Telerx Marketing Inc.

Financial Statements

For the year ended 31 December 2022 and 2021

B S R & Co. LLP
Chartered Accountants

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

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Independent Auditor's Report

To the Board of Directors of Telerx Marketing Inc.

Report on the Audit of the Financial Statements

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 December 2022, and its profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (ICAI). Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by ICAI together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

Management's and Board of Directors' Responsibilities for the Financial Statements

The Company's Management and Board of Directors are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 ('the Act'). This responsibility also includes maintenance of adequate accounting records for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing opinion on whether the company has in place adequate internal financial controls with reference to financial statements and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the financial statements made by the Management and Board of Directors.

- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting in preparation of financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Registered Office:

B S R & Co. (a partnership firm with Registration No. BA61223) converted into B S R & Co. LLP
(a Limited Liability Partnership with LLP Registration No. AAB-8181) with effect from October 14, 2013

14th Floor, Central B Wing and North C Wing, Nesco IT Park 4. Nesco Center. Western

Other Matter-Restriction on Use

As explained in note 1(a), these financial statements are prepared for the use by the Company and the Ultimate Holding Company, HCL Technologies Limited, to comply with the requirements of the Act. These financial statements are not the statutory financial statements of the Company. As a result, these financial statements may not be suitable for another purpose. Our report must not be copied, disclosed, quoted, or referred to, in correspondence or discussion, in whole or in part to anyone other than the purpose for which it has been issued without our prior written consent.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No. 101248W/W-100022

Prince Sharma
Digitally signed by Prince Sharma
Date: 2023.05.31 19:52:53 +05'30'

Prince Sharma
Partner
Membership No.: 521307
ICAI UDIN: 23521307BGYFUC8311

Place: Gurugram, India
Date: May 31, 2023

Registered Office:

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Telerx Marketing Inc.
Balance sheet
(All amounts in thousands of USD, except share data and as stated otherwise)

		Note No.	As at 31 December 2022	As at 31 December 2021
I.	**ASSETS**			
	(1) Non-current assets			
	(a) Property, plant and equipment	**2.1**	2,942	3,914
	(b) Capital work in progress	**2.3**	4	-
	(c) Right-of-use assets	**2.20**	10,676	14,052
	(d) Other intangible assets	**2.2**	185	330
	(e) Financial assets			
	(i) Investments	**2.4**	308	308
	(f) Deferred tax assets (net)	**2.19**	2,276	1,784
	(g) Other non-current assets	**2.5**	80	787
	Total non-current assets		**16,471**	**21,175**
	(2) Current assets			
	(a) Financial assets			
	(i) Trade receivables			
	Billed	**2.6**	32,996	49,687
	Unbilled	**2.6**	16,572	11,692
	(ii) Cash and cash equivalents	**2.7**	6,465	17,540
	(b) Other current assets	**2.8**	1,662	2,136
	Total current assets		**57,695**	**81,055**
	TOTAL ASSETS		**74,166**	**102,230**
II.	**EQUITY**			
	(a) Equity share capital	**2.9**	2	2
	(b) Other equity		24,224	37,511
	TOTAL EQUITY		**24,226**	**37,513**
III.	**LIABILITIES**			
	(1) Non - current liabilities			
	(a) Financial liabilities			
	(i) Lease liabilities	**2.20**	9,970	13,480
	(ii) Other	**2.11**	99	-
	Total non-current liabilities		**10,069**	**13,480**
	(2) Current liabilities			
	(a) Financial Liabilities			
	(i) Lease liabilities	**2.20**	3,180	3,165
	(ii) Trade payables			
	Billed	**2.10**	13,657	11,184
	Unbilled and accruals	**2.10**	7,137	25,020
	(iii) Others	**2.11**	6,527	6,028
	(b) Contract liabilities		2	6
	(c) Other current liabilities	**2.12**	640	575
	(d) Provisions	**2.13**	238	192
	(e) Current tax liabilities (net)		8,490	5,067
	Total current liabilities		**39,871**	**51,237**
	TOTAL LIABILITIES		**49,940**	**64,717**
	TOTAL EQUITY AND LIABILITIES		**74,166**	**102,230**
	Summary of significant accounting policies	**1**		

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

Prince Sharma
Prince Sharma (May 31, 2023 19:30 GMT+5.5)

Prince Sharma
Partner
Membership Number: 521307

Place: Gurugram, India
Date: May 31, 2023

For and on behalf of the Board of Directors
of Telerx Marketing Inc.

Raghu Raman Lakshmanan
Raghu Raman Lakshmanan (May 31, 2023 08:43 CDT)

Raghu Raman Lakshmanan
Director

Place: Frisco, USA
Date: May 31, 2023

Anoop

Anoop Tiwari
Director

Place: California, USA
Date: May 31, 2023

Telerx Marketing Inc.
Statement of Profit and Loss

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

		Note No.	Year ended 31 December 2022	Year ended 31 December 2021
I	**Revenue**			
	Revenue from operations	**2.14**	166,878	187,178
	Other income	**2.15**	33	2,736
	Total income		**166,911**	**189,914**
II	**Expenses**			
	Employee benefits expense	**2.16**	90,178	87,115
	Outsourcing costs		50,753	58,456
	Finance costs	**2.17**	828	962
	Depreciation and amortization expense	**2.1, 2.2 & 2.20**	4,975	5,775
	Other expenses	**2.18**	10,184	10,149
	Total expenses		**156,918**	**162,457**
III	**Profit before tax**		**9,993**	**27,457**
IV	**Tax expense**			
	Current tax		3,772	6,550
	Deferred tax charge/(Credit)		(492)	357
	Total tax expense	**2.19**	**3,280**	**6,907**
V	**Profit for the year**		**6,713**	**20,550**
VI	**Other comprehensive income**		-	-
VII	**Total comprehensive income for the year**		**6,713**	**20,550**
	Earnings per equity share of $ 1 par value	**2.22**		
	Basic		3,356.52	10,274.85
	Diluted		3,356.52	10,274.85
	Summary of significant accounting policies	**1**		

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Raghu Raman Lakshmanan
Director

Place: Frisco, USA
Date: May 31, 2023

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Anoop Tiwari
Director

Place: California, USA
Date: May 31, 2023

Telerx Marketing Inc.
Statement of Changes in Equity for the year ended 31 December 2022
(All amounts in thousands of USD, except share data and as stated otherwise)

	Equity share capital		Other equity		
	Number of shares	Share capital	Reserves and Surplus Retained earnings	Total other equity	Total equity
Balance as at January 1, 2021	2,000	2	46,961	46,961	46,963
Profit for the year	-	-	20,550	20,550	20,550
Total comprehensive income for the year	2,000	2	67,511	67,511	67,513
Transactions with owners of the Company					
Dividend of $ 15,000 per share	-	-	(30,000)	(30,000)	(30,000)
Balance as at December 31, 2021	**2,000**	**2**	**37,511**	**37,511**	**37,513**
Balance as at January 1, 2022	2,000	2	37,511	37,511	37,513
Profit for the year	-	-	6,713	6,713	6,713
Total comprehensive income for the year	2,000	2	44,224	44,224	44,226
Transactions with owners of the Company					
Dividend of $ 10,000 per share	-	-	(20,000)	(20,000)	(20,000)
Balance as at December 31, 2022	**2,000**	**2**	**24,224**	**24,224**	**24,226**

Summary of significant accounting policies (Note 1)

The accompanying notes are an integral part of the financial statements

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Telerx Marketing Inc.

Statement of Cash flows for the year ended 31 December 2022

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

		31 December 2022	31 December 2021
A. Cash flows from operating activities			
Profit before tax		9,993	27,457
Adjustment for:			
Depreciation and amortization expense		4,975	5,775
Loss on sale of property, plant and equipment (net)		-	10
Interest income		-	(65)
Dividend income		-	(91)
Provision for doubtful bad debts written off/ (back)		138	(1,756)
Interest expenses		619	724
Share based payments to employees		103	-
		15,828	**32,054**
Net change in			
Trade receivables		11,673	(4,950)
Other financial assets and other assets		1,181	(1,640)
Trade payables		(15,410)	15,940
Other financial liabilities, provisions and other liabilities		602	454
Cash generated from operations		**13,874**	**41,858**
Income taxes paid (net of refunds)		(349)	(9,086)
Net cash flow from operating activities	**(A)**	**13,525**	**32,772**
B. Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(487)	(2,883)
Proceeds from sale of property, plant and equipment		1	-
Interest received		-	79
Dividend received		-	91
Net cash used in investing activities	**(B)**	**(486)**	**(2,713)**
C. Cash flows from financing activities			
Dividend paid		(20,000)	(30,000)
Interest paid		(3)	(9)
Payment of lease liabilities including interest		(4,111)	(3,982)
Net cash flow used in financing activities	**(C)**	**(24,114)**	**(33,991)**
Net Decrease in cash and cash equivalents (A+B+C)		(11,075)	(3,932)
Cash and cash equivalents at the beginning of the year		17,540	21,472
Cash and cash equivalents at the end of the year as per note 2.6		**6,465**	**17,540**
Summary of significant accounting policies (Note 1)			

The accompanying notes are an integral part of the financial statements

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Place: Frisco, USA
Date: May 31, 2023

Anoop Tiwari
Director

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Date: May 31, 2023

ORGANIZATION AND NATURE OF OPERATIONS

Telerx Marketing Inc. (hereinafter referred to as the 'Company') is a multi-channel customer engagement services provider, specializing in global, high-touch consumer, patent, and end-user management. The Company was incorporated on 18th January 1980, as Symposia Associates Inc., which was later changed to Telerx Marketing Inc. on 22nd July 1981. The registered office of the Company is at 410 Horsham Road, PA 19044 Montgomery, USA.

The financial statements for the year ended 31 December 2022 were approved and authorized for issue by the Board of Directors on May 31, 2023.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 (herein after referred as the "Act"). These Financial Statements have been prepared by the Company solely for the purpose of placing the audited financial statements of the Company along with the consolidated financial statements of HCL Technologies Limited ("the ultimate holding company") on the website of the ultimate holding company as required under Section 136 of the Act.

As the Company is not domiciled in India and hence not incorporated under Companies Act, 2013, these financial statements have not been prepared to fully comply with the Companies Act 2013, and so they do not reflect all the disclosures requirements of the Act. These accounts are not statutory financial statements of the Company.

These financial statements have been prepared under the historical cost convention on an accrual and going concern basis except for certain financial assets and liabilities which have been measured at fair value (refer accounting policy regarding financial instruments).The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year .

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle of 12 months. The Statement of cash flows has been prepared under indirect method.

The functional currency of the Company is USD.

(b) *Use of estimates*

The preparation of financial statements in conformity with Ind AS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and other comprehensive income (OCI) that are reported and disclosed in the financial statements and accompanying notes. These estimates are based on the management's best knowledge of current events, historical experience, actions that the company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. Changes in estimates are reflected in the financial statements in the year in which the changes are made.

Significant estimates and assumptions are used for, but not limited to,

i. Accounting for costs expected to be incurred to complete performance under fixed price projects, refer note 1(e)
ii. Allowance for uncollectible accounts receivables, refer note 1(m)
iii. Recognition of income and deferred taxes, refer note 1(f) and note 2.19
iv. Useful lives of property, plant and equipment, intangible assets, refer note 1(g & h)
v. Identification of leases and measurement of lease liabilities and right of use assets, refer note 1(i)
vi. Provisions and contingent liabilities, refer note 1(k) and note 2.26

(c) Foreign currency and translation

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated to the relevant functional currency at exchange rates in effect at the balance sheet date. Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of initial transaction. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the year in which the transaction is settled. Revenue, expenses and cash-flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

(d) Fair value measurement

The Company records certain financial assets and liabilities at fair value on a recurring basis. The Company determines fair values based on the price it would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for that asset or liability.

The Company holds certain fixed income securities, other securities which must be measured using the guidance for fair value hierarchy and related valuation methodologies. The guidance specifies a hierarchy of valuation techniques based on whether the inputs to each measurement are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions about current market conditions. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The prescribed fair value hierarchy and related valuation methodologies are as follows:

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

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

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

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

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

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

c) Cost approach – Replacement cost method.

(e) Revenue recognition

Contracts involving provision of services and material

Revenue is recognized when, or as, control of a promised service or good transfers to a customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those products or services. To recognize revenues, the following five step approach is applied: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied. Contract is accounted when it is legally enforceable through executory contracts, approval and commitment from all parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Time-and-material / Volume based / Transaction based contracts

Revenue with respect to time-and-material, volume based and transaction based contracts is recognized as the related services are performed through efforts expended, volume serviced transactions are processed etc. that correspond with value transferred to customer till date which is related to our right to invoice for services performed for contracts.

Fixed price contracts

Revenue related to fixed price contracts where performance obligations and control are satisfied over a period of time like technology integration and Application development are recognized based on progress towards completion of the performance obligation using a cost-to-cost measure of progress (i.e., percentage-of-completion (POC) method of accounting). Revenue is recognized based on the costs incurred to date as a percentage of the total estimated costs to fulfill the contract. Any revision in cost to complete would result in increase or decrease in revenue and such changes are recorded in the period in which they are identified provisions for estimated losses, if any, on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates. Contract losses are determined to be the amount by which the estimated total cost to complete exceeds the estimated total revenues that will be generated by the contract and are included in cost of revenues and classified in other accrued liabilities.

Revenue related to other fixed price contracts providing maintenance and support services, are recognized based on our right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered. If our invoicing is not consistent with value delivered, revenues are recognized as the service is performed based on the cost to cost method described above.

In arrangements involving sharing of customer revenues, revenue is recognized when the right to receive is established. Incremental revenue from existing contracts arising on future sales to the customers is recognized when it is earned and collectability is reasonably assured.

Multiple performance obligation

When a sales arrangement contains multiple performance, such as services, hardware and Licensed IPs (software) or combinations of each of them revenue for each element is based on a five step approach as defined above. To the extent a contract includes multiple promised deliverables, judgment is applied to determine whether promised deliverables are capable of being distinct and are distinct in the context of the contract. If these criteria are not met, the promised deliverables are accounted for as a combined performance obligation. For arrangements with multiple distinct performance obligations or series of distinct performance obligations, consideration is allocated among the performance obligations based on their relative standalone selling price. Standalone selling price is the price at which Company would sell a promised good or service separately to the customer. When not directly observable, we typically estimate standalone selling price by using the expected cost plus a margin approach. We typically establish a standalone selling price range for our deliverables, which is reassessed on a periodic basis or when facts and circumstances change. If the arrangement contains obligations related to license of intellectual property (Software) or lease deliverable, the arrangement consideration allocated to the software deliverables, lease deliverable as a Company is then allocated to each software obligation and lease deliverable.

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

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

In instances when revenue is derived from sales of third-party vendor services, material or licenses, revenue is recorded on a gross basis when the company is a principal to the transaction and net of costs when the Company is acting as an agent between the customer and the vendor. Several factors are considered to determine whether the company is a principal or an agent, most notably being company control the goods or service before it is transferred to customer, latitude in deciding the price being charged to customer. Revenue is recognized net of discounts and allowances, value-added and service taxes, and includes reimbursement of out-of-pocket expenses, with the corresponding out-of-pocket expenses included in cost of revenues.

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

Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in our Balance Sheet, contract assets primarily relate to unbilled amounts on those contracts utilizing the cost to cost method of revenue recognition. Unbilled receivable represents contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due). A contract liability arises when there is excess billing over the revenue recognized.

Interest income

Interest income for all financial instruments measured at amortized cost is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortized cost of a financial liability. When calculating the EIR, the company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in other income in the statement of profit and loss.

(f) Income taxes

Income tax expense comprises current and deferred income tax.

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

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

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

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

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

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. The Company identifies and determines separate useful lives for each major component of the property, plant and equipment, if they have a useful life that is materially different from that of the asset as a whole.

All other expenses on existing property, plant and equipment, including day-to-day repairs, maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the year during which such expenses are incurred.

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

Property, plant and equipment under construction and cost of assets not ready for use at the year-end are disclosed as capital work- in- progress.

Depreciation on property, plant and equipment is provided on the straight-line method over their estimated useful lives, as determined by the management. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year.

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

Asset description	Asset life (in years)
Computers	4-5
Plant and equipment (including air conditioners, electrical installations)	10
Furniture and fixtures	7

The useful lives as given above best represent the period over which the management expects to use these assets, based on technical assessment. The estimated useful lives for these assets are therefore different from the useful lives prescribed under Part C of Schedule II of the Companies Act 2013.

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

(h) Intangible assets

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:

Asset description	Asset life (in years)
Software	3

(i) Leases

A lease is a contract that contains right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

Company is lessee in case of office space. These leases are evaluated to determine whether it contains lease based on principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors as defined in Ind AS 116.

Right-of-use asset represents the Company's right to control the underlying assets under lease and the lease liability is the obligation to make the lease payments related to the underlying asset under lease. Right-of-use asset is measured initially based on the lease liability adjusted for any initial direct costs, prepaid rent, and lease incentives. Right-of-use asset is depreciated based on straight line method over the lease term or useful life of right-of-use asset, whichever is less. Subsequently, right-of-use asset is measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of lease liability.

The lease liability is measured at the lease commencement date and determined using the present value of the minimum lease payments not yet paid and the Company's incremental borrowing rate, which approximates the rate at which the Company would borrow, in the country where the lease was executed. The Company has used a single discount rate for a portfolio of leases with reasonably similar characteristics. The lease payment comprises fixed payment less any lease incentives, variable lease payment that depends on an index or a rate, exercise price of a purchase option if the Company is reasonably certain to exercise the option and payment of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made and remeasuring the carrying amount to reflect any reassessment or modification, if any.

The Company has elected to not recognize leases with a lease term of 12 months or less in the balance sheet, including those acquired in a business combination, and lease costs for those short-term leases are recognized on a straight-line basis over the lease term in the statement of profit and loss. For all asset classes, the Company has elected the lessee practical expedient to combine lease and non-lease components and account for the combined unit as a single lease component in case there is no separate payment defined under the contract.

(j) Impairment of non-financial assets

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs. If such assets are considered to be impaired, the impairment to be recognized in the statement of profit and loss is measured by the amount by which the carrying value of the asset exceeds the estimated recoverable amount of the asset.

(k) Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows.

The Company uses significant judgement to disclose contingent liabilities. Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made. Contingent assets are neither recognized nor disclosed in the financial statements.

(l) Retirement and other employee benefits

Compensated absences: The employees of the company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. Accumulated leave are utilized within an annual cycle and is treated as a short-term employee benefit. The expense on non-accumulating compensated absences is recognized in the year in which the absences occur.

Defined contribution plan: In respect of social security, a defined contribution plan for applicable employees, the company contributes to a scheme and such contributions for each year of service rendered by the employees are charged to the statement of profit and loss. The company has no further obligations to the social security beyond its contributions.

(m) Financial Instruments

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

Financial assets

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

Cash and cash equivalent

Cash in the balance sheet comprise cash in banks, which is subject to an insignificant risk of changes in value.

Financial assets at amortized cost

A financial asset is measured at the amortized cost if both the following conditions are met:
a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

Equity investments

Equity investments in subsidiaries are measured at cost less impairment if any.

Derecognition of financial assets

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

Impairment of financial assets

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

Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

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

Financial liabilities at amortized cost

The Company's financial liabilities at amortized cost are initially recognized at, net of transaction costs and includes trade payables, borrowings and other payables.

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in the statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

Derecognition

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

Offsetting of financial instruments

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

(n) Dividend

The holders of shares of Common Stock are entitled to receive such dividends, if any, as may be declared from time to time by the Company's Board of Directors in its discretion from funds legally available therefor.

(o) Earnings per share (EPS)

Basic EPS amounts are computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares outstanding during the year.

Diluted EPS amounts are computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as at the beginning of the year, unless issued at a later date. Dilutive potential equity shares are determined independently for each year presented.

(p) Recently issued accounting pronoucements

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

Onerous Contracts – Cost of Fulfilling a Contract (Amendment to Ind AS 37)
The amendments clarifies that the 'costs of fulfilling a contract' comprise both the incremental costs and allocation of other direct costs. The Company does not expect the adoption of this update to have a material impact on its financial statements.

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

Telerx Marketing Inc.
Notes to financial statements for the year ended 31 December 2022
(All amounts in thousands of USD, except share data and as stated otherwise)

2.1 Property ,Plant and Equipment

The changes in the carrying value for the year ended 31 December 2022

	Computers	Plant & equipment	Furniture & fixtures	Total
Gross book value as at 1 January 2022	**8,162**	**999**	**6,394**	**15,555**
Additions	334	17	132	483
Disposals	(1)	-	-	(1)
Gross book value as at 31 December 2022	**8,495**	**1,016**	**6,526**	**16,037**
Accumulated depreciation as at 1 January 2022	**5,161**	**855**	**5,625**	**11,641**
Charge for the year	1,016	125	313	1,454
Accumulated depreciation as at 31 December 2022	**6,177**	**980**	**5,938**	**13,095**
Net book value as at 31 December 2022	**2,318**	**36**	**588**	**2,942**

The changes in the carrying value for the year ended 31 December 2021

	Computers	Plant & equipment	Furniture & fixtures	Total
Gross book value as at 1 January 2021	**5,602**	**999**	**6,394**	12,995
Additions	2,560	-	-	2,560
Gross book value as at 31 December 2021	**8,162**	**999**	**6,394**	**15,555**
Accumulated depreciation as at 1 January 2021	4,312	664	5,274	**10,250**
Charge for the year	849	191	351	1,391
Accumulated depreciation as at 31 December 2021	**5,161**	**855**	**5,625**	**11,641**
Net book value as at 31 December 2021	**3,001**	**144**	**769**	**3,914**
Net book value as at 1 January 2021	**1,290**	**335**	**1,120**	**2,745**

2.2 Other Intangible Assets

The changes in the carrying value for the year ended 31 December 2022

	Software
Gross book value as at 1 January 2022	**6,411**
Gross book value as at 31 December 2022	**6,411**
Accumulated amortization as at 1 January 2022	**6,081**
Charge for the year	145
Accumulated amortization as at 31 December 2022	**6,226**
Net book value as at 31 December 2022	**185**

The changes in the carrying value for the year ended 31 December 2021

	Software
Gross book value as at 1 January 2021	**13,691**
Additions	323
Disposals	(7,603)
Gross book value as at 31 December 2021	**6,411**
Accumulated amortization as at 1 January 2021	13,496
Charge for the year	178
Deduction	(7,593)
Accumulated amortization as at 31 December 2021	**6,081**
Net book value as at 31 December 2021	**330**
Net book value as at 1 January 2021	**195**

Telerx Marketing Inc.
Notes to financial statements for the year ended 31 December 2022
(All amounts in thousands of USD, except share data and as stated otherwise)

2.3 Capital work in progress(CWIP)

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

Particulars	Amount in CWIP for a period of				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
As at 31 December 2022					
Project in progress	4	-	-	-	4
	4	-	-	-	4
As at 31 December 2021					
Project in progress	-	-	-	-	-
	-	-	-	-	-

2.4 Investments

	As at	
	31 December 2022	31 December 2021
Financial assets		
Non-current		
Unquoted investments		
Equity Investment in subsidiary companies carried at cost (fully paid up)		
C3i Europe Eood		
1,505 BGN (31 December 2021, 1,505 BGN) equity share of BGN 100 each	83	83
C3i Japan GK		
1 (31 December 2021, 1) equity share of JPY 1 (refer note 1 below)	-	-
C3i Services & Technologies (Dalian) Co, Ltd		
Capital RMB 1,960,369 (31 December 2021, Capital RMB 1,960,369) (refer note 1 below)	-	-
C3i Support Services Pvt Ltd		
1,542,106 (31 December 2021, 1,542,106) equity shares of ₹ 10 each	225	225
C3i (UK) Ltd		
Nil (31 December 2021, 1) ordinary share of GBP 1(refer note 2 below)	-	-
	308	**308**
Total Investments-financial assets	**308**	**308**
Aggregate amount of unquoted investments	**308**	**308**
Equity instruments carried at cost	**308**	**308**

Note:
1) Amount of Investment in C3i Japan GK is only $ 0.01 and in C3i Services & Technologies (Dalian) Co, Ltd $ 41.99 .
2) The Company had investment of $ 1.31 in C3i (UK) Limited. C3i (UK) Limited was liquidated in current year.

2.5 Other non- current assets

	As at	
	31 December 2022	31 December 2021
Unsecured, considered good		
Security deposits	3	3
Deferred contract cost	-	555
Prepaid expenses	77	229
	80	**787**

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

2.6 Trade receivables

	As at	
	31 December 2022	**31 December 2021**
Billed		
Unsecured, considered good (refer note below)	34,029	51,773
Trade receivables - credit impaired	-	159
	34,029	**51,932**
Impairment allowance for bad and doubtful debts (refer note 2.21)	(1,033)	(2,245)
	32,996	**49,687**
Unbilled receivables (refer note below)	16,572	11,692
	49,568	**61,379**

Note: Includes receivables from related parties amounting to $ 7,192 (31 December 2021, $ 19,389).

Trade receivables	**Not due**	**Outstanding as at 31 December 2022 from the due date of payment**					
		Less than 6 months	**6 months – 1 year**	**1-2 years**	**2-3 years**	**More than 3 years**	**Total**
Undisputed – considered good	25,048	7,747	415	464	41	314	34,029
Undisputed – credit impaired	-	-	-	-	-	-	-
							34,029
Impairment allowance for bad and doubtful debts							(1,033)
							32,996
Unbilled receivables							16,572
							49,568

Trade receivables	**Not due**	**Outstanding as at 31 December 2021 from the due date of payment**					
		Less than 6 months	**6 months – 1 year**	**1-2 years**	**2-3 years**	**More than 3 years**	**Total**
Undisputed – considered good	44,516	5,374	312	147	579	845	51,773
Undisputed – credit impaired	-	-	-	27	132	-	159
							51,932
Impairment allowance for bad and doubtful debts							(2,245)
							49,687
Unbilled receivables							11,692
							61,379

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

2.7 Cash and cash equivalents

	As at	
	31 December 2022	**31 December 2021**
Balance with banks		
- in current accounts	6,465	17,540
	6,465	**17,540**

2.8 Other current assets

	As at	
	31 December 2022	**31 December 2021**
Unsecured , considered good		
Advances other than capital advances		
Advances to employees	51	27
Advance to suppliers	89	33
Others		
Prepaid expenses	913	1,251
Deferred contract cost	590	555
Other receivables- related parties (refer note 2.23)	-	198
Other advances	19	72
	1,662	**2,136**

2.9 Equity share capital

	As at	
	31 December 2022	**31 December 2021**
Authorised share capital		
5,000 (31 December 2021, 5,000) authorized shares of voting common stock, par value of $ 1 per share	5	5
5,000 (31 December 2021, 5,000) authorized shares of Class A non-voting common stock, par value of $ 1 per share	5	5
Issued, subscribed and fully paid up		
Voting common stock		
1,000 (31 December 2021, 1,000) equity share of $1 each	1	1
Class A, non-voting common stock		
1,000 (31 December 2021, 1,000) equity share of $1 each	1	1
	2	**2**

Terms/ rights attached to equity shares
The Company has two classes of shares, 1000 shares of voting common stock having par value of $ 1 per share and 1000 shares of Class A, non-voting common stock having par value of $ 1 per share.

In the event of liquidation of the Company, the shareholders will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts.

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

2.9 Share Capital (continued)

Reconciliation of the number of shares outstanding at the beginning and at the end of the financial year

	As at			
	31 December 2022		31 December 2021	
	No. of shares	Amount	No. of shares	Amount
Number of shares at the beginning	2,000	2	2,000	2
Number of shares at the end	2,000	2	2,000	2

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

Name of the shareholder	As at			
	31 December 2022		31 December 2021	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of $1 each fully paid				
HCL America Inc.	2,000	100%	2,000	100%

As per register of shareholders regarding beneficial interest, the above shares-holding represent both legal and beneficial ownership of shares.

Capital management

The primary objective of the Company's capital management is to support business continuity and growth of the Company while maximizing the shareholder value. The Company determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are generally met through operating cash flows generated.

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

2.10 Trade payables

	As at	
	31 December 2022	**31 December 2021**
Trade payables	971	1,258
Trade payables - related parties (refer note 2.23)	12,686	9,926
	13,657	11,184
Unbilled and accruals	3,203	5,772
Unbilled and accruals - related parties (refer note 2.23)	3,934	19,248
	7,137	25,020
	20,794	**36,204**

Particulars	**Not due**	**Outstanding as at 31 December 2022 from the due date of payment**				
		Less than 1 year	**1-2 years**	**2-3 years**	**More than 3 years**	**Total**
Undisputed	2,687	10,833	137	-	-	13,657
	2,687	10,833	137	-	-	13,657
Unbilled and accruals						7,137
						20,794

Particulars	**Not due**	**Outstanding as at 31 December 2021 from the due date of payment**				
		Less than 1 year	**1-2 years**	**2-3 years**	**More than 3 years**	**Total**
Undisputed	845	10,312	27	-	-	11,184
	845	10,312	27	-	-	11,184
Unbilled and accruals						25,020
						36,204

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

2.11 Other financial liabilities

	As at	
	31 December 2022	**31 December 2021**
Non - current		
Carried at amortized cost		
Other payable - related parties (refer note below)	99	-
	99	**-**
Current		
Carried at amortized cost		
Employee bonuses accrued	1,245	1,486
Other employee costs	3,888	3,360
Others		
Liabilities towards customer contracts	1,328	1,033
Capital accounts payables	66	149
	6,527	**6,028**

Note: Amount Payable to Ultimate holding company againts RSUs awarded to the employees of the company.

2.12 Other current liabilities

	As at	
	31 December 2022	**31 December 2021**
Advances received from customers	637	408
Withholding and other taxes payable	3	167
	640	**575**

2.13 Provisions

	As at	
	31 December 2022	**31 December 2021**
Current		
Provision for employee benefits		
Provision for leave benefits	238	192
	238	**192**

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

2.14 Revenue from operations

	31 December 2022	31 December 2021
Sale of services	166,878	187,178
	166,878	**187,178**

Disaggregate Revenue Information

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

	31 December 2022	31 December 2021
Geography wise		
America	136,014	157,229
Europe	26,640	23,926
India	365	3,782
Others	3,859	2,241
	166,878	**187,178**

Remaining performance obligations

Remaining performance obligations are subject to variability due to several factors such as terminations, changes in scope of contracts, periodic revalidations of the estimates, economic factors (changes in currency rates, tax laws etc). As at 31 December 2022, the aggregate amount of transaction price allocated to remaining performance obligation as per the requirements of Ind AS 115 was $ 16,887 (31 December 2021, $ 4,860) out of which, approximately 50% (31 December 2021, 37%) is expected to be recognized as revenues within one year and the balance beyond one year. These amounts are not adjusted for variable consideration allocated to remaining performance obligation, which are not probable. These amounts also exclude contracts for which we recognize revenues based on the right to invoice for services performed and contracts where consideration in the form of a sales-based or usage-based royalty promised in exchange for a license of intellectual property.

Contract balances

Contract liabilities :

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

	31 December 2022	31 December 2021
Balance as at beginning of the year	6	665
Deduction on account of revenues recognized during the year	(4)	(659)
Balance as at end of the year	**2**	**6**

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

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

	31 December 2022	31 December 2021
Balance as at beginning of the year	555	-
Additional cost capitalised during the year	-	555
Deduction on account of revenues recognized during the year	(555)	-
Balance as at end of the year	**-**	**555**

Reconciliation of revenue recognised with the contracted price is as follows:

	31 December 2022	31 December 2021
Contracted price	167,868	189,381
Reduction towards variable consideration components	(990)	(2,203)
Revenue recognised	**166,878**	**187,178**

The reduction towards variable consideration comprises of volume discounts, service level credits, etc.

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

2.15 Other income

	31 December 2022	31 December 2021
Exchange differences (net)	21	383
Interest income		
-on loans to related parties	-	65
-on others	12	-
Dividend from subsidiary	-	91
Provision for doubtful debt no longer required written back	-	1,756
Miscellaneous income	-	441
	33	**2,736**

2.16 Employee benefits expense

	31 December 2022	31 December 2021
Salaries, wages and bonus (refer note 1 below)	89,502	86,514
Contribution to social security scheme	539	574
Share based payments to employees (refer note 2 below)	103	-
Staff welfare expenses	34	27
	90,178	**87,115**

Note:

1) Figures for the previous year include one-time special bonus of $ 1,616 paid to employees in recognition of the Group (HCL Technologies Limited and its subsidiaries) achieving the $10 billion revenue mark.

2) During the previous year, HCL Technologies Limited ('HCLT'), the ultimate Parent Company instituted the Restricted Stock Unit Plan 2021'("RSU Plan") to provide equity-based incentives to all eligible employees of HCLT and its subsidiaries. Each RSU granted under the plan entitles the holder to one equity share of HCLT at an exercise price, which is approved by the Nomination and Remuneration Committee of HCLT.

"Share based payment expense" represents reimbursement of cost to HCLT, towards RSUs granted by HCLT to the employees of the Company. The fair value of these RSUs are determined using the Black-Scholes Model for RSUs with time and non-market performance based vesting conditions

2.17 Finance cost

	31 December 2022	31 December 2021
Interest		
- on the lease liabilities	616	723
- on loan from bank	3	-
- on borrowings from related party	-	1
Bank charges	209	238
	828	**962**

2.18 Other Expenses

	31 December 2022	31 December 2021
Power and fuel	1,032	886
Repairs and maintenance		
- Plant and equipment	299	28
-Buildings	16	30
-Others	656	530
Communication costs	2,445	2,527
Travel and conveyance	207	121
Legal and professional charges	2,512	2,229
Postage and Courier	1,300	1,537
Software license fee	1,036	1,396
Provision for doubtful debts / bad debts written off	138	-
Recruitment, Training And Development	87	94
Miscellaneous expenses	456	771
	10,184	**10,149**

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

2.19 Income taxes

	As at	
	31 December 2022	31 December 2021
Income tax charged to statement of profit and loss		
Current income tax charge	3,772	6,550
Deferred tax charge/(Credit)	(492)	357
	3,280	**6,907**

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

	As at	
	31 December 2022	31 December 2021
Profit before income tax	9,993	27,457
Statutory tax rate	27.22%	27.03%
Expected tax expense	**2,720**	**7,421**
Effect of:		
Adjustment in respect of prior year	557	(239)
FDII deduction	(32)	(295)
Permanent differences	35	20
Others	-	-
Total taxes	**3,280**	**6,907**
Effective income tax rate	33%	25%

Components of deferred tax assets and liabilities as on 31 December 2022

	Opening balance	Recognized in profit and loss	Closing balance
Deferred tax assets			
Payroll taxes	584	(148)	436
Accrued liability	-	186	186
Provision for customer discount	279	1	280
Foreign exchange	-	162	162
Leases	732	(59)	673
Deferred Revenue	-	1	1
Share based payment to employees	-	28	28
Provision for doubtful debts	607	(326)	281
State taxes	715	174	889
Gross deferred tax assets (A)	2,917	19	2,936
Deferred tax liabilities			
Foreign exchange	77	(77)	-
Deferred contract cost	300	(140)	160
Depreciation	756	(256)	500
Gross deferred tax liabilities (B)	1,133	(473)	660
Net deferred tax assets (A-B)	1,784	492	2,276

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

2.19 Income taxes (continued)

Components of deferred tax assets and liabilities as on 31 December 2021

	Opening balance	Recognized in profit and loss	Closing balance
Deferred tax assets			
Payroll taxes	964	(380)	584
Accrued liability	538	(538)	-
Provision for customer discount	-	279	279
Foreign exchange	65	(65)	-
Leases	-	732	732
Provision for doubtful debts	-	607	607
State taxes	-	715	715
Others	574	(574)	-
Gross deferred tax assets (A)	2,141	776	2,917
Deferred tax liabilities			
Foreign exchange	-	77	77
Deferred contract cost	-	300	300
Depreciation	-	756	756
Gross deferred tax liabilities (B)	-	1,133	1,133
Net deferred tax assets/(liabilities) (A-B)	2,141	(357)	1,784

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

2.20 Leases

Company as a lessee

The Company's significant leasing arrangements are in respect of leases for office spaces.

The details of the right-of-use asset held by the Company are as follows:

	Buildings	
	Year ended	
	31 December 2022	31 December 2021
Balance as at start of the year	**14,052**	**19,059**
Depreciation charge for the year	(3,376)	(4,206)
Derecognition	-	(801)
Balance as at end of the year	**10,676**	**14,052**

The reconciliation of lease liabilities is as follows:

	Year ended	
	31 December 2022	31 December 2021
Balance as at start of the year	**16,645**	**20,705**
Amounts recognized in statement of profit and loss as interest expense	616	723
Payment of lease liabilities	(4,111)	(3,982)
Derecognition	-	(801)
Balance as at end of the year	**13,150**	**16,645**

The following table presents a maturity analysis of expected undiscounted cash flows for lease liabilities as on 31 December 2022 & 31 December 2021:

	As at 31 December 2022	As at 31 December 2021
Within one year	3,656	3,782
One to two years	3,464	3,986
Two to three years	3,514	3,464
Three to five years	2,755	6,268
Thereafter	874	874
Total lease payments	**14,263**	**18,374**
Imputed interest	(1,113)	(1,729)
Total lease liabilities	**13,150**	**16,645**

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

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

2.21 Financial instruments

(a) Financial assets and liabilities

The carrying value of financial instruments by categories as at 31 December, 2022 and 31 December, 2021 is as follows:

	Amortized cost	
	31 December 2022	**31 December 2021**
Financial assets		
Trade receivables (including unbilled)	49,568	61,379
Cash and cash equivalents	6,465	17,540
Total	**56,033**	**78,919**
Financial liabilities		
Trade payables (including unbilled and accruals)	20,794	36,204
Lease liabilities	13,150	16,645
Others (refer note 2.11)		
-Current	6,527	6,028
-Non-Current	99	-
Total	**40,570**	**58,877**

The Company assessed that fair value of cash, trade receivables, trade payables and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

(b) Financial risk management
The Company is exposed to market risk, credit risk and liquidity risk which may impact the fair value of its financial instruments.

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk and interest rate risk. The Company is primarily exposed to fluctuation in foreign currency exchange rates.

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

The exchange rate risk primarily arises from assets and liabilities denominated in currencies other than the functional currency. A significant portion of the Company's exposure is primarily in BGN & EUR. The fluctuation in exchange rates in respect to USD may have potential impact on the Statement of Profit and Loss.

Appreciation / depreciation of 1% in respective foreign currencies with respect to functional currency of the Company would result in decrease / increase in the Company’s profit before tax by approximately $ 89 (31 December 2021 , $ 173) for the year ended 31 December, 2022 .

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

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

2.21 Financial instruments (continued)

Non-derivative foreign currency exposure as of 31 December 2022 and 31 December 2021 in major currencies is as below:

	Financial assets		Financial liabilities	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
BGN / USD	986	-	11,352	12,403
CNY / USD	-	-	31	5,171
EUR / USD	1,138	486	264	47
DKK / USD	364	470	16	11
JPY / USD	61	60	14	464

Credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, trade receivables and unbilled receivable. The cash resources of the Company are invested with banks after an evaluation of the credit risk. By their nature, all such financial instruments involve risks, including the credit risk of non-performance by counterparties.

The customers of the Company are primarily corporations based in USA and accordingly, trade receivables are concentrated in USA. The Company periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivables.

The allowance for lifetime expected credit loss on customer balances is as below:

	As at	
	31 December 2022	31 December 2021
Balance at the beginning of the year	2,245	4,000
Additional provision during the year	1,212	1,012
Deductions on account of write offs and collections	(2,424)	(2,767)
Balance at the end of the year	**1,033**	**2,245**

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities. The Company consistently generates sufficient cash flows from operations and has access to multiple sources of funding to meet the financial obligations and maintain adequate liquidity for use.

2.22 Earnings Per Share

The computation of earnings per share is as follows:

	31 December 2022	31 December 2021
Net profit as per statement of profit and loss for computation of EPS	6,713	20,550
Weighted average number of equity shares outstanding in calculating basic EPS	2,000	2,000
Weighted average number of equity shares outstanding in calculating dilutive EPS	2,000	2,000
Nominal value of equity shares	1	1
Earnings per equity share		
- Basic	3,356.52	10,274.85
- Diluted	3,356.52	10,274.85

Telerx Marketing Inc.
Notes to financial statements for the year ended 31 December 2022
(All amounts in thousands of USD, except share data and as stated otherwise)

2.23 Related party transactions

a) Related parties where control exists

Ultimate Holding Company
HCL Technologies Limited

Holding Company
HCL America Inc.

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

Ultimate Holding Company
HCL Technologies Limited

Holding Company
HCL America Inc.

Subsidiaries
C3i Europe Eood
C3i Japan GK
C3i Services & Technologies (Dalian) Co. Ltd
C3i Support Services Private Limited

Fellow Subsidiaries
HCL Argentina s.a.
PT. HCL Technologies Indonesia Limited
HCL Technologies (Thailand) Limited
HCL Technologies SAC
Geometric Americas, Inc
HCL Singapore Pte. Limited
HCL Technologies Columbia S.A.S
HCL Canada Inc
HCL (Brazil) Technologia da informacao EIRELI
HCL Technologies Romania s.r.l.
HCL Technologies Chile Spa
HCL Technologies Finland Oy
HCL Technologies Greece Single Member P.C
HCL Technologies Vietnam Company Limited
HCL Guatemala, Sociedad Anonima
HCL Technologies Norway AS
HCL Technologies South Africa (Proprietary) Limited
Filial Espanola De HCL Technologies S.L
HCL Latin America Holding LLC
HCL Mexico S. de R.L.
HCL (New Zealand) Limited
HCL Technologies Czech Republic s.r.o.
HCL Technologies Germany Gmbh
HCL Technologies France SAS
HCL Technologies Malaysia Sdn. Bhd.
HCL Technologies Germany GmbH
HCL Technologies (Proprietary) Limited
HCL Poland Sp.z.o.o
HCL Hungary Kft
HCL Technologies UK Limited
HCL Technologies B.V.
HCL (Ireland) Information Systems Limited
HCL Technologies Belgium BV
HCL Technologies Sweden AB
HCL Istanbul Bilisim Teknolojileri Limited Sirketi
HCL Technologies Denmark Aps
HCL Australia Services Pty Limited
HCL Japan Limited
HCL Arabia LLC
HCL Technologies Middle East FZ-LLC
HCL Technologies Egypt Limited
HCL Hong Kong SAR Limited
HCL Technologies Philippines Inc
HCL Technologies (Shanghai) Limited
HCL Asia Pacific Pte Limited
HCL Technologies (Taiwan) Limited
C3i (UK) Limited
HCL Technologies Corporate Services Limited
Axon Solutions (Shanghai) Co. Limited
HCL Technologies Italy S.P.A
HCL America Solutions Inc
HCL Technologies Austria GmbH
Urban Fulfillment Services LLC

Transactions with related parties during the normal course of business	Interest income	Dividend income	Dividend paid	Outsourcing cost	Interest expense	Insurance expense	Rent	Revenue from operations
For the Year 2022								
Ultimate Holding Company	-	-	-	1,442	-	67	-	613
Holding Company	-	-	20,000	1,237	-	-	386	8,540
Subsidiaries	-	-	-	37,318	-	-	-	10
Fellow Subsidiaries	-	-	-	2,161	-	-	4	13,027
Total	**-**	**-**	**20,000**	**42,158**	**-**	**67**	**390**	**22,190**
For the Year 2021								
Ultimate Holding Company	-	-	-	750	-	99	-	3,783
Holding Company	65	-	30,000	933	-	-	128	8,074
Subsidiaries	-	91	-	44,765	-	-	-	-
Fellow Subsidiaries	-	-	-	1,109	1	-	1	7,281
Total	**65**	**91**	**30,000**	**47,557**	**1**	**99**	**129**	**19,138**

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

2.23 Related party transactions (continued)

Material related party transactions	31 December 2022	31 December 2021
Outsourcing cost		
C3i Europe Eood	25,601	28,769
Dividend paid		
HCL America Inc	20,000	30,000

Outstanding balances	Investments	Trade receivables , other financial assets and other assets	Trade payables , other financial liabilities and other liabilities
As on 31 December, 2022			
Ultimate Holding Company	-	367	1,139
Holding Company	-	1,713	424
Subsidiaries	308	10	13,782
Fellow Subsidiaries	-	5,102	1,374
Total	**308**	**7,192**	**16,719**
As on 31 December, 2021			
Ultimate Holding Company	-	4,005	518
Holding Company	-	8,271	14,868
Subsidiaries	308	-	13,430
Fellow Subsidiaries	-	7,311	358
Total	**308**	**19,587**	**29,174**

2.24 Segment reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available and whose their results are reviewed regularly by the chief operating decision maker (CODM), for allocation of resources and assessing performance. The Company's ultimate holding company, HCL Technologies Limited's chief operating decision maker (CODM) reviews its results for allocation of resources and assessing performance by business segment comprising IT and Business Services, Engineering and R&D Services, and HCL Software segment. The ultimate Holding Company monitors the risk and returns of the Company's businesses on an entity level and evaluates the performance of the Company as one business segment which is overall a part of the reorganized entity level business segments. Hence there is only one reportable segment of the Company, as envisaged under Indian Accounting Standard -108 "Operating segments".

Revenue disagreegation as per geography is given in note 2.14

Telerx Marketing Inc.
Notes to financial statements for the year ended 31 December 2022
(All amounts in thousands of USD, except share data and as stated otherwise)

2.25 Ratio

Ratio	Numerator	Denominator	Units	Year ended		% Variance
				31 December 2022	31 December 2021	
Current ratio	Current assets	Current liabilities	Times	1.4	1.6	**(9)**%
Debt service coverage ratio	Earning availables for debt service (refer note 1 below)	Debt service (refer note 2 below)	Times	3.1	6.3	**(51)**%
Return on equity ratio	Profit for the year	Average total equity	%	21.7	48.7	**(55)**%
Trade receivables turnover ratio	Revenue from operations	Average trade receivables	Times	3.0	3.2	**(6)**%
Trade payables turnover ratio	Net credit purchases (refer note 3 below)	Average trade payables	Times	2.1	2.4	**(13)**%
Net capital turnover ratio	Revenue from operations	Working capital (refer note 4 below)	Times	9.4	6.3	**49** %
Net profit ratio	Profit for the year	Revenue from operations	%	4.0	11.0	**(64)**%
Return on capital employed	Earning before interest and taxes	Capital employed (refer note 5 below)	%	30.2	53.8	**(44)**%

Notes :
(1) Earning availables for debt services = Profit for the year + depreciation and amortisation + interest expense + provision for doubtful debts + non cash charges
(2) Debt service = Interest + payment for lease liabilities + principal repayments
(3) Net credit purchase includes purchase of stock-in-trade , change in inventories of stock-in-trade, outsourcing costs and other expenses
(4) Working capital = current assets - current liabilities
(5) Capital employed = Tangible net worth includes acquired goodwill and other intangibles assets + total debt - deferred tax assets
(6) Average is calculated based on simple average of opening and closing balances.

Explanation where change in the ratio is more than 25%

1) Debt service coverage ratio: Primarily on account of significant decrease in profit for the year

2) Return on equity ratio: Primarily on account of significant decrease in profit for the year

3) Trade receivable turnover ratio: Primarily on account of decrease in revenue from operations.

4) Net profit ratio: In current year, there is significant decrease in profit for the year against decrease in revenue from operations.

5) Net profit ratio: In current year, there is significant decrease in profit for the year against decrease in revenue from operations.

6) Return on capital employed: Primarily on account of significant decrease in Earning before interest and taxes

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

2.26 Commitments and contingent liabilities

	As at	
	31 December 2022	**31 December 2021**
Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	883	290
	883	**290**

The Company is involved in few lawsuits, claims and proceedings that arise in the ordinary course of business, the outcome of which is inherently uncertain. The Company records a liability when it is both probable that a loss has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. The Company reviews these provisions at least quarterly and adjusts these provisions accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. The Company believes that the amount or estimable range of reasonably possible loss, will not, either individually or in the aggregate, have a material adverse effect on its business, financial position, results of the Company, or cash flows with respect to loss contingencies for legal and other contingencies as at 31 December 2022.

2.27 Change in classification

1) The Company has modified the classification of certain assets and liabilities. Comparative amounts in the notes to the financial statements were reclassified for consistency.

	As earlier reported	Revised classification	Difference
Assets			
Financial assets			
Trade receivables - unbilled	-	11,692	(11,692)
Others	11,692	-	11,692
Liabilities			
Financial liabilities			
Trade payables-billed	11,334	11,184	150
Trade payables-Unbilled and accruals	-	25,020	(25,020)
Others	30,898	6,028	24,870

2. During the year ended 31 December 2022, the Company has revised the presentation of 'contract liabilities' from 'other liabilities' to face of the balance sheet for better presentation. Comparative amounts in the notes to the financial statements were reclassified for consistency.

As per our report of even date

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

Prince Sharma
Prince Sharma (May 31, 2023 19:30 GMT+5.5)

Prince Sharma
Partner
Membership Number: 521307

Place: Gurugram, India
Date: May 31, 2023

For and on behalf of the Board of Directors
of Telerx Marketing Inc.

Raghu Raman Lakshmanan
Raghu Raman Lakshmanan (May 31, 2023 08:43 CDT)

Raghu Raman Lakshmanan
Director

Place: Frisco, USA
Date: May 31, 2023

Anoop

Anoop Tiwari
Director

Place: California, USA
Date: May 31, 2023