings | 4,567 | - |
| - Others | 73,364 | - |
| Communication costs | 6,384 | - |
| Business promotion | 541 | - |
| Legal and professional charges | 64,980 | - |
| Printing and stationary | 1,731 | - |
| Dues and subscription | 1,652 | - |
| Rates and taxes | 1,476 | - |
| Recruitment, training and development | 3,894 | - |
| Travel and conveyance | 21,203 | 574 |
| Miscellaneous expenses | 78 | 12 |
| | **224,549** | **586** |

HCL Technologies Costa Rica S.R.L.
**Notes to Financial Statement for the year ended 31 December 2022**
**(All amounts in thousands except share data and as stated otherwise)**

**2.18 The computation of earnings per equity share (EPS) is as follows:**

| Particulars | As at 31 December 2022 (CRC) | As at 31 December 2021 (CRC) |
|---|---|---|
| Net profit as per statement of profit and loss for computation of EPS | 203,237 | 8,605 |
| Weighted average number of equity shares outstanding - Basic | 6,103,533 | 120 |
| Weighted average number of equity shares outstanding - Diluted | 6,103,533 | 120 |
| Nominal value of equity shares | 100 | 100 |
| **Earning per equity share** | | |
| - Basic | 33.30 | 71,708.75 |
| - Diluted | 33.30 | 71,708.75 |

**2.19 Leases**

**(a) Company as a lessee**

The company's significant leasing arrangements is in respect of leases for office accomodation.

The details of the right-of-use asset held by the company is as follows:

| | Buildings (CRC) | Total (CRC) |
|---|---|---|
| **Balance as at 1 January 2022** | **-** | **-** |
| Additions | 731,355 | 731,355 |
| Depreciation charge for the year | (109,756) | (109,756) |
| **Balance as at 31 December 2022** | **621,599** | **621,599** |

The reconciliation of lease liabilities is as follows:

| | For the year ended 31 December 2022 (CRC) | For the period 23 July 2021 to 31 December 2021 (CRC) |
|---|---|---|
| Balance as at beginning of the year | - | - |
| Additions | 729,791 | - |
| Amounts recognized in statement of profit and loss as interest expense | 15,263 | - |
| Payment of lease liabilities | (209,274) | - |
| **Balance as at end of the year** | **535,780** | **-** |

The following table presents a maturity analysis of expected undiscounted cash flows for lease liabilities :

| | For the year ended 31 December 2022 (CRC) |
|---|---|
| Within one year | 125,801 |
| One to two years | 137,310 |
| Two to three years | 137,311 |
| Three to five years | 171,638 |
| Thereafter | - |
| **Total lease payments** | **572,060** |
| Imputed interest | (36,280) |
| **Total lease liabilities** | **535,780** |

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

**HCL Technologies Costa Rica S.R.L.**
**Notes to Financial Statement for the year ended 31 December 2022**
**(All amounts in thousands except share data and as stated otherwise)**

**2.20 Related party transaction**

**a) Related parties where control exists**

**Ultimate Holding company**
HCL Technologies limted

**Holding company**
HCL Bermuda Limited

**b) Related Parties where transactions have taken place during the period**

HCL Technologies Limited (Ultimate holding company)
HCL Bermuda Limited (Holding company)

**Fellow Subsidiary**
Filial Espanola De HCL Technoloiges, S.L.(HCL Spain)
HCL (Brazil) Technologia Da Informacao EIRELI
HCL (New Zealand) Limited
HCL America Inc.
HCL Axon Solutions (Shanghai) Co., Limited
HCL Canada Inc. (Fy HCL Axon Technologies Inc.)
HCL EAS Limited
HCL Hungary Kft
HCL Japan Limited
HCL Latin America Holding LLC
HCL Saudi Arabia LLC
HCL Singapore Pte. Limited.
HCL Technologies (Taiwan) Limited.
HCL Technologies (Thailand) Limited.
HCL Technologies BV
HCL Technologies Corporate Services Limited
HCL Technologies Czech Republic s.r.o.
HCL Technologies Denmark ApS
HCL Technologies Egypt Limited
HCL Technologies France
HCL Technologies Greece Single Member P.C.
HCL Technologies Italy S.p.A.
HCL Technologies Malaysia SDN BHD (Fy HCL Axon Malaysia SDN BHD)
HCL Technologies Mexico S DE RL DE CV
HCL Technologies Norway AS
HCL Technologies Philippines Inc
HCL Technologies Romania s.r.l.
HCL Technologies South Africa (Proprietary) Limited

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

| | Revenue | Interest Expense |
|---|---|---|
| **For the year ended 31 December 2022(CRC)** | | |
| Ultimate Holding company | 126,740 | - |
| Fellow subsidiary company | 1,716,689 | 8,045 |
| **Total** | **1,843,429** | **8,045** |
| **For the period 23 July 2021 to 31 December 2021(CRC)** | | |
| Fellow subsidiary company | 94,656 | - |
| **Total** | 94,656 | - |

**d) Outstanding balances**

| | Unbilled receivables | Trade receivables | Interest payable on borrowings | Trade and other payables | Advance received | Borrowings |
|---|---|---|---|---|---|---|
| **For the year ended 31 December 2022(CRC)** | | | | | | |
| Ultimate Holding company | 1,092 | 19,687 | - | - | - | - |
| Holding company | - | - | - | - | 17 | - |
| Fellow subsidiary company | 94,456 | 717,068 | 6,544 | 1,577 | - | 591,590 |
| **Total** | **95,548** | **736,755** | **6,544** | **1,577** | **17** | **591,590** |
| **For the period 23 July 2021 to 31 December 2021(CRC)** | | | | | | |
| Fellow subsidiary company | 12,147 | 82,520 | 51 | - | - | 56,941 |
| **Total** | **12,147** | **82,520** | **51** | **-** | **-** | **56,941** |

### 2.21 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 HCL Software. 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 2.13.

### 2.22 Commitments

| | As at<br>31 December 2022<br>(CRC) | As at<br>31 December 2021<br>(CRC) |
|---|---|---|
| **Capital Commitments** | | |
| Estimated amount of contracts remaining to be executed on capital account and not provided for(net of advances) | 161,555 | 226,470 |
| | **161,555** | **226,470** |

### 2.23 Financial Instruments

**(a) Financial assets and liabilities**

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

| | Amortized Cost<br>(CRC) | Total Carrying Value<br>(CRC) |
|---|---|---|
| **Financial Assets** | | |
| Trade Receivables | 832,303 | 832,303 |
| Cash and Cash Equivalents | 153,684 | 153,684 |
| Others | 18,873 | 18,873 |
| **Total** | **1,004,860** | **1,004,860** |
| **Financial Liabilities** | | |
| Short term Borrowings | 591,590 | 591,590 |
| Trade payables | 89,015 | 89,015 |
| Lease Liabilties | 535,780 | 535,780 |
| Others | 77,268 | 77,268 |
| **Total** | **1,293,653** | **1,293,653** |

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

| | Amortized Cost<br>(CRC) | Total Carrying Value<br>(CRC) |
|---|---|---|
| **Financial Assets** | | |
| Trade Receivables | 94,667 | 94,667 |
| **Total** | **94,667** | **94,667** |
| **Financial Liabilities** | | |
| Short term Borrowings | 56,941 | 56,941 |
| Others | 8,074 | 8,074 |
| **Total** | **65,015** | **65,015** |

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

**2.23 Financial Instruments (continued)**

**(b) Financial risk management**

The Company is exposed to market risk and liquidity risk which may impact the fair value of its financial instruments. The Company has a risk management policy to manage & mitigate these risks.

The Company's risk management policy aims to reduce volatility in financial statements while maintaining balance between providing predictability in the Company's business plan along with reasonable participation in market movement.

**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.

**Foreign currency risk**
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in exchange rates. The Company's exposure to the risk of changes in exchange rates relates primarily to the Company's operations.

The exchange rate risk primarily arises from assets and liabilities denominated in curriences other than functional curreny.
The exchange rate risk primarily arises from assets and liabilities denominated in curriences other than functional curreny. An insignificant portion of the Company's revenue is in other foreign currency while a large protion of costs are in CRC. The fluctuation in exchange rates in respect to CRC may not have potential impact on the statement fo profit and loss and equity.

Appreciation / depreciation of 1% in respective foreign currencies with respect to functional currency of the Company would result in decrease / increase in the Company's profit before tax by approximately CRC 10,815 for the year ended 31 December 2022.

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 respective functional currencies of the Company and its branches. The sensitivity analysis presented above may not be representative of the actual change.

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

| | Net financial assets | Net financial liabilities |
|---|---|---|
| | 31 December 2022 | 31 December 2021 |
| | (CRC) | (CRC) |
| USD/CRC | 155,553 | 1,237,051 |

**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 has not invested in fixed rate interest bearing investments. 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. By their nature, all such financial instruments involve risks, including the credit risk of nonperformance by counterparties as the entire revenue belongs to intercompany. The allowance for lifetime expected credit loss on customer balances is Nil as on 31 December 2022 and 31st December 2021.

**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 liabilities based on contractual payments is as below:

| | Year 1 Current | Year 2 | Year 3 | Year 4-5 and thereafter | Total |
|---|---|---|---|---|---|
| **As at 31 December 2022 (CRC)** | | | | | |
| Borrowings | 591,590 | - | - | - | 591,590 |
| Trade payables | 89,015 | - | - | - | 89,015 |
| Lease liabilities | 125,801 | 137,310 | 137,311 | 171,638 | 572,060 |
| Other financial liabilities | 77,268 | - | - | - | 77,268 |
| **Total** | **883,674** | **137,310** | **137,311** | **171,638** | **1,329,933** |
| **As at 31 December 2021 (CRC)** | | | | | |
| Borrowings | 56,941 | - | - | - | 56,941 |
| Other financial liabilities | 8,074 | - | - | - | 8,074 |
| **Total** | **65,015** | **-** | **-** | **-** | **65,015** |

**2.24 Change in classification**

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

| | As earlier reported | Revised reclassfication | Difference |
|---|---|---|---|
| **Current assets** | | | |
| **(a) Financial assets** | | | |
| (i) Trade | | | |
| Billed | - | 12 | (12) |
| Unbilled | - | 12,147 | (12,147) |
| (ii) Others | 12,159 | - | 12,159 |

2. During the year ended 31 December 2022, the Company has revised the presentation of certain notes to the standalone financial statements for better presentation. Comparative amounts in the notes to the standalone financial statements were reclassified for consistency.

**HCL Technologies Costa Rica S.R.L.**
**Notes to Financial Statement for the year ended 31 December 2022**
(All amounts in thousands except share data and as stated otherwise)

**2.25 Ratio**

| | Numerator | Denominator | Units | Year ended | | % Variance |
|---|---|---|---|---|---|---|
| | | | | 31 December 2022 | 31 December 2021 | |
| Current ratio | Current assets | Current liabilities | Times | 1.1 | 1.1 | **1 %** |
| Debt equity ratio | Total debts (refer note 1 below) | Total equity | Times | 1.3 | 6.6 | **(80)%** |
| Debt service coverage ratio | Earning availables for debt service (refer note 2 below) | Debt service (refer note 3 below) | Times | 1.8 | - | **NA** |
| Return on equity ratio | Profit for the year | Average total equity | % | 47% | 200% | **(77)%** |
| Trade receivables turnover ratio | Revenue from operations | Average trade receivables | Times | 4.0 | 2.0 | **99 %** |
| Trade payables turnover ratio | Net credit purchases (refer note 4 below) | Average trade payables | Times | 5.6 | NA | **NA** |
| Net capital turnover ratio | Revenue from operations | Working capital (refer note below 5) | Times | 17.2 | 11.0 | **57 %** |
| Net profit ratio | Profit for the year | Revenue from operations | % | 11.0% | 9.0% | **22 %** |
| Return on capital employed | Earning before interest and taxes | Capital employed (refer note 6 below) | % | 11.3% | 13.2% | **(14)%** |

**Notes :**
(1) Total Debt = Borrowing + Lease liabilities
(2) Earning availables for debt services = Profit for the year + depreciation expense + interest
(3) Debt service = Interest + payment for lease liabilities + principal repayments
(4) Net credit purchase includes outsourcing costs and other expenses
(5) Working capital = current assets - current liabilities
(6) Capital employed = Tangible net worth including intangible assets + total debt
(7) Average is calculated based on simple average of opening and closing balances.

**Explanation where change in the ratio is more than 25%**
(1) Debt equity ratio has been reduced majorly on account of issue of new equity share capiatal of CRC 651,678 thousand by the entity.
(2) Return on equity ratio has been reduced majorly on account of increase in equity share Capital in current year.
(3) Trade receivables turnover ratio has been increased mainly on account of increase in revenue due to first full operational year of the entity.
(4) Net capital turnover ratio has been increased mainly on account of increase in revenue of the entity in current year.

**2.26 Subsequent event**
The Company has evaluated all the subsequent events through 06th April 2023, which is the date on which these financial statements were issued, and no events have occurred from the balance sheet date through that date except for matters that have already been considered in the financial statements.

**2.27 Round off**
The Company has presented its financial statements in "CRC in Thousands" and accordingly, amounts less than CRC 0.50 thousands are rounded off to zero.

**2.28 Comparative figure**
The comparative figures for the financial year ended December 31, 2021 are not for the whole year since the company was incorporated on 23 July 2021. Accordingly,the figures for the current financial year are not comparable to those of the previous year.

As per our report of even date attached

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

prince sharma
prince sharma (Apr 6, 2023 20:39 GMT+5.5)

**Prince Sharma**
**Partner**
Membership Number : 521307

Gurugram, India
Date: 06 April 2023

**For and on behalf of the Board of Directors**
**of HCL Technologies Costa Rica S.R.L.**

Raghu Raman Lakshmanan
Raghu Raman Lakshmanan (Apr 6, 2023 09:42 CDT)

**Raghu Raman Lakshmanan**
**General Manager**

America
Date: 06 April 2023

06 April 2023

B S R & Co. LLP
Chartered accountants
Building No. 10, 12th Floor,
Tower C, DLF Cyber City,
Gurugram, Haryana – 122002

Dear Sir,

This representation letter is provided in connection with your audit of the financial statements of HCL Technologies Costa Rica S.R.L. (the "Company") which comprise the Balance sheet as at December 31, 2022, the Statement of Profit and Loss including other comprehensive income (loss), the 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, for the purpose of determining whether any material modifications should be made to the financial statements for them to conform with Indian generally accepted accounting principles.

We acknowledge our responsibility as set out in the terms of the audit engagement letter dated February 01, 2023 for preparing the financial statements of the Company which give a true and fair view of the state of affairs of the Company as at December 31, 2022, profit/loss and other comprehensive income, changes in equity and cash flows of the Company for the year ended on that date and for the preparation of financial statements in accordance with Indian generally accepted accounting principles.

We confirm that, to the best of our knowledge and belief, as of 06 April 2023, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves in order to provide the following representations to you during your audit:

**1.** The Ind AS financial statements and appended notes thereto, include all material disclosures necessary for these Ind AS financial statements to show a true and fair view of the state of affairs, the profit/ loss and other comprehensive income, the changes in equity and the cash flows of the Company and disclosures required to be made therein under the Companies Act, 2013

### Accounting records

**2.** We acknowledge our responsibility regarding:

(a) preparation of the annual accounts in accordance with, the applicable Ind AS and providing proper explanation relating to any material departures from those Ind AS;
(b) selection of accounting policies and applying them consistently and making judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year, profit and loss and other comprehensive income, changes in equity and the cash flows of the Company for that period;
(c) taking proper and sufficient care for the maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
(d) laying down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
(e) devising proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

3. We confirm that there are no financial transactions/ matters that may have an adverse effect on the functioning of the Company

4. We confirm that:

   (a) We confirm that there are no funds that have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

   (b) We confirm that there are no funds that have been received by the Company from any person or entity, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

   (c) The Company has neither paid nor declared dividend during the year.

5. We have reviewed the Company's accounting policies and estimation techniques for use in the preparation of the Ind AS financial statements and confirm that the accounting policies and estimation techniques selected are appropriate to give a true and fair view for the Company's particular circumstances.

6. We confirm that all transactions and events have been carried out in accordance with relevant legislation or under proper authority and that all transactions undertaken by the Company have satisfactory commercial substance.

7. All transactions have been recorded in the accounting records and are reflected in the Ind AS financial statements.

8. We have provided you with:

   (a) financial records and related data comprising of all books of account and supporting documentation which are agreed and reconciled;

   (b) access to all information, whether kept at the head office or elsewhere, of which the management is aware that are relevant to the preparation of the Ind AS financial statements, such as records, documentation and other matters including books of accounts maintained in electronic mode;

   (c) additional information that you have requested from us for the purpose of the audit;

   (d) unrestricted access to persons within the company from whom you determined it necessary to obtain evidence.

   (e) the effect of changes in the company's business activities

9. The methods, the data and the significant assumptions used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

   With respect to the estimates, we confirm:

   - We have taken into account all relevant information with respect to the significant judgments in making the accounting estimates.
   - We confirm that the selection or application of the methods, assumptions and data used by us in making the accounting estimates are consistent and appropriate.
   - We confirm that the assumptions appropriately reflect our intent and ability to carry out specific courses of action, when relevant to the accounting estimates and disclosures.

- We confirm that disclosures related to accounting estimates, including disclosures describing estimation uncertainty, are complete and are reasonable in the context of the applicable financial reporting framework;
- We confirm that appropriate specialized skills or expertise has been applied in making the accounting estimates;
- We confirm that no subsequent event requires adjustment to the accounting estimates and related disclosures included in the IND AS financial statements.

**10.** No subsequent events have been identified that require adjustment to the assumptions and disclosures as included in the Ind AS financial statements.

**11.** There is neither any plan nor any intention that may affect the carrying value or classification of assets or liabilities reflected in the Ind AS financial statements.

**Going concern**

**12.** We have made an assessment of the Company's ability to continue as a going concern, taking into account all available information about the future, which under IND AS 1 Presentation of Financial Statements is at least, but is not limited to, twelve months from the end of the reporting period. We confirm that we have not identified events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

**Fair Value Measurements**

**13.** We are responsible for making the fair value measurements and disclosures included in the financial statements in accordance with IND AS 113, Fair Value Measurement. As part of fulfilling this responsibility, we have established an accounting and financial reporting process for determining the fair value measurements and disclosures, in accordance with the fair value techniques included in IND AS 113, considered the appropriateness of valuation techniques, including circumstances in which a practical expedient may be used to estimate fair value, adequately supported any significant assumptions used, and ensured that the presentation and disclosure of the fair value measurements are in accordance with Indian Accounting Standard accepted accounting principles including the disclosure requirements of IND AS 113. We believe the assumptions and techniques used by us, including those used by specialists engaged by us, are in accordance with the definition of fair value in IND AS 113 and the disclosures adequately describe the level of the inputs used in the fair value measurement, in accordance with the fair value hierarchy in IND AS 113.

**14.** The Company is responsible for determining the fair value of financial instruments as required by IND AS 109, Financial Instruments. The amounts disclosed represent the Company's best estimate of fair value of financial instruments required to be disclosed under IND AS 109 and other assets or liabilities, if separately disclosed. The Company also has disclosed the methods and significant assumptions used to estimate the fair value of financial instruments and any changes to those methods and significant assumptions, if any, as required by IND AS 109.

**Fraud**

**15.** We acknowledge that because of the inherent limitations of an audit, together with the inherent limitations of internal controls, there is an unavoidable risk that material misstatements due to fraud or error may occur. and not be detected, even though the audit is properly planned and performed by you in accordance with the Standards on Auditing.

We also acknowledge that we are also responsible to take appropriate action when a fraud is detected or reported through any of the sources. We confirm that there has been no internal reporting on offences involving fraud.

**16.** We confirm that there are no:

a) fraud or suspected fraud that we are aware of and that affects the Company and involves:
   - management;
   - employees who have significant roles in internal control; or
   - others where the fraud could have a material effect on the Ind AS financial statements.

b) allegations of fraud or suspected fraud, affecting the Company's Ind AS financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, we acknowledge our responsibility for the preparation of Ind AS financial statements that are free from material misstatement, whether due to fraud or error. In particular, we acknowledge our responsibility for the design, implementation, maintenance and operation of accounting and internal control systems to prevent and detect fraud and error.

**17.** In particular, we confirm that we are responsible for the following:
- designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements which are free from material misstatements, whether due to fraud or error.
- take appropriate action to detect the fraud and wrongful gain or loss, if any, incurred on account of the fraud,
- take appropriate action against the fraudsters,
- address the control weaknesses which were the root cause for fraud and strengthen the internal control system.

**18.** We have not withheld from you any relevant information that we are aware of and would have an implication on the process of your responsibilities to report fraud under the Companies Act, 2013.

**Compliance with laws and regulations**

**19.** There have been no communications from regulatory agencies, governmental representatives, tax authorities employees or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices or other matters that could have a material effect on the Ind AS financial statements in the event of non-compliance. We are not aware of any irregularities, or allegations of irregularities, involving management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the Ind AS financial statements.

**20.** To the best of our knowledge and belief, the Company has not made any improper payments or payments which are illegal or against public policy.

**21.** The Company has complied with all aspects of contractual agreements which could have a material effect on the Ind AS financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

**Cyber Security**

**22.** We confirm that there have been no cyber security incidents during the year.

**Section B – Additional specific representations**

**Taxation**

**23.** No tax expenses have been recognized since it is operating under Free trade zone and having tax holiday period for 8 years hence no current tax and deferred tax provided in the financial statements.

**24.** We confirmed that all the transactions with related parties are at arm's length price as per local transfer pricing rules. We do maintain the transfer pricing documentation internally. We'll be able to demonstrate to the tax authorities the transaction with related parties carried out at arm's length price as per local transfer pricing requirement.

**25.** There are no other uncertain tax positions known to us in accordance with the provisions of Ind AS 12 Income Taxes.

**Equity Share capital**

**26.** The Company has only one class of shares. We have recorded or disclosed, as appropriate, for the class of share capital, the number and amount of shares authorized, the number of shares issued, subscribed and fully paid, and subscribed but not fully paid, par value per share, a reconciliation of the number of shares outstanding at the beginning and at the end of the year, other requirements in respect of the company's capital including:

(a). The shares in the company held by its holding company

(b). Shares in the company held by each shareholder holding more than 5 per cent shares specifying the number of shares held

**27.** The Company does not have any share application money pending allotment as of December 31, 2022.

**Reserves and surplus**

**28.** We have classified the reserves of the company appropriately, and the additions and deductions to the reserves since the last balance sheet has been shown under each of the heads specified in Schedule III (Division II) to the Companies Act, 2013.

**Cash and Bank**

**29.** We confirm that the Company has not made any transactions in cash during the year and does not have any cash in hand as at December 31, 2022.

**30.** There are no old and/or unusual reconciling items between bank balance as per books of account and the bank statements as at the year-end which would result in any adjustment to the Ind AS financial statements.

**Revenue and Receivables**

**31.** Receivables reported in the financial statements represent valid claims against debtors for sales or other charges arising on or before the financial statements date.

**32.** Management confirms that accounts receivables, unbilled receivables, are valued after making reserve for allowances based on factors like ageing, likelihood of increased credit risk and expected realizability, nature of customer verticals.

**33.** Management has made assessment of revenue recognized by the Company in respect of year ended December 31,2022, and it meets the criteria specified by IND AS 115, Revenue from contract with customers.

Following have been considered during this process:

a) All sales transactions entered into by the Company are final and there are no side agreements (either written or oral) with customers or resellers. Further, wherever applicable, side agreement has been considered.

b) The estimates of standalone selling prices used in the allocation of the transaction price to performance obligations are based on a reasonable estimation approach, maximize the use of observable inputs, are applied on a consistent basis for similar goods or services to customers and represent our best estimates.

**34.** We believe that all material expenditures that have been deferred to future periods will be recoverable.

**35.** As at and for the period ended December 31, 2022, the Company has measured appropriately any obligations arising from the following, basis which there are no:

- onerous contracts, i.e. those contracts under which the unavoidable costs of meeting the obligation exceed the economic benefits to be received under it, other than contracts for which provision has been made in the books of account;

- losses from known transactions not recognized in the financial statements.

**Property, plant and equipment**

**36.** The Company has appropriately grouped long-lived assets together for purposes of assessing impairment trigger in accordance with Ind AS 16 Property, Plant and Equipment, and has reviewed for indicators of assessment of long-lived assets, including amortizable intangible assets, to be held and used, for impairment. There were no such indicators and accordingly, there are no material adjustments or impairment to long-lived assets including amortizable intangible assets.

**37.** The expenditure charged to the capital account in the books of the Company represents additions to or improvements to the existing capital assets of the Company and the amounts so charged do not in any instance represent repairs and maintenance of such assets or any expenditure properly chargeable to revenue. Cost includes all incidental expenditure including the estimated costs of dismantling, removing or restoring items of property, plant and equipment, replacement costs and costs of major inspections and is net of refundable taxes e.g., GST. Fixed assets also include spare parts meeting the definition of property, plant and equipment. No capital expenditure has been charged to revenue during the year.

**38.** The company has adopted the useful lives prescribed as per the accounting policies disclosed in the financial statements the company.

**Borrowings**

39. The company has not availed any borrowings other than those disclosed in the Ind AS financial statements. We have disclosed to you all borrowing arrangements including the nature of security offered, as applicable.

40. The disclosure of terms of repayment of each borrowing such as date of maturity, number and the amount of instalments, rate of interest and other significant terms in the Ind AS financial statements is accurate and complete.

41. Borrowings were applied for the purpose for which such borrowings were obtained.

**Financial liabilities- Trade payables**

42. Amounts classified as trade payables represent bona fide amounts due on account of goods purchased or services received in the normal course of business and do not include liabilities on account of other contractual obligations.

43. The company has classified its financial liabilities as subsequently measured at amortised cost, except as disclosed in the financials

**Provisions, Contingent Liabilities and Commitments**

44. All known material liabilities and provisions are included in the Ind AS financial statements. Full provision has been made for all known liabilities at the Balance sheet date including guarantees, commitments and contingencies where the items are expected to result in significant loss and are classified into long term and short-term provision and disclosed appropriately.

45. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

46. Contingent liabilities as at 31 December 2022 do not include any contingencies, which are likely to result in a loss and which, therefore, require adjustment of assets or liabilities.

47. There are no contingent liabilities, potential liabilities, threatened litigations or capital commitments of material amounts, other than those disclosed in the notes to the Ind AS financial statements.

48. All guarantees that have been given to third parties, director, officer have been adequately disclosed in the Ind AS financial statements. Further:

    - all the obligations in respect of guarantees have been duly recorded and disclosed
    - there are no guarantees issued up to the year-end which are yet to be recorded.

**Employee benefits**

**49.** All employee benefits i.e., short term, long term, post-employment benefits and termination benefits that the company is committed to providing, including any arrangements that are statutory, contractual or implicit in the company's actions, whether funded or unfunded, have been identified and properly accounted for and/or disclosed.

**50.** All settlements and curtailments in respect of employment benefit schemes have been identified and properly accounted for.

**51.** We confirm that we have made you aware of all employee benefit schemes in which employees of the company participate.

**Other matters**

**52.** 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 HCL Software. 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".

**53.** We have disclosed to you the identity of the Company's related parties and all related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Ind AS 24, Related Party Disclosures.

- We confirm that related party transactions do not involve any undisclosed side agreements.
- We confirm that all related party transactions were conducted on terms equivalent to those prevailing in an arm's length transaction and in the ordinary course of business

**54.** We confirm that all the ratios disclosed in Note No. 2.25 of Financial Statements are accurate.

**On behalf of the board**
**HCL Technologies Costa Rica S.R.L.**

Raghu Raman Lakshmanan
Raghu Raman Lakshmanan (Apr 6, 2023 09:42 CDT)

**Date: 06th April 2023** **Raghu Raman Lakshmanan**