

HCL Arabia Limited
(A Limited Liability Company)

Financial Statements for the year ended
31 December 2022
together with
Independent Auditor's Report

HCL ARABIA LIMITED
(A Limited Liability Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2022

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KPMG Professional Services

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Commercial Registration No 1010425494

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 2022, the statement 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 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards 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 (ISAs) 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 International Code of Ethics for Professional Accountants (including International Independence Standards), that is 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 the Code's 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 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, are 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



Naif Abdulrahman Edrees

License No: 457

Riyadh on: 20 Shawwal 1444H

Corresponding to: 10 May 2023

HCL Arabia Limited
(A Limited Liability Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	31 Dec'22 SR	31 Dec'21 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	19,899,938	30,275,626
Account receivables and unbilled revenue	6	43,653,301	19,531,253
Inventories		5,419	-
Finance lease receivables		47,717	42,952
Prepayments, deposits and other receivables	7	3,952,663	1,061,635
Amount due from related parties	8d	11,579,156	5,763,775
TOTAL CURRENT ASSETS		79,138,194	56,675,241
NON-CURRENT ASSET			
Goodwill	9	2,563,444	2,563,444
Property and equipment	10	262,730	304,015
Prepayments, deposits and other receivables	7	20,360	-
Finance lease receivables		6,586	14,638
Intangible assets	11	1,139,523	1,487,855
Deferred tax assets	14b	563,654	784,544
TOTAL NON-CURRENT ASSETS		4,556,297	5,154,496
TOTAL ASSETS		83,694,491	61,829,737
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Account payables and accruals	12	17,895,610	8,110,776
Amount due to related parties	8d	31,548,894	36,158,822
Borrowings	13	9,581,880	-
Provision for income tax	14b	877,316	1,383,395
Employees defined benefits liabilities	15	199,166	51,778
TOTAL CURRENT LIABILITIES		60,102,866	45,704,771
NON-CURRENT LIABILITY			
Employees defined benefits liabilities	15	1,293,307	691,279
Other payables and accruals	17	2,630,029	114,125
TOTAL NON-CURRENT LIABILITIES		3,923,336	805,404
TOTAL LIABILITIES		64,026,202	46,510,175
EQUITY			
Capital	16	6,100,000	6,100,000
Statutory reserve		1,401,449	966,576
Retained earnings		12,166,840	8,252,986
TOTAL EQUITY		19,668,289	15,319,562
TOTAL LIABILITIES AND EQUITY		83,694,491	61,829,737

Umair Shah

These financial statements as shown on pages from 3 to 24 were approved by the shareholders on 9 May 2023 and signed on their behalf by:

The attached notes 1 to 24 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 2022

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	31 Dec'22 SR	31 Dec'21 SR
Revenue	18	77,897,856	62,171,269
Cost of revenue	19	(65,137,639)	(49,707,680)
GROSS PROFIT		12,760,217	12,463,589
EXPENSES			
Selling and distribution expenses	20	(4,052,471)	(3,658,741)
Reversal/(charge) of impairment loss on trade receivables		1,555,883	(54,784)
General and administrative expenses	21	(4,114,987)	(3,044,452)
OPERATING PROFIT		6,148,642	5,705,612
Other expenses-net	22	(262,856)	(179,577)
Financial charges		(315,597)	(73,368)
PROFIT BEFORE INCOME TAX		5,570,189	5,452,667
Income tax	14a	(1,110,225)	(899,748)
PROFIT FOR THE YEAR		4,459,964	4,552,919
Other comprehensive (loss)/income:			
Items that will not be subsequently reclassified to profit and loss			
Re-measurement (loss)/gain of defined benefit liabilities	15	(139,047)	248,348
Deferred tax credit/(charge) related to re-measurement (loss)/gain of defined liabilities	14b	27,810	(49,670)
TOTAL OTHER COMPREHENSIVE (LOSS)/INCOME		(111,237)	198,678
TOTAL COMPREHENSIVE INCOME		4,348,727	4,751,597

Umakant Shrivastava

These financial statements as shown on pages from 3 to 24 were approved by the shareholders on 9 May 2023 and signed on their behalf by:

The attached notes 1 to 24 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 2022

(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'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
As at 1 Jan'22	6,100,000	966,576	8,252,986	15,319,562
Profit for the year	-	-	4,459,964	4,459,964
Other comprehensive loss for the year	-	-	(111,237)	(111,237)
Total comprehensive income	-	-	4,348,727	4,348,727
Transferred to statutory reserve	-	434,873	(434,873)	-
Total profit and OCI for the year	-	434,873	3,913,854	4,348,727
As at 31 Dec'22	6,100,000	1,401,449	12,166,840	19,668,289

Umar Kant Shau

The attached notes 1 to 24 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 2022

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	31 Dec'22 SR	31 Dec'21 SR
Cash flows from operating activities			
Profit before income tax		5,570,189	5,452,667
<i>Adjustments for :</i>			
Depreciation and amortisation	10,11	463,655	1,029,676
Employees defined benefit expenses	15	694,676	594,901
Bad Debts written off	20	653,873	192,742
Property and equipment written off		2,530	76,450
Provision for doubtful debts	6	(1,555,883)	54,784
Interest income on customer receivables	22	(441)	(54)
		<u>5,828,599</u>	<u>7,401,166</u>
<i>Changes in working capital:</i>			
Account receivables and unbilled revenue		(23,220,038)	4,924,374
Prepayments, deposits and other receivables		(2,911,388)	(711,989)
Inventories		(5,419)	16,957
Finance lease receivables		3,287	(57,590)
Amount due from related parties		(5,815,381)	(3,193,102)
Account payables and accruals		12,300,738	749,200
Amount due to related parties		(4,609,928)	10,774,573
Cash (used in)/generated from operations		<u>(18,429,530)</u>	<u>19,903,589</u>
Income tax paid	14b	(1,367,604)	(763,031)
Interest income on customer receivables	22	441	54
Employees defined benefits paid	15	(84,307)	(15,089)
<i>Net cash flows (used in)/generated from operating activities</i>		<u>(19,881,000)</u>	<u>19,125,523</u>
Cash flows from investing activities			
Acquisition of property and equipment	10	(76,568)	(155,374)
<i>Net cash flows used in investing activities</i>		<u>(76,568)</u>	<u>(155,374)</u>
Cash flows from financing activities			
Borrowings from related party:			
Additions during the year	13	11,457,330	-
Repayments during the year	13	(1,875,450)	-
<i>Net cash flows generated from financing activities</i>		<u>9,581,880</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		(10,375,688)	18,970,149
Bank balances at beginning of the year		30,275,626	11,305,477
Bank balances at end of the year	5	<u>19,899,938</u>	<u>30,275,626</u>

Umkant Shau

The attached notes 1 to 24 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 26/7/1446H (corresponding to 26 January 2025) and MISA License Number 112031098754-01 valid up to 14/7/1447 (corresponding to 3 January 2026). 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

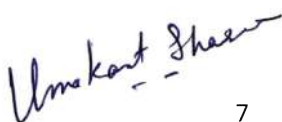
Cash and cash equivalents in the balance sheet comprise of cash in banks which are subject to an insignificant risk of changes in value.

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.

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).



NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and amounts due from related parties. Financial liabilities include account payables, accruals, borrowings 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.

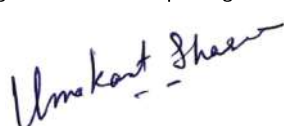
Property and equipment

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:

Category of property and equipment

	<i>Years</i>
Office equipment	5 years
Furniture and fixtures	7 years
Computers and laptop	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.



3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

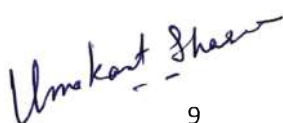
Business combinations and goodwill

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.

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.

Useful life of goodwill	10 years
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 are tested for impairment 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.

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.

Umakant Sharma

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.


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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Stock-in-trade, stores and spares are valued at the lower of the cost or net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Cost of stock-in-trade procured for specific projects is assigned by identifying individual costs of each item. Cost of stock-in-trade, that are interchangeable and not specific to any project and cost of stores and spare parts are determined using the weighted average cost formula.

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	262,730
Goodwill	2,563,444
Intangible assets	1,139,523

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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

4 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

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.

Umakant Shrivastava

HCL Arabia Limited
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

5 CASH AND CASH EQUIVALENTS

	31 Dec'22	31 Dec'21
	SR	SR
Cash at bank	19,899,938	30,275,626
	19,899,938	30,275,626

6 ACCOUNT RECEIVABLES AND UNBILLED REVENUE

	31 Dec'22	31 Dec'21
	SR	SR
Trade receivables	31,808,392	12,032,928
Unbilled revenue	13,112,836	10,322,135
Impairment loss on trade receivable	(1,267,927)	(2,823,810)
	43,653,301	19,531,253

Movements for impairment loss on trade receivables are as follows:

	31 Dec'22	31 Dec'21
	SR	SR
At beginning of the year	2,823,810	2,769,026
(Reversal)/charge for the year	(1,555,883)	54,784
At end of the year	1,267,927	2,823,810

The ageing of unimpaired trade receivables is as follows:

	Neither past due nor impaired	Past due but not impaired				Total
	0-30 days	30 – 60 days	61 – 90 days	>90 days		
	SR	SR	SR	SR		SR
31 Dec'22	6,403,121	13,208,885	564,181	10,364,278		30,540,465
31 Dec'21	3,656,155	500,955	930,193	4,121,815		9,209,118

7 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 Dec'22	31 Dec'21
	SR	SR
Prepaid expense	816,972	482,108
Deferred cost	37,066	377,803
Deposits	2,869,863	-
Others	249,122	201,724
	3,973,023	1,061,635
Less: Non-current portion	(20,360)	-
Amount disclosed as current portion	3,952,663	1,061,635

Umkant Shaeer

HCL Arabia Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

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 Technologies South Africa (Proprietary) Limited

HCL Technologies Limited- Ireland Branch

HCL Technologies Limited - Abu Dhabi branch

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 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. Ogranizacni 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 Australia Services Pty. Limited

HCL Technologies (PTY) Limited

HCL Technologies Solutions GmbH

HCL (Netherlands) BV

HCL Technologies Limited - Portugal Branch

HCL Technologies Romania s.r.l.

HCL Technologies France

HCL Technologies Malaysia Sdn Bhd

HCL Argentina s.a.

HCL Belgium NV

HCL Japan Limited

HCL Technologies Austria GmbH

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.

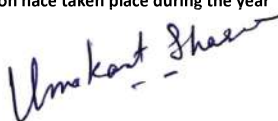
HCL (New Zealand) Limited

HCL Technologies Italy S.p.A.

HCL Canada Inc - SD

Additions in fellow subsidiaries with whom transaction have taken place during the year

HCL Asia Pacific Pte Limited



HCL Arabia Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022
(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)

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

	31 Dec'22	31 Dec'21
	SR	SR
Ultimate Holding Company:		
a) Consulting charges accrued to ultimate holding company	13,981,666	19,458,173
b) Sales made/services rendered to ultimate holding company	13,743	742,927
c) Payments made to ultimate holding company	19,638,635	20,475,345

Key Management Personnel:

a) Salary Payments made during the year to Mr. Uma Kant Sharma	138,227	130,876
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Fellow Subsidiaries:

i) Consultation services rendered by fellow subsidiaries	31 Dec'22	31 Dec'21
	SR	SR
Action Corporation	905,342	-
HCL Technologies Egypt Ltd.	692,968	55,070
HCL Canada Inc - SD	367,659	43,850
HCL Technologies Middle East FZ-LLC- Dubai Branch	394,788	403,351
HCL America Inc.	297,130	1,563,740
HCL Technologies Costa Rica	169,090	-
HCL Technologies Germany GmbH	97,449	-
HCL Technologies (Shanghai) Limited	91,775	163,742
HCL Technologies Mexico S. DE R. L. DE C. V.	80,572	5,163
HCL Asia Pacific Pte Limited	75,841	-
H C L Technologies Lanka (Private) Limited	67,972	5,853
HCL Australia Services Pty. Limited	58,240	-
HCL Technologies Denmark ApS	46,604	-
HCL Technologies UK Limited	37,554	-
HCL (New Zealand) Limited	26,776	-
HCL Technologies France	26,264	68,534
HCL Axon Solutions (Shanghai) Co. Limited	14,962	36,283
PT HCL Technologies Indonesia Limited	11,875	3,300
HCL Technologies Czech Republic s.r.o.	10,688	-
HCL Sweden AB	9,222	8,654
HCL Technologies Middle East FZ-LLC	9,113	11,270
HCL Technologies Norway AS	8,587	203,659
HCL Technologies (Taiwan) Limited.	3,199	-
HCL Technologies Chile Spa	2,982	-
HCL Istanbul Bilisim Teknolojileri Limited sirketi	2,351	-
HCL Technologies Greece Single Member P.C.	355	-
HCL Guatemala, Sociedad Anónima	35	65,857
HCL Great Britain Limited	-	255,741
HCL Technologies Romania s.r.l.	-	29,992
HCL Technologies Malaysia Sdn Bhd	-	14,311
HCL Singapore Pte. Limited	-	115,900
HCL Argentina s.a.	-	3,717
HCL Hong Kong SAR Limited	-	3,506
HCL (Ireland) Information Systems Limited	-	14,382
HCL Technologies Finland Oy	-	12,623
HCL Poland sp. z o.o	-	4,195
HCL Technologies Philippines, Inc.	-	4,164
HCL Canada Inc.	-	6,979
HCL Hungary KFT.	-	2,476
HCL Technologies Beijing Co. Ltd.	-	3,343
	3,509,393	3,109,655

ii) Marketing Services rendered by fellow subsidiaries

	31 Dec'22	31 Dec'21
	SR	SR
HCL Technologies Limited- UAE Branch	619,687	2,907,196
	619,687	2,907,196

Uma Kant Sharma

HCL Arabia Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

(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)

iii) Sales made/Services rendered to fellow subsidiaries

	31 Dec'22	31 Dec'21
	SR	SR
HCL Technologies Germany GmbH	396,408	-
HCL America Inc.	361,137	8,859
HCL Argentina s.a.	193,703	13,411
HCL Technologies Romania s.r.l.	147,128	-
HCL (Brazil) Tecnologia Da Informacao EIRELI	132,012	-
HCL Technologies Finland Oy	84,969	74,175
HCL (New Zealand) Limited	74,911	233,846
HCL Technologies UK Limited	70,009	134,463
HCL HCL Latin America Holding, LLC, Costa Rica Branch	63,822	32,946
Telrex Marketing, Inc.	63,216	-
HCL Technologies (PTY) Ltd.	61,842	-
HCL Technologies BV	57,157	-
HCL Canada Inc - SD	53,683	37,479
HCL Technologies Mexico S. DE R. L. DE C. V.	31,082	-
HCL Australia Services Pty. Limited	28,067	50,737
HCL Technologies (Taiwan) Limited	14,099	2,359
HCL Technologies Italy S.P.A	11,902	51,184
HCL Technologies Egypt Ltd	9,547	-
HCL Asia Pacific Pte Limited	8,169	-
HCL Technologies Lanka (Private) Limited	7,405	-
HCL Technologies Philippines, Inc	5,735	-
HCL Technologies Corporate Services Limited	5,493	-
PT. HCL Technologies Indonesia	4,249	-
HCL Japan Limited	4,082	117,762
HCL Technologies Belgium BVBA	1,992	-
HCL Technologies Middle East FZ-LLC- Dubai Branch	-	750,084
HCL Latin America Holding LLC, Panama Branch	-	89,038
HCL Technologies Norway AS	-	53,876
HCL Technologies Sweden AB	-	34,605
HCL Singapore Pte. Limited	-	31,296
HCL (Ireland) Information Systems Limited	-	15,444
HCL Hong Kong SAR Limited	-	5,238
HCL Technologies South Africa (Proprietary) Limited	-	2,627
	1,891,819	1,739,429

iv) Payments made to fellow subsidiaries

	31 Dec'22	31 Dec'21
	SR	SR
HCL America Inc.	1,441,597	2,724,775
HCL Technologies Middle East FZ-LLC- Dubai Branch	320,547	193,384
HCL Canada Inc. – SD	295,836	-
HCL Technologies UK Limited	213,429	-
HCL Technologies Norway AS	199,401	520,848
HCL Technologies (Shanghai) Limited	89,814	428,230
HCL Technologies Lanka (Private) Limited	62,534	-
HCL Technologies France	56,541	-
HCL Technologies BV	34,532	-
HCL Technologies Egypt Limited	30,494	-
HCL Technologies Romania s.r.l.	25,100	-
HCL Axon Solutions (Shanghai) Co., Limited	21,118	8,806
HCL Guatemala, Sociedad Anonima	17,834	-
PT. HCL Technologies Indonesia	15,671	-
HCL Technologies Malaysia SDN BHD (Fy HCLAxonMalaysiaSDNBHD)	12,178	-
HCL Axon Solutions (Shanghai) Co. Ltd. Suzhou Branch	11,056	-
HCL Technologies Finland Oy	10,560	-
HCL Technologies Middle East FZ-LLC	9,581	977

Umakant Shrivastava

HCL Arabia Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022
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8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

iv) Payments made to fellow subsidiaries (continued)

	31 Dec'22	31 Dec'21
	SR	SR
HCL Asia Pacific Pte Limited	8,579	-
HCL Canada Inc.	6,040	-
HCL Mexico	4,421	-
HCL Poland Sp.z.o.o.	3,390	-
HCL Technologies Philippines, Inc	3,358	-
HCL Technologies Belgium BVBA	3,228	-
HCL Hong Kong SAR Limited	2,971	-
HCL Technologies Beijing Co., Ltd	2,930	14,820
HCL Argentina s.a.	2,258	-
HCL Hungary Kft	1,985	-
HCL Great Britain Limited	-	280,164
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 Chile SpA	-	8,902
HCL (Ireland) Information Systems Limited	-	5,200
HCL Technologies Colombia SAS	-	4,358
HCL Axon Solutions (Shanghai) Co., Ltd, Guangzhou Branch	-	2,804
	2,906,983	4,475,961

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

i) Amounts due from related parties

	31 Dec'22	31 Dec'21
	SR	SR
Ultimate Holding Company	9,966,112	4,519,906
Fellow subsidiaries:		
HCL America Inc.	394,429	95,231
HCL Singapore Pte. Limited	331,257	346,291
HCL Argentina s.a.	234,846	41,126
HCL (Brazil) Tecnologia da informacao EIRELI	146,417	14,405
HCL Technologies Romania s.r.l.	153,442	6,314
HCL HCL Latin America Holding, LLC, Costa Rica Branch	96,770	32,946
HCL Technologies (PTY) Limited	61,842	-
HCL Axon Solutions (Shanghai) Co. Limited.	48,898	48,898
HCL Mexico	31,084	-
HCL Latin America Holding LLC, Panama Branch	26,247	26,247
HCL Technologies (Taiwan) Limited	16,459	2,359
HCL Technologies Finland Oy	16,076	24,944
Telerox Marketing, Inc.	14,809	-
HCL Technologies Egypt Limited	9,547	-
HCL Asia Pacific Pte Limited	8,169	-
HCL Technologies Lanka (Private) Limited	7,406	-
HCL Technologies Chile Spa	5,681	5,681
PT. HCL Technologies Indonesia	4,249	-
HCL Technologies Philippines Inc	2,789	-
HCL Technologies South Africa (Proprietary) Limited	2,627	2,627
HCL Technologies UK Ltd.	-	134,463
HCL Technologies Middle East FZ-LLC- Dubai Branch	-	189,466
HCL Japan Limited	-	117,762
HCL Technologies Norway AS	-	53,876
HCL Technologies Italy S.P.A.	-	51,184
HCL (Ireland) Information Systems Limited	-	15,444
HCL Technologies Sweden AB	-	34,605
	11,579,156	5,763,775

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HCL Arabia Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

ii) Amounts due to related parties

	31 Dec'22 SR	31 Dec'21 SR
Ultimate Holding Company	27,592,717	32,408,195
Fellow subsidiaries:		
Actian Corporation	905,342	-
HCL Technologies Egypt Ltd.	592,429	55,051
HCL America Inc.	579,314	1,741,872
HCL Technologies Middle East FZ-LLC- Dubai Branch	433,368	432,651
HCL Canada Inc.	414,379	386,384
HCL Technologies Costa Rica	182,146	-
HCL Technologies (Shanghai) Limited	148,191	167,180
HCL Latin America Holding, LLC, Costa Rica branch	112,429	112,363
HCL Technologies Germany GmbH	93,928	-
HCL Mexico	80,572	5,197
HCL Asia Pacific Pte Limited	75,841	10,107
HCL Australia Services Pty. Limited	61,259	-
HCL Technologies Denmark ApS	44,950	-
HCL Guatemala, Sociedad Anónima	44,196	65,871
HCL Technologies UK Limited	37,644	249,099
HCL (New Zealand) Limited	27,217	-
HCL Technologies France	26,640	66,260
HCL Technologies Sweden AB	16,666	8,654
HCL Axon Solutions (Shanghai) Co., Ltd. Wuxi Branch	14,962	-
HCL (Ireland) Information Systems Limited	13,568	14,382
PT HCL Technologies Indonesia Limited	12,888	18,552
HCL TECHNOLOGIES CZECH REPUBLIC s.r.o.	11,895	-
HCL Technologies Middle East FZ-LLC	9,107	11,285
HCL Technologies Norway AS	8,690	233,512
HCL Technologies Chile Spa	3,220	-
HCL Technologies (Taiwan) Ltd.	2,985	-
HCL Istanbul Bilisim Teknolojileri Limited sirketi	2,351	-
HCL Technologies B.V.	-	40,468
HCL Technologies Romania s.r.l.	-	29,397
HCL Axon Solutions (Shanghai) Co. Limited	-	24,896
HCL Technologies Malaysia Sdn Bhd	-	14,400
HCL Axon Solutions (Shanghai) Co.Ltd.,Guangzhou Branch	-	13,034
HCL Technologies Finland Oy	-	12,376
HCL Canada Inc.	-	6,993
H C L Technologies Lanka (Private) Limited	-	5,544
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
HCL Hong Kong SAR Limited	-	3,497
HCL Technologies Beijing Co. Ltd.	-	3,455
HCL Hungary KFT.	-	2,246
	31,548,894	36,158,822

Umakant Shew

HCL Arabia Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

9 Goodwill

	31 Dec'22	31 Dec'21
	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 2022 actual operating results and the unit's 5-years business plan, with average net margin applied of 8% (2021: 9%) per annum for the years 2023 to 2027.
- The terminal value was estimated using the perpetuity growth model, with a weighted average growth rate to perpetuity of 2% (2021: 2%).
- A discount rate of 4.00% (2021: 4.96%) 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 Laptop	Total
	SR	SR	SR	SR	SR
Cost :					
At 1 Jan'22	11,965	470,900	-	447,126	929,991
Additions	-	-	-	76,568	76,568
Disposals	-	-	-	(6,400)	(6,400)
At 31 Dec'22	11,965	470,900	-	517,294	1,000,159
Accumulated depreciation:					
At 1 Jan'22	11,965	470,900	-	143,111	625,976
Charge for the year	-	-	-	115,323	115,323
Disposals	-	-	-	(3,870)	(3,870)
At 31 Dec'22	11,965	470,900	-	254,564	737,429
Net Book Value:					
At 31 Dec'22	-	-	-	262,730	262,730

	Office equipment	Furniture and fixtures	Capital work in progress	Computers and Laptop	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	-	447,126	929,991
Accumulated depreciation:					
At 1 Jan'21	11,965	470,900	-	440,818	923,683
Charge for the year	-	-	-	537,126	537,126
Disposals	-	-	-	(834,833)	(834,833)
At 31 Dec'21	11,965	470,900	-	143,111	625,976
Net Book Value:					
At 31 Dec'21	-	-	-	304,015	304,015

Umakant Sharma

HCL Arabia Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

(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'22	2,203,778	337,453	2,541,231
Additions	-	-	-
At 31 Dec'22	2,203,778	337,453	2,541,231
Accumulated amortization:			
At 1 Jan'22	832,600	220,776	1,053,376
Charge for the year	239,572	108,760	348,332
At 31 Dec'22	1,072,172	329,536	1,401,708
Net Book Value:			
At 31 Dec'22	1,131,606	7,917	1,139,523
	<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

12 ACCOUNT PAYABLES AND ACCRUALS

	<i>31 Dec'22</i>	<i>31 Dec'21</i>
	<i>SR</i>	<i>SR</i>
Contract liabilities	4,392,516	2,723,463
Accrued expenses	2,340,462	1,941,607
Other payables	8,228,394	1,585,243
Employee payables	1,215,662	1,463,470
Trade payables	1,718,576	396,993
	17,895,610	8,110,776

13 BORROWINGS

	<i>31 Dec'22</i>	<i>31 Dec'21</i>
	<i>SR</i>	<i>SR</i>
Borrowings from related party	9,581,880	-
	9,581,880	-

Movements for borrowings from related party are as follows:

	<i>31 Dec'22</i>	<i>31 Dec'21</i>
	<i>SR</i>	<i>SR</i>
At beginning of the year	-	-
Additions during the year	11,457,330	-
Repayments during the year	(1,875,450)	-
At end of the year	9,581,880	-

The Company entered into unsecured short-term loan facility agreement with HCL America Inc. for amount of USD 2.60 million (SAR 9.75 million). The loan is intended for the Company's working capital requirement and will be payable on demand with interest of LIBOR +100 bps per annum and SOFR +50 bps per annum.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

14 INCOME TAX AND DEFERRED TAX

a) Income tax

Charge for the year

The income tax charge consists of:

	31 Dec'22	31 Dec'21
	SR	SR
<u>Current tax*</u>		
Current income tax	861,525	1,059,587
<u>Deferred tax credit</u>		
Relating to origination and reversal of temporary differences**	248,700	(159,839)
Income tax reported in the statement of comprehensive income	1,110,225	899,748

* Current income tax has been provided for based on the estimated taxable profit at 20% (2021: 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'22	31 Dec'21
	SR	SR
<u>Deferred tax assets</u>		
Provision for doubtful debt	253,585	564,763
Differences in depreciation	30,090	73,140
Provision for employees defined benefits liabilities	298,495	148,611
Total deferred tax assets	582,170	786,514
<u>Deferred tax liability</u>		
Unrealised forex gain	18,517	1,970
Net deferred tax assets	563,653	784,544

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

	31 Dec'22		31 Dec'21	
	SR		SR	
	Income tax	Deferred tax	Income tax	Deferred tax
At beginning of the year	1,383,395	784,544	1,086,839	674,375
Provided and expensed during the current year	861,525	(248,700)	1,379,942	159,839
Provided and expensed during the previous year	-	-	(320,355)	-
DTA created against OCI	-	27,810	-	(49,670)
Payments during the year	(1,367,604)	-	(763,031)	-
At end of the year	877,316	563,654	1,383,395	784,544

c) Status of assessments

The Company has submitted income tax declarations for all years upto 31 Dec'21 to the Zakat, Tax and Customs authority (the "ZATCA"). However, no assessments have been raised by ZATCA yet.

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HCL Arabia Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

15 EMPLOYEES DEFINED BENEFITS LIABILITIES

The management has carried out an exercise to assess the present value of its defined benefit obligations at 31 Dec'22 and 31 Dec'21 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'22 SR	31 Dec'21 SR
Present value of employees defined benefits liabilities		
Current Liabilities	199,166	51,778
Non current Liabilities	1,293,307	691,279
	1,492,473	743,057

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

Current service costs	675,384	583,938
Interest costs on liability	19,292	10,963
	694,676	594,901

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

Employees defined benefits liabilities at beginning of the year	743,057	411,593
Current service costs	675,384	583,938
Interest costs on liability	19,292	10,963
End of service benefits paid	(84,307)	(15,089)
Actuarial loss/(gain)	139,047	(248,348)
Employees defined benefits liabilities at end of the year	1,492,473	743,057

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

	31 Dec'22	31 Dec'21
Discount rate	2.69%	2.69%
Future salary increment rate	7.20%	3.33%
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.

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HCL Arabia Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

15 EMPLOYEES DEFINED BENEFITS LIABILITIES (continued)

	Year ended Dec'22	
	Discount Rate	Salary Escalation Rate
Defined benefit obligation on increase in 50 bps	1,456,160	1,528,522
Impact of increase in 50 bps on DBO	-2.43%	2.42%
Defined benefit obligation on decrease in 50 bps	1,530,318	1,457,498
Impact of decrease in 50 bps on DBO	2.54%	-2.34%

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 year in the methods and assumptions used in preparing the sensitivity

16 CAPITAL

The Company's capital consists of 12,200 shares (2021: 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'22	31 Dec'21
	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. 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'22	31 Dec'21
Number of shares at beginning	12,200	12,200
Add: Shares issued during the year	-	-
Number of shares at end	12,200	12,200

17 OTHER PAYABLES AND ACCRUALS

	31 Dec'22	31 Dec'21
	SR	SR
Employee payables	1,819,878	-
Contract liabilities	810,151	114,125
	2,630,029	114,125

18 REVENUE

	31 Dec'22	31 Dec'21
	SR	SR
Application and support services	77,540,300	62,113,746
Product revenue	357,556	57,523
	77,897,856	62,171,269

19 COST OF REVENUE

	31 Dec'22	31 Dec'21
	SR	SR
Consulting charges-Group	17,467,605	22,567,829
Employee benefit expenses	39,774,470	20,665,230
Outsourced services	1,651,119	3,728,785
Others	6,171,318	2,668,196
Software license	73,127	77,640
	65,137,639	49,707,680

Um Kant - Share

HCL Arabia Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

20 SELLING AND DISTRIBUTION EXPENSES

	31 Dec'22	31 Dec'21
	SR	SR
Marketing expenses	690,375	2,910,546
Outsourcing costs	762,001	454,949
Bad debts written off	653,873	192,742
Travel	1,946,222	100,504
	4,052,471	3,658,741

21 GENERAL AND ADMINISTRATIVE EXPENSES

Professional fees	2,665,127	1,432,275
Depreciation and amortisation (note 10 and 11)	463,655	1,029,676
Establishment and maintenance costs	757,721	302,106
Rent	160,247	196,447
Penalty on direct tax	68,237	83,948
	4,114,987	3,044,452

22 OTHER EXPENSES-NET

	31 Dec'22	31 Dec'21
	SR	SR
Foreign exchange loss - net	263,297	179,631
Interest income on customer receivables	(441)	(54)
	262,856	179,577

23 EVENTS AFTER THE REPORTING PERIOD

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its Articles of Association/By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Company shall present the amended Articles of Association/By-Laws to the shareholders in their Extraordinary/Annual General Assembly meeting for their ratification.

Except as mentioned above, no other event has occurred subsequent to the reporting date and including the date of the approval of the financial statements which requires adjustment to, or disclosures, in these financial statements.

24 APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 Dec'22 were authorised for issuance by the shareholders on 9 May 2023

Umakant Sharma