

HCL TECHNOLOGIES MÉXICO, S. DE R. L. DE C. V.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2019



HCL TECHNOLOGIES MÉXICO, S. DE R. L. DE C. V.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2019

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders of  
HCL Technologies México, S. de R. L. de C. V.

OPINION

We have audited the accompanying financial statements of HCL Technologies México, S. de R. L. de C. V. (Company) which comprised the related statement of financial position as of December 31, 2019, statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year ended, and notes to the financial statements 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 Technologies México, S. de R. L. de C. V. as of December 31, 2019, and their comprehensive income and cash flows for the year ended, in accordance with Mexican Financial Reporting Standards ("MFRS").

BASIS FOR OPINION

We conducted our audit in accordance with International Standard on Auditing ("ISA's"). Our responsibilities under those standards 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 ethical requirements that are relevant to our audit of the financial statements in México according with the "Código de Ética Profesional del Instituto Mexicano de Contadores Públicos" ("IMCP Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CHANGE IN ACCOUNTING PRINCIPLES

As mentioned in Note C3 and Note F, to the financial statements, the company modified the useful lives of fixed assets and consequently the depreciation rates of some fixed assets were modified beginning January 1, 2019, derived from a change in accounting policies at the corporate level.

As mentioned in Note C4 and Note G, to the financial statements, the Company changed the methodology of lease recognition in the financial statements beginning January 1, 2019, derived from the adoption of IFRS 16, "Leases."

RESPONSIBILITIES OF MANAGEMENT AND THE MONITORING BODY OF THE ENTITY IN RELATION WITH THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the accompanying financial statements in accordance with Mexican Financial Reporting Standards ("MFRS"), and for



such internal control as management determines is 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 but to do so.

The Monitoring Body is 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 ISA's 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 ISA's, we exercise professional judgment and maintain professional skepticism throughout the audit. 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 conclusion 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion of the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

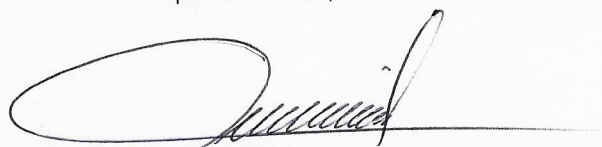
We communicate with the Monitoring Body regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Among the issues that have been the subject of communication with the company's surveillance body, we determine the most significant the audit of the financial statements of the current period and that are, consequently, the key issues of the audit.

We describe those issues in our audit report unless legal or regulatory provisions prohibit public disclosure of the matter or, in extremely rare circumstances, we determine that an issue should not be communicated in our report because it is reasonably expected that the adverse consequences of doing so would exceed the public interest benefits of that matter.

Kreston CSM  
Kaudit and Legal Service, S. C.  
Independent firm, a member of Kreston International, Ltd.

A large, stylized handwritten signature in black ink, likely belonging to C. P. A. and M. T. Marco Antonio Carrillo Velasco.

C. P. A. and M. T. Marco Antonio Carrillo Velasco  
Audit Partner

Zapopan, Jalisco, México  
June 15, 2020



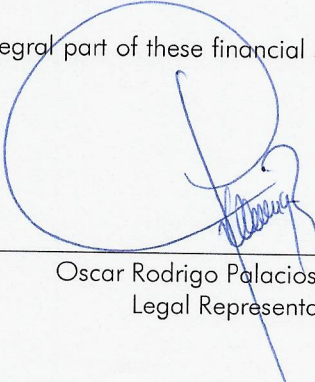


HCL TECHNOLOGIES MÉXICO, S. DE R. L. DE C. V.

STATEMENT OF FINANCIAL POSITION  
(Amounts in Mexican Pesos)

ASSETS	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
<u>Current assets</u>		
Cash and cash equivalents	\$ 53,244,516	\$ 19,556,401
Accounts receivable (Note E)	265,046,116	189,857,980
Related parties receivable (Note H)	<u>223,417,301</u>	<u>118,461,069</u>
Total current assets	<u>541,707,933</u>	<u>327,875,450</u>
<u>Long term assets</u>		
Furniture and equipment – net (Note F)	129,377,535	141,706,724
Goodwill – Purchased	25,757,412	-
Right-of-use asset, net (Note G)	47,797,366	-
Other intangible assets	28,286,178	63,579,289
Deferred income tax (Note L)	13,784,040	9,266,409
Deferred employee's profit sharing	<u>4,594,680</u>	<u>3,088,803</u>
Total long term assets	<u>249,597,211</u>	<u>217,641,225</u>
Total assets	<u>\$ 791,305,144</u>	<u>\$ 545,516,675</u>
 <u>LIABILITIES AND SHAREHOLDERS EQUITY</u>		
<u>Current liabilities</u>		
Related parties payable (Note H)	\$ 292,856,748	\$ 352,557,338
Accounts payable and accrued expenses	327,536,054	83,002,857
Taxes payable	61,048,977	31,163,414
Benefits to employees (Note I)	22,297,876	19,133,896
Deferred income	18,097,139	187,393
Employees statutory profit sharing	<u>11,185,025</u>	<u>9,959,138</u>
Total liabilities	<u>733,021,819</u>	<u>496,004,036</u>
<u>Shareholder's equity (Note K)</u>		
Share stock	45,725,892	45,725,892
Legal reserve	365,232	365,232
Cumulative results	<u>12,192,201</u>	<u>3,421,515</u>
Total shareholder's equity	<u>58,283,325</u>	<u>49,512,639</u>
Total liabilities and shareholder's equity	<u>\$ 791,305,144</u>	<u>\$ 545,516,675</u>

The accompanying notes are an integral part of these financial statements, which were authorized for their issuance dated June 10, 2020.

  
\_\_\_\_\_  
Oscar Rodrigo Palacios Rodríguez  
Legal Representative

UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF THE SECRETARY

WASHINGTON, D. C.

October 11, 1917

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Very truly yours,  
[Signature]

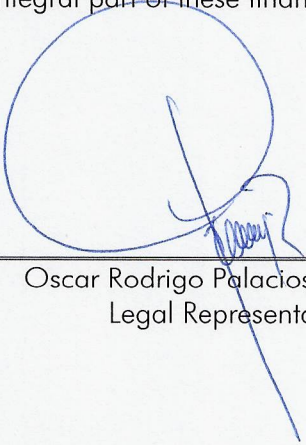


HCL TECHNOLOGIES MÉXICO, S. DE R. L. DE C. V.

STATEMENT OF COMPREHENSIVE INCOME  
(Amounts in Mexican Pesos)

	<u>2019</u>	<u>December 31,</u> <u>2018</u>
Net income	\$ 1,305,969,684	\$1,001,793,109
Operating expenses	<u>1,260,234,672</u>	<u>967,338,789</u>
Operating income	<u>45,735,012</u>	<u>34,454,320</u>
Other income – net	<u>5,110,746</u>	<u>5,680,689</u>
Comprehensive financing result:		
Interest expense - net	(1,190,000)	(9,640,641)
Foreign exchange result - net	<u>(3,056,346)</u>	<u>(5,107,770)</u>
	<u>(4,246,346)</u>	<u>(14,748,411)</u>
Profit before income taxes	46,599,412	25,386,598
Income taxes (Note L)	<u>37,828,726</u>	<u>34,479,108</u>
Comprehensive income	<u>\$ 8,770,686</u>	<u>(\$ 9,092,510)</u>

The accompanying notes are an integral part of these financial statements, which were authorized for their issuance dated June 10, 2020.



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Oscar Rodrigo Palacios Rodríguez  
Legal Representative

1951-1952

STATE OF OHIO

Department of Public Safety

Division of Motor Vehicles

Year

1951

1. Total number of vehicles

2. Total number of licenses

3. Total number of registrations

4. Total number of titles

5. Total number of transfers

6. Total number of renewals

7. Total number of cancellations

8. Total number of suspensions

9. Total number of reinstatements

10. Total number of other actions

1952

1. Total number of vehicles

2. Total number of licenses

3. Total number of registrations

4. Total number of titles

5. Total number of transfers

6. Total number of renewals

7. Total number of cancellations

8. Total number of suspensions

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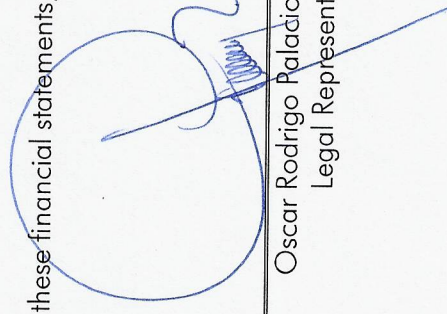


HCL TECHNOLOGIES MÉXICO, S. DE R. L. DE C. V.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY  
(Amounts in Mexican Pesos)

	<u>Share stock</u>	<u>Legal reserve</u>	<u>Cumulative results</u>	<u>Total</u>
Balances at January 01, 2018	\$ 45,725,892	\$ 365,232	\$ 12,514,025	\$ 58,605,149
Comprehensive income			<u>(9,092,510)</u>	<u>(9,092,510)</u>
Balances at December 31, 2018	45,725,892	365,232	3,421,515	49,512,639
Comprehensive income			<u>8,770,686</u>	<u>8,770,686</u>
Balances at December 31, 2019	<u>\$ 45,725,892</u>	<u>\$ 365,232</u>	<u>\$ 12,192,201</u>	<u>\$ 58,283,325</u>

The accompanying notes are an integral part of these financial statements, which were authorized for their issuance dated June 10, 2020.



Oscar Rodrigo Palacios Rodríguez  
Legal Representative

DEPARTMENT OF AGRICULTURE  
WASHINGTON, D. C.

UNITED STATES DEPARTMENT OF AGRICULTURE, BUREAU OF PLANT INDUSTRY, WASHINGTON, D. C.

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HCL TECHNOLOGIES MÉXICO, S. DE R. L. DE C. V.

STATEMENT OF CASH FLOWS

(Amounts in Mexican Pesos)

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
<u>Operation activities</u>		
Profit before income taxes	\$ 46,599,412	\$ 25,386,598
ITEMS RELATING TO INVESTMENT ACTIVITIES		
Depreciation	94,838,191	19,938,224
Other investing activities	(947,824)	(1,838,857)
ITEMS RELATING TO FINANCING ACTIVITIES		
Interest in charge	<u>1,190,000</u>	<u>9,640,641</u>
Sum	141,679,779	53,126,606
Increase in accounts receivable	(148,691,083)	(82,224,044)
Increase (decrease) in accounts payable	<u>258,889,640</u>	<u>(35,287,570)</u>
Operating activities net cash flows	<u>251,878,336</u>	<u>(64,385,008)</u>
<u>Investing activities</u>		
Other investing activities	947,824	1,838,857
Right-of-use asset	(86,183,170)	-
Goodwill – Purchased	(25,757,412)	-
Acquisition of furniture and equipment	<u>(46,306,878)</u>	<u>(17,463,773)</u>
Net cash flows after investing activities	<u>(157,299,636)</u>	<u>(15,624,916)</u>
<u>Financing activities</u>		
Long term loans made with related parties	(59,700,585)	80,081,799
Interest paid	<u>(1,190,000)</u>	<u>(9,640,641)</u>
	<u>(60,890,585)</u>	<u>70,441,158</u>
Net cash flows after financing activities	33,688,115	(9,568,766)
Cash and cash equivalents at beginning of the year	<u>19,556,401</u>	<u>29,125,167</u>
Cash and cash equivalents at end of the year	<u>\$ 53,244,516</u>	<u>\$ 19,556,401</u>

The accompanying notes are an integral part of these financial statements, which were authorized for their issuance dated June 10, 2020.

  
 Oscar Rodrigo Palacios Rodríguez  
 Legal Representative





HCL TECHNOLOGIES MÉXICO, S. DE R. L. DE C. V.

NOTES TO THE FINANCIAL STATEMENTS AT  
DECEMBER 31, 2019 AND 2018  
(Amounts in Mexican Pesos)

A. HISTORY AND NATURE OF OPERATIONS OF THE COMPANY

The company was created in Mexico City on October 21, 2008 under the name of "Sanpabri, S. de R. L. de C. V." before the notary public number 4 of México City, Felipe Zacarías Ponce with duration of 99 years.

On June 12, 2009 by Extraordinary General Meeting, the shareholders decided to modify the corporate name to "HCL Technologies Mexico, S. de R. L. de C. V."

On November 29, 2009, by Ordinary General Meeting, the shareholders decided to modify the company's main activity being as follows:

- a) The purpose of the company is the purchase, sale, import, export, marketing, distribution, lease and generally all acts of hardware marketing, software and accessories, and providing services related to their installation and operation
- b) To provide consulting and information services about computer and technological issues regarding the development of software and hardware, and can be rendered to any individual or legal entity, private or public nature
- c) Information technology services on the development of software and hardware, data management and administration, equipment, policies, processes, human resources, systems, and storage and everything related to the administration and infrastructure management, outsourcing, and business process outsourcing services, network security, internet professional services, management and administration of network data centers, client servers, information services and assistance regarding to technology issues information, and general consulting services related to these activities.
- d) Implementation, installation and licensing of computer software and hardware, support services and data recovery, technical consulting services and training, and any activities related to supplying software and hardware

B. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. **Basis for translation into english.** The accompanying financial statements have been translated from spanish into english for use outside of Mexico. These financial statements are presented on the basis of Mexican Financial Reporting Standards (MFRS). Certain accounting practices applied by the Company that conform with MFRS may not conform with accounting principles generally accepted in the country of use.
2. **Monetary unit the financial statements.** The financial statements and notes as of December 31, 2019 and 2018 for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power.

# NOTICE OF THE BOARD OF DIRECTORS

## TO THE SHAREHOLDERS OF THE COMPANY

### RE: THE PROPOSED MERGER OF THE COMPANY

Attention: Shareholders

#### A. THE PROPOSED MERGER OF THE COMPANY

The Company was created in 1981 as a result of the merger of the Company and the Company. The Company is a public company and its shares are listed on the New York Stock Exchange.

On June 12, 1981, the Board of Directors of the Company adopted a resolution to merge the Company with the Company.

On December 12, 1981, the Board of Directors of the Company adopted a resolution to merge the Company with the Company.

The purpose of this resolution is to merge the Company with the Company. The Company is a public company and its shares are listed on the New York Stock Exchange.

The Board of Directors of the Company has adopted a resolution to merge the Company with the Company. The Company is a public company and its shares are listed on the New York Stock Exchange.

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The Board of Directors of the Company has adopted a resolution to merge the Company with the Company. The Company is a public company and its shares are listed on the New York Stock Exchange.

#### B. BASIS OF ESTIMATION OF THE MERGER

The Board of Directors of the Company has adopted a resolution to merge the Company with the Company. The Company is a public company and its shares are listed on the New York Stock Exchange.

The Board of Directors of the Company has adopted a resolution to merge the Company with the Company. The Company is a public company and its shares are listed on the New York Stock Exchange.



3. **The applicable financial reporting framework.** The accompanying financial statements have been prepared in full with the provisions of Mexican Financial Reporting Standards (MFRS), for a fair presentation of the financial position of the company at December 31, 2019 and 2018 and fulfillment statements of comprehensive income, changes in shareholder's equity and cash flows for the years ended on those effective dates.
4. **Statement of comprehensive income.** The company has considered that the structure of the statement of comprehensive income that best reflects the essence of its operations is by nature, since it is a common practice of the economic sector to which the entity belongs and allows to know the most important expenses related to their social object.

In addition, for a better analysis of your financial situation, the company has considered necessary to show the amount of operating income separately in the statement of comprehensive income, because such information is a common disclosure practice sector to which it belongs the entity.

5. **Issuance of the financial statements.** The accompanying financial statements have been prepared specifically for presentation to the Board of Directors and Shareholders and to comply with statutory requirements that apply to the company.

Also, the accompanying financial statements and their notes were authorized for issuance on June 10, 2020, by Oscar Rodrigo Palacios Rodriguez, legal representative.

6. **Effects of inflation.** To December 31, 2019 and 2018 of the accompanying financial statements, figures are presented in historical Mexican pesos, since the company was created after January 01, 2008.

In accordance with the guidelines of MFRS B-10 "Effects of Inflation", from January 01, 2008 recognizing the effects of inflation on the financial information (of inflationary accounting) was suspended because the Mexican economy is in a non-inflationary environment by maintaining an accumulated inflation of the past three years less than 26% (threshold for an economy to be considered non-inflationary).

Following are percentages of inflation:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
For the year	2.83%	4.83%
Accrued over the last three years	14.96%	15.69%

7. **Currency recording, functional and reporting.** According with the provisions of the MFRS B-15, it has been identified that the company has the following currencies:

<u>Type</u>	<u>Currency</u>	
	<u>2019</u>	<u>2018</u>
Recording	Mexican pesos	Mexican pesos
Functional	American dollars	American dollars
Reporting	Mexican pesos	Mexican pesos





## C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MFRS require the use of certain critical accounting estimates in preparing financial statements. Also, the exercise of judgment by management in the process of defining the accounting policies of the company are required.

In the following significant accounting policies are summarized, which have been applied consistently in the years presented, unless otherwise specified.

1. **Cash and cash equivalents.** Cash and cash equivalents include cash on hand, bank deposits available for operations and other short-term investments of high liquidity with original maturities of three months or less, all of which are subject to insignificant risk of changes in value and maintain a high credit quality. Bank overdrafts are presented as loans as a part of the current liabilities.
2. **Accounts receivable.** Accounts receivable are recorded when considering an accrual the operation that gave rise and express themselves to the nominal value of the transaction that originates it or contract that backs them. On December 31, 2019 and 2018, the company has registered an estimate for doubtful accounts amounting to \$3,081,833 and \$3,109,641, respectively. During exercise that finished in this date, the company decreased the estimate in the amount of \$27,808 and \$2,256,615, respectively. On December 31, 2019 and 2018, the policy pursued by the company to consider an account of doubtful recovery is to consider the 100% of the portfolio with 360 days old, taking into account historical experience and specific identification of balances. See analysis of accounts receivable in Note E.
3. **Furniture and equipment.** Furniture and equipment are expressed at acquisition cost. Depreciation is calculated using the straight-line method, based on the useful lives of the assets, estimated by the administration of the company. During the year 2019, the Company corrected its depreciation rates for a change in corporate policies. The method of depreciation is reviewed at the end of each period. See analysis of furniture and equipment in Note F.

The depreciation rates used are the follows:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	10%	5%
Computer equipment	20%	30%
Furniture and equipment	14%	10%

4. **Leases (as lessee).** As of December 31, 2018, the classification of leases as finance or operating depended on the substance of the transaction rather than the form of the contract.

Leases in which a significant portion of the risks and rewards relating to the leased property are retained by the lessor were classified as operating leases. Payments made under operating leases (net of incentives received by the lessor) were recognized in the consolidated statement of income based on the straight-line method over the lease period.

The Company adopted IFRS 16 "Leases" in effect as of January 1, 2019.





IFRS 16, Leases, supersedes IAS 17, Leases, and the related interpretations. This new standard brings most leases on balance sheet for lessees under a single model, eliminating the distinction between operating and financial leases, while the model for lessees remains without significant changes. IFRS 16 is effective beginning January 1, 2019, and the Company decided to adopt it with the recognition of all the effects as of that date, without changing prior years, therefore, the financial information at and for the year ended December 31, 2018 it is not comparative in some terms or indicators of the statement of financial position and the statement of income for the year ended December 31, 2019.

Under IFRS 16, lessees will recognize a right-of-use asset and the corresponding lease liability. The right of use will be depreciated based on the contractual term or, in some cases, on its economic useful life. On the other hand, the financial liability will be measured at initial recognition, discounting future minimum lease payments at present value according to a term, using the discount rate that represents the lease funding cost; subsequently, the liability will accrue interest through maturity.

The Company will apply the exemptions to not to recognize an asset and a liability as described above, for lease agreements with a term of less than 12 months (provided that they do not contain purchase or term renewal options). Therefore, payments for such leases will continue to be recognized as expenses within operating income.

The Company adopted IFRS 16 on January 1, 2019; therefore, it recognized a right-of-use asset and a lease liability of \$86,183,170.

In addition, the Company adopted and applied the following practical expedients provided by IFRS 16 for the transition date:

- Account for as leases the payments made in conjunction with the rent and that represent services (for example, maintenance and insurance).
  - Create portfolios of contracts that are similar in terms, economic environment and characteristics of assets, and use a funding rate by portfolio to measure leases.
  - For leases classified as financial leases as of December 31, 2018, and without elements of minimum payment updating for inflation, maintain the balance of the right-of-use asset, and its corresponding lease liability on the date of adoption of IFRS 16.
5. **Impairment of long-lived assets and their disposal.** Furniture and equipment are subject to annual impairment test only when signs of deterioration are identified. Not been a study to determine the value in use of long-life assets, since there are other factors which indicate that signs of deterioration there are no in those assets.
6. **Liabilities.** Liabilities payable by the company and the provisions of liability recognized in the statement of financial position, represent obligations present in which outflow of economic resources is likely to settle the obligation. These provisions have been accounted for, used under the best reasonable estimate made by the administration to settle the present obligation, however, actual results could differ from recognized provisions.

1. The first step in the process of developing a business plan is to conduct a market analysis. This involves identifying the target market, understanding the needs and wants of the target market, and assessing the competitive environment. The market analysis should also include an evaluation of the overall economic conditions and the industry trends.

2. The second step is to develop a marketing strategy. This involves determining the marketing objectives, selecting the marketing mix, and developing a marketing budget. The marketing strategy should be based on the findings of the market analysis and should be designed to achieve the business objectives.

3. The third step is to develop a financial plan. This involves estimating the costs of the business, determining the sources of capital, and projecting the financial performance of the business. The financial plan should be based on the marketing strategy and should provide a clear picture of the financial viability of the business.

4. The fourth step is to develop an operational plan. This involves determining the organizational structure, identifying the key personnel, and developing a timeline for the implementation of the business plan. The operational plan should be based on the financial plan and should provide a clear picture of the operational requirements of the business.

5. The fifth step is to develop a risk management plan. This involves identifying the potential risks to the business, assessing the likelihood of the risks occurring, and developing strategies to mitigate the risks. The risk management plan should be based on the operational plan and should provide a clear picture of the risk profile of the business.

6. The sixth step is to develop a monitoring and evaluation plan. This involves determining the key performance indicators (KPIs) for the business, establishing a system for collecting and analyzing data, and developing a process for reviewing and evaluating the business plan. The monitoring and evaluation plan should be based on the other four plans and should provide a clear picture of the progress of the business.

7. The seventh step is to develop a communication plan. This involves determining the key messages for the business, identifying the target audience, and developing a communication strategy. The communication plan should be based on the other five plans and should provide a clear picture of the communication requirements of the business.

8. The eighth step is to develop a contingency plan. This involves identifying the potential contingencies for the business, assessing the likelihood of the contingencies occurring, and developing strategies to respond to the contingencies. The contingency plan should be based on the other seven plans and should provide a clear picture of the contingency requirements of the business.

9. The ninth step is to develop a business plan. This involves combining all of the other plans into a single document that provides a comprehensive overview of the business. The business plan should be based on the other eight plans and should provide a clear picture of the business as a whole.

10. The tenth step is to implement the business plan. This involves putting the business plan into action and monitoring the progress of the business. The implementation of the business plan should be based on the business plan and should provide a clear picture of the results of the business.



7. **Benefits to employees.** Liabilities by staff seniority premiums are considered in defined-benefit plans, the cost of such benefits is determined using the method of unit credit projected, with actuarial valuations performed at the end of each reporting period that is. Actuarial the gains and losses are recognized immediately in the other items of the comprehensive income net deferred tax, according to the asset or net liability recognized in the statement of financial position, to reflect the surplus (or deficit) of the benefit plan to employees; While services costs are recognized in income when the modification of the plan or when the costs are incurred for restructuring.

Postretirement benefit obligations recognized in the statement of financial position, represent the present value of the defined benefit obligation, adjusted earnings and actuarial losses and past service costs, less the fair value of the plan assets.

When the assets of the plan outweigh the liabilities of the plan for defined benefits, is the asset value to the lesser of: i) the surplus in defined benefit plan, and ii) the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the same. See analysis of benefits to employees in the Note I.

8. **Deferred employee's statutory profit sharing.** Is recorded based on the method of assets and liabilities, which consist in recognizing a deferred employee's statutory profit sharing for all differences between ledger and profit sharing plan value of the assets and liabilities in which is likely it is payment or recovery.
9. **Income tax deferred.** The income tax is recorded based on the method of assets and liabilities with a holistic approach, which is to recognize a tax deferred for all temporary differences between the accounting and tax values of assets and liabilities that are expected to materialize in the future, the rates enacted in the tax provisions in force at the date of the financial statements. See analysis of taxes in Note K.
10. **Comprehensive income.** Comprehensive income is represented by: 1) net income, 2) other comprehensive income (OCI), and 3) participation in the ORI of other entities. At December 31, 2019 and 2018 do not have additional items to net income for the year.
11. **Exchange differences.** Transactions in foreign currency are recorded initially in the recording currency, at the rate of exchange in effect on the date of the transaction. Assets and liabilities denominated in foreign currency are converted at the rate of exchange in effect on the balance sheet date. Differences arising from fluctuations in exchange rates between the dates on which transactions are entered into and those on which they are settled, or valuation at the year-end closing, are recorded in income as a component of comprehensive financing result (CFR). See analysis of exchange differences in Note D.

#### D. FOREIGN CURRENCY POSITION

**Foreign currency position.** At December 31, 2019 and 2018, the company had assets and liabilities in american dollars, as shown below:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Assets	Usd. 22,593,145	Usd. 2,036,008
Liabilities	<u>(22,170,586)</u>	<u>(15,787,953)</u>
Net active position in U.S. dollars	<u>Usd. 422,559</u>	<u>(Usd. 13,751,945)</u>

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## APPENDIX A

The following table shows the...  
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Year	Value
1980	100
1981	105
1982	110
1983	115
1984	120
1985	125
1986	130
1987	135
1988	140
1989	145
1990	150



As December 31, 2019 and 2018, the exchange rate was \$18.8727 and \$19.6566 per U.S. dollar, respectively. As June 10, 2020, date of issuance of the financial statements, the exchange rate was \$19.6528 per U.S. dollar.

At December 31, 2019 and 2018 the company had not hire a hedge against exchange risks.

E. ANALYSIS OF ACCOUNTS RECEIVABLE

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Clients	\$ 236,682,292	\$ 177,304,244
Recoverable taxes	19,977,807	10,825,955
Other receivables	<u>11,467,850</u>	<u>4,837,422</u>
	268,127,949	192,967,621
Allowance for doubtful accounts	<u>(3,081,833)</u>	<u>(3,109,641)</u>
	<u>\$ 265,046,116</u>	<u>\$ 189,857,980</u>

F. ANALYSIS OF FURNITURE AND EQUIPMENT

	<u>December 31,</u>		<u>January 01</u>
	<u>2019</u>	<u>2018</u>	<u>2018</u>
Leasehold improvements	\$ 103,744,107	\$ 94,258,517	\$ 87,228,351
Computer equipment	67,999,113	58,962,315	81,897,215
Furniture and equipment	46,137,329	52,190,187	18,792,692
Other fixed assets	<u>31,564,422</u>	<u>-</u>	<u>-</u>
	249,444,971	205,411,019	187,918,258
Cumulative depreciation	<u>(120,067,436)</u>	<u>(63,704,295)</u>	<u>(43,737,083)</u>
Furniture and equipment – net	<u>\$ 129,377,535</u>	<u>\$ 141,706,724</u>	<u>\$ 144,181,175</u>

G. RIGHT-OF-USE ASSET

The Company has office leases, the average term of the lease contracts is 5 years.

The right of use recognized in the consolidated statement of financial position as of December 31, 2019, is integrated as follows:

	<u>BUILDINGS</u>	<u>TOTAL</u>
Effect of adoption	\$ 86,183,170	\$ 86,183,170
Property, plant and equipment reclassifications	-	-
Initial Balance as of January 1, 2019	\$ 86,183,170	\$ 86,183,170
Final Balance as of December 31, 2019	\$ 47,797,366	\$ 47,797,366
Depreciation expense 2019	\$ 38,385,804	\$ 38,385,804

During the year ended December 31, 2019, the Company recognized rent expenses of \$38,385,804 associated with expenses from low-value asset leases and short term lease in the consolidated income statement.

At the time of the 2012 election, the Commission was composed of the following members:

Chair: [Name]

Members: [List of names]

Staff: [List of names]

Advisors: [List of names]

Observers: [List of names]

Public: [List of names]

Media: [List of names]

Other: [List of names]

Staff: [List of names]

Advisors: [List of names]

Observers: [List of names]

Public: [List of names]

Media: [List of names]

Other: [List of names]

Staff: [List of names]

Advisors: [List of names]

Observers: [List of names]

Public: [List of names]

Media: [List of names]

Other: [List of names]

Staff: [List of names]

Advisors: [List of names]



As of December 31, 2019, the Company has no commitments arisen from short-term lease agreements. The Company has not signed lease contracts that at the date of the financial statements have not started. During the year, the Company has not realized significant extensions to the term of its lease contracts.

#### H. ANALYSIS OF RELATED PARTIES

1. **Balances.** The main receivable and payable balances with related parties as December 31, 2019 and 2018 are shown below:

- a) Receivable:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
HCL Technologies Corporate Ser Ltd.	\$ 119,538,186	\$ 50,628,710
HCL Technologies Ltd. India	64,801,088	40,712,823
HCL America Inc.	12,690,969	-
Axon China	6,842,725	-
HCL Technologies Brazil	4,511,939	-
HCL Technologies China Ltd.	2,695,650	-
HCL Technologies Argentina	2,162,480	-
HCL Technologies Netherland	2,031,142	-
Geometric Americas Inc.	1,666,944	844,443
Axon Canada	1,339,217	-
HCL Technologies Finland Ltd.	895,529	1,290,187
HCL Switzerland	774,415	-
HCL UK	740,042	-
HCL Indonesia	638,106	-
HCL South Africa	434,440	-
HCL Australia	351,403	-
HCL Russia	304,597	-
HCL Spain	248,550	-
HCL Singapore PTE Ltd.	-	15,441,266
HCL Technologies Great Britain Ltd.	-	2,460,456
HCL Tecnología da Informacao	-	1,872,836
HCL Technologies Shanghai	-	1,746,129
HCL Comnet Systems & Services	-	1,001,909
HCL Australia Services Ltd.	-	821,810
HCL Technologies SA Venezuela	-	739,748
HCL Hong Kong	-	702,517
Other minor accounts	749,879	198,235
Net to receivable	<u>\$ 223,417,301</u>	<u>\$ 118,461,069</u>





b) Payable:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
HCL America Inc.	\$ 144,433,888	\$ 42,862,020
HCL Technologies Ltd. India	95,072,685	62,081,902
HCL Technologies Germany	23,122,612	7,327,467
HCL UK	8,351,763	-
Axon Malaysia	2,644,960	-
HCL Switzerland	2,117,952	-
HCL Technologies Vietnam	1,826,228	-
HCL Netherland	1,821,698	-
HCL Australia	1,521,627	-
Axon Canada	1,296,516	-
HCL Russia	1,180,072	-
HCL China	1,133,904	-
HCL Technologies Limited	1,121,752	-
HCL Poland	1,057,915	-
HCL Japan	959,958	-
HCL Spain	841,550	-
Axon UK	792,251	-
HCL Brazil	540,068	-
HCL France	481,216	-
HCL Belgium	392,893	-
HCL Chile	374,951	-
HCL Austria	368,588	-
HCL Gmbh	-	17,441,075
HCL Tech Ltd IOMC	-	14,444,075
HCL Technologies Great Britain Ltd.	-	11,201,161
HCL Singapore PTE Ltd	15,536	196,436,824
Other minor accounts	<u>1,386,165</u>	<u>762,814</u>
Net to pay	<u>\$ 292,856,748</u>	<u>\$ 352,557,338</u>

2. **Operations.** The prices of the consideration agreed in transactions with related parties were made at market value. The main operations performed during the years 2019 and 2018 were as follows:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Revenues:		
HCL Technologies Corporate Ser Ltd.	\$ 661,043,415	\$ 169,813,403
HCL Technologies Ltd India	89,627,915	55,279,869
HCL America Inc.	85,685,025	656,338,436
Other minor accounts	<u>57,285,681</u>	<u>25,790,588</u>
Total	<u>\$ 893,642,036</u>	<u>\$ 907,222,296</u>





	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Charges:		
HCL America Inc.	\$ 95,508,872	\$ 43,735,393
HCL Technologies Ltd India	60,168,938	64,111,609
HCL Technologies Germany	23,295,862	10,262,894
HCL UK	9,143,577	-
HCL Singapore	7,641,965	-
HCL Technologies Ltd IOMC	-	5,796,332
HCL Great Britain Ltd	-	3,742,812
Other minor accounts	<u>23,111,303</u>	<u>15,835,661</u>
Total	<u>\$218,870,517</u>	<u>\$143,484,701</u>

#### I. BENEFITS TO EMPLOYEES

The company has plans for payments by retirement, death or total disability, its personnel not unionized in the majority of its subsidiaries, and for payments for seniority premium for all its personnel, in accordance with provisions in contracts of employment. On liabilities and the annual cost of benefits are calculated by an independent actuary in accordance with conditions defined in the plans, using the unit credit method. The present values of these obligations and the rates used for the calculation are:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Obligation for benefits not acquired	\$ 21,167,153	\$ 17,878,357
Obligation for benefits acquired	<u>1,130,723</u>	<u>1,255,539</u>
Passive net projected	<u>\$ 22,297,876</u>	<u>\$ 19,133,896</u>

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Nominal rates used in actuarial calculations:		
Growth rate of the minimum wage	4.54%	4.02%
Discount rate	8.58%	9.15%
Inflation rate	3.50%	3.50%
Minimum wage	\$ 123.22	\$ 102.68

#### J. CONTINGENCIES

The liabilities for loss contingencies are recorded when it is probable that their effects will materialize, and there are reasonable elements for quantification. If there are no reasonable elements, a qualitative disclosure is included in the notes of the financial statements. Contingencies revenues, earnings and assets are not recognized until it is certainty of realization.

According with the current tax law, the Authority are entitled to examine five fiscal years prior to the last income tax return filed, in the case that the Authority review the calculations and contributions that the

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APPENDIX 1

The following table shows the results of the survey conducted in the year 1994. The table is divided into two main sections: 'General Information' and 'Detailed Information'. The 'General Information' section contains data on the number of respondents, the age distribution, and the gender distribution. The 'Detailed Information' section contains data on the respondents' education level, occupation, and income.

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APPENDIX 2

The following table shows the results of the survey conducted in the year 1995. The table is divided into two main sections: 'General Information' and 'Detailed Information'. The 'General Information' section contains data on the number of respondents, the age distribution, and the gender distribution. The 'Detailed Information' section contains data on the respondents' education level, occupation, and income.

The following table shows the results of the survey conducted in the year 1996. The table is divided into two main sections: 'General Information' and 'Detailed Information'. The 'General Information' section contains data on the number of respondents, the age distribution, and the gender distribution. The 'Detailed Information' section contains data on the respondents' education level, occupation, and income.



company is obligated to, could determine differences derived from the rejection of amounts or difference of the law interpretation, requiring the collection of taxes, accessories and fines that could proceed.

#### K. ANALYSIS OF SHAREHOLDER'S EQUITY

1. **Share stock.** In ordinary assembly, held in August 31, 2017, the shareholder's agreed to increase the share stock by contributions in cash. After the previous increase, the share stock as of December 31, 2019 is integrated as follows:

<u>Social parts</u>	<u>Description</u>	<u>Amount</u>
1	HCL Latin America Holding LLC	\$ 45,725,891
<u>1</u>	HCL America Incorporation	<u>1</u>
<u>2</u>	Share stock at December 31, 2019	<u>\$ 45,725,892</u>

At an ordinary shareholder's meeting held on August 31, 2017, the shareholder's agreed to increase the variable portion of the company's partnership capital to \$30,090,000. The capital was \$15,635,892 and after this increase is composed by \$45,725,892 of which \$3,000 corresponds to the fixed minimum capital and \$45,722,892 corresponds to the variable portion of the company.

At an ordinary shareholder's meeting held on June 13, 2011, the shareholder's agreed to increase the variable portion of the company's partnership capital to \$1,044,899. The capital was \$14,590,993 and after this increase is composed by \$15,635,892 of which \$3,000 corresponds to the fixed minimum capital and \$15,632,892 corresponds to the variable portion of the company.

At an ordinary shareholder's meeting held on May 24, 2011, the shareholder's agreed to increase the variable portion of the company's partnership capital \$2,291,999. The capital was \$12,298,994 and after this increase is composed by \$14,590,993.

At an ordinary shareholder's meeting held on April 28, 2011, the shareholders agreed to increase the variable portion of the company's partnership capital \$2,263,999. The capital was \$10,034,995 and after this increase is composed by \$12,298,994.

At an ordinary shareholder's meeting on April 08, 2011, the shareholders agreed to increase the variable portion of the company's partnership capital \$1,152,000. The capital was \$8,882,995 and after this increase is composed by \$10,034,995.

At an ordinary shareholder's meeting held on March 30, 2011, the shareholder's agreed to increase the variable portion of the company's partnership capital \$584,999. The capital was \$8,297,996 and after this increase is composed by \$8,882,995.

At an ordinary shareholder's meeting held on March 15, 2011, the shareholder's agreed to increase the variable portion of the company's partnership capital \$3,959,998. The capital was \$4,337,998 and after this increase is composed by \$8,297,996.

At an ordinary shareholder's meeting held on November 04, 2010, the shareholder's agreed to increase the variable portion of the company's partnership capital \$2,447,999. The capital was \$1,889,999 and after this increase is composed by \$4,337,998.





2. **Legal reserve.** The profit for the period is subject to the legal provision requiring at least 5% of the profit for each period to be set aside to increase the legal reserve until it reaches an amount equivalent to 20% of the capital stock.
3. **Dividend tax.** The dividends that are paid to be free from income tax if they come from the net tax profit account (CUFIN). Dividends exceeding such CUFIN will cause a tax equivalent to the 42.86% if paid by 2019. Caused tax will be paid by the company and may be credited against the income tax of the exercise or the two exercises immediate following. Paid dividends coming from utilities previously taxed by the income tax, will not be subject to any retention or additional payment of taxes for the company. Shareholders who receive dividends, must be subject to the current tax provisions, which currently require the company make a retention of the dividend paid; this tax is considered definitive and cannot be credited.

#### L. ANALYSIS OF TAXES

1. **Income tax.** In 2019 and 2018 the company determined an tax profit of \$137,634,890 and \$96,533,168, respectively. The fiscal result differs from the accounting profit due to temporary and permanent differences, latter caused basically by the tax recognition of the effects of inflation and non-deductible expenses. Income tax for the year is determined by applying the current existing rate of 30% at result. Such a result is determined by the procedures established in the income tax act requiring that cumulative revenues authorized deductions will decrease them.

The provision for income tax in 2019 and 2018 is analyzed as shown below:

	<u>December 31,</u>	
<u>Income tax provisions</u>	<u>2019</u>	<u>2018</u>
Current	\$ 41,290,466	\$ 28,959,950
Insufficiency or excess in provision	601,149	2,586
Deferred	<u>(4,062,889)</u>	<u>5,516,572</u>
	<u>\$ 37,828,726</u>	<u>\$ 34,479,108</u>

The reconciliation between book and taxable income is shown below:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Profit before income tax	\$ 46,599,412	\$ 25,386,598
Add impact of the following items:		
Accumulated costs and expenses	125,170,845	35,151,938
Non deductibles	14,395,577	22,502,363
Other permanent items	<u>(48,530,944)</u>	<u>13,492,269</u>
Tax profit	137,634,890	96,533,168
Current income tax rate	<u>30%</u>	<u>30%</u>
Current income tax	<u>\$ 41,290,466</u>	<u>\$ 28,959,950</u>



1. The first part of the report is a general introduction to the project. It describes the objectives of the study and the methods used to collect and analyze the data.

2. The second part of the report is a detailed description of the data. It includes a table of the data and a discussion of the results. The data shows that the majority of the subjects in the study were male and that the majority of the subjects were between the ages of 18 and 30.

3. The third part of the report is a discussion of the results. It discusses the implications of the findings and the limitations of the study. The findings suggest that there is a significant relationship between the variables studied. However, the study has several limitations, including a small sample size and a lack of control over the environment.

4. The fourth part of the report is a conclusion. It summarizes the findings of the study and provides recommendations for future research.

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030																																																																																																																																												
Population	100	105	110	115	120	125	130	135	140	145	150	155	160	165	170	175	180	185	190	195	200	205	210	215	220	225	230	235	240	245	250	255	260	265	270	275	280	285	290	295	300	305	310	315	320	325	330	335	340	345	350	355	360	365	370	375	380	385	390	395	400	405	410	415	420	425	430	435	440	445	450	455	460	465	470	475	480	485	490	495	500	505	510	515	520	525	530	535	540	545	550	555	560	565	570	575	580	585	590	595	600	605	610	615	620	625	630	635	640	645	650	655	660	665	670	675	680	685	690	695	700	705	710	715	720	725	730	735	740	745	750	755	760	765	770	775	780	785	790	795	800	805	810	815	820	825	830	835	840	845	850	855	860	865	870	875	880	885	890	895	900	905	910	915	920	925	930	935	940	945	950	955	960	965	970	975	980	985	990	995	1000

The data shows a steady increase in population over the years, with a slight dip in the early 1990s.

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030																																																																																																																																												
GDP	100	105	110	115	120	125	130	135	140	145	150	155	160	165	170	175	180	185	190	195	200	205	210	215	220	225	230	235	240	245	250	255	260	265	270	275	280	285	290	295	300	305	310	315	320	325	330	335	340	345	350	355	360	365	370	375	380	385	390	395	400	405	410	415	420	425	430	435	440	445	450	455	460	465	470	475	480	485	490	495	500	505	510	515	520	525	530	535	540	545	550	555	560	565	570	575	580	585	590	595	600	605	610	615	620	625	630	635	640	645	650	655	660	665	670	675	680	685	690	695	700	705	710	715	720	725	730	735	740	745	750	755	760	765	770	775	780	785	790	795	800	805	810	815	820	825	830	835	840	845	850	855	860	865	870	875	880	885	890	895	900	905	910	915	920	925	930	935	940	945	950	955	960	965	970	975	980	985	990	995	1000

The data shows a steady increase in GDP over the years, with a slight dip in the early 1990s.

The effects of the deferred income tax recognition based on MFRS D-4 as shown below:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Excess of tax value over book value of assets and liabilities, net	(\$ 45,946,800)	(\$ 30,888,030)
Applicable income tax rate	<u>30%</u>	<u>30%</u>
Deferred income tax (asset)	<u>(\$ 13,784,040)</u>	<u>(\$ 9,266,409)</u>

2. **Employee's statutory profit sharing.** The company is subject to the employee's statutory profit sharing which is calculated applying the procedures established in the income tax law. In 2019 and 2018 the company determined a provision of \$11,174,090 and \$7,142,742, respectively.

M. FUTURE IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS NOT YET IN EFFECT

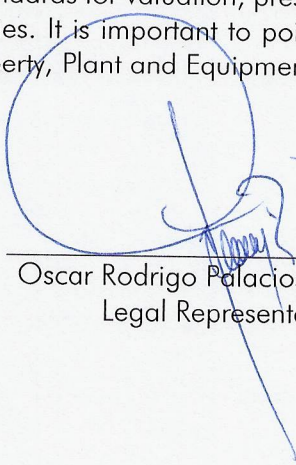
At the date of authorization of these financial statements, various new rules and modifications to existing standards have been published by the CINIF, which enter into force on January 01, 2019. These rules and modifications have not been adopted in advance by the company. Information about those expected to be relevant to the company's financial statements is described below.

**NIF C-22, Cryptocurrencies**

Its objective is to establish the rules for valuation, presentation and disclosure of investments in cryptocurrencies (for the sale of goods and / or services); as well as accounts receivable and accounts payable denominated in cryptocurrencies; the mining expenses expended to obtain these cryptocurrencies; and also those that are not owned by the entity, but are kept in its custody. (It is not applicable because the Company does not manage this type of accounts).

**NIF C-17, Investment Properties**

The objective is to establish the standards for valuation, presentation and disclosure of investment properties in the financial statements of entities. It is important to point out that investment properties should not be confused with the heading of "Property, Plant and Equipment" (Fixed Assets).

  
Oscar Rodrigo Palacios Rodríguez  
Legal Representative

1990

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The 1990s were a period of economic growth and expansion for the United States. The economy grew at a steady pace, with GDP increasing by over 50% over the decade. The stock market reached new heights, and the technology sector emerged as a major force in the economy. However, the decade also saw a significant recession in the early 1990s, followed by a period of slow growth in the mid-1990s. The 1990s ended with a strong economy and a high level of technological advancement.

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