

HCL TECHNOLOGIES EGYPT LTD (L.L.C)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018
TOGETHER WITH AUDITOR'S REPORT

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

Financial Statements

For the year ended 31 March 2018

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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)**, represented in the statement of financial position as of 31 March 2018, and the related statements of income, other comprehensive income, changes in equity and cash flows for the year ended 31 March 2018, 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 the Company's Management, as Management is responsible for the preparation and fair presentation of the financial statements in accordance with Egyptian Accounting Standards and applicable 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. This 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 Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

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, and evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above, give a true and fair view, in all material respects, of the financial position of **HCL Technologies Egypt Ltd (L.L.C)** as of 31 March 2018, and of its financial performance and its cash flows, for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

Report on Other Legal and Regulatory Requirements

The Company maintains proper accounting records that comply with the laws and the Company's articles of association and the financial statements agree with the Company's records.

The financial information included in the General Manager's report, prepared in accordance with Law No. 159 of 1981 and its executive regulation, is in agreement with the books of the Company insofar as such information is recorded therein.



Cairo: 24 July 2018

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

STATEMENT OF FINANCIAL POSITION

As of 31 March 2018

| | Notes | 31 March 2018 EGP | 31 March 2017 EGP |
|--|-------|----------------------|----------------------|
| ASSETS | | | |
| Current Assets | | | |
| Account receivable | 4 | 1,946,750 | 1,386,182 |
| Due from related parties | 12 | 354,879 | 450,981 |
| Other receivables | 5 | 317,250 | 235,540 |
| Cash at bank | 6 | 8,069,300 | 9,919,855 |
| Total current assets | | 10,688,179 | 11,992,558 |
| TOTAL ASSETS | | 10,688,179 | 11,992,558 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Capital | 7 | 4,654,190 | 4,210,790 |
| Legal reserve | | 6,433 | 447 |
| (Accumulated deficit)/ retained earnings | | (2,414,247) | 8,492 |
| Profits/(losses) for the year | | 113,731 | (2,422,739) |
| TOTAL EQUITY | | 2,360,107 | 1,796,990 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Due to related parties | 12 | 7,578,860 | 8,953,793 |
| Income taxes payable | 8 | 22,538 | 155,489 |
| Accrued expenses and other payables | 9 | 726,674 | 1,086,286 |
| Total current liabilities | | 8,328,072 | 10,195,568 |
| TOTAL LIABILITIES | | 8,328,072 | 10,195,568 |
| TOTAL LIABILITIES AND EQUITY | | 10,688,179 | 11,992,558 |

General Manager
Raghu Raman Lakshmanan

L.R.R.

- The accompanying notes from (1) to (14) 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 2018

| | Notes | 31 March 2018 EGP | 31 March 2017 EGP |
|---|-------|-------------------------|-------------------------|
| Revenues | | 4,748,875 | 8,683,022 |
| Operating expenses | | (3,507,171) | (7,264,265) |
| GROSS PROFIT | | 1,241,704 | 1,418,757 |
| General and administrative expenses | 10 | (1,141,519) | (721,290) |
| Foreign exchange differences | | 42,148 | (2,964,717) |
| PROFITS / (LOSSES) BEFORE INCOME TAXES | | 142,333 | (2,267,250) |
| Income taxes | 8 | (22,616) | (155,489) |
| PROFITS / (LOSSES) FOR THE YEAR | | 119,717 | (2,422,739) |

L.R.R.-

General Manager
Raghu Raman Lakshmanan

- The accompanying notes from (1) to (14) 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 2018

| | 31 March 2018 | 31 March 2017 |
|---|----------------|--------------------|
| | EGP | EGP |
| Profits/(losses) for the year | 119,717 | (2,422,739) |
| OTHER COMPREHENSIVE INCOME | - | - |
| TOTAL OTHER COMPREHENSIVE INCOME | 119,717 | (2,422,739) |

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

| | Paid up capital | Legal reserve | Retained earnings/ (accumulated deficit) | (Losses)/ profits for the Year | Total |
|--|------------------|---------------|---|--------------------------------------|------------------|
| | EGP | EGP | EGP | EGP | EGP |
| Balance as of 1 April 2016 | 350,000 | - | - | 8,939 | 358,939 |
| Transferred to legal reserve and retained earnings | - | 447 | 8,492 | (8,939) | - |
| Increase in capital | 3,860,790 | - | - | - | 3,860,790 |
| Loss of the year | - | - | - | (2,422,739) | (2,422,739) |
| Balance as of 31 March 2017 | 4,210,790 | 447 | 8,492 | (2,422,739) | 1,796,990 |
| Transferred to accumulated deficit | - | - | (2,422,739) | 2,422,739 | - |
| Increase in capital | 443,400 | - | - | - | 443,400 |
| Profit for the year | - | - | - | 119,717 | 119,717 |
| Transferred to legal reserve | - | 5,986 | - | (5,986) | - |
| Balance as of 31 March 2018 | 4,654,190 | 6,433 | (2,414,247) | 113,731 | 2,360,107 |

- The accompanying notes from (1) to (14) 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 2018

| | Notes | 31 March 2018 EGP | 31 March 2017 EGP |
|--|-------|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profits/ (losses) before income taxes | | 142,333 | (2,267,250) |
| Change in account receivable | 4 | (560,568) | (1,386,182) |
| Change in due from related parties | 12 | 96,102 | (287,716) |
| Change in other receivables | 5 | (81,710) | 4,246,084 |
| Change in due to related parties | 12 | (1,374,933) | 4,224,339 |
| Change in accrued expenses and other payables | 9 | (359,612) | 935,451 |
| Cash flows (used in) provided from operating activities | | (2,138,388) | 5,464,726 |
| Income taxes paid | 8 | (155,567) | (2,595) |
| NET CASH FLOWS (USED IN) PROVIDED FROM OPERATING ACTIVITIES | | (2,293,877) | 5,462,131 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Paid up capital | 7 | 443,400 | 3,860,790 |
| NET CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES | | 443,400 | 3,860,790 |
| Net change in cash and cash equivalent during the year | | (1,850,477) | 9,322,921 |
| Cash and cash equivalent - beginning of the year | 6 | 9,919,855 | 596,934 |
| CASH AND CASH EQUIVALENT - END OF THE YEAR | 6 | 8,069,300 | 9,919,855 |

- The accompanying notes from (1) to (14) 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 2018

1 BACKGROUND

HCL Technologies Egypt Ltd (L.L.C) was established under the provisions of law No. 8 of 1997 and 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.

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.

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 financial statement of the Company are discussed below:

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 estimates 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.

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

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 establishes provision, 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 different interpretations of tax regulations by the Company and the responsible tax authority. Such differences of interpretations may be on a wide variety of issues depending on the conditions prevailing in Egypt.

Deferred tax assets are recognised for unused accumulated tax losses to the extent that it is probable that taxable profits 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.

2-3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES

2-3-1 Foreign currency translation

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

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rates prevailing at the statement of 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 currency 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 stated at original invoice amount net of any impairment losses.

Impairment losses are measured as the difference between the accounts and other receivables, prepayments and other receivables carrying amount and the present value of estimated future cash flows. The impairment loss is recognized in the statement of income. Reversal of impairment losses are recognized in the statement of income in the period in which it occurs.

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.

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

2-3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 tax is calculated in accordance with the Egyptian tax law:

Current income tax

Current income tax assets and liabilities for the current and prior periods 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 income for the period, except to the extent that the tax arises from a transaction or an event which is recognized, in the same or a different period, directly in equity.

2-3-8 Revenue recognition

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 2018

2-3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (continued)

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 in accordance with the Egyptian laws and regulations 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 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.

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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

2-3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (continued)

2-3-13 Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation 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.

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.

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 2018 were reported under one segment in the financial statements.

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

4 ACCOUNT RECEIVABLE

| | 31 March 2018 | 31 March 2017 |
|---------------------|------------------|------------------|
| | EGP | EGP |
| Accounts receivable | 1,946,750 | 1,386,182 |
| | <u>1,946,750</u> | <u>1,386,182</u> |

At 31 March 2018, the aging analysis of accounts receivable is as follows

| | Total | Less than 30 days | 30 to 60 days | more than 60 to 120 days | more than 120 days |
|---------------|------------------|----------------------|------------------|--------------------------------|-----------------------|
| | EGP | EGP | EGP | EGP | EGP |
| 31 March 2018 | <u>1,946,750</u> | <u>295,142</u> | <u>514,862</u> | <u>283,086</u> | <u>853,660</u> |
| 31 March 2017 | <u>1,386,182</u> | <u>820,402</u> | <u>565,780</u> | <u>-</u> | <u>-</u> |

Refer to note 13a on credit risks of trade receivables, which discusses how the Company manages and measures credit quality of trade receivables that are past due nor impaired.

5 OTHER RECEIVABLE

| | 31 March 2018 | 31 March 2017 |
|---------------------------------|----------------|----------------|
| | EGP | EGP |
| Tax authority-withholding taxes | 317,250 | 235,540 |
| | <u>317,250</u> | <u>235,540</u> |

6 CASH AT BANK

| | 31 March 2018 | 31 March 2017 |
|----------------------------------|------------------|------------------|
| | EGP | EGP |
| Current account – Egyptian pound | 8,069,300 | 9,919,855 |
| | <u>8,069,300</u> | <u>9,919,855</u> |

7 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 LE |
|-----------------------------|------------|---------------------|------------------|
| HCL Technologies UK Limited | 99.99998 | 465,418 | 4,654,180 |
| HCL EAS Limited | 0.000023 | 1 | 10 |
| | <u>100</u> | <u>465,419</u> | <u>4,654,190</u> |

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

8 INCOME TAXES

| | 31 March 2018 EGP | 31 March 2017 EGP |
|--------------------|----------------------|----------------------|
| Current income tax | 22,616 | 155,489 |
| Income tax expense | 22,616 | 155,489 |

RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

| | 31 March 2018 EGP | 31 March 2017 EGP |
|---|----------------------|----------------------|
| Profits/ (losses) before income taxes | 142,333 | (2,267,250) |
| Unrealized foreign exchange differences | (41,817) | 2,958,312 |
| Taxable income | 100,516 | 691,062 |
| Income tax at 22.5% | 22,616 | 155,489 |
| Effective tax rate | 15.89% | 6.85% |

9 ACCRUED EXPENSES AND OTHER PAYABLES

| | 31 March 2018 EGP | 31 March 2017 EGP |
|---------------------------------|----------------------|----------------------|
| Accrued expenses | 396,708 | 662,363 |
| Advances from customers | 77,640 | 254,408 |
| Deferred revenues | 76,844 | 48,997 |
| Tax authority-value added taxes | 170,752 | 115,788 |
| Tax authority-withholding taxes | 4,730 | 4,730 |
| | 726,674 | 1,086,286 |

10 GENERAL AND ADMINISTRATIVE EXPENSES

| | 31 March 2018 EGP | 31 March 2017 EGP |
|-------------------|----------------------|----------------------|
| Professional fees | 1,065,319 | 707,216 |
| Bank charges | 10,906 | 2,825 |
| Utilities | 56,269 | - |
| Other expenses | 9,025 | 11,249 |
| | 1,141,519 | 721,290 |

11 TAX SITUATION

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

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

12 RELATED PARTIES DISCLOSURE

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 out in the normal course of business on terms agreed between the parties:

| Related parties | Nature of the transactions | 31 March 2018 | 31 March 2017 |
|--------------------------------|-----------------------------|------------------|------------------|
| | | EGP | EGP |
| HCL Axon Technologies Inc. SD | Service rendered (revenue) | - | 51,550 |
| HCL Axon Technologies Inc. SD | Consultancy fees (expense) | - | 434,468 |
| HCL Axon Technologies Shanghai | Services rendered (revenue) | 325,694 | 86 |
| HCL Tech Italy S.R.L | Services rendered (revenue) | 29,185 | 14,644 |
| HCL Technologies UK Limited | Cash finance received | - | 433,495 |
| HCL Technologies Limited | Services rendered (revenue) | 16,967 | 818,122 |
| HCL Technologies Limited | Consultancy fees (expense) | 346,908 | 733,033 |
| HCL GREAT BRITAIN Ltd. | Services rendered (revenue) | - | 719,595 |
| HCL GREAT BRITAIN Ltd. | Consultancy fees (expense) | - | 1,373,959 |
| HCL Technologies Germany | Consultancy fees (expense) | 6,188,524 | 500,251 |
| HCL GMBH | Consultancy fees (expense) | 1,060,395 | 1,183,912 |

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

| | 31 March 2018 | | 31 March 2017 | |
|--------------------------------|-----------------|------------------|-----------------|------------------|
| | Due from EGP | Due to EGP | Due from EGP | Due to EGP |
| HCL AXON TECH. INC - SD | - | - | - | 361,551 |
| HCL Axon Technologies Shanghai | 325,694 | - | 335,790 | - |
| HCL TECH ITALY S.R.L. | 29,185 | - | 30,102 | - |
| HCL Technologies UK Limited | - | - | - | 575,772 |
| HCL Technologies Limited | - | 329,941 | 85,089 | - |
| HCL GREAT BRITAIN Ltd. | - | - | - | 644,034 |
| HCL Technologies Germany | - | 6,188,524 | - | 6,188,524 |
| HCL GMBH | - | 1,060,395 | - | 1,183,912 |
| | <u>354,879</u> | <u>7,578,860</u> | <u>450,981</u> | <u>8,953,793</u> |

HCL TECHNOLOGIES EGYPT LTD (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

13 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 and from its financing activities, including deposits with banks and financial institutions.

Trade and notes receivables

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 bases.

Other financial assets and cash deposits

With respect to credit risk arising from the other financial assets of the Company, which comprise mainly bank balances and cash, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

Credit risk from balances with banks and financial institutions is managed by local Company's treasury supported. The Company limits its exposure to credit risk by only placing balances with international banks and local banks of good reputation. Given the profile of its bankers, management does not expect any counterparty to fail to meet its obligations.

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 deposits.

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 investments are primarily in fixed rate interest bearing investments. Hence the Company is not significantly exposed to interest rate risk.

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13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Exposure to foreign currency risk

The following tables demonstrate the sensitivity to a reasonably possible change in USD 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.

| | 31 March 2018 | | 31 March 2017 | |
|-----|----------------|---------------------------------|----------------|---------------------------------|
| | Change in rate | Effect on profit before tax EGP | Change in rate | Effect on profit before tax EGP |
| USD | +10% | (564,738) | +10% | (759,936) |
| | -10% | 564,738 | -10% | 759,936 |

c) 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 the maturity profiles of financial assets and liabilities.

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

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

| Financial liabilities | Less than 3 Months EGP | 3 to 12 months EGP | 1 to 5 years EGP | Over 5 years EGP | Total EGP |
|---|------------------------|--------------------|------------------|------------------|-------------------|
| <i>As at 31 March 2018</i> | | | | | |
| Due to related parties | 7,578,860 | - | - | - | 7,578,860 |
| Income taxes payable | - | 22,538 | - | - | 22,538 |
| Accrued expenses and other payables | 726,674 | - | - | - | 726,674 |
| Total undiscounted financial liabilities | 8,305,534 | 22,538 | - | - | 8,328,072 |
| | | | | | |
| | Less than 3 Months EGP | 3 to 12 months EGP | 1 to 5 years EGP | Over 5 years EGP | Total EGP |
| <i>As at 31 March 2017</i> | | | | | |
| Due to related parties | 8,953,793 | - | - | - | 8,953,793 |
| Income taxes payable | - | 155,489 | - | - | 155,489 |
| Accrued expenses and other payables | 1,086,286 | - | - | - | 1,086,286 |
| Total undiscounted financial liabilities | 10,040,079 | 155,489 | - | - | 10,195,568 |

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14 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 debtors. Financial liabilities consist of due to related party, income taxes payable and other creditors.

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