

HCL Arabia Limited
(A Limited Liability Company)

FINANCIAL STATEMENT TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

HCL ARABIA LIMITED
(A Limited Liability Company)

FINANCIAL STATEMENTS

31 December 2021

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KPMG Professional Services

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Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of HCL Arabia Limited

Opinion

We have audited the financial statements of **HCL Arabia Limited** ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS for SMEs that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, Board of Directors is responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report

To the Shareholders of HCL Arabia Limited (continued)

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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then 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 of **HCL Arabia Limited** ("the Company").

KPMG Professional Services



Hani Hamzah A. Bedairi
License No: 460



Al Riyadh on: 10 Shawwal 1443H
Corresponding to: 11 May 2022

HCL Arabia Limited
(A Limited Liability Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

| | Note | 31 Dec'21 SR | 31 Dec'20 SR |
|--|------|-------------------|-------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5 | 30,275,626 | 11,305,477 |
| Account receivables and unbilled revenue | 6 | 19,531,253 | 24,703,153 |
| Inventories | | - | 16,957 |
| Finance lease receivables | | 42,952 | - |
| Prepayments and other receivables | 7 | 1,061,635 | 349,646 |
| Amount due from related parties | 8 | 5,763,775 | 2,570,673 |
| TOTAL CURRENT ASSETS | | 56,675,241 | 38,945,906 |
| NON-CURRENT ASSET | | | |
| Property and equipment | 10 | 304,015 | 678,396 |
| Capital work in progress | 10 | - | 83,821 |
| Finance lease receivables | | 14,638 | - |
| Goodwill | 9 | 2,563,444 | 2,563,444 |
| Intangible assets | 11 | 1,487,855 | 1,980,405 |
| Deferred tax assets | 13 b | 784,544 | 674,375 |
| TOTAL NON-CURRENT ASSETS | | 5,154,496 | 5,980,441 |
| TOTAL ASSETS | | 61,829,737 | 44,926,347 |
| LIABILITIES AND EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Account payable and accruals | 12 | 8,110,776 | 7,381,587 |
| Amount due to related parties | 8 | 36,158,822 | 25,384,249 |
| Provision for income tax | 13 b | 1,383,395 | 1,086,839 |
| Employees defined benefits liabilities | 14 | 51,778 | 8,070 |
| TOTAL CURRENT LIABILITIES | | 45,704,771 | 33,860,745 |
| NON-CURRENT LIABILITY | | | |
| Employees defined benefits liabilities | 14 | 691,279 | 403,523 |
| Other payables and accruals | | 114,125 | 94,114 |
| TOTAL NON-CURRENT LIABILITIES | | 805,404 | 497,637 |
| TOTAL LIABILITIES | | 46,510,175 | 34,358,382 |
| EQUITY | | | |
| Capital | 15 | 6,100,000 | 6,100,000 |
| Statutory reserve | | 966,576 | 491,416 |
| Retained earnings | | 8,252,986 | 3,976,549 |
| TOTAL EQUITY | | 15,319,562 | 10,567,965 |
| TOTAL LIABILITIES AND EQUITY | | 61,829,737 | 44,926,347 |

These financial statements as shown on pages from 3 to 25 were approved by the shareholders on 11 May 2022 and signed on their behalf by:

Umair Shaukat



The attached notes 1 to 23 form an integral part of these financial statements.

HCL Arabia Limited
(A Limited Liability Company)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

| | Notes | 31 Dec'21 SR | 31 Dec'20 SR |
|---|-------|-------------------|------------------|
| Revenue | 16 | 62,171,269 | 47,160,351 |
| Cost of revenue | 17 | (49,707,680) | (38,355,014) |
| GROSS PROFIT | | 12,463,589 | 8,805,337 |
| EXPENSES | | | |
| Selling and distribution expenses | 18 | (3,713,525) | (1,762,429) |
| General and administrative expenses | 19 | (3,044,452) | (1,975,574) |
| OPERATING PROFIT | | 5,705,612 | 5,067,334 |
| Other expenses-net | 20 | (179,577) | (299,766) |
| Financial charges | | (73,368) | (67,737) |
| PROFIT BEFORE INCOME TAX | | 5,452,667 | 4,699,831 |
| Income tax | 13 a | (899,748) | (793,734) |
| PROFIT FOR THE YEAR | | 4,552,919 | 3,906,097 |
| Other comprehensive income: | | | |
| Items that will not be subsequently reclassified to profit and loss | | | |
| Re-measurement gain/(loss) of defined benefit liabilities | 14 | 248,348 | (16,258) |
| Deferred tax (charge)/credit related to re-measurement gain/(loss) of defined liabilities | 13b | (49,670) | 3,252 |
| TOTAL OTHER COMPREHENSIVE INCOME/(LOSS) | | 198,678 | (13,006) |
| TOTAL COMPREHENSIVE INCOME | | 4,751,597 | 3,893,091 |

These financial statements as shown on pages from 3 to 25 were approved by the shareholders on 11 May 2022 and signed on their behalf by:

Umakant Sharma



The attached notes 1 to 23 form an integral part of these financial statements.

HCL Arabia Limited
(A Limited Liability Company)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

| | <i>Capital</i> | <i>Statutory reserve</i> | <i>Retained earnings</i> | <i>Total</i> |
|--|------------------|------------------------------|------------------------------|-------------------|
| | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| As at 1 Jan'20 | 6,100,000 | 102,107 | 472,767 | 6,674,874 |
| Profit for the year | - | - | 3,906,097 | 3,906,097 |
| Other comprehensive loss for the year | - | - | (13,006) | (13,006) |
| Total comprehensive income for the year | - | - | 3,893,091 | 3,893,091 |
| Transferred to statutory reserve | - | 389,309 | (389,309) | - |
| Total profit and OCI for the year | - | 389,309 | 3,503,782 | 3,893,091 |
| As at 31 Dec'20 | 6,100,000 | 491,416 | 3,976,549 | 10,567,965 |
| As at 1 Jan'21 | 6,100,000 | 491,416 | 3,976,549 | 10,567,965 |
| Profit for the year | - | - | 4,552,919 | 4,552,919 |
| Other comprehensive income for the year | - | - | 198,678 | 198,678 |
| Total comprehensive income | - | - | 4,751,597 | 4,751,597 |
| Transferred to statutory reserve | - | 475,160 | (475,160) | - |
| Total profit and OCI for the year | - | 475,160 | 4,276,437 | 4,751,597 |
| As at 31 Dec'21 | 6,100,000 | 966,576 | 8,252,986 | 15,319,562 |

The attached notes 1 to 23 form an integral part of these financial statements.

HCL Arabia Limited
(A Limited Liability Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

| | Notes | 31 Dec'21 SR | 31 Dec'20 SR |
|--|-------|-------------------|-------------------|
| Cash flows from operating activities | | | |
| Profit before income tax | | 5,452,667 | 4,699,831 |
| <i>Adjustments for :</i> | | | |
| Depreciation and amortisation | 10,11 | 1,029,676 | 671,732 |
| Employees defined benefit expenses | 14 | 594,901 | 220,160 |
| Bad Debts written off | 18 | 192,742 | - |
| Asset written off | | 76,450 | (19,202) |
| Provision for doubtful advances | 6 | 54,784 | - |
| Interest income on finance lease receivable | 20 | (54) | - |
| | | 7,401,166 | 5,572,521 |
| <i>Changes in working capital:</i> | | | |
| Account receivables, unbilled revenue, prepayments and other receivables | | 4,229,342 | (9,625,515) |
| Finance lease receivables | | (57,590) | - |
| Amount due from related parties | | (3,193,102) | (1,755,103) |
| Account payables and accruals | | 749,200 | 3,059,668 |
| Amount due to related parties | | 10,774,573 | 9,041,533 |
| Cash from operations | | 19,903,589 | 6,293,104 |
| Income tax paid | 13b | (763,031) | (311,788) |
| Interest received | 20 | 54 | - |
| Employees defined benefits paid | 14 | (15,089) | (4,004) |
| Net cash flows from operating activities | | 19,125,523 | 5,977,312 |
| Cash flows from investing activities | | | |
| Purchase of property and equipment | 10 | (155,374) | (187,809) |
| Addition to capital work in progress | 10 | - | (83,821) |
| Addition to intangibles | 11 | - | (307,972) |
| Net cash flows used in investing activities | | (155,374) | (579,602) |
| Net increase in cash and cash equivalents | | 18,970,149 | 5,397,710 |
| Bank balances at beginning of the year | | 11,305,477 | 5,907,767 |
| Bank balances at end of the year | 5 | 30,275,626 | 11,305,477 |

The attached notes 1 to 23 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1 COMPANY INFORMATION AND ACTIVITIES

HCL Arabia Limited (the "Company") is a limited liability company formed under the Regulations for Companies in the Kingdom of Saudi Arabia under Commercial Registration Number 1010308344 on 4/6/1432H (corresponding to 7 May 2011) and SAGIA License Number 112031098754-01 valid up to 18/7/1444 (corresponding to 9 February 2023). The registered office of the Company is located at AL Olaya Street, Al Aqariya Plaza, Office NO.203, Riyadh-12244, Kingdom of Saudi Arabia ("KSA").

The Company is engaged in business of execution, management and analysis of technological systems and information, computer servicing, execution and procession of software.

The Company's immediate holding company is HCL Bermuda Ltd, a company incorporated in Bermuda, and the ultimate holding company is HCL Technologies Limited, a company incorporated and listed in India.

2 BASIS OF PREPARATION

2.1 *Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-Sized Entities ("IFRS for SMEs") issued by the International Accounting Standards Board ("IASB"), that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS for SMEs as endorsed in KSA").

2.2 *Judgements and estimates*

The preparation of financial statements in conformity with the IFRS for SMEs as endorsed in KSA requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Disclosed in Note 4.

2.3 *Basis of measurement*

These financial statements have been prepared under the historical cost convention except for the defined benefit plan which is measured at present value of future obligations using Projected Unit Credit Method. Further, the financial statements are prepared using the accrual basis of accounting and going concern.

2.4 *Presentation and functional currency*

The presentation and functional currency of the Company is Saudi Riyal (SR).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied in the preparation of these financial statements:

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise of cash in banks which are subject to an insignificant risk of changes in value.

Accounts receivable

Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. For goods sold to a customer on short-term credit, a receivable is initially recognized at the undiscounted amount of cash receivable from that entity, which is normally the invoice price. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed by management to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in the statement of comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unbilled revenue

Revenue recognized but not billed to customers is classified as unbilled receivable in statement of financial position. Unbilled receivables represent contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when:

- (1) it expects to realize the asset, or intends to sell or consume it, in the entity's normal operating cycle
- (2) it holds the asset primarily for the purpose of trading;
- (3) it expects to realize the asset within twelve months after the reporting date; or
- (4) the asset is cash or a cash equivalent, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is current when:

- (1) it expects to settle the liability in the entity's normal operating cycle;
- (2) it holds the liability primarily for the purpose of trading;
- (3) the liability is due to be settled within twelve months after the reporting date; or
- (4) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after reporting date.

The Company classifies all other liabilities as non-current.

The Company classifies all deferred tax assets and liabilities as non-current.

Financial assets and liabilities

Financial assets carried in the statement of financial position principally include cash and cash equivalents, account receivables, unbilled revenue, prepayments and other receivables, amounts due from related parties. Financial liabilities include account payables, accruals and amounts due to related parties.

Impairment and collectability of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the profit or loss in the statement of comprehensive income. Impairment is determined as follows:

- For assets carried at amortized cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the original effective interest rate.
- The impairment loss is the difference between the asset's carrying amount and the best estimate (which will necessarily be an approximation) of the amount (which might be zero) that the Company would receive for the asset if it were to be sold at the reporting date.

Offsetting a financial asset and a financial liability

A financial asset and liability is offset and the net amount reported in the financial statements, when the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis, or to realise the asset and liability simultaneously.

Property and equipment

Property and equipment are initially recorded at cost and are stated at cost less accumulated depreciation and any impairment in value. The cost less estimated residual value is depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment(continued)

| <u>Category of property and equipment</u> | <u>Years</u> |
|---|--------------|
| Office equipment | 5 years |
| Furniture and fixtures | 7 years |
| Computers and software | 3-5 years |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income in the statement of comprehensive income.

Capital work in progress

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

Capital work in progress is stated at cost until the assets is ready for use. Upon the completion, the cost of such assets includes also the cost directly attributable to the construction, if any are transferred to the respective class of asset. No depreciation is charged on capital work in progress.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is measured at their fair value at the date of acquisition. Subsequently, following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

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

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

The intangible assets are amortized over the estimated useful life of the assets as mentioned below except certain Licensed IPRs which include the right to modify, enhance or exploit are amortized in proportion to the expected benefits over the useful life which could range up to 10 years:

| Asset description | Asset life (in years) |
|--------------------------|------------------------------|
| Software | 3 |
| Customer relationships | 1 to 10 |

Customer related intangibles recognized on acquisition is amortized in the proportion of estimated revenue.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the aggregate of the consideration transferred measured at fair value at the acquisition date. Acquisition related costs are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill(continued)

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as financial liability is measured at fair value with changes in fair value recognized in the statement of profit and loss.

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

Value added tax

The Company is subject to Value Added Tax ('VAT') which is to be filed on a monthly basis. It is paid and settled through submission of monthly returns statements submitted to the Zakat, Tax and Customs Authority (the 'ZATCA")

Impairment of non-financial assets

At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or cash generating units to which the asset has been allocated) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in statement of comprehensive income.

The following criteria are also applied in assessing impairment of assets:

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

Account payable and accruals

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

Provisions

Provisions are recognised when the Company has:

- A present legal or constructive obligation as a result of a past event
- It is probable that an outflow of economic resources will be required to settle the obligation in the future, and
- The amount can be reliably estimated.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax and zakat rate reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognised as part of the finance costs in the profit or loss in the statement of comprehensive income.

Income tax

Income tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax is recognised in the statement of comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases and liabilities and their carrying amounts for the financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised on all deductible temporary differences, carry forward of unused tax credits and unused tax losses only to the extent that it is probable that taxable profit will be available against which these assets can be utilised.

The carrying amount of deferred tax assets/liabilities is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset/liability to be utilised. Unrecognised deferred tax assets/liabilities are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered and deferred tax liability to be settled.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

Employees defined benefits liabilities

The Company operates a defined benefit scheme for its employees in accordance with labor regulations applicable in the Kingdom of Saudi Arabia. The liabilities are recognised in the statement of financial position at the reporting date. Defined benefits liabilities are the present value of the defined benefits obligations at the reporting date. The cost of providing the benefits under the defined benefits plan is determined using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in the other comprehensive income.

Interest expense is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation under 'cost of Revenue', 'administrative expenses' and 'distribution costs' in the statement of comprehensive income (by function).

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, and
- Net interest expense or income

The defined benefit asset or liability comprises the present value of the defined benefit obligation, less past service costs and less the fair value of plan assets out of which the obligations are to be settled. However, currently the plan is unfunded and has no assets.

Statutory reserve

As required by Saudi Arabian Regulations for Companies, the Company must set aside 10% of its net income in each year until it has built up a reserve equal to 30% of the capital. This having been achieved, the Company has resolved to discontinue such transfers. The reserve is not available for distribution.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured.

(i) Revenue from services

Revenue from services provided is recognized net of service tax and discount, where applicable, as and when the services are performed.

(ii) Revenue from sale of goods

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and provisions, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be reliably estimated, and there is no continuing measurement involvement with the goods. Revenue is not recognized to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Interest income is recognized on accrual basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses

Expenses are measured and recognized as a period cost at the time when they are incurred. Expenses related to more than one financial period are allocated over such periods proportionately. General and administrative expenses include expenses not specifically part of the cost of revenue. Allocations between general and administration expenses, selling and distribution expenses and cost of revenue, when required, are made on a consistent basis.

Foreign currency transactions

Transactions in foreign currencies are recorded in Saudi Riyals at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of comprehensive income.

New standards and amendments to the existing standards

The IFRS for SME as endorsed by SOCPA in the Kingdom of Saudi Arabia do not have new standards which are not yet effective or forthcoming requirements.

4 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material differences in the carrying amounts of assets and liabilities within the next financial period, are presented below. The Company used these assumptions and estimates on the basis available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing off the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the Cash Generating Unit ("CGU") being tested. The recoverable amount is sensitive to the discount rate used for the Discounted Cash Flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The carrying amount of the non-financial assets at the reporting date are given below:

| Non-financial asset | Carrying amounts (in SR) |
|----------------------------|---------------------------------|
| Property and equipment | 304,015 |
| Goodwill | 2,563,444 |
| Intangible assets | 1,487,855 |

4 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgement in estimating the expected cash outflows for severance payments and site closures or other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

Long-term assumptions for employees benefits

End-of-service benefits represent obligations that will be settled in the future and require assumptions to project obligations and fair values of plan assets, if any. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase and return on assets, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Company consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

Use of estimates

The preparation of financial statements 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 company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Significant estimates and assumptions are used for, but not limited to, accounting for costs expected to be incurred to complete performance under fixed price projects, allowance for uncollectible accounts receivables, income taxes, future obligations under employee benefit plans, the useful lives of property and equipment, intangible assets, impairment of goodwill and other contingencies and commitments. Changes in estimates are reflected in the financial statements in the year in which the changes are made. Actual results could differ from those estimates.

Impairment of trade receivables

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

Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the Discounted Cash Flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

5 CASH AND CASH EQUIVALENTS

| | 31 Dec'21 | 31 Dec'20 |
|--------------|-------------------|-------------------|
| | SR | SR |
| Cash at bank | 30,275,626 | 11,305,477 |
| | 30,275,626 | 11,305,477 |

6 ACCOUNT RECEIVABLES AND UNBILLED REVENUE

| | 31 Dec'21 | 31 Dec'20 |
|---------------------------------|--------------------|-------------------|
| | SR | SR |
| Trade receivables | 12,032,928 | 18,084,507 |
| Unbilled revenue | 10,322,135 | 9,387,672 |
| Allowance for doubtful accounts | (2,823,810) | (2,769,026) |
| | 19,531,253 | 24,703,153 |

Movements in the allowance for doubtful accounts were as follows:

| | 31 Dec'21 | 31 Dec'20 |
|--------------------------------|------------------|------------------|
| | SR | SR |
| At beginning of the year | 2,769,026 | 2,999,357 |
| Charge/(reversal) for the year | 54,784 | (230,331) |
| At end of the year | 2,823,810 | 2,769,026 |

The ageing of unimpaired trade receivables is as follows:

| | <i>Neither past due nor impaired</i> | <i>Past due but not impaired</i> | | | <i>Total</i> |
|------------------|--|----------------------------------|---------------------|--------------------|------------------|
| | | <i>30 – 60 days</i> | <i>61 – 90 days</i> | <i>>90 days</i> | |
| | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| 31 Dec'21 | 3,656,155 | 500,955 | 930,193 | 4,121,815 | 9,209,118 |
| 31 Dec'20 | 13,456,550 | 834,785 | 787,000 | 237,146 | 15,315,481 |

7 PREPAYMENTS AND OTHER RECEIVABLES

| | 31 Dec'21 | 31 Dec'20 |
|-----------------|------------------|------------------|
| | SR | SR |
| Prepaid expense | 482,108 | 209,839 |
| Deferred cost | 377,803 | 81,823 |
| Others | 201,724 | 57,984 |
| | 1,061,635 | 349,646 |

8 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company comprise of ultimate holding company, shareholders, fellow subsidiaries and key management personnel of the Company where ultimate holding company, shareholders or key management personnel have control, joint control or significant influence over the Company.

a) Related parties where control exists

Ultimate Holding Company

HCL Technologies Limited

Immediate Holding Company

HCL Bermuda Ltd

b) Key Management Personnel

Mr. Uma Kant Sharma

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

Ultimate Holding Company

HCL Technologies Limited

Key Management Personnel

Mr. Uma Kant Sharma

Fellow Subsidiaries

Fellow subsidiaries are subsidiaries of shareholders or ultimate holding company of the Company.

HCL Technologies Limited- UAE Branch
HCL America Inc.
HCL Technologies Norway AS
HCL Great Britain Limited
HCL Technologies Middle East FZ-LLC- Dubai Branch
HCL Canada Inc - SD
HCL Technologies Limited- Ireland Branch
HCL Technologies Limited - Abu Dhabi
HCL (Brazil) Tecnologia da Informacao EIRELI
HCL Technologies B.V.
HCL GmbH
HCL Technologies Limited - Israel Branch
HCL Sweden AB
HCL Technologies Beijing Co. Ltd.
HCL Technologies Middle East FZ-LLC
PT HCL Technologies Indonesia Limited
Butler America Aerospace LLC
HCL Technologies Chile Spa
HCL Axon Solutions (Shanghai) Co. Limited
HCL (Ireland) Information Systems Limited
HCL Technologies Columbia S.A.S.
HCL Technologies Belgium BVBA
HCL Technologies Finland Oy
HCL HCL Latin America Holding, LLC, Costa Rica Branch
HCL Axon Solutions (Shanghai) Co., Ltd. Guangzhou Branch
Geometric China Inc.
HCL Canada Inc.
HCL Singapore Pte. Limited
HCL Technologies (Shanghai) Limited
HCL Technologies Denmark Aps
HCL Technologies Germany GmbH
HCL Technologies Mexico
HCL Technologies Egypt Limited
HCL Technologies Ltd. Organizacni slozka(Czech Branch)
HCL Hungary Kft
HCL Poland Sp.z.o.o.
HCL Guatemala, Sociedad Anonima
HCL Technologies Lanka (Private) Limited
HCL Hong Kong SAR Limited
HCL Technologies Philippines Inc
HCL Technologies Limited - Russia Branch
HCL Technologies Greece Single Member P.C.
HCL Technologies Lithuania UAB
HCL Technologies UK Limited
HCL Technologies Limited- Swiss Branch

HCL Arabia Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c) Related parties with whom transactions have taken place during the year (continued)

Fellow Subsidiaries (continued)

HCL Australia Services Pty. Limited
HCL Technologies (PTY) Limited (Formerly known as HCL Axon (Proprietary) Ltd.)
HCL Technologies Solutions GmbH (Formerly Axon Solutions Schweiz GmbH)
HCL Technologies Limited - Portugal Branch
HCL Technologies Romania s.r.l.
HCL (Netherlands) BV
HCL Technologies Limited - Russia Branch
HCL Technologies France
HCL Technologies Malaysia Sdn Bhd
HCL Argentina s.a.
HCL Belgium NV
HCL Japan Limited
HCL Technologies Austria GmbH
HCL Technologies South Africa (Proprietary) Limited
HCL Technologies Sweden AB
HCL Technologies Mexico S. DE R. L. DE C. V.
HCL Technologies Corporate Services Limited
HCL Latin America Holding LLC
HCL Technologies (Taiwan) Limited.
HCL (New Zealand) Limited
HCL Technologies Italy S.p.A.

The breakdown of amounts transacted with related parties during the year in ordinary course of business are as follows:

| | 31 Dec'21 | 31 Dec'20 |
|---|------------|------------|
| Ultimate Holding Company: | SR | SR |
| a) Consulting charges accrued to ultimate holding company | 19,458,173 | 19,296,353 |
| b) Sales made/Services rendered to ultimate holding company | 742,927 | 552,659 |
| c) Payments made to ultimate holding company | 20,475,345 | 10,798,778 |

Key Management Personnel:

| | | |
|--|---------|---------|
| a) Salary Payments made during the year to Mr. Uma Kant Sharma | 130,876 | 123,793 |
|--|---------|---------|

Fellow Subsidiaries:

| | SR | SR |
|--|-----------|-----------|
| a) Consultation services rendered by fellow subsidiaries | 31 Dec'21 | 31 Dec'20 |
| HCL America Inc. | 1,563,740 | 1,270,762 |
| HCL Technologies Middle East FZ-LLC- Dubai Branch | 403,351 | 358,400 |
| HCL Great Britain Limited | 255,741 | 569,792 |
| HCL Technologies Norway AS | 203,659 | 929,265 |
| HCL Singapore Pte. Limited | 115,900 | - |
| HCL Technologies Egypt Ltd. | 55,070 | - |
| HCL Canada Inc - SD | 43,850 | 341,826 |
| HCL Axon Solutions (Shanghai) Co. Limited | 36,283 | 9,460 |
| HCL (Ireland) Information Systems Limited | 14,382 | 5,667 |
| HCL Technologies Finland Oy | 12,623 | 3,610 |
| HCL Technologies Middle East FZ-LLC | 11,270 | 14,348 |
| HCL Sweden AB | 8,654 | 21,189 |
| HCL Canada Inc. | 6,979 | - |
| HCL TECHNOLOGIES MÉXICO, S. DE R. L. DE C. V. | 5,163 | - |
| HCL Technologies Beijing Co. Ltd. | 3,343 | 15,922 |
| PT HCL Technologies Indonesia Limited | 3,300 | 13,827 |
| HCL Technologies Limited- Ireland Branch | - | 152,492 |
| HCL (Brazil) Tecnologia da Informacao EIRELI | - | 60,340 |
| HCL Technologies B.V. | - | 43,845 |
| HCL GmbH | - | 40,830 |
| Butler America Aerospace LLC | - | 11,582 |
| HCL Technologies Chile Spa | - | 9,650 |
| HCL Technologies Columbia S.A.S. | - | 4,102 |
| HCL Technologies Belgium BVBA | - | 4,099 |

HCL Arabia Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021
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8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The breakdown of amounts transacted with related parties during the year in ordinary course of business are as follows (continued):

Fellow Subsidiaries (continued):

| a) Consultation services rendered by fellow subsidiaries (continued) | 31 Dec'21 | 31 Dec'20 |
|--|------------------|------------------|
| | SR | SR |
| HCL Technologies (Shanghai) Limited | 163,742 | - |
| HCL Technologies France | 68,534 | - |
| HCL Guatemala, Sociedad Anónima | 65,857 | - |
| HCL Technologies Romania s.r.l. | 29,992 | - |
| HCL AXON Malaysia Sdn Bhd (fy Axon Solutions Sdn Bhd) | 14,311 | - |
| H C L Technologies Lanka (Private) Limited | 5,853 | - |
| HCL Poland sp. z o.o | 4,195 | - |
| HCL Technologies Philippines, Inc. | 4,164 | - |
| HCL Argentina s.a. | 3,717 | - |
| HCL Hong Kong SAR Limited | 3,506 | - |
| HCL Hungary KFT. | 2,476 | - |
| | <u>3,109,655</u> | <u>3,881,008</u> |

b) Marketing Services rendered by fellow subsidiaries

| | 31 Dec'21 | 31 Dec'20 |
|--------------------------------------|------------------|------------------|
| | SR | SR |
| HCL Technologies Limited- UAE Branch | 2,907,196 | 1,294,727 |
| | <u>2,907,196</u> | <u>1,294,727</u> |

c) Sales made/Services rendered to fellow subsidiaries

| | SR | SR |
|--|------------------|----------------|
| | 31 Dec'21 | 31 Dec'20 |
| HCL Technologies Middle East FZ-LLC- Dubai Branch | 750,084 | - |
| HCL (New Zealand) Limited | 233,846 | - |
| HCL Technologies UK Limited | 134,463 | 116,704 |
| HCL Japan Limited | 117,762 | - |
| HCL Latin America Holding LLC, Panama Branch | 89,038 | - |
| HCL Technologies Finland Oy | 74,175 | - |
| HCL Technologies Norway AS | 53,876 | - |
| HCL Technologies Italy S.P.A | 51,184 | - |
| HCL Australia Services Pty. Limited | 50,737 | 72,323 |
| HCL Canada Inc - SD | 37,479 | 18,856 |
| HCL Technologies Sweden AB | 34,605 | - |
| HCL HCL Latin America Holding, LLC, Costa Rica Branch | 32,946 | - |
| HCL Singapore Pte. Limited | 31,296 | 32,640 |
| HCL (Ireland) Information Systems Limited | 15,444 | - |
| HCL Argentina s.a. | 13,411 | - |
| HCL America Inc. | 8,859 | 3,333 |
| HCL Hong Kong SAR Limited | 5,238 | - |
| HCL Technologies South Africa (Proprietary) Limited | 2,627 | - |
| HCL Technologies (Taiwan) Limited | 2,359 | - |
| HCL Technologies (PTY) Limited (Formerly known as HCL Axon (Proprietary) Ltd.) | - | 61,720 |
| HCL Axon Solutions (Shanghai) Co. Limited | - | 22,508 |
| HCL Technologies Chile Spa | - | 18,597 |
| HCL Technologies Philippines, Inc | - | 13,930 |
| HCL Technologies Solutions GmbH (Formerly Axon Solutions Schweiz GmbH) | - | 6,984 |
| HCL Technologies Limited - Portugal Branch | - | 6,423 |
| HCL Technologies Romania s.r.l. | - | 6,314 |
| HCL (Netherlands) BV | - | 4,734 |
| HCL Technologies Limited - Russia Branch | - | 2,887 |
| HCL Technologies France | - | 2,765 |
| HCL Technologies Malaysia Sdn Bhd | - | 520 |
| | <u>1,739,429</u> | <u>391,238</u> |

HCL Arabia Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021
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8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The breakdown of amounts transacted with related parties during the year in ordinary course of business are as follows (continued):

Fellow Subsidiaries (continued):

d) Payments made to fellow subsidiaries

| | SR 31 Dec'21 | SR 31 Dec'20 |
|--|------------------|------------------|
| HCL America Inc. | 2,724,775 | 1,792,598 |
| HCL Technologies Norway AS | 520,848 | 531,095 |
| HCL Technologies (Shanghai) Limited | 428,230 | - |
| HCL Great Britain Limited | 280,164 | 494,364 |
| HCL Technologies Middle East FZ-LLC- Dubai Branch | 193,384 | 321,515 |
| Geometric China, Inc. | 169,679 | - |
| HCL (Brazil) Tecnologia Da Informacao EIRELI | 55,285 | - |
| HCL Technologies Germany GmbH | 37,462 | - |
| HCL Technologies Sweden AB | 20,265 | - |
| HCL Technologies Beijing Co., Ltd | 14,820 | - |
| HCL Technologies Chile SpA | 8,902 | - |
| HCL Axon Solutions (Shanghai) Co., Limited | 8,806 | - |
| HCL (Ireland) Information Systems Limited | 5,200 | - |
| HCL Technologies Colombia SAS | 4,358 | - |
| HCL Axon Solutions (Shanghai) Co., Ltd, Guangzhou Branch | 2,804 | - |
| HCL Technologies Middle East FZ-LLC | 977 | 121,414 |
| HCL Technologies Mexico S. DE R. L. DE C. V. | - | 1,950 |
| HCL Canada Inc. | - | 9,403 |
| HCL Canada Inc. – SD | - | 245,498 |
| HCL Technologies Limited- Ireland Branch | - | 147,884 |
| HCL Technologies Germany GmbH | - | 6,449 |
| HCL Technologies UK Limited | - | 206,196 |
| HCL Technologies Belgium BVBA | - | 41,454 |
| HCL Technologies Finland Oy | - | 8,850 |
| HCL Technologies Lithuania UAB | - | 15,216 |
| HCL Technologies Greece Single Member P.C. | - | 264,784 |
| HCL Technologies Denmark Aps | - | 7,434 |
| HCL Technologies Corporate Services Limited | - | 285,794 |
| HCL Singapore Pte. Limited | - | 1,463,886 |
| HCL Technologies Philippines, Inc | - | - |
| | 4,475,961 | 5,965,784 |

The breakdown of amounts due from and to related parties as at end of the year are as follows:

a) Amounts due from related parties

| | SR 31 Dec'21 | SR 31 Dec'20 |
|---|------------------|------------------|
| Ultimate Holding Company | 4,519,906 | 1,567,780 |
| Fellow subsidiaries: | | |
| HCL Singapore Pte. Limited | 346,291 | 451,407 |
| HCL Technologies Middle East FZ-LLC- Dubai Branch | 189,466 | - |
| HCL Japan Limited | 117,762 | - |
| HCL America Inc. | 95,231 | 91,118 |
| HCL Argentina s.a. | 41,126 | 27,688 |
| HCL HCL Latin America Holding, LLC, Costa Rica Branch | 32,946 | - |
| HCL (Ireland) Information Systems Limited | 15,444 | - |
| HCL (Brazil) Tecnologia da informacao EIRELI | 14,405 | 14,407 |
| HCL Technologies Romania s.r.l. | 6,314 | 6,314 |
| HCL Technologies Chile Spa | 5,681 | 37,913 |
| HCL Technologies (Taiwan) Limited | 2,359 | - |
| HCL Technologies Limited- Swiss Branch | - | 236,123 |
| HCL Australia Services Pty. Limited | - | 57,236 |
| HCL Axon Solutions (Shanghai) Co. Limited | - | 48,898 |
| HCL Technologies (PTY) Limited (Formerly known as HCL Axon (Proprietary) Ltd. | - | 31,789 |

HCL Arabia Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021
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8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The breakdown of amounts due from and to related parties as at end of the year are as follows (continued):

a) Amounts due from related parties (continued)

Fellow subsidiaries (continued):

| | 31 Dec'21 | 31 Dec'20 |
|---|------------------|------------------|
| | SR | SR |
| HCL Technologies UK Ltd. | 134,463 | - |
| HCL Technologies Norway AS | 53,876 | - |
| HCL Technologies Italy S.P.A. | 51,184 | - |
| HCL Axon Solutions (Shanghai) Co. Limited. | 48,898 | - |
| HCL Technologies Sweden AB | 34,605 | - |
| HCL Latin America Holding LLC, Panama Branch | 26,247 | - |
| HCL Technologies Finland Oy | 24,944 | - |
| HCL Technologies South Africa (Proprietary) Limited | 2,627 | - |
| | 5,763,775 | 2,570,673 |

b) Amounts due to related parties

| | 31 Dec'21 | 31 Dec'20 |
|--|-------------------|-------------------|
| | SR | SR |
| Ultimate Holding Company | 32,408,195 | 19,846,349 |
| Fellow subsidiaries: | | |
| HCL America Inc. | 1,741,872 | 2,997,402 |
| HCL Technologies Middle East FZ-LLC- Dubai Branch | 432,651 | 256,345 |
| HCL Canada Inc. – SD | 386,384 | 341,826 |
| HCL Technologies UK Limited | 249,099 | - |
| HCL Technologies Norway AS | 233,512 | 647,817 |
| HCL Technologies (Shanghai) Limited | 167,180 | 422,938 |
| HCL Latin America Holding, LLC, Costa Rica branch | 112,363 | 112,255 |
| HCL Technologies France | 66,260 | - |
| HCL Guatemala, Sociedad Anónima | 65,871 | - |
| HCL Technologies Egypt Ltd. | 55,051 | - |
| HCL Technologies B.V. | 40,468 | 43,845 |
| HCL Technologies Romania s.r.l. | 29,397 | - |
| HCL Axon Solutions (Shanghai) Co. Limited | 24,896 | 10,232 |
| PT HCL Technologies Indonesia Limited | 18,552 | 15,210 |
| HCL Axon Malaysia Sdn Bhd-Software Division | 14,400 | - |
| HCL (Ireland) Information Systems Limited | 14,382 | 6,214 |
| HCL Axon Solutions (Shanghai) Co.Ltd.,Guangzhou Branch | 13,034 | 2,770 |
| HCL Technologies Finland Oy | 12,376 | - |
| HCL Technologies Middle East FZ-LLC | 11,285 | 1,150 |
| HCL Asia Pacific Pte. Ltd. – Korea Branch(Formerly Geometric Asia Pacific Pte. Ltd., Korea Branch) | 10,107 | 11,582 |
| HCL Technologies Sweden AB | 8,654 | 24,336 |
| HCL Canada Inc. | 6,993 | - |
| H C L Technologies Lanka (Private) Limited | 5,544 | - |
| HCL Technologies Mexico S. DE R. L. DE C. V. | 5,197 | - |
| HCL Argentina s.a. | 4,214 | - |
| HCL Technologies Philippines, Inc | 3,992 | - |
| HCL Poland sp. z o.o | 3,912 | - |
| HCL Technologies Belgium BVBA | 3,783 | 4,099 |
| HCL Hong Kong SAR Limited | 3,497 | - |
| HCL Technologies Beijing Co. Ltd. | 3,455 | 17,220 |
| HCL Hungary KFT. | 2,246 | - |
| HCL Great Britain Limited | - | 326,836 |
| Geometric China Inc. | - | 167,582 |
| HCL (Brazil) Tecnologia da informacao EIRELI | - | 67,439 |
| HCL GmbH | - | 44,764 |
| HCL Technologies Chile Spa | - | 10,706 |
| HCL Technologies Columbia S.A.S. | - | 5,332 |
| | 36,158,822 | 25,384,249 |

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

9 Goodwill

| | 31 Dec'21 | 31 Dec'20 |
|---|------------------|------------------|
| | SR | SR |
| Goodwill arising from business combinations | 2,563,444 | 2,563,444 |
| | 2,563,444 | 2,563,444 |

The recoverable amount of the unit was based on its value in use, determined by discounting the future cash flows that generated from the business acquired. Value in use was computed based on the following key assumptions:

IBM business

- Cash flows were projected based on the financial year ended 31 December 2021 actual operating results and the unit's 5-years business plan, with average net margin applied of 9% (2020: 10%) per annum for the years 2022 to 2026.
- The terminal value was estimated using the perpetuity growth model, with a weighted average growth rate to perpetuity of 2% (2020: 2%).
- A pre-tax discount rate of 4.96% (2020: 2.86%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on an industry average weighted average cost of capital

10 Property and equipment

| | Office equipment | Furniture and fixtures | Capital work in progress | Computers and software | Total |
|----------------------------------|------------------|------------------------|--------------------------|------------------------|------------------|
| | SR | SR | SR | SR | SR |
| Cost : | | | | | |
| At 1 Jan'21 | 11,965 | 470,900 | 83,821 | 1,119,214 | 1,685,900 |
| Additions | - | - | - | 155,374 | 155,374 |
| Reclassification | - | - | (83,821) | 83,821 | - |
| Disposals | - | - | - | (911,283) | (911,283) |
| At 31 Dec'21 | 11,965 | 470,900 | - | 363,305 | 929,991 |
| Accumulated depreciation: | | | | | |
| At 1 Jan'21 | 11,965 | 470,900 | - | 440,818 | 923,683 |
| Charge for the year | - | - | - | 537,126 | 537,126 |
| Retirement | - | - | - | (834,833) | (834,833) |
| At 31 Dec'21 | 11,965 | 470,900 | - | 143,111 | 625,976 |
| Net Book Value: | | | | | |
| At 31 Dec'21 | - | - | - | 220,194 | 304,015 |
| | | | | | |
| | Office equipment | Furniture and fixtures | Capital work in progress | Computers and software | Total |
| | SR | SR | SR | SR | SR |
| Cost: | | | | | |
| At 1 Jan'20 | 11,965 | 470,900 | 334,661 | 596,744 | 1,414,270 |
| Additions | - | - | 83,821 | 522,470 | 606,291 |
| Reclassification | - | - | (334,661) | 334,661 | - |
| Disposals | - | - | - | (334,661) | (334,661) |
| At 31 Dec'20 | 11,965 | 470,900 | 83,821 | 1,119,214 | 1,685,900 |
| Accumulated depreciation: | | | | | |
| At 1 Jan'20 | 11,965 | 470,900 | - | 259,487 | 742,352 |
| Charge for the year | - | - | - | 200,533 | 200,533 |
| Retirement | - | - | - | (19,202) | (19,202) |
| At 31 Dec'20 | 11,965 | 470,900 | - | 440,818 | 923,683 |
| Net Book Value: | | | | | |
| At 31 Dec'20 | - | - | 83,821 | 678,396 | 762,217 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

11 INTANGIBLE ASSETS

| | <i>Customer Relationship</i> | <i>Software Application</i> | <i>Total</i> |
|----------------------------------|----------------------------------|-----------------------------|------------------|
| | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| Cost : | | | |
| At 1 Jan'21 | 2,203,778 | 337,453 | 2,541,231 |
| Additions | - | - | - |
| At 31 Dec'21 | 2,203,778 | 337,453 | 2,541,231 |
| Accumulated amortization: | | | |
| At 1 Jan'21 | 452,536 | 108,290 | 560,826 |
| Charge for the year | 380,064 | 112,486 | 492,550 |
| At 31 Dec'21 | 832,600 | 220,776 | 1,053,376 |
| Net Book Value: | | | |
| At 31 Dec'21 | 1,371,178 | 116,677 | 1,487,855 |
| | | | |
| | <i>Customer Relationship</i> | <i>Software Application</i> | <i>Total</i> |
| | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| Cost : | | | |
| At 1 Jan'20 | 2,203,778 | 29,481 | 2,233,259 |
| Additions | - | 307,972 | 307,972 |
| At 31 Dec'20 | 2,203,778 | 337,453 | 2,541,231 |
| Accumulated amortization: | | | |
| At 1 Jan'20 | 85,921 | 3,706 | 89,627 |
| Charge for the year | 366,615 | 104,584 | 471,199 |
| At 31 Dec'20 | 452,536 | 108,290 | 560,826 |
| Net Book Value: | | | |
| At 31 Dec'20 | 1,751,242 | 229,163 | 1,980,405 |

12 ACCOUNT PAYABLES AND ACCRUALS

| | 31 Dec'21 | 31 Dec'20 |
|------------------------|------------------|------------------|
| | SR | SR |
| Contract liabilities | 2,723,463 | 670,383 |
| Accrued expenses | 1,941,607 | 1,890,922 |
| Other payables | 1,585,243 | 3,796,002 |
| Employee payables | 1,463,470 | 694,357 |
| Trade account payables | 396,993 | 329,923 |
| | 8,110,776 | 7,381,587 |

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

13 INCOME TAX AND DEFERRED TAX

a) Income tax

Charge for the year

The income tax charge consists of:

| | 31 Dec'21 | 31 Dec'20 |
|---|------------------|------------------|
| | SR | SR |
| <u>Current tax*</u> | | |
| Current income tax | 1,059,587 | 1,047,056 |
| <u>Deferred tax credit</u> | | |
| Relating to origination and reversal of temporary differences** | (159,839) | (253,322) |
| Income tax reported in the statement of comprehensive income | 899,748 | 793,734 |

* Current income tax has been provided for based on the estimated taxable profit at 20% (2020: 20%).

** Deferred taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Major components of deferred tax liability and asset at year-end were:

| | 31 Dec'21 | 31 Dec'20 |
|--|------------------|------------------|
| | SR | SR |
| <u>Deferred tax assets</u> | | |
| Provision for doubtful debt | 564,763 | 553,807 |
| Differences in depreciation | 73,140 | 31,627 |
| Provision for employees defined benefits liabilities | 148,611 | 62,165 |
| Unrealised forex loss | - | 26,776 |
| Total deferred tax assets | 786,514 | 674,375 |
| <u>Deferred tax liability</u> | | |
| Unrealised forex gain | 1,970 | - |
| Net deferred tax assets | 784,544 | 674,375 |

b) Movement in income tax provision and deferred tax asset:

| | 31 Dec'21 | | 31 Dec'20 | |
|--|-------------------|---------------------|-------------------|---------------------|
| | SR | | SR | |
| | Income tax | Deferred tax | Income tax | Deferred tax |
| At beginning of the year | 1,086,839 | 674,375 | 351,571 | 417,801 |
| Provided and expensed during the current year | 1,379,942 | 159,839 | 1,083,535 | 253,322 |
| Provided and expensed during the previous year | (320,355) | - | (36,479) | - |
| DTA created against OCI | - | (49,670) | - | 3,252 |
| Payments during the year | (763,031) | - | (311,788) | - |
| At end of the year | 1,383,395 | 784,544 | 1,086,839 | 674,375 |

c) Status of assessments

The Company has submitted income tax declarations for all years upto 31 Dec'20 to the Zakat, Tax and Customs Authority (the 'ZATCA'). However, assessments are in process for year ending 31 Dec 2016 and 31 Dec 2017.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

14 EMPLOYEES DEFINED BENEFITS LIABILITIES

The management has carried out an exercise to assess the present value of its defined benefit obligations at 31 Dec'21 and 31 Dec'20 in respect of employees end-of-service benefits payable under relevant local regulations and contractual arrangements. The following tables summarise the components of net benefit expense recognised in the statement of comprehensive income and balances reported in the statement of financial position:

| | 31 Dec'21 | 31 Dec'20 |
|--|------------------|------------------|
| | SR | SR |
| Present value of employees defined benefits liabilities | | |
| Current Liabilities | 51,778 | 8,070 |
| Non current Liabilities | 691,279 | 403,523 |
| | 743,057 | 411,593 |

Amount recognised in the statement of comprehensive income in respect of post employment benefits are as follows:

| | | |
|-----------------------------|----------------|---------|
| Current service costs | 583,938 | 215,341 |
| Interest costs on liability | 10,963 | 4,819 |
| | 594,901 | 220,160 |

Movement in the net liability recognised in the statement of financial position are as follows:

| | | |
|--|------------------|---------|
| Employees defined benefits liabilities at beginning of the year | 411,593 | 179,179 |
| Current service costs | 583,938 | 215,341 |
| Interest costs on liability | 10,963 | 4,819 |
| End of service benefits paid | (15,089) | (4,004) |
| Actuarial (gain)/ loss | (248,348) | 16,258 |
| Employees defined benefits liabilities at end of the year | 743,057 | 411,593 |

The significant assumptions used in determining employees defined benefits liability are shown below:

| | 31 Dec'21 | 31 Dec'20 |
|------------------------------|------------------|------------------|
| Discount rate | 2.69% | 2.69% |
| Future salary increment rate | 3.33% | 2.00% |
| Retirement age (female) | 55 | 55 |
| Retirement age (male) | 60 | 60 |

Sensitivity Analysis:

End of service benefit is a lump sum plan and the cost of providing these benefits is typically less sensitive to small changes in demographic assumptions. The key actuarial assumptions to which the benefit obligation results are particularly sensitive to are discount rate and future salary escalation rate. The following table summarizes the change in defined benefit obligation and impact in percentage terms compared with the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the reported assumption by 50 basis points.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

14 EMPLOYEES DEFINED BENEFITS LIABILITIES (continued)

| | Year ended Dec'21 | |
|--|-------------------|------------------------|
| | Discount Rate | Salary Escalation Rate |
| Defined benefit obligation on increase in 50 bps | 709,002 | 779,483 |
| Impact of increase in 50 bps on DBO | -4.58% | 4.90% |
| Defined benefit obligation on decrease in 50 bps | 779,904 | 709,046 |
| Impact of decrease in 50 bps on DBO | 4.96% | -4.58% |

These sensitivities have been calculated to show the movement in defined benefit obligation in isolation and assuming there are no other changes in market conditions at the accounting date. There have been no changes from the previous periods in the methods and assumptions used in preparing the sensitivity analysis.

15 CAPITAL

The Company's capital consists of 12,200 shares (2020: 12,200 shares) of SR 500 each. The Company is owned 90% by HCL Bermuda Limited, and 10% by HCL Latin America Holding LLC.

| | 31 Dec'21 | 31 Dec'20 |
|--------------------------------------|-----------|-----------|
| | SR | SR |
| Authorized | | |
| 12,200 equity shares of SAR 500 each | 6,100,000 | 6,100,000 |

Terms/ rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of SAR 500/-. Each holder of equity shares is entitled to one vote per share.

Reconciliation of the number of shares outstanding at beginning and at end of the reporting period:

| | 31 Dec'21 | 31 Dec'20 |
|------------------------------------|-----------|-----------|
| Number of shares at beginning | 12,200 | 12,200 |
| Add: Shares issued during the year | - | - |
| Number of shares at end | 12,200 | 12,200 |

16 REVENUE

| | 31 Dec'21 | 31 Dec'20 |
|----------------------------------|------------|------------|
| | SR | SR |
| Application and support services | 62,113,746 | 47,159,989 |
| Product revenue | 57,523 | 362 |
| | 62,171,269 | 47,160,351 |

17 COST OF REVENUE

| | 31 Dec'21 | 31 Dec'20 |
|---------------------------|------------|------------|
| | SR | SR |
| Consulting charges-Group | 22,567,829 | 23,177,361 |
| Employee benefit expenses | 20,665,230 | 10,919,555 |
| Outsourced services | 3,728,785 | 3,717,622 |
| Others | 2,668,196 | 276,552 |
| Software license | 77,640 | 263,924 |
| | 49,707,680 | 38,355,014 |

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

18 SELLING AND DISTRIBUTION EXPENSES

| | 31 Dec'21 | 31 Dec'20 |
|--|------------------|------------------|
| | SR | SR |
| Marketing expenses | 2,910,546 | 1,350,985 |
| Outsourcing costs | 454,949 | 169,430 |
| Bad Debts | 192,742 | - |
| Travel | 100,504 | 472,345 |
| Charge/(reversal) of provision of allowance for doubtful accounts (Note 6) | 54,784 | (230,331) |
| | 3,713,525 | 1,762,429 |

19 GENERAL AND ADMINISTRATIVE EXPENSES

| | 31 Dec'21 | 31 Dec'20 |
|---|------------------|------------------|
| | SR | SR |
| Professional fees | 1,350,975 | 1,101,799 |
| Depreciation and amortisation(Note 10 & 11) | 1,029,676 | 671,732 |
| Establishment and maintenance costs | 302,106 | 18,525 |
| Rent | 196,447 | 139,918 |
| Penalty on direct tax | 83,948 | - |
| Audit fees | 81,300 | 43,600 |
| | 3,044,452 | 1,975,574 |

20 OTHER EXPENSES-NET

| | 31 Dec'21 | 31 Dec'20 |
|---|------------------|------------------|
| | SR | SR |
| Foreign exchange loss - net | 179,631 | 295,688 |
| Interest income on customer receivables | (54) | - |
| Miscellaneous Income | - | 4,078 |
| | 179,577 | 299,766 |

21 IMPACT OF COVID-19

In view of pandemic relating to COVID-19, the Company has considered and taken into account internal and external information on current estimates in assessing the recoverability of receivables, unbilled receivables, goodwill, intangible assets, other financial assets, impact on revenues and costs and impact on leases. However, the actual impact of COVID-19 on the financial statements may differ from that estimated and the company will continue to closely monitor any material changes to future economic conditions.

22 EVENTS AFTER THE REPORTING PERIOD

There have been no significant subsequent events since the year ended 31 Dec'21 that would have material impact on the statement of financial position of the Company as shown in these financial statements.

23 APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 Dec'21 were authorised for issuance by the shareholders on 11 May 2022

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Date: 11th May 2022

Dear Sirs,

This representation letter is provided in connection with your audit of the financial statements of HCL Arabia Limited ("the Company"), for the year ended 31 December 2021, comprising the following: the statement of financial position as at 31 December 2021, the related statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information, for the purpose of expressing an opinion as to whether these financial statements are presented fairly, in all material respects in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

We confirm that the representations we make in this letter are in accordance with the definitions set out in the Appendix to this letter.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 7 December 2021, for the preparation and fair presentation of the financial statements in accordance with IFRSs.
2. Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, if any, are reasonable.
3. All events subsequent to the date of the financial statements and for which IFRSs require adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Information Provided

5. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and

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- unrestricted access to persons within the Company from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. We confirm the following:
- i) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) We have disclosed to you all information in relation to:
- a) Fraud or suspected fraud that we are aware of and that affects the Company and involves:
- management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- b) Allegations of fraud, or suspected fraud, affecting the Company's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, we acknowledge our responsibility for such internal control as we determine necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, we acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements. Further, we have disclosed to you and have appropriately accounted for and/or disclosed in the financial statements in accordance with IFRSs all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
9. We have disclosed to you the identity of the Company's related parties and all the related party relationships and transactions of which we are aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IFRS for SMEs.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IFRS for SMEs.

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- 10.** We have made an assessment of the Company's ability to continue as a going concern taking into account all available information about the future, including the analysis of the potential impact in relation to the outbreak of COVID19, which under IFRS for SMEs Presentation of Financial Statements is at least, but is not limited to, twelve months from the end of the reporting period. We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.
- 11.** The Company has complied with all the provisions of applicable KSA laws.
- a. We have informed you of all the documents that we expect to issue that may comprise other information.
 - b. The financial statements and any other information provided to you prior to the date of the auditors' report are consistent with one another and the other information does not contain any material misstatements.
- 12.** Additional representations to address Value added Tax (VAT):
- a. The Company is regular in depositing the Value Added Tax ("VAT") with the appropriate authorities on a timely basis.
 - b. The VAT returns have been filed with the regulatory authorities within the stipulated timelines.
 - c. The Company has evaluated the status of recovery/ availability for future utilization of VAT input credit and has carried forward these balances as these are considered to be good and recoverable.
 - d. We confirm that there are no undisputed amounts payable in respect of Value added tax were in arrears as at 31 December 2021 from the date they became due other than those disclosed to you during the audit.

Except as disclosed to you already in writing, there have been no communications from regulatory agencies, governmental representatives, tax authorities employees or others concerning investigations or allegations of noncompliance with VAT laws and regulations, that could have a material adverse effect on the financial statements.

- 13.** Additional representations to address specific circumstances of the client:
- a. Deferred tax assets are recognized on all deductible temporary differences, carry forward of unused tax credits and unused tax losses only to the extent that it is probable that taxable profit will be available against which these assets can be utilized.
 - b. We confirm that Company is in compliance with all the requirements related to transfer pricing and we take responsibility for appropriateness of records relating to transfer pricing documentation as required by local laws and regulations.
 - c. There is no Management intent, e.g. plans or intentions that may affect the carrying value or classification of assets and liabilities.

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- d. Information that is known only to management, e.g. liabilities, both actual and contingent; title to, or control over, assets, the liens or encumbrances on assets, and assets pledged as collateral; and aspects of laws, regulations and contractual agreements that may affect the financial statements, including non-compliance.
- e. Whether matters, such as liabilities, both actual and contingent, where relevant under the applicable financial reporting framework, have been recognized, measured, presented or disclosed in accordance with that framework.

We hereby confirm that the above representations are made by us on the basis of enquiries with various stakeholders (including but not limited to shareholders, key management personnel including directors and employees) having relevant knowledge, skillset and experience (and, where appropriate, by inspection of supporting documentation) sufficient to satisfy ourselves that we can authoritatively, properly and appropriately make each of the above representations to you.

Yours truly,

Umakant Shrivastava



General Manager

Appendix to the Management Representation Letter of HCL Arabia Limited

Definitions

The following definitions assume that IFRS for SMEs are the applicable financial reporting framework. When IFRS for SMEs have not been used to prepare the financial statements, an appropriate equivalent definition from the applicable financial reporting framework should be used, if available. If the financial reporting framework does not contain a relevant definition, then the definition from the ISA or IFAC Glossary of Terms should be used.

Financial Statements

Section 3.17 of IFRS for SMEs states that "a complete set of financial statements comprises:

- a) a statement of financial position as at the end of the period;
- b) a statement of comprehensive income for the period;
- c) a statement of changes in equity for the period;
- d) a statement of cash flows for the period;
- e) notes, comprising a summary of significant accounting policies and other explanatory information;
- f) comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and
- g) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A–40D.

An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'."

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

Appendix B (Glossary of terms) of IFRS for SMEs state the following:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

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Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.”

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Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure. (IFAC Glossary of Terms).

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorized for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in Section 33 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i) has control or joint control over the reporting entity;
 - ii) has significant influence over the reporting entity; or
 - iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

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- ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii) Both entities are joint ventures of the same third party.
- iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- vi) The entity is controlled, or jointly controlled by a person identified in (a).
- vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control or joint control of, or significant influence over, the reporting entity; and
- b) another entity that is a related party because the same government has control or joint control of or significant influence over, both the reporting entity and the other entity.

Related party transaction - A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.