

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

**FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT**

**FOR THE YEAR ENDED
31 MARCH 2020**

Auditor's Report on the Financial Statements	1-2
Statement of Financial Position	3
Statement of Profit or Loss	4
Statement of Comprehensive Income	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-26



Hazem Hassan
Public Accountants & Consultants

*Translation of Auditor's report
Originally issued in Arabic*

B (105) – Avenue (2) – Smart Village
Km 28 Cairo – Alex Desert Road
Giza – Cairo – Egypt
Postal Code : 12577

Telephone : (202) 35 37 5000 – 35 37 5005
E-mail : Egypt@kpmg.com.eg
Fax : (202) 35 37 3537
P.O. Box : (5) Smart Village

AUDITOR'S REPORT

TO THE QUOTA HOLDERS OF HCL TECHNOLOGIES EGYPT LTD (L.L.C)

Report on the Financial Statements

We have audited the accompanying financial statements of HCL Technologies Egypt Ltd (L.L.C), which comprise the statement of financial position as of 31 March 2020, and the statements of profit or loss, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. The financial statements of HCL Technologies Egypt Ltd (L.L.C), as of 31 March 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 24 June 2019.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



Hazem Hassan

*Translation of Auditor's report
Originally issued in Arabic*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HCL Technologies Egypt Ltd (L.L.C) as of 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

Emphasis of Matter

We draw attention to note (20) of the notes of financial statements for the year ended 31 March 2020, which describes the effects of COVID-19 on the company's operations in the subsequent events. Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of account, which include all that is required by law and by the statutes of the Company and the financial statements are in agreement therewith.

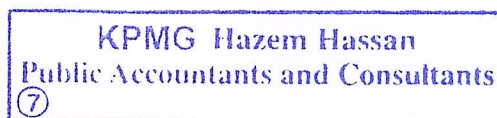
The financial information included in the General Manager report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Company's books of account within the limits that such information is recorded therein.

Hassam El-Koussi

KPMG Hazem Hassan

Public Accountants & Consultants

Cairo, September 10, 2020



HCL Technologies Egypt Ltd (L.L.C)

STATEMENT OF FINANCIAL POSITION

As of 31 March 2020

	Note	31 March 2020 EGP	31 March 2019 EGP
Assets			
Non-Current assets			
Intangible Assets			
Good will	5	439,125	-
Customer List	5	814,650	-
Other Non-Current assets			
Deferred tax assets	10	400,618	-
Total non-Current Asset		1,654,393	-
Current Assets			
Account receivable	6	11,267,571	10,845,484
Due from related parties	15	2,530,370	2,640,222
Other receivables	7	2,861,422	431,972
Cash at bank	8	18,527,423	7,316,332
Total current assets		35,186,786	21,234,010
Total assets		36,841,179	21,234,010
Equity and Liabilities			
Equity			
Paid up capital	9	4,654,190	4,654,190
Legal reserve		223,783	79,238
Retained earnings/ (Accumulated loss)		1,829,124	(917,231)
Total equity		6,707,097	3,816,197
Liabilities			
Non-Current Liabilities			
Deferred Tax liabilities		-	63,512
Deferred Revenue		90,499	-
Total Non-Current Liabilities		90,499	63,512
Current Liabilities			
Accounts Payable		2,808,962	-
Due to related parties	15	22,393,390	14,906,395
Deferred consideration		628,594	-
Income taxes payable	10	1,525	-
Accrued expenses and other payables	11	4,211,112	2,447,906
Total current liabilities		30,043,583	17,354,301
Total Liabilities and Equity		36,841,179	21,234,010

L. R. Raman

General Manager
Raghu Raman Lakshmanan

- The accompanying notes from (1) to (20) are an integral part of these financial statements.
- Auditor's report attached

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	Note	Year ended 31 March 2020	Year ended 31 March 2019
		L.E.	L.E.
Revenues	12	25,143,884	18,023,375
Operating expenses		(21,449,718)	(15,081,655)
Gross Profit		3,694,166	2,941,720
General and administrative expenses	13	(1,331,875)	(1,043,785)
Impairment loss on trade receivables		(332,226)	(301,385)
Amortization of customer List	5	(67,039)	-
		(1,731,140)	(1,345,170)
Net Operating Profit		1,963,026	1,596,550
Finance income		1,102,825	282,276
Finance costs		(12,391)	-
Net finance costs	16	1,090,434	282,276
Net Profit for the year before tax		3,053,460	1,878,826
Current income taxes	10	(626,690)	(359,224)
Deferred income taxes	10	464,130	(63,512)
Profit for the year		2,890,900	1,456,090
Earnings per Share	17	6.21	3.13

General Manager

L. R. R.

Raghu Raman Lakshmanan

- The accompanying notes from (1) to (20) are an integral part of these financial statements.

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Year ended 31 March 2020 L.E.	Year ended 31 March 2019 L.E.
Net Profit for the year	2,890,900	1,456,090
Other comprehensive income	-	-
Total Comprehensive income	2,890,900	1,456,090

- The accompanying notes from (1) to (20) are an integral part of these financial statements

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Paid up capital EGP	Legal reserve EGP	(Accumulated loss)/Retained earnings EGP	Total EGP
Balance as of 1 April 2018	4,654,190	6,433	(2,300,516)	2,360,107
<u>Comprehensive Income</u>				
Net Profits for the year	-	-	1,456,090	1,456,090
Other comprehensive income	-	-	-	-
Total Comprehensive Income	-	-	1,456,090	1,456,090
Transferred to legal reserve	-	72,805	(72,805)	-
Balance as of 31 March 2019	4,654,190	79,238	(917,231)	3,816,197
<u>Comprehensive Income</u>				
Net Profits for the year	-	-	2,890,900	2,890,900
Other comprehensive income	-	-	-	-
Total Comprehensive Income	-	-	2,890,900	2,890,900
Transferred to legal reserve	-	144,545	(144,545)	-
Balance as of 31 March 2020	4,654,190	223,783	1,829,124	6,707,097

- The accompanying notes from (1) to (20) are an integral part of these financial statements.

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	31 March 2020 EGP	31 March 2019 EGP
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit for the year		2,890,900	1,456,090
<u>Adjustments</u>			
Impairment loss on trade receivables	6	332,226	301,385
Amortization of customer list		67,039	-
Interest expenses		12,391	-
Tax expenses		162,560	422,736
		3,465,116	2,180,211
<u>Change in</u>			
Accounts receivable	6	(754,313)	(9,200,119)
Due from related parties	15	109,852	(2,285,343)
Other receivables	7	(3,054,615)	(496,484)
Accounts Payable		2,808,962	-
Due to related parties	15	7,486,995	7,327,535
Accrued expenses and other payables	11	1,853,705	1,721,232
Cash provided from (used in) operating activities		11,915,702	(752,968)
Income taxes paid	10	-	-
Net cash flows (Used in) operating activities		11,915,702	(752,968)
CASH FLOW FROM INVESTMENT ACTIVITIES			
Payments for purchasing customer list		(704,611)	-
Net Cash (used in) investing activities		(704,611)	-
Net change in cash and cash equivalent during the year		11,211,091	(752,968)
Cash and cash equivalents balance at the beginning of the year		7,316,332	8,069,300
Cash and cash equivalents balance at the end of the year	8	18,527,423	7,316,332

- The accompanying notes from (1) to (20) are an integral part of these financial statements.

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

1 BACKGROUND

HCL Technologies Egypt Ltd (L.L.C) was established under the provisions of law No. 159 of 1981.

The Company was registered in the commercial registry under No. 81246 on 23 March 2015.

The registered office is located at 2237 North tower – Nile City Towers– 22nd floor – Ramlet Bulaq – Corniche el Nile, Cairo Egypt.

The purpose of the Company is to characterize, analyse and design softwares, databases, and different types of applications. Produce and develop programs and applications and the creation of databases and electronic information systems then operate and provide training on it. Produce different types of electronic components from sound, image and written information.

The ultimate parent is HCL Technologies Ltd.

The company's management approved on issuing the financial statements at 10 September, 2020.

2 SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of preparation

The financial statements are prepared under the going concern assumption on a historical cost basis.

The financial statements are prepared and presented in Egyptian pound, which is the Company's functional currency.

Statement of compliance

The financial statements of the Company have been prepared in accordance with the Egyptian accounting standards and the applicable laws and regulations.

The accounting policies adopted this year are consistent with those policies adopted in the prior year.

New and amendments on the Egyptian Accounting Standards

On April, 2019, the Minister of Investment and International Cooperation introduced amendments to some provisions of the Egyptian Accounting Standards issued thereby by virtue of Decree No. 110 of 2015, which include some new accounting standards as well as introducing amendments to certain existing standards. The most prominent amendments are as follows:

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
1- The new Egyptian Accounting Standard No. (47) "Financial Instruments"	<p>1- The new Egyptian Accounting Standard No. (47), "Financial Instruments", supersedes the corresponding related issues included in the Egyptian Accounting Standard No. (26), "Financial Instruments: Recognition and Measurement". Accordingly, Egyptian Accounting Standard No. 26 was amended and reissued after cancelling the paragraphs pertaining to the issues addressed in the new Standard No. (47) and the scope of the amended Standard No. (26) was specified and intended to deal only with limited cases of Hedge Accounting according to the choice of the enterprise.</p> <p>2- Pursuant to the requirements of the Standard, financial assets are classified based on their subsequent measurement whether at amortized cost, or fair value through other comprehensive income or at fair value through profit or loss, in accordance with the enterprise business model for managing financial assets and the contractual cash flow characteristics of the financial asset.</p> <p>3- When measuring the impairment of financial assets, the Incurred Loss Model is replaced by the Expected Credit Loss (ECL) Models, which requires measuring the impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from their initial recognition date regardless whether there is any indication of the occurrence of loss event.</p> <p>4- based on the requirements of this standard the following standards were amended: 1-Egyptian Accounting Standard No. (1) "Presentation of Financial Statements" as amended in 2019] 2-Egyptian Accounting Standard No. (4) - "Statement of Cash Flows". 3-Egyptian Accounting Standard No. (25) - "Financial Instruments: Presentation. 4-Egyptian Accounting Standard No. (26) - "Financial Instruments: Recognition and Measurement". 5- Egyptian Accounting Standard - EAS No. (40) - "Financial Instruments: Disclosures "</p>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard applies to financial periods beginning on or after December 31st, 2020, and the early implementation thereof is permitted; provided that the amended Egyptian Accounting Standards Nos. (1), (25), (26), (40) and (48) are to be simultaneously applied. -These amendments are effective as of the date of implementing Standard No. (47)]
The new Egyptian Accounting Standard No. (48) - "Revenue from Contracts with	<p>1. The new Egyptian Accounting Standard No. (48) - "Revenue from Contracts with Customers" shall supersede the following standards and accordingly such standards shall be deemed null and void: 2. Egyptian Accounting Standard No. (8) - "Construction Contracts" as amended in 2015. 3. Egyptian Accounting Standard No. (11) – "Revenue"</p>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	Standard No (48) applies to financial periods beginning on or after December 31st, 2020, and the early implementation thereof is permitted if standard

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

Customers”	<p>as amended in 2015.</p> <p>4. For revenue recognition, Control Model is used instead of Risk and Rewards Model.</p> <p>5. incremental costs of obtaining a contract with a customer are recognized as an asset if the enterprise expects to recover those costs and the costs of fulfilling the contract are to be recognized as an asset when certain conditions are met</p> <p>6. the standard requires that contract must have a commercial substance in order for revenue to be recognized</p> <p>7. Expanding in the presentation and disclosure requirements</p>		no 47 is applied.
The new Egyptian Accounting Standard No. (49) "Lease Contracts”	<p>1- The Standard introduces a single accounting model for the lessor and the lessee where the lessee recognizes the usufruct of the leased asset as part of the company's assets and recognizes a liability that represents the present value of the unpaid lease payments under the company's liabilities, taking into account that the lease contracts are not classified in respect of the lessee as operating l or finance lease contracts .</p> <p>2- As for the lessor, he shall classify each lease contract either as an operating lease or a finance lease contract.</p> <p>3- As for the finance lease, the lessor must recognize the assets held under a finance lease contract in the Statement of Financial Position and present them as amounts receivable with an amount equivalent to the amount of the net investment in the lease contract.</p> <p>4- As for operating leases, the lessor must recognize the lease payments of operating lease contracts as income either based on the straight-line method or based on any other regular basis.</p>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard No. (49) applies to financial periods beginning on or after December 31st, 2020, and the early implementation thereof is permitted.
Egyptian Accounting Standard No. (38) as ammended "Employees Benefits"	A number of paragraphs were introduced and amended in order to amend the Accounting Rules of Settlements and Curtailments of Benefit Plans	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard No. (38) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted.
Egyptian Accounting Standard No. (42) as ammended "Consolidated	Some paragraphs related to the exclusion of the Investment Entities from the consolidation process were added . This amendment has resulted in introducing an amendment to some of the standards related to the subject of the Investment Entities. The standards that were ammended are as follows:	The Management is currently assessing the potential impact of implementing the amendment of the standard on the	This standard applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

Financial Statements"	<ul style="list-style-type: none"> - (ESA 15) Related Party Disclosures - (ESA 17) Consolidated and Separate Financial Statements - (ESA 18) Investments in Associates - (ESA 24) Income Taxes - (ESA 29) Business Combinations - ESA(30) Periodical Financial Statements - EAS (44) Disclosure of Interests in Other Entities. 	financial statements.	<p>is permitted.</p> <p>-The new or amended paragraphs pertaining to the amended standards concerning the investment entities shall apply on the effective date of Egyptian Accounting Standard No. (42) "Consolidated Financial Statements", as amended and issued in 2019.</p>
-----------------------	---	-----------------------	--

2-2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The key judgements and estimates that have a significant impact on the separate financial statement of the Company are discussed below:

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

2-2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

2-2-1 Judgments

Revenue recognition for sale of goods

In making their judgment, management considered the detailed criteria for the recognition of revenue as set out in "EAS 11 Revenue",

2-2-2 Estimates

Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimate is performed on an individual basis. Amounts which are not individually significant, but are past due, are assessed collectively and a provision is applied according to the length of time past due, based on historical recovery rates.

Taxes

The Company is subject to income taxes in Egypt. Significant judgment is required to determine the total provision for current and deferred taxes. The Company established provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities in Egypt. The amount of such provision is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Company and the responsible tax authority.

Deferred tax assets are recognised for unused accumulated tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of Goodwill

Goodwill is tested annually on March 31, for impairment, or sooner whenever there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the company cash generating units (CGU) 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 the cash inflows from other assets or group of assets. Impairment occurs when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU.

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. Value-in-use is the present value of future cash flows expected to be derived from the CGU. Total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU, pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss on goodwill recognized in the statement of profit and loss is not reversed in the subsequent period.

2-3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES

2-3-1 Foreign currency translation

Transactions in foreign currencies are initially recorded using the prevailing exchange rates on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rates prevailing at the financial position date. All differences are recognized in the statement of profit or loss.

Nonmonetary items that are measured at historical cost in foreign currencies are translated using the exchange rates prevailing at the date of the initial recognition.

Nonmonetary items measured at fair value in a foreign currencies are translated using the exchange rates prevailing at the date when the fair value is determined.

2-3-2 Accounts and other receivables

Accounts and other receivables are measured at amortized cost and include invoiced amounts less appropriate allowances for estimated uncollectible amounts. Impairment is recognized when there is objective evidence that the company will not be able to collect all the amounts due. The impairment is the difference between the book value and the recoverable amount. Trade, Notes receivables, debtors and other debit balances are initially recognized at fair value in addition to the transaction cost directly attributable to obtaining initial issue of financial asset, subsequently measured at amortized cost using the effective interest rate.

2-3-3 Accounts and notes payable, accrued expenses and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

2-3-4 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are reviewed at the financial position date and adjusted to reflect the current best estimate.

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

Where the effect of the time value of money is material, the amount of a provision should be the present value of the expected expenditures required to settle the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance expense.

2-3-5 Social insurance

The Company makes contributions to the Social Insurance Authority calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

2-3-6 Legal reserve

According to the Company's articles of association, 5% of the net profits of the year is transferred to the legal reserve until this reserve reaches 50% of capital. The reserve is used upon a decision from the general assembly meeting.

2-3-7 Income taxes

Income taxes are calculated in accordance with the Egyptian tax law.

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authority.

Deferred income tax

Deferred income tax is recognized using the liability method on temporary differences between the amount attributed to an asset or liability for tax purposes (tax base) and its carrying amount in the statement of financial position (accounting base) using the applicable tax rate.

Deferred tax asset is recognized when it is probable that the asset can be utilized to reduce future taxable profits and the asset is reduced by the portion that will not create future benefit.

Current and deferred tax shall be recognized as income or an expense and included in the statement of profits and losses for the year, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, directly in equity.

2-3-8 Revenue recognition

Contracts involving provision of services and material

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

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

Maintenance Services

Revenue from maintenance services rendered is recognized on a monthly basis over the contract period.

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

2-3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Services

Revenue from other services is recognized when the service is rendered to the Client.

2-3-9 Expenses

All expenses including operating expenses, general and administrative expenses and other expenses are recognized and charged to the statement of income in the financial year in which these expenses were incurred.

2-3-10 Leases

Lease contracts are classified as operating lease where the lease payments are recognized as an expense on a straight-line basis over the lease term.

2-3-11 Related party transactions

Related parties represent associated companies, major quota holders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the General Manager.

2-3-12 Contingent Liabilities and Assets

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the separate financial statements but disclosed when an inflow of economic benefits is probable.

2-3-13 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

2-3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-3-13 Fair value measurement(continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For assets traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted assets, fair value is determined by reference to the market value of a similar asset or is based on the expected discounted cash flows.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Fair value measurements are those derived from quoted prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

2-3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-3-14 Impairment

Impairment of financial assets

The Company assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Impairment of non financial assets

The Company assesses at each statement of financial position date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of profit or loss.

A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

2-3-15 Statement of cash flows

The statement of cash flows is prepared using the indirect method.

2-3-16 Cash and cash equivalent

For the purpose of preparing the statement of cash flows, the cash and cash equivalent comprise cash on hand, current accounts with banks and time deposits maturing within three months.

2-3-17 Intangible assets

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

Intangible assets are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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

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

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

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

	Life in years
Customer (relationship) List	10

2-3-18 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the aggregate of the consideration transferred measured at fair value at the acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the Company measures the non-controlling interest in the acquiree at fair value. Acquisition related costs are expensed as incurred. Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as financial liability is measured at fair value with changes in fair value recognized in the statement of profit and loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the excess is recognized as capital reserve after reassessing the fair values of the net assets.

3. SEGMENT INFORMATION

Currently the Company's main business segment is to characterize, analyse and design software, databases, and different types of applications. The Company's revenues during the year ended 31 March 2020 is recognized under three segments namely "IT and Business Services", "Engineering and R&D" & "Product and Platforms". Revenue recognized in segment "Engineering and R&D" & "Product and Platforms" is less than 10%.

4. Acquisition of Select IBM Software products

On 6 December 2018, HCL Group had signed a definitive agreement to acquire business relating to select IBM software products, the acquisition though has been consummated effective 30 June 2019. The HCL Group has acquired these products for security, marketing, commerce, and digital solutions along with certain assumed liabilities and in scope employees. With this HCL Group gets 100% control on the assets being acquired and has also taken full ownership of the research and development, sales, marketing, delivery and support for these products. Through this acquisition, the HCL Group intends to enhance its products and platforms offering to customers across a wide range of industries and markets.

IBM will pay the Company for the assumed liabilities as related services are rendered, based on an agreed basis. HCL Technologies Egypt Ltd had paid EGP 392,088 till 30 June 2019. EGP 652,146 is payable after one year as per agreement. These payables have been fair valued at EGP 628,594.

The table below shows the values and lives of intangible assets recognized on acquisition:

	Life in years
Customer (relationship) List	10

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

5. INTANGIBLE ASSETS

	31 March 2020	31 March 2019
Goodwill	439,125	-
Customer list	814,650	-
	1,253,775	-

A) Goodwill:

	31 March 2020 EGP	31 March 2019 EGP
Goodwill at date of acquisition	439,125	-
	439,125	-

B) Customer List:

	31 March 2020 EGP	31 March 2019 EGP
Customer List Cost	881,689	-
Accumulated amortization	(67,039)	-
Net	814,650	-

6. ACCOUNTS RECEIVABLES

	31 March 2020 EGP	31 March 2019 EGP
Accounts Receivable	11,901,182	11,146,869
Provision	(633,611)	(301,385)
	11,267,571	10,845,484

Movement of impairment in value of accounts and notes receivables is as follows;

	31 March 2020 EGP	31 March 2019 EGP
Beginning Balance	301,385	-
Charged during the year	332,226	301,385
Ending Balance	633,611	301,385

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

7. OTHER RECEIVABLES

	31 March 2020 EGP	31 March 2019 EGP
Deposit - Financial Asset	4,603	4,603
Accrued Revenue	148,730	381,783
Advances to Suppliers	2,322	2,322
Tax authority-withholding tax	-	425,026
Income taxes payable	-	(381,762)
Unbilled Receivables - Group	193,827	-
Other Receivables	2,507,882	-
Prepaid Expenses	4,058	-
	2,861,422	431,972

8. CASH AT BANK

	31 March 2020 EGP	31 March 2019 EGP
Cash at Banks EGP	16,277,784	7,316,332
Cash at Banks USD	2,249,639	-
	18,527,423	7,316,332

9. CAPITAL

The Company's capital amounted to EGP 4,210,790 divided over 421,079 quotes of EGP 10 each.

The extraordinary general assembly held on 22 June 2017 decided to increase the Company's capital by EGP 443,400 to reach EGP 4,654,190 divided over 465,419 quotas of a par value of EGP 10 as follows:

	%	Number of quotas	Amount L.E.
HCL Technologies UK Limited	99.99998	465,418	4,654,180
HCL EAS Limited	0.000023	1	10
	100	465,419	4,654,190

10. INCOME TAXES

	31 March 2020 EGP	31 March 2019 EGP
Statement of Profit or Loss		
Current income Tax	626,690	359,224
Deferred income Tax	(464,130)	63,512
Income tax expense	162,560	422,736
	31 March 2020 EGP	31 March 2019 EGP
Statement of financial position		
Income taxes payable	1,008,452	-
Tax authority – withholding tax	(1,006,927)	-
Net income tax payable	1,525	-

Income taxes payable and Tax authority- withholding tax as of 31 March 2019 are presented in note 7.

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

10. INCOME TAXES (CONTINUED)

DEFERRED INCOME TAXES

	Statement of financial position		Statement of profit or loss	
	2020 EGP	2019 EGP	2020 EGP	2019 EGP
Unrealized foreign exchange differences	407,823	(63,512)	(471,335)	63,512
Amortization of Intangibles	(7,205)	-	7,205	-
Net deferred income tax	<u>400,618</u>	<u>(63,512)</u>	<u>(464,130)</u>	<u>63,512</u>

We have recognized deferred tax assets of EGP 638,333 in the current year in relation to unrealized forex losses of previous years.

RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

		31 March 2020 EGP		31 March 2019 EGP
Net profit of the year		2,890,900		1,456,090
Income tax according to income statement		<u>162,560</u>		<u>422,736</u>
Net profit before tax		3,053,460		1,878,826
Income tax using legal tax rate	22.5%	687,028	22.5%	422,736
Adjustment in respect of prior years	(19.6%)	(599,219)		-
Unrecognized deferred tax assets for provisions	2.45%	74,751		-
Income tax	5.35%	<u>162,560</u>	22.5%	<u>422,736</u>

11. ACCRUED EXPENSES AND OTHER PAYABLES

	31 March 2020 EGP	31 March 2019 EGP
Accrued expenses	2,408,535	1,263,911
Deferred revenue	1,150,900	51,232
Tax authority- value added taxes	296,548	1,055,383
Tax authority – withholding taxes	355,129	77,380
	<u>4,211,112</u>	<u>2,447,906</u>

12. REVENUE

Contract type	Year ended 31 March 2020	Year ended 31 March 2019
Fixed price	23,023,744	17,974,104
Time and Material	2,120,140	49,271
Total	25,143,884	18,023,375

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

13. GENERAL AND ADMINISTRATIVE EXPENSES

	31 March 2020 EGP	31 March 2019 EGP
Legal Expenses	-	123,535
Professional fees	1,144,188	864,420
Bank charges	25,928	4,532
Rates & taxes	361	45
Other expense	109,843	(4,244)
Rent Office Premises	51,555	55,497
	1,331,875	1,043,785

14. TAX SITUATION

No tax inspection took place for the Company's records.

15. RELATED PARTIES

For the purpose of these financial statements, parties are considered to be related to the Company, if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related party transactions

During the year, the following were the significant related party transactions, which were carried based on rules set by management:

Related parties	Nature of the transactions	Year ended 31 March 2020 EGP	Year ended 31 March 2019 EGP
HCL Axon Technologies Shanghai	Services rendered (revenue)		659,479
HCL Axon Technologies Shanghai	Consultancy fees (expense)	176,425	
HCL Technologies UK Limited	Consultancy fees (expense)	591,170	
HCL Technologies UK Limited	Services rendered (revenue)		1,742,289
HCL Technologies Limited	Services rendered (revenue)	654,706	
HCL Technologies Limited	Consultancy fees (expense)	2,959,108	1,078,834
HCL Tech. Ltd., IOMC	Services rendered (revenue)	627,926	34,845
HCL Tech. Ltd., IOMC	Consultancy fees (expense)	1,582,933	1,626,399
HCL GREAT BRITAIN Ltd.	Consultancy fees (expense)	1,458,896	2,163,827
HCL Great Britain	Consultancy fees (expense)		820,948
HCL Technologies Germany	Consultancy fees (expense)		5,897,407
HCL GMBH	Consultancy fees (expense)		1,221,105
HCL Greece	Services rendered (revenue)		203,609
HCL Greece	Consultancy fees (expense)		1,695,993
HCL SINGAPORE	Services rendered (revenue)		
HCL SINGAPORE	Consultancy fees (expense)	2,973,799	160,362
HCL SWEDE	Consultancy fees (expense)	38,444	241,519
HCL Indonesia	Services rendered (revenue)	23,999	
HCL Technologies (Shanghai)	Services rendered (revenue)	256,522	
HCL Technologies (Shanghai)	Consultancy fees (expense)	84,556	
HCL BrazilTecnologia da In	Services rendered (revenue)	870,658	
HCL BrazilTecnologia da In	Consultancy fees (expense)	162,523	
HCL AMERICA INC.	Consultancy fees (expense)	908,373	
HCL AXON MALAYSIA SDN BHD	Consultancy fees (expense)	341,993	

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

HCL POLAND LTD	Consultancy fees (expense)	46,087
HCL TECH LTD IRELAND BR	Consultancy fees (expense)	690,390
cHCL Technologies B.V.	Consultancy fees (expense)	55,912
HCL TECHNOLOGIES DENMARK	Consultancy fees (expense)	226,980
HCL TECHNOLOGIES LTD MADU	Consultancy fees (expense)	1,369,396
HCL Technologies Middle E	Consultancy fees (expense)	12,768
HCL TECHNOLOGIES NORWAY A	Consultancy fees (expense)	29,341
HcCL Technologies S.A.	Consultancy fees (expense)	506,472
Latin America Costa Rica	Consultancy fees (expense)	3,116,624
HCL Canada Inc	Consultancy fees (expense)	985,894

The related parties' transactions described above resulted in the following balances:

	31 March 2020		31 March 2019	
	Due from EGP	Due to EGP	Due from EGP	Due to EGP
HCL AXON TECH. INC - SD		955,015	-	-
HCL Axon Technologies Shanghai	291,148	175,216	659,479	
HCL Technologies S.A.		507,645		
HCL Technologies UK Limited		573,491	1,742,289	
HCL Technologies Limited	460,879	4,038,267		1,078,834
HCL Tech. Ltd., IOMC	627,926		34,845	1,626,400
HCL GREAT BRITAIN Ltd.		1,395,735		2,163,827
HCL Great Britain				820,948
HCL Technologies Germany		5,365,784		5,897,407
HCL GMBH		-		1,221,105
HCL Greece			203,609	1,695,993
HCL SINGAPORE		2,861,609		160,362
HCL SWEDE		35,406		241,519
HCL AMERICA INC.		889,913		
HCL Latin America Holding, LLC, Costa R		3,066,211		
HCL POLAND SP.Z O.O.		44,623		
HCL Technologies B.V.		54,474		
HCL Technologies Denmark ApS		228,653		
HCL Technologies Limited Ireland		250,435		
HCL Technologies Ltd Madurai		1,369,396		
HCL TECHNOLOGIES MIDDLE EAST FZ LLC		12,893		
HCL Technologies Norway AS		28,409		
HCL Brazil Tecnologia da In	870,658	139,403		
HCL Technologies (Shanghai)	256,522	82,643		
HCL Indonesia	23,237			
HCL AXON MALAYSIA SDN BHD		318,169		
	2,530,370	22,393,390	2,640,222	14,906,395

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

16. Finance Income\Costs

	31 March 2020 EGP	31 March 2019 EGP
Foreign exchange differences	1,102,825	282,276
Interest cost on deferred consideration	(12,391)	-
	<u>1,090,434</u>	<u>282,276</u>

17. EARNING PER SHARE

	31 March 2020	31 March 2019
Profit for the year	2,890,900	1,456,090
Weighted average numbers of shares outstanding during the year	465,419	465,419
Earning per share	<u>6.21</u>	<u>3.13</u>

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The Company has exposure to the following risks from its use of financial instruments:

- a) Credit risk
- b) Market risk
- c) Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The General Manager of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's senior management are responsible for developing and monitoring the risk management policies and report regularly to the General Manager on their activities.

The Company's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in other areas.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk principally from its receivables from customers, due from related parties, other receivables.

Trade and notes receivable

The customer credit risk is established by the Company's policies, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual basis.

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

Due from related parties

Due from related parties relates to transactions arising in the normal course of business with minimal credit risk, with a maximum exposure equal to the carrying amount of these balances.

b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as currency risk and interest rate risk, which will affect the Company's income. Financial instruments affected by market risk include interest-bearing loans and borrowings and deposits. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company does not hold or issue derivative financial instruments.

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's obligations with floating interest rates and interest bearing time deposit

Exposure to foreign currency risk

The following tables demonstrate the sensitivity to a reasonably possible change in USD and SGD exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

	2020		2019	
	Change in Rate	Effect on profit Before tax	Change in Rate	Effect on profit Before tax
USD	+10%	(677,532)	+10%	(557,741)
USD	-10%	677,532	-10%	557,741
SGD	+10%	(286,161)	+10%	(16,036)
SGD	-10%	286,161	-10%	16,036

d) Liquidity risk

The cash flows, funding requirements and liquidity of the Company are monitored by local Company management. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Company manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching maturity profiles of financial assets and liabilities.

The Company currently has sufficient the cash on demand to meet expected operational expenses, including the servicing the financial obligations.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

Financial liabilities

	<i>Less than 3 Months EGP</i>	<i>3 to 12 months EGP</i>	<i>1 to 5 years EGP</i>	<i>Over 5 years EGP</i>	<i>Total EGP</i>
<i>As at 31 March 2020</i>					
Due to related parties		22,393,390	-	-	22,393,390
Income taxes payable		1,008,452	-	-	1,008,452
Accrued expenses and other payables	4,211,112	-	-	-	4,211,112
Total undiscounted financial liabilities	4,211,112	23,401,842	-	-	27,612,954

	<i>Less than 3 Months EGP</i>	<i>3 to 12 months EGP</i>	<i>1 to 5 years EGP</i>	<i>Over 5 years EGP</i>	<i>Total EGP</i>
<i>As at 31 March 2019</i>					
Due to related parties	-	14,906,395	-	-	14,906,395
Income taxes payable	-	381,762	-	-	381,762
Accrued expenses and other payables	2,447,906	-	-	-	2,447,906
Total undiscounted financial liabilities	2,447,906	15,288,157	-	-	17,736,063

19. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash at bank, accounts receivable and due from related parties and other receivables. Financial liabilities consist of due to related parties, income taxes payable and accrued expenses and other payables.

The fair value of financial instruments are not materially different from their carrying values.

20. SUBSEQUENT EVENTS

The presence of Corona virus (Covid-19) was confirmed at the beginning of year 2020 and has spread globally, including its emergence and spread in the Arab Republic of Egypt starting from Mid of March 2020, which has had a significant impact on the economic sectors in general. This is a significant event which may require modification and/or disclosure in interim financial statements during 2020.

Thus, Management is, ongoing, monitoring the situation within the framework of its activities as required by the laws and regulations. In case of significant changes in the current conditions; the necessary adjustments and disclosures will be provided on the financial statements that will be issued during the fiscal year 2020.