THE POWER OF BEING UNDERSTOOD
AUDIT | TAX |CONSULTING

RSM

RSM

RT: 212/2023

Financial Statements and Independent Auditors' Report

HCL (Brazil) Tecnologia da Informação Ltda.

December 31, 2022

HCL (BRAZIL) TECNOLOGIA DA INFORMAÇÃO LTDA

Financial statements

December 31, 2022 and 2021

Index

Financial statements

RT 212/2023

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Management and Quotaholders of
HCL (Brazil) Tecnologia da Informação Ltda.
São Paulo – SP

Opinion

We have audited the financial statements of HCL (Brazil) Tecnologia da Informação Ltda. ("Company") which comprise the statement of financial position as at December 31, 2022, the statement of comprehensive income, the statement of changes in quotaholder's equity and the statement of cash flows for the year then ended, and the accompanying notes to the financial statements, all expressed in Brazilian Reais including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of HCL (Brazil) Tecnologia da Informação Ltda., as at December 31, 2022, and its financial performance and its cash flows for the year then ended, in accordance with generally accepted accounting principles adopted in Brazil and with international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the following section called **"Auditor's Responsibilities for the Audit of the Financial Statements".** We are independent in relation to HCL (Brazil) Tecnologia da Informação Ltda. in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Brazil, and we have fulfilled with the other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The financial statements for the year ended December 31, 2022, presented for comparative purposes, were not audited by us or by other independent auditors.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with in accordance with generally accepted accounting principles adopted in Brazil, and for such internal control as management determines as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative to avoid the end of its operations.

Those charged with governance are 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 Brazilian and International Standards on Auditing always detect eventual material misstatements. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, may influence, within a reasonable perspective, the economic decisions of users taken based at such financial statements.

As part of an audit in accordance with ISAs, 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 made by management.
- Conclude on the appropriateness of management’s 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.

São Paulo, July 03, 2023.

RSM ACAL AUDITORIA E CONSULTORIA LTDA.

Cláudio Silva Foch
Partner in Charge
CRC-RJ - 102.455/O-4 – Accountant

HCL (BRAZIL) TECNOLOGIA DA INFORMAÇÃO LTDA
Balance sheet
for the years ended December 31, 2022 and 2021
(Values expressed in reais)

	Note	2022	2021 (Not audited)
Assets			
Current assets			
Cash and cash equivalents	4	9,978,204	15,931,880
Other financial assets	4.1	3,506,370	-
Accounts receivable	5	112,840,237	161,794,798
Accounts receivable – Intercompany	15	146,050,001	65,540,259
Prepaid expenses		2,225,180	2,821,357
Recoverable taxes	6	12,853,818	4,298,964
Inventory of equipment	7	719,994	6,208,048
Other assets		999,950	2,468,150
Total Current Assets		**289,173,754**	**259,063,456**
Non-Current Assets			
Long-term assets			
Judicial deposits	8	33,182,557	18,898
Deferred tax asset	25	10,146,536	-
Property, plant and equipment	9	34,251,705	35,423,290
Intangible assets	10	16,104,155	20,369,293
Right-of-use assets	11	13,095,657	-
Total Non-Current Assets		**106,780,610**	**55,811,481**
Total Assets		**395,954,364**	**314,874,937**

See the accompanying notes to the financial statements.

HCL (BRAZIL) TECNOLOGIA DA INFORMAÇÃO LTDA
Balance sheet
for the years ended December 31, 2022 and 2021
(Values expressed in reais)

	Note	2022	2021 (not audited)
Liabilities			
Current Liabilities			
Suppliers	12	11,991,835	9,466,937
Social and labor obligations	14	31,673,364	28,429,908
Tax obligations	13	7,776,086	39,558,637
Provisions	17	9,357,418	68,333,736
Deferred income	18	8,287,736	1,758,450
Lease liability	11	1,977,469	-
Other liabilities		2,518,270	8,736,354
Total Current Liabilities		**73,582,178**	**156,284,022**
Non-Current Liabilities			
Suppliers – Intercompany	15	189,168,106	51,162,616
Loans with related parties	15	44,377,139	67,840,358
Provision for contingencies	16	1,030,039	1,658,163
Lease liability	11	11,113,931	-
Deferred income	18	1,233,265	-
Deferred tax liability	25	739,636	-
Total Non-Current Liabilities		**247,662,116**	**120,661,137**
Quotaholders' equity			
Paid-in capital	19	82,510,266	82,510,266
Accumulated losses		(7,800,196)	(44,580,488)
Total Quotaholders' Equity		**74,710,070**	**37,929,778**
Total Liabilities and Quotaholders' Equity		**395,954,364**	**314,874,937**

See the accompanying notes to the financial statements.

HCL (BRAZIL) TECNOLOGIA DA INFORMAÇÃO LTDA
Income statement
for the years ended December 31, 2022 and 2021
(Values expressed in reais)

	Note	2022	2021 (not audited)
Operating income			
Net revenue	20	423,468,627	341,063,386
(-) Costs of services provided	21	(289,414,137)	(184,185,237)
Gross profit		**134,054,490**	**156,878,149**
Operational expenses			
Personnel expenses	23	(22,127,271)	(8,311,570)
Administrative expenses	22	(37,275,995)	(11,470,585)
General expenses	22	(2,450,444)	(1,267,721)
Services expenses	22	(12,063,016)	(79,019,794)
Other taxes and fees expenses	22	(2,545,850)	(8,890,269)
Depreciation and amortization	22	(20,612,006)	(8,735,406)
Other operating expenses (income)	22	1,801,935	-
Total operating income (expenses)		**(95,272,647)**	**(117,695,345)**
Result before financial result		**38,781,843**	**39,182,804**
Financial income		13,798,579	11,413,490
Financial expenses		(22,559,459)	(24,037,498)
Net financial result	24	**(8,760,880)**	**(12,624,008)**
Profit before taxes		**30,020,963**	**26,558,796**
Income tax and social contribution - current		(2,685,069)	(31,835,778)
Income tax and social contribution - deferred		9,406,899	-
Income tax and social contribution	25	**6,721,830**	**(31,835,778)**
Net profit (loss) for the year		**36,742,793**	**(5,276,982)**

See the accompanying notes to the financial statements.

HCL (BRAZIL) TECNOLOGIA DA INFORMAÇÃO LTDA
Statement of comprehensive income
for the years ended December 31, 2022 and 2021
(Values expressed in reais)

	2022	2021 (not audited)
Net profit (loss) for the year	**36,742,793**	**(5,276,982)**
Comprehensive results	-	-
Comprehensive result for the year	**36,742,793**	**(5,276,982)**

See the accompanying notes to the financial statements.

HCL (BRAZIL) TECNOLOGIA DA INFORMAÇÃO LTDA
Statement of changes in quotaholders' equity
for the years ended December 31, 2022 and 2021
(Values expressed in reais)

	Share capital	Advance for future capital increase	Accumulated losses	Total
Balances as of December 31, 2020 (not audited)	**30,505,266**	**52,005,000**	**(39,165,085)**	**43,345,181**
Loss for the year	-	-	(5,276,982)	(5,276,982)
Capital increase	52,005,000	(52,005,000)	-	-
Adjustments from previous years	-	-	(138,421)	(138,421)
Balances as of December 31, 2021 (not audited)	**82,510,266**	**-**	**(44,580,488)**	**37,929,778**
Profit for the year	-	-	36,742,793	36,742,793
Adjustments from previous years	-	-	37,499	37,499
Balances on December 31, 2022	**82,510,266**	**-**	**(7,800,196)**	**74,710,070**

See the accompanying notes to the financial statements.

HCL (BRAZIL) TECNOLOGIA DA INFORMAÇÃO LTDA
Statement of cash flows
for the years ended December 31, 2022 and 2021
(Values expressed in reais)

	2022	**2021 (not audited)**
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxes	30,020,963	26,558,796
Adjustments to reconcile pre-tax profit with cash flow:		
Provisions and reversals	(56,729,196)	54,830,512
Assets write-offs	17,250,520	4,057,873
Depreciation and amortization	19,430,903	8,735,406
Lease depreciation - IFRS 16	2,044,556	-
Interests on leases - IFRS 16	164,230	-
Interest on loans	(1,761,181)	(855,205)
Deferred income	7,762,551	(7,637,390)
Losses in customers collections	23,349,021	-
Allowance for doubtful accounts	-	201,691
	11,511,404	59,332,887
Decrease (increase) in operating assets:		
Accounts receivables	(14,060,505)	-
Accounts receivable – Intercompany	(80,509,742)	(102,270,509)
Recoverable taxes	(11,239,923)	314,109
Advances from suppliers	-	285,054
Prepaid expenses	596,177	(883,407)
Judicial deposits	(33,163,659)	(4,242)
Other assets	1,468,200	(317,391)
Increase (decrease) in operating liabilities:		
Suppliers	2,524,898	-
Suppliers – Intercompany	141,527,852	12,484,476
Social and labor obligations	3,243,456	2,156,748
Tax obligations	(34,467,621)	7,673,874
Advances from customers	13,071,949	(1,657,315)
Other accounts payable	-	3,557
IRPJ and CSLL (income taxes) paid	2,685,069	-
Cash generated by (used in) operating activities	**33,208,518**	**3,676,637**
CASH FLOW FROM INVESTMENT ACTIVITIES		
Acquisitions of fixed assets	(11,256,335)	(17,185,119)
Acquisitions of intangible assets	(468,416)	-
Cash generated by (used in) investment activities	**(11,724,751)**	**(17,185,119)**
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of lease liability	(2,213,043)	-
Loan with related parties	(25,224,400)	9,802,300
Cash generated by (used in) financing activities	**(27,437,443)**	**9,802,300**
NET REDUCTION IN CASH AND CASH EQUIVALENTS	**(5,953,676)**	**(3,706,182)**
Cash and cash equivalents at the beginning of the year	15,931,880	19,638,062
Cash and cash equivalents at the end of the year	9,978,204	15,931,880
	(5,953,676)	**(3,706,182)**

See the accompanying notes to the financial statements.

1. Operational Context

HCL (BRAZIL) TECNOLOGIA DA INFORMAÇÃO LTDA is a company that provides support activities, information technology consultancy, development and licensing of customizable computer programs, sale and rental of information technology equipment.

The head office is located at Rua Olímpicos, 205, Conjunto 12, Vila Olimpia, CEP 04551-000, metropolitan region of São Paulo, where its commercial office and delivery center for some customers are also located. The Company has branches and global delivery centers that are located in Curitiba - PR, opened in 2010, in São Leopoldo - RS, opened in 2009, as well as legal entities in Rio de Janeiro - RJ, opened in 2009, Belo Horizonte - MG, opened in 2010, Guarulhos - SP, opened in 2011, Manaus - AM, opened in 2010, Recife - PE, opened in 2012, Camaçari - BA, opened in 2019, São Paulo, Campinas-SP, opened in 2021.

In 2013, the Company's commercial area was restructured, with a reduction in the number of people at the commercial director level and greater alignment of responsibilities at the managerial-operational level by market segment. This reorganization allowed for greater agility and focus on conducting the current business operation with greater proximity to customers and suppliers and the stabilization and implementation of global managerial-operational processes in Brazil, thus making the Brazilian operation more attractive to HCL global businesses and projects to the detriment of local businesses.

With the objective of consolidating its operations in Brazil, increasing its operational efficiency, and better serving our customers, in 2018 the Company, through a Global partnership between HCL and IBM in the acquisition of exclusive lines of support and development services, purchases of more than 20 IBM products, started to provide support services for IBM products, and to sell product licenses purchased globally. For the consolidation of this operation and its expansion, another 90 IBM Brasil professionals became part of the Company's staff.

In 2019, the Company expanded its participation in the Brazilian market with the right to support and provide services, in addition to the connection with the Licensing of Programs by CA/*Broadcom* for HCL Brazil and Latin America customers, the latter with non-exclusive and non-transferable right to use the Work Product produced by HCL without the right to sublicense, this being solely for the business and internal data processing operations of the Client and the Companies. In the period there was the transfer, rehiring by HCL, of more than 70 professionals from *Broadcom,* specialists in the market and CA products.

In 2021, following HCL's global expansion in the geographies where it operates, the Company's commercial area was restructured, with the arrival of a commercial director for Brazil and reinforcement of the business and strategic marketing team. This action aimed at resuming the opening of new businesses. This movement also promoted the renewal of the brand globally and locally, with a focus on being more recognized for the wide dissemination of its services and potential in information technology and the implementation of global managerial-operational processes in Brazil, thus making the Brazilian operation more attractive to business and global HCL projects to the detriment of local businesses.

In 2018, through the acquisition by HCL Global of C3i, a company specialized in support services for the pharmaceutical industry, the Company envisioned a great opportunity to operate in the local market for large pharmaceutical companies and started to work with a team of more than 80 professionals in the provision of specialized support services for software used by the pharmaceutical industry, as well as inaugurating hardware preparation and software installation services, to be sent to large research centers responsible for testing the use of new products developed by the pharmaceutical industry.

Another movement and a great opportunity for business expansion in Brazil was NXP's acquisition of preference for support and testing services in the area of semiconductors in Brazil and Latin America, an opportunity due to the termination of NXP's operations in Brazil. HCL obtained a job offer preference for the Company's staff and hired more than 70 engineers from NXP, specialists in this line of services, thus inaugurating operations for the Brazil operation in the semiconductor engineering segment, leading to the planning of the opening of the new branch in Campinas and future installation of a technological center.

These moves to expand the Company's operations in the face of new opportunities in the local market in view of the Company's technological potential have allowed us to double our workforce over the last three years, currently counting on a team of more than 1000 professionals and continuous growth.

2. Basis of preparation of the financial statements and statement of conformity

2.1. Statement of conformity and initial adoption of Law 11638/07 and Provisional Measure 449/08

The financial statements for the year ended December 31, 2022 are the first ones presented in accordance with the accounting practices adopted in Brazil in accordance with the accounting standards issued by the Accounting Pronouncements Committee - CPC, approved by the Federal Accounting Council - CFC. Management prepared its opening balance sheet with the transition date of January 1, 2022. CPC pronouncements, interpretations and guidelines are in line with international accounting standards issued by the IASB.

The issuance of these financial statements by HCL (Brazil) Tecnologia da Informação LTDA was authorized by management on July 3, 2023.

The financial statements were prepared and are being presented in accordance with the accounting practices adopted in Brazil in compliance with the provisions contained in the laws applicable to its activities, complemented by the pronouncements, interpretations and guidelines of the Accounting Pronouncements Committee - CPC, approved by resolutions of the Federal Council of Accounting - CFC. Due to the fact that the accounting practices adopted in Brazil applied in the financial statements, as of 2014, do not differ from the IFRS, as well as being in compliance with the international financial reporting standards (International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB)).

2.2. Measurement basis

The financial statements were prepared using historical cost as the value basis, except for certain classes of current and non-current assets and liabilities, as presented in the explanatory note to accounting practices. All amounts presented in these financial statements are expressed in Reais, which is the Company's functional and presentation currency, unless otherwise indicated.

3. Summary of main accounting policies

The accounting policies described below were consistently applied by the Company in the presented financial statements.

The financial statements were prepared on different valuation bases used in accounting estimates. The accounting estimates involved in the preparation of the financial statements were based on objective and subjective factors, based on management's judgment to determine the appropriate amount to be recorded in the financial statements.

The Company reviews its estimates and assumptions at least annually.

The financial statements were prepared and are being presented in accordance with the accounting policies adopted in Brazil, which comprise the resolutions of the Federal Accounting Council (CFC) and the pronouncements of the Accounting Pronouncements Committee (CPC).

The Company adopted all standards, revisions of standards and interpretations issued by the CPC in force on December 31, 2022.

3.1. Foreign currency conversion

Foreign currency transactions are initially recorded at the functional currency exchange rate in effect on the transaction date.

3.2. Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and when it can be reliably measured. Revenue is measured based on the fair value of the consideration received excluding discounts, rebates and sales taxes or charges.

The following specific criteria must also be met before revenue is recognized:

Contracts involving provision of services and supply of products

Revenue is recognized when, or as, control of a promised service or good is transferred to a customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for the transfer of 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 price transaction to performance obligations in the contract and (5) recognize revenue when a performance obligation is satisfied. A contract is accounted for when it is legally enforceable through enforceable contracts, approval and commitment by all parties, the rights of the parties are identified, terms of payment are defined, the contract has commercial substance and the collection of consideration is probable.

Time and material / Volume / Transaction based contracts

Revenue related to time and material, volume and transaction-based contracts is recognized as the related services are performed through efforts expended, volume transactions are processed, etc., corresponding to the amount transferred to the customer up to the date related to the right to charge for services rendered.

Fixed price contracts

Revenue related to fixed-price contracts where performance and control obligations are satisfied over time, such as technology integration, complex network construction contracts, systems implementation and application development, is recognized on a progress basis. against meeting the performance obligation using a cost-based method of measuring progress (i.e., percentage of completion method). Revenue is recognized based on costs incurred to date as a percentage of total estimated costs to fulfill the contract. Any revisions to completion costs will result in an increase or decrease in revenue, and these changes are recorded in the period in which they are identified.

Revenue related to other fixed-price contracts that provide maintenance and support services is recognized based on the right to invoice for services provided under contracts where the invoicing is representative of the delivered value. If invoicing is not consistent with the amount delivered, revenues are recognized as the service is provided based on the cost-to-cost method described above. In arrangements involving customer revenue sharing, revenue is recognized when the right to receive is established.

Revenue from product sales is shown net of applicable taxes, discounts and rebates. Revenue relating to products with installation services that are essential to the product is recognized when installation of the product at the customer’s site is completed and accepted by the customer. If revenue for a delivered item is not recognized due to lack of customer acceptance, the cost of the delivered item remains recorded in inventory.

Multiple performance obligations

When a sales contract involves multiple performance obligations such as services, hardware and licensed IPs (software) or combinations thereof, the revenue for each element is based on a five-step approach as defined above. To the extent that a contract includes multiple promised deliveries, judgment is applied to determine whether the promised deliveries are capable of being distinct and are distinct in the context of the contract. If these criteria are not met, promised deliveries are accounted for as a single 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 stand-alone selling price. The stand-alone selling price is the price at which the company would sell a promised good or service separately to the customer. When not directly observable, we estimate stand-alone selling price using an expected cost-plus margin approach. We establish a stand-alone selling price range for our deliveries, which is reassessed periodically or when facts and circumstances change. If the contract includes obligations relating to the Intellectual Property (Software) License or Lease delivery, the contract consideration allocated to software deliveries and lease delivery is then allocated to each software obligation and lease delivery as a business.

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

Revenue arising from certain activities in transition services under outsourcing arrangements may not be distinct or represent a separate performance obligation. Revenues related to these transition activities are classified as contractual liabilities and subsequently recognized over the term of the agreement. Direct and incremental costs related to these transition activities, which are expected to be recoverable under the contract and generate or improve company resources that will be used to fulfill the performance obligation in the future, are considered as contract fulfillment costs classified as cost deferred contract and recognized over the period of the agreement. Certain initial non-recurring contract acquisition costs and other upfront fees paid to the customer are deferred and classified as deferred contract cost and amortized to revenue or cost, generally on a straight-line basis, over the term of the contract, unless revenues are earned and obligations are met to a different standard. The undiscounted future cash flows of the arrangement are periodically estimated and compared to unamortized costs. If unamortized costs exceed undiscounted cash flows, a loss is recognized.

In cases where revenue is derived from the sale of third-party services, materials or licenses, revenue is recorded gross when the company is the principal in the transaction and net of costs when the company acts as an intermediary between the customer and the supplier. Several factors are considered in determining whether the company is the principal or agent, the most important of which are the company's control of the goods or services prior to transfer to the customer and the latitude in setting the price charged to the customer. Revenue is recognized net of rebates and subsidies, value-added taxes and services, and includes reimbursement of expenses incurred, with related expenses included in the cost of revenues.

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

The company recognizes an onerous contract provision when the expected and unavoidable costs of meeting future obligations exceed the expected economic benefits to be received under a contract. This provision, if any, is recorded in the period in which such losses become probable and is included in the cost of revenues. Revenue recognized but not billed to customers is classified as contract assets or as unbilled receivables on the balance sheet. Contract assets are primarily related to unbilled amounts in contracts that use the revenue recognition method based on incurred costs and where the right to consideration is not unconditional. Contract assets are recognized when there is an excess of revenue over billings. Unbilled receivables represent contracts where the right to consideration is unconditional (i.e., only the passage of time is required before payment is due). A contractual obligation arises when there is billing in excess of recognized revenue.

i) Resale of products

Revenue from the resale of technology products (servers, IT equipment, as well as computers and peripherals) is recognized when the significant risks and rewards of ownership of the products are transferred to the buyer, which generally occurs shortly after billing and product delivery.

ii) Provision of services

The provision of services consists of providing software development, technical support (help desk), and software licensing, and such revenue is recognized when the service is provided.

iii) Services to be invoiced

Recognition of revenue from services to be billed, both for domestic and foreign services, is based on the amounts of services already provided in the current period. Revenue from certain transition services activities in outsourcing contracts may not be distinct or represent a separate performance obligation. Revenues related to these transition activities are classified as contractual liabilities and subsequently recognized over the period of the arrangement. A contractual liability arises when billing exceeds recognized revenue.
Recognition of revenue from services already billed follows the policy, considering all services that were not completed by the base date. The review is carried out on a quarterly basis, with the aim of ensuring that the final numbers are in line with ongoing projects.

3.3. Cash and cash equivalents

Cash equivalents are held for the purpose of meeting short-term cash commitments and not for investment or other purposes. The Company considers cash, current account balances, financial investments that can be immediately converted into a known amount of cash and are subject to insignificant risk of change in value.

3.4. Accounts receivable from customers

They are presented at realization values. There are no receivables overdue for more than 180 days, therefore, there is no allowance for estimated losses. Such policy is applied to the accounts receivables from national customers and third parties.

3.5. Goodwill

Goodwill is initially measured at cost, being the excess of the sum of the consideration transferred and the amount recognized for the non-controlling interest, and any prior interest held, over the identifiable net assets acquired and liabilities assumed. If the fair value of the net assets acquired exceeds the aggregate consideration transferred, the excess is recognized in the income statement as a bargain purchase gain after reassessing the fair values of the net assets.

Goodwill is tested annually on March 31 for impairment, or sooner whenever there is an indication that goodwill may be impaired, depending on a number of factors, including results of operations, business plans and future cash flows. For impairment test purposes, goodwill acquired in a business combination is allocated to the Company’s cash generating units (CGU) that are expected to benefit from the synergies arising from the business combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets. Impairment occurs when the carrying amount of a CGU, including goodwill, exceeds the estimated recoverable amount of the CGU. The recoverable amount of a CGU is the greater of its fair value less cost to sell and its value in use. Value in use is the present value of expected future cash flows to be derived from the CGU. The total impairment loss of a CGU is allocated first to reduce the carrying amount of the goodwill allocated to the CGU and then to the other assets of the CGU, pro rata based on the carrying amount of each asset in the CGU.

3.6. Property, plant and equipment

Recorded at acquisition cost and depreciation of assets is calculated using the straight-line method at the rates mentioned in Note 9.

In 2022, the Company changed the useful life of computer equipment in its policies, considering the time of use and efficiency of the item for the Company. With the reduction in useful life, the accumulated depreciation amount for 2021 and 2022 was R$ 3,571,102. and R$ 11,828,254, respectively, referring to computer equipment, declared in Note 9. The difference in accumulated variation for 2022 and 2021 of these two groups refers to items that did not change their useful lives. The useful life for these items was changed from 60 to 36 months, according to lending agreements signed.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and any adjustments, if any, are recognized as changes in accounting estimates.

The book value of an asset will be immediately written-off to its recoverable value if the asset’s booked value is greater than its estimated recoverable value. Gains and losses on disposals are determined by comparing the results with the booked value and are recognized under “Other operating expenses (revenues)”, in the statement of income.

3.7. Intangible

Intangible assets acquired separately are measured at cost upon initial recognition. After initial recognition, intangible assets are stated at cost, less accumulated amortization and accumulated losses. Amortization of intangible assets is carried out using the straight-line method at the rates mentioned in Note 10.

Intangible assets are substantially represented by: software and customer relationship (related to the IBM acquisition). The amount amortized in 2021 and 2022 was R$ 1,133,876 and R$ 1,563,117 respectively, related to the Software, and R$ 1,041,759, in 2022, related to the Customer Relationship, this procedure was adopted in 2022 and there were no launches in 2021. The amortization rate is based on the project’s revenue, which can vary over the quarters, just as it did in 2022, with variations between 2 and 3%, the base value for calculation of amortization is R$ 2,141,264.

3.8 Leasing IFRS 16

The Company is a lessee of offices rented for its employees and IT equipment. These leases are assessed to determine whether they contain a lease based on the principles for recognizing, measuring, presenting and disclosing leases for lessees and lessors as defined in IFRS 16. The 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 lease payments relating to the underlying asset under lease. The right-of-use asset is measured initially on the basis of the lease liability adjusted for any initial direct costs, prepaid rent and lease incentives. The right-of-use asset is depreciated on a straight-line basis over the lease term or the useful life of the right-of-use asset, whichever is shorter. Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation, accumulated impairment losses, if any, and adjusted for any measurement of the lease liability.

The lease liability is measured at the lease commencement date and determined using the present value of the minimum lease payments yet to be 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 entered into. The Company has used a single discount rate for a portfolio of leases with reasonably similar characteristics. The lease payment comprises a fixed payment less any lease incentives, a variable lease payment that depends on an index or rate, the 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 exercise of the option by the Company to terminate the lease. The lease liability is subsequently measured by increasing the booked value to reflect interest on the lease liability, decreasing the booked value to reflect the lease payment made, and remeasuring the booked value to reflect any revaluation or modifications, if any. The Company chose not to recognize leases with a term of 12 months or less in the balance sheet and the effect of the standard, despite being in force since 2019, is only demonstrated in 2022, with a non-significant variation if it had been adopted in 2021, for comparative purposes.

3.9. Other assets and liabilities

An asset is recognized in the balance sheet when it is a resource controlled by the Company arising from past events and which are expected to result in future economic benefits.

A liability is recognized in the balance sheet when the Company has a legal or constitutive obligation as a result of a past event, and it is probable that an economic resource will be required to settle it.

Assets and liabilities are classified as current when their realization or settlement is likely to occur within the next twelve months. Otherwise, they are shown as non-current.

3.10. Taxation

Taxes on sales and resale of products/services

Sales and resale revenues are subject to the following taxes and contributions, at the following basic rates:

- Social Integration Program (PIS) - 1.65% (non-cumulative regime) and 0.65% (cumulative regime);
- Tax for social security financing (COFINS) - 7.6% (non-cumulative regime) and 3% (cumulative regime);
- Value-added tax on sales and services (ICMS) - The rate adopted depends on the state of destination of the goods;
- Services tax (ISS) - The rate adopted for services provided by the Company ranges from 2% to 5%, as detailed below:
    - São Leopoldo, Guarulhos and Campinas 2%
    - Belo Horizonte 2.5%
    - São Paulo 2.9%
    - Curitiba, Manaus, Recife and Rio de Janeiro 5%

Revenues are presented net of these charges in the income statement. Costs of services rendered and products resold are shown net of credits arising from the non-cumulative nature of PIS and COFINS in the statement of income.

Income tax and social contribution - current

Taxation on profit includes Corporate Income Tax – IRPJ and Social Contribution on Net Income – CSLL. Income Tax is computed on taxable income at the rate of 15%, plus an additional 10% for profits that exceed R$ 240,000 in the 12-month period, while Social Contribution is calculated at the rate of 9% on profit taxable income recognized on an accrual basis, therefore, inclusions in accounting income of expenses, temporarily non-deductible, or exclusions of revenues, temporarily non-taxable, considered for the calculation of current taxable income, generate deferred tax credits or debits. Prepayments or amounts subject to offsetting are stated in current or non-current assets, according to their expected realization.

Income tax and social contribution - deferred

Deferred income tax, regulated by CPC 32, defines the payment of tax when profit is credited, recorded at the rate of 15% for income tax and 9% for social contribution. The base was defined from the balance of passive provisions, considered as temporary provisions, and the unrealized variations, constituted as the Company’s balance.

Current and deferred income tax and social contribution assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when current and deferred income tax and social contribution assets and liabilities are offset. relate to income tax and social contribution levied by the same taxable authority on the taxable entity, where there is an intention to settle the balances on a net basis.

3.11. Other employee benefits

The benefits granted to Company employees include, in addition to fixed compensation (salaries and social security contributions - INSS, vacations and 13th salary), the offer of employee health plans and life insurance. Small monthly discounts are available for food vouchers, meals or meal vouchers. The transportation voucher discount follows the legislation in force. These benefits are recorded in income for the year when the Company has an accrual basis, as they are incurred. The benefit granted to employees, in the form of profit sharing, is offered in accordance with the collective agreement of each State.

The Company does not maintain severance benefits, pension plans, private pension or any retirement plan or benefits for its employees and officers after their departure from the Company.

3.12. Paid-in capital

On December 31, 2022 and 2021, the Company's paid-in capital consisted of quotas fully subscribed and paid in.

Distribution of dividends

No dividends were distributed during the periods presented in these financial statements.

3.13. Significant accounting judgments, estimates and assumptions

In applying the Company's accounting policies, Management must make judgments and prepare estimates regarding the book value of assets and liabilities. Estimates and related assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates.

The final amounts of transactions involving these estimates are only known upon their realization or settlement. The underlying estimates and assumptions are continually reviewed. The effects arising from revisions made to accounting estimates are recognized in the period in which the estimates are revised, if the revision affects only this period, or also in subsequent periods if the revision affects both the present period and future periods.

The main judgments and estimates made by Management during the process of applying the Company's accounting policies and which significantly affect the amounts recognized in the financial statements are presented below.

- **Provisions for risks:** the assessment of the likelihood of loss includes an assessment of the available evidence, the hierarchy of laws, available jurisprudence, the most recent court decisions and their relevance in the legal system, as well as the assessment of external lawyers. Provisions for risks are reviewed and adjusted to take into account changes in circumstances, such as the applicable statute of limitations, conclusions of tax inspections or additional exposures identified based on new matters or court decisions.
- **Provision for contingencies** - Labor claims arise from the provision prepared by partner external offices, on a monthly basis. Thus, from the intimation for presentation of defense until before the sentence, the process is provisioned as possible and the Company uses the amount calculated in the complaint, that is, the amount reported by the claimant. From the sentence, the amount is provisioned as probable if the sentence is favorable to the claimant, using the value assigned in the sentence, that is, not sent to the calculator for real provisioning, considering that the value of the sentence is fictitious. If the decision is favorable to the defendant, that is, the action is dismissed, the amount is provisioned as remote and, if there is an appeal, they follow the same line, remote if the judgment deems the case groundless and probable if the sentence is reversed or the conviction maintained.

  Once the execution phase has started, the amounts are updated according to the calculation presented by the Company or a court expert, always keeping the provision as probable, but if the Company has guaranteed execution in the records, it will be changed to remote.

  Considering HCL's subsidiary liability, the provision is maintained as probable, taking the total amount deferred by the sentence or by the calculations presented in the records.
- **Allowance for doubtful accounts (AFDA)** – the Company's policy establishes that amounts receivable overdue for more than 180 days are provisioned for doubtful debts. For the current year, the amount of the provision was reversed, as there are no overdue invoices within the policy in question. For the year 2021, the policy followed as established.

3.14. Financial instruments

Initial recognition and measurement

The Company's financial instruments are represented by cash and cash equivalents, accounts receivable, accounts payable, loans and financing. Instruments are initially recognized at fair value plus costs directly attributable to their acquisition or issuance.

(Values expressed in reais)

The main financial assets recognized by the Company are: cash and cash equivalents, financial investments and accounts receivable from customers and intercompany.

The main financial liabilities recognized by the Company are: accounts payable to suppliers and related parties, including intercompany loan.

4. Cash and cash equivalents

	2022	2021 (not audited)
Banks accounts	9,977,060	15,931,447
Financial investments	1,144	433
	9,978,204	**15,931,880**

Cash equivalents are held for the purpose of meeting short-term cash commitments and not for investment or other purposes. The Company considers cash equivalent to be a financial investment that can be immediately converted into a known amount of cash and is subject to an insignificant risk of change in value, which are represented by automatic investments, and are redeemable in a period of less than 90 days from the date of the respective operations

4.1. Other financial assets

	2022	2021 (not audited)
Values in transit	3,506,370	-
	3,506,370	**-**

On December 31, 2022, the Company identified amounts in transit, to be made available over the next few months, referring to invoices and notes in the process of being issued, which will be carried out in the first half of 2023.

5. Accounts receivable

	2022	2021 (not audited)
Accounts receivable - domestic customers	112,540,055	163,249,093
Accounts receivable - foreign customers	300,182	880,530
Allowance for doubtful accounts	-	(2,334,825)
	112,840,237	**161,794,798**

Below are the amounts receivable, by maturity date, on December 31, 2022 and 2021:

(Values expressed in reais)

Domestic customers

	2022	2021 (not audited)
Unbilled services	11,425,751	-
Not overdue	92,563,811	112,563,388
From 1 to 30 days overdue	4,863,957	6,183,093
From 31 to 60 days overdue	2,535,771	17,167,582
From 61 and 90 days overdue	1,150,765	2,731,794
From 91 and 180 days overdue	-	4,249,813
From 181 to 360 days overdue	-	2,629,921
More than 360 days overdue	-	15,388,678
	112,540,055	**160,914,268**

Foreign customers

	2022	2021 (not audited)
Not overdue	133,322	82,827
From 1 to 30 days overdue	-	-
From 31 to 60 days overdue	135,684	-
From 61 and 90 days overdue	2007	-
From 91 and 180 days overdue	29,169	797,703
	300,182	**880,530**

The Company does not require guarantees on term sales, but Management believes that the risk related to trade accounts receivable is minimized by the fact that the Company's customers comprise global contracts, most of which are large companies.

6. Recoverable taxes

	2022	2021 (not audited)
IRPJ	7,132,877	1,702,875
CSLL	3,152,147	621,942
Overpayment of federal taxes	1,779,105	1,590,192
PIS and COFINS	288,881	228,149
Other taxes	500,808	155,805
	12,853,818	**4,298,964**

(Values expressed in reais)

7. Inventory of equipment

	2022	2021 (not audited)
Inventory of items for resale	719,994	6,208,048
	719,994	**6,208,048**

The amounts held as inventory for resale, on December 31, 2022, will be used for future sales.

8. Judicial deposits

Payments made in court are linked to the writ of mandamus number 5026498-90.2022.4.03.6100, with a request for the issuance of the positive certificate of federal debts.

	2022	2021 (not audited)
Labor deposits	148,987	18,898
Judicial deposits	33,033,570	-
	33,182,557	**18,898**

9. Property, plant and equipment

The balances of computer equipment suffered a significant increase between 2021 and 2022, justified by the transfer of the “Inventories of equipment” group, Lending items, to the appropriate fixed assets accounts, in compliance with CPC 27.

(Values expressed in reais)

Purchase cost	Machinery and equipment	Furniture	Improvements in third-party properties	Computers and peripherals	Installations	Computer equipment - Lending	Other Assets	Total
Depreciation rates	**20%**	**10%**	**20%**	**33.33%**	**20%**	**33.33%**	**20%**	
Balances as of January 1, 2021 (not audited)	**932,774**	**1,665,012**	**3,837,097**	**27,220,355**	**1,848,113**	**30,120,847**	**130,530**	**65,754,728**
Acquisitions	22,640	-	-	17,129,323	-	-	-	17,151,966
Write-offs	-	-	-	(4,139,781)	-	(16,479,368)	-	(20,619,149)
Balances as of December 31, 2021 (not audited)	**955,414**	**1,665,012**	**3,837,097**	**40,209,897**	**1,848,113**	**13,641,479**	**130,530**	**62,287,545**
Acquisitions	-	47,676	-	10,573,715	6,747	-	628,197	11,256,335
Write-offs	-	(4,104)	-	(3,567,074)	-	-	-	(3,571,178)
Transfers	-	-	-	-	-	4,892,677	-	4,892,677
Balances on December 31, 2022	**955,414**	**1,708,584**	**3,837,097**	**47,216,538**	**1,854,860**	**18,534,156**	**758,727**	**74,865,379**
Accumulated depreciation								
Balances as of January 1, 2021 (not audited)	**(569,017)**	**(476,468)**	**(1,930,805)**	**(15,137,886)**	**(1,036,455)**	**(16,545,874)**	**(107,090)**	**(35,803,595)**
Depreciation expense for the year	(52,698)	(137,804)	(468,441)	(5,153,464)	(591,580)	(3,530,304)	(5,001)	(9,939,292)
Write-offs	-	-	-	2,332,758	-	16,545,874	-	18,878,632
Balance on December 31, 2021 (not audited)	**(621,715)**	**(614,272)**	**(2,399,246)**	**(17,958,592)**	**(1,628,035)**	**(3,530,304)**	**(112,091)**	**(26,864,255)**
Depreciation expense for the year	(215,753)	(355,137)	(352,360)	(10,311,829)	(274,969)	(5,273,479)	(5,001)	(16,788,528)
Write-offs	-	-	-	2,339,207	699,902	-	-	3,039,109
Balances on December 31, 2022	**(837,468)**	**(969,409)**	**(2,751,606)**	**(25,931,214)**	**(1,203,102)**	**(8,803,783)**	**(117,092)**	**(40,613,674)**
Net residual value								
As of December 31, 2021 (not audited)	**333,699**	**1,050,740**	**1,437,851**	**22,251,305**	**220,078**	**10,111,175**	**18,439**	**35,423,290**
As of December 31, 2022	**117,946**	**739,175**	**1,085,491**	**21,285,324**	**651,758**	**9,730,373**	**641,635**	**34,251,705**

(Values expressed in reais)

10. Intangible

Purchase cost	Right of Use - Software	Goodwill	Customer relationship	Total
Amortization rates	**20%**	**-**	**2 to 3%**	
Balances as of January 1, 2021 (not audited)	**7,648,587**	**17,197,509**	**-**	**24,846,095**
Acquisitions	694,724	**-**	**-**	**694,724**
Write-offs	(579,659)	-	-	**(579,659)**
Balances as of December 31, 2021 (not audited)	**7,763,652**	**17,197,509**	**-**	**24,961,160**
Acquisitions	468,415	-	-	**468,415**
Write-offs	(79,782)	(2,048,895)	-	**(2,128,677)**
Transfers	-	(2,141,264)	2,141,264	**-**
Balances on December 31, 2022	**8,152,285**	**13,007,350**	**2,141,264**	**23,300,898**
Accumulated amortization				
Balances as of January 1, 2021 (not audited)	**(3,457,992)**	**-**	**-**	**(3,457,992)**
Amortization for the year	(1,554,241)	-	-	**(1,554,241)**
Write-offs	420,366	-	-	**420,366**
Balances as of December 31, 2021 (not audited)	**(4,591,867)**	**-**	**-**	**(4,591,867)**
Amortization for the year	(1,563,117)	-	(1,041,759)	**(2,604,876)**
Balances on December 31, 2022	**(6,154,984)**	**-**	**(1,041,759)**	**(7,196,743)**
Net residual value				
As of December 31, 2021 (not audited)	**3,171,785**	**17,197,509**	**-**	**20,369,293**
As of December 31, 2022	**1,997,301**	**13,007,350**	**1,099,505**	**16,104,155**

(Values expressed in reais)

Items held as "Right to Use – Software" are amortized using the straight-line method, at an annual rate of 20%, considering their useful life defined by the Company as 10 years. Under accounting standards, goodwill is considered an intangible asset with an indefinite useful life. This means that, when performing the goodwill impairment or depreciation analysis, a specific period is not established in which the asset will be amortized or depreciated. Instead, goodwill is evaluated periodically to determine if there is a need for adjustment to its booked value based on impairment tests, therefore, there was no need to adjust its value for the years 2022 and 2021. The value of goodwill per expectation of future profitability is R$ 14,106,854, based on value in use (determined based on past experience and with a 5-year projection on cash flow). The increase in revenue was decisive for defining the rate used, 8% in the next 3 years and 6% in the last two years, with an applied discount rate of 9.18%.

11. Right-of-use assets – Leases

In 2022, the Company adjusted its numbers to CPC 06, equivalent to IFRS 16, considering the amounts paid for property rental, updated annually. Leases are for the Company's use, with defined contracts and subject to renewal after the end of their term. Values are updated annually at the IPCA rate.

Location	Expectation of contract term	Rate	Current monthly amount
Curitiba – Commercial room	7 years	3.50%	37,842
São Leopoldo – Commercial room 5th floor	7 years	3.50%	43,832
São Leopoldo – Commercial room 6th and 7th floor	7 years	3.50%	76,450
São Paulo – Commercial room	7 years	3.50%	35,101

	2022	2021 (not audited)
Right-of-use - Assets leased IFRS 16	15,140,214	-
(-) Accumulated depreciation	(2,044,556)	-
Net value - Right of use	**13,095,657**	**-**
Lease IFRS 16 - Total debt	2,055,124	-
Lease IFRS 16 - Financial charges	(77,655)	-
Total leasing liabilities - Current	**1,977,469**	
Lease IFRS 16 - Total debt	11,953,723	-
Lease IFRS 16 - Financial charges	(839,792)	-
Total Lease Liabilities - Non-Current	**11,113,931**	

(Values expressed in reais)

12. Suppliers

	2022	2021 (not audited)
Domestic suppliers	11,198,735	9,130,012
Foreign suppliers	793,100	336,925
	11,991,835	**9,466,937**

The composition of domestic and foreign accounts payable by maturity date on December 31, 2022 and 2021 is described as follows:

Domestic suppliers

	2022	2021 (not audited)
Not overdue	5,360,820	2,177,852
From 1 to 30 days overdue	3,917,528	5,525,181
From 31 to 60 days overdue	1,567,551	762,715
From 61 and 90 days overdue	127,757	418,450
From 91 and 180 days overdue	28,475	175,252
From 181 to 360 days overdue	170,370	49,174
More than 360 days overdue	26,234	21,388
	11,198,735	**9,130,012**

Foreign suppliers

	2022	2021 (not audited)
Not overdue	382,186	-
From 1 to 30 days overdue	206,629	202,457
From 31 to 60 days overdue	184,558	107,130
From 61 and 90 days overdue	-	16,577
From 91 and 180 days overdue	-	3,992
From 181 to 360 days overdue	19,727	6,769
	793,100	**336,925**

The balance of international payables is controlled based on the credit limit granted by each supplier, with no established maturity date. Accounts payable to suppliers do not incur interest and are generally settled within a period of no more than six months.

(Values expressed in reais)

13. Tax obligations

	2022	2021 (not audited)
IRPJ	-	21,290,396
CSLL	-	7,152,420
COFINS	3,667,135	6,183,540
ISSQN	2,703,407	3,416,042
PIS	793,668	1,342,130
Taxes on imports	283,119	-
Other taxes	328,757	174,109
	7,776,086	**39,558,637**

14. Social and labor obligations

	2022	2021 (not audited)
Provision for vacations and charges	18,560,168	12,621,409
Provision of bonuses and earnings	4,471,467	7,305,233
IRRF on wages	3,197,642	2,253,245
INSS on billing	2,802,786	4,263,118
INSS and FGTS payable	2,636,530	1,878,423
Other income and social charges	4,771	108,479
	31,673,364	**28,429,908**

15. Related parties

Modality	Entity	Currency	Rate% on Dec-22	2022	2021 (not audited)
Loan agreement	HCL America Inc.	USD	5.18	22,601,796	45,364,018
Loan agreement	HCL Axon Technologies Inc. - Canada	USD	5.18	21,775,343	22,476,340
Total				**44,377,139**	**67,840,358**

The loans were signed between the related parties, with no payment term, being restated by the rate established in the contract. Contracts are restated based on the foreign currency rate, published by BACEN, and interest is restated at the LIBOR rate + 1% as agreed in the contract. The LIBOR rate is used as the base rate for financial institutions that carry out mutual lending transactions in the London market and is subject to fluctuations throughout the year.

(Values expressed in reais)

15.1. Accounts receivable – Intercompany

	2022	2021 (not audited)
Unbilled services	5,948,397	1,585,106
Not overdue	37,849,165	17,587,944
From 1 to 30 days overdue	10,400,919	15,660,572
From 31 to 60 days overdue	4,779,034	4,857,610
From 61 and 90 days overdue	4,548,476	9,287,107
From 91 and 180 days overdue	29,297,613	2,231,984
From 181 to 360 days overdue	19,885,179	2,231,984
More than 360 days overdue	33,341,218	12,097,952
	146,050,001	**65,540,259**

In accordance with CPC 05, the Company has an asset receivable from related companies, of the same group, in the amount of R$ 142,857,674, in 2022, and R$ 65,120,697, in 2021, part of which corresponds to the amount of services to be billed, described in Item 3.2, in the amount of R$ 5,948,397 and R$ 1,585,106, for 2022 and 2021, respectively. The services provided by a related party are IT Software Services, referred to as “IT Software Service Charges” as described in the monthly invoices.

15.2. Supplier – Intercompany

	2022	2021 (not audited)
Not overdue	39,069,413	9,856,791
From 1 to 30 days overdue	965,425	261,110
From 31 to 60 days overdue	4,642,638	1,255,653
From 61 and 90 days overdue	7,827,436	2,117,017
From 91 and 180 days overdue	19,383,284	5,952,390
From 181 to 360 days overdue	74,142,111	20,052,558
More than 360 days overdue	43,137,799	11,667,097
	189,168,106	**51,162,616**

The amounts payable to the group companies do not follow the pre-established maturity period, and their settlement is based on the Company’s decision.

Remuneration of key management personnel: the Company understands as key personnel all those who have authority and responsibility for planning, directing and controlling the entity’s activities, directly or indirectly. Key personnel compensation expenses amounted to R$ 4,759,797 (December 31, 2022) and R$ 3,358,023 (December 31, 2021), including salaries, social charges, bonuses and benefits.

(Values expressed in reais)

16. Provision for contingencies

Provisions were constituted to face risks related to labor and civil matters, with expectation of possible and probable loss, in an amount deemed sufficient by Management to cover future disbursements, according to the advice and evaluation of lawyers and legal advisors. The balance recorded in the balance sheet corresponds to the portion of probable lawsuits and are controlled based on estimates and returns by lawyers. On December 31, 2022, the amount of possible lawsuits was R$ 622,555. Between 2021 and 2022, there was a provision for 3 new lawsuits, in the amount of R$ 576,368 and payment of processes that were already in progress of R$ 1,203,892.

Linked to probable lawsuits, an amount of R$ 100,917 was deposited in court, which must be recovered in the event of a successful outcome in said lawsuits. Ordinary or revised appeal deposits are not provisioned for loss, mainly because they are not used every time to pay the execution. Some deposits at the end of the process are returned.

	2022	Additions	Payments / reversals	2021 (not audited)
Labor	1,030,039	576,368	(1,204,492)	1,658,163
	1,030,039	576,368	(1,204,492)	1,658,163

17. Provisions

The amounts provisioned on December 31, 2021, as intercompany provisions, refer to amounts provisioned and reversed in 2022, due to the realization of the cost in the current year.

	2022	2021 (not audited)
Provisions with related parties	1,365,302	60,531,526
Provision for expenses and costs	7,960,829	7,802,210
Provision for insurance	31,287	-
	9,357,418	**68,333,736**

18. Deferred income

The amounts accounted for as Deferred Revenue are divided into current and non-current, defined by the expected conclusion of the project. In 2022, the value of notes issued with service not performed or not completed increased by R$ 7,762,549, compared to the balance of 2021.

	2022	2021 (not audited)
Deferred income - current	8,287,736	1,758,450
Deferred income - non-current	1,233,265	-
	9,521,001	**1,758,450**

(Values expressed in reais)

19. Paid-in capital

On December 31, 2021 and 2022, the Company's paid-in capital is R$ 82,510,266, represented by 82,510,266 shares in the amount of R$1.00 each, distributed as follows:

Quotaholder	Partner participation	Number of quotas	Amount R$
HCL Latin America Holding LLC	100%	82,510,266	82,510,266

20. Net revenue

	2022	2021 (not audited)
Revenue from software development services	373,473,922	254,508,887
Revenue from software license services	93,115,927	125,014,991
Revenue from product resales	5,129,842	4,112,417
Gross income	**471,719,691**	**383,636,295**
(-) Services canceled	(5,131,230)	(2,525,359)
(-) Taxes on services	(43,119,834)	(40,047,550)
Net revenue	**423,468,627**	**341,063,386**

Domestic revenue	199,793,536	148,919,817
Foreign revenue	109,500,822	131,538,583
Related party revenue	162,425,333	103,177,895
Gross income	**471,719,691**	**383,636,295**

21. Costs of services provided

	2022	2021 (not audited)
Resale	(2,335,539)	(2,677,713)
Services provided	(125,017,573)	(55,533,707)
Personnel costs	(162,061,025)	(125,973,817)
	(289,414,137)	**(184,185,237)**

(Values expressed in reais)

22. General and administrative expenses

	2022	2021 (not audited)
Expenses with provision of services	(13,559,789)	(85,136,325)
Travel	(1,351,203)	(437,749)
IT expenses	(1,784,034)	(704,986)
Depreciation and amortization	(21,437,960)	(8,735,405)
Insurance	(260,531)	(150,960)
Miscellaneous consumables	(159,802)	(3,647)
Maintenance	(172,279)	(226,574)
Fee and taxes	(2,545,850)	(8,884,535)
Property disposal costs	(4,408,969)	-
Energy and water	(211,878)	(267,761)
Internet expenses	(488,795)	(632,191)
Rental of equipment	(1,249,372)	(2,985,671)
Losses with bad debts	(23,349,021)	(201,691)
Other expenses	(2,165,893)	(1,016,280)
	(73,145,376)	**(109,383,775)**

23. Personnel expenses

	2022	2021 (not audited)
Salaries, vacations and 13th salary	(13,302,611)	(6,253,148)
INSS and FGTS	(3,441,873)	(921,085)
Bonus	(4,380,412)	(365,286)
Health care	(507,246)	(511,954)
Meals	(171,988)	(241,255)
Trainings	(218,110)	(4,862)
Other personnel expenses	(105,030)	(13,980)
	(22,127,271)	**(8,311,570)**

24. Net financial result

	2022	2021 (not audited)
Financial income		
Income from financial investments	1,198,549	134,052
SELIC interest	1,285,932	29,227
Interest received	93	22,331
Discounts obtained	49,449	71,915
Positive exchange variations	11,264,556	11,155,966
	13,798,579	**11,413,490**

(Values expressed in reais)

	2022	2021 (not audited)
Financial expenses		
Interest on loans	(1,796,555)	(602,611)
Interest on leases	(164,230)	-
Discounts granted	(2,021,263)	(2,098,481)
Bank expenses	(11,161,961)	(234,992)
Fines and interests	(99,198)	(191,718)
Financial expense with acquisitions	(2,048,895)	-
Negative exchange variations	(5,267,357)	(20,909,697)
	(22,559,459)	**(24,037,498)**
Net total	**(8,760,880)**	**(12,624,008)**

25. Income tax and social contribution

25.1. Current income taxes

Represented by amounts provisioned for Income Tax and Social Contribution. The reconciliation of calculated taxes, according to nominal rates and the amount of taxes, is presented below:

	2022	2021 (not audited)
Profit before income tax and social contribution	30,020,963	26,558,796
Current nominal rate	34%	34%
Taxes according to nominal rate	**10,207,127**	**9,029,991**
Temporary additions/exclusions - Tax effect		
Provisions and reversals	(22,022,831)	18,710,948
Depreciation - Computer equipment	1,731,867	1,200,303
Unrealized exchange variations - net	(3,279,172)	1,561,462
Permanent additions/deletions - Tax effect		
Gifts, fines and other non-deductible expenses	5,066,503	1,152,186
Bad debts and write-offs of receivables	10,396,194	-
Interests on loan	610,829	204,888
IFRS 16 effect (CPC 06 - Leases)	750,987	-
Rental	(752,435)	-
Effect of the additional IRPJ rate	(24,000)	(24,000)
Income tax and social contribution - current	**2,685,069**	**31,835,778**

(Values expressed in reais)

25.2. Deferred income taxes

In compliance with CPC 32 - Taxes on Income, deferred taxes were accounted for assets and liabilities arising from temporary differences. Recognition is supported in future profit projections, prepared and based on internal assumptions and economic scenarios. The reconciliation of calculated taxes, according to nominal rates, is presented below:

	2022	**2021 (not audited)**
Temporary additions - tax effect		
Non-deductible provisions	5,052,034	-
Unrealized exchange variation - positive	3,340,023	-
Depreciation - Computer equipment	1,754,478	-
Income tax and social contribution - Assets	**10,146,535**	**-**
Temporary exclusions - tax effect		
Unrealized exchange variation - negative	739,636	-
Income tax and social contribution - Liabilities	**739,636**	**-**

	2022	**2021 (not audited)**
Income tax and social contribution - current	(2,685,069)	(31,835,778)
Income tax and social contribution - deferred	9,406,899	-
	6,721,830	**(31,835,778)**
Effective rate%	**22%**	**-120%**

26. Financial instruments

26.1. General considerations

The Company evaluated its financial assets and liabilities in relation to market values, using available information and appropriate valuation methodologies. However, the interpretation of market data and the selection of valuation methods require considerable judgment and estimates to calculate the most appropriate realizable value. As a consequence, the estimates presented do not necessarily indicate the amounts that could be realized in the current market. The use of different market assumptions and/or methodologies may have a material effect on estimated realizable values.

Company’s financial instruments are presented in compliance with Technical Pronouncements CPCs 38, 39 and 40.

On December 31, 2021 and 2022, the Company’s main financial instruments were:

- Cash and banks - petty cash and current account balances. The market value is equivalent to the book value;
- Active financial instruments - financial investments classified as held to maturity;
- Accounts receivable - receivables arising from sales, installment services classified as held to maturity;
- Loans and financing - loans, financing and leasing operations;
- Suppliers - amounts payable for the purchase of goods for sale and resale.

26.1.1. Cambial risk

As part of its activity, the Company incurs exchange rate risks related to the purchase of imported goods in foreign currency.

26.1.2. Liquidity risk

The liquidity risk management policy implies maintaining a safe level of cash availability and access to immediate resources. The Company also has an excellent credit line with Citibank, as it is a Global partner.

27. Insurance coverage (not audited)

The Company has a risk management program for which insurance coverage has been contracted for amounts considered sufficient by management to cover possible claims, considering the nature of its activity and the risks involved in its operations.

28. Subsequent events

a) New contract - Banco do Brasil

Contract signed in 2023, referring to the sale of licenses and IT technical services, to be invoiced over the next 5 years, with a total amount of R$ 593,663,120. In 2023, the amount receivable will be R$ 111,646,830.

b) New contract - Bradesco

Agreement signed in June 2023, referring to the sale of licenses R$ 19 million.

c) Overpaid taxes

In 2023, the amount of R$ 2,746,105 was paid, referring to IRPJ, and R$ 876,308, referring to CSLL, both in 2022. The amount will be considered as a negative balance for 2022, since the calculation basis has been recalculated and, even though there is a taxable base, the tax balance withheld for the year was sufficient to cover the tax amount.