

**HCL Technologies Costa Rica S.R.L.**  
Financial Statements  
For the year ended 31 December 2023 and 2022

# B S R & Co. LLP

Chartered Accountants

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

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## Independent Auditor's Report

**To the Board of Directors of HCL Technologies Costa Rica S.R.L.**

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of HCL Technologies Costa Rica S.R.L. (the “Company”), which comprise the Balance Sheet as at 31 December 2023, and the Statement of Profit and Loss (including other comprehensive income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information (collectively referred to as “the financial statements”).

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 December 2023, and its profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

#### Basis for Opinion

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing opinion on whether the company has in place adequate internal financial controls with reference to financial statements and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the financial statements made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting in preparation of financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

**Other Matter-Restriction on Use**

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

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

Place: Gurugram, India  
Date: 07 May 2024

Prince Sharma  
Partner  
Membership No. 521307  
ICAI UDIN: 24521307BKFLKJ9851

HCL Technologies Costa Rica S.R.L.  
Balance Sheet as at 31 December 2023  
(All amounts in thousands except share data and as stated otherwise)

	Note No.	As at 31 December 2023 (CRC)	As at 31 December 2022 (CRC)
<b>I. ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Property, plant and equipment	2.1(A)	547,156	526,058
(b) Capital work in progress	2.1(B)	-	9,109
(c) Right-of-use assets	2.20	509,714	621,599
(d) Financial assets			
(i) Others	2.2	17,089	18,873
(e) Other non-current assets	2.3	7,318	5,633
<b>Total non-current assets</b>		<b>1,081,277</b>	<b>1,181,272</b>
<b>(2) Current assets</b>			
(a) Inventories	2.4	7,003	-
(b) Financial assets			
(i) Trade receivables			
Billed	2.5	1,008,259	736,755
Unbilled	2.5	-	95,548
(ii) Cash and cash equivalents	2.6	194,081	153,684
(c) Other current assets	2.7	92,948	59,699
<b>Total current assets</b>		<b>1,302,291</b>	<b>1,045,686</b>
<b>TOTAL ASSETS</b>		<b>2,383,568</b>	<b>2,226,958</b>
<b>II. EQUITY</b>			
(a) Equity share capital	2.8	651,690	651,690
(b) Other equity		485,988	211,842
<b>TOTAL EQUITY</b>		<b>1,137,678</b>	<b>863,532</b>
<b>III. LIABILITIES</b>			
<b>(1) Non-current liabilities</b>			
(a) Financial liabilities			
(i) Lease liabilities	2.20	298,514	424,958
<b>Total non-current liabilities</b>		<b>298,514</b>	<b>424,958</b>
<b>(2) Current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	2.9	521,800	591,590
(ii) Trade payables			
Billed	2.10	59,004	57,507
Unbilled and accruals	2.10	72,516	31,508
(iii) Lease liabilities	2.20	106,004	110,822
(iv) Others	2.11	83,801	77,268
(b) Other current liabilities	2.12	52,421	51,316
(c) Provisions	2.13	51,830	18,457
<b>Total current liabilities</b>		<b>947,376</b>	<b>938,468</b>
<b>TOTAL LIABILITIES</b>		<b>1,245,890</b>	<b>1,363,426</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,383,568</b>	<b>2,226,958</b>

Summary of significant accounting policies

1

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

For B S R & Co. LLP

Chartered Accountants

ICAI Firm Registration Number : 101248W/W-100022

Prince Sharma

Prince Sharma (May 7, 2024 22:06 GMT+5.5)

Prince Sharma

Partner

Membership Number : 521307

Gurugram, India

Date: 07 May 2024

For and on behalf of the Board of Directors  
of HCL Technologies Costa Rica S.R.L.

Raghu Raman Lakshmanan

Raghu Raman Lakshmanan (May 7, 2024 10:55 CDT)

Raghu Raman Lakshmanan

General Manager

America

Date: 07 May 2024

HCL Technologies Costa Rica S.R.L.  
Statement of Profit and Loss for the year ended 31 December 2023  
(All amounts in thousands except share data and as stated otherwise)

	Note No.	For the year ended 31 December 2023 (CRC)	For the year ended 31 December 2022 (CRC)
<b>I Revenue</b>			
Revenue from operations	2.14	3,171,884	1,843,429
Other income	2.15	17,603	106,958
<b>Total income</b>		<b>3,189,487</b>	<b>1,950,387</b>
<b>II Expenses</b>			
Employee benefits expense	2.16	2,348,482	1,320,101
Finance costs	2.17	52,791	26,953
Depreciation expense	2.1 and 2.20	260,236	150,562
Outsourcing cost		12,471	24,985
Other expenses	2.18	241,361	224,549
<b>Total expenses</b>		<b>2,915,341</b>	<b>1,747,150</b>
<b>III Profit before tax</b>		<b>274,146</b>	<b>203,237</b>
<b>IV Tax expense</b>		-	-
<b>V Profit for the year</b>		<b>274,146</b>	<b>203,237</b>
<b>VI Other comprehensive income</b>		-	-
<b>VII Total comprehensive income for the year</b>		<b>274,146</b>	<b>203,237</b>
<b>Earning per equity share of par value CRC 100 each</b>			
Basic	2.19	42.07	33.30
Diluted	2.19	42.07	33.30

**Summary of significant accounting policies**

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The accompanying notes are an integral part of the financial statements

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

Prince Sharma  
Prince Sharma (May 7, 2024 22:06 GMT+5.5)

**Prince Sharma**  
**Partner**  
Membership Number : 521307

Gurugram, India  
Date: 07 May 2024

For and on behalf of the Board of Directors  
of HCL Technologies Costa Rica S.R.L.

Raghu Raman Lakshmanan  
Raghu Raman Lakshmanan (May 7, 2024 10:55 CDT)

**Raghu Raman Lakshmanan**  
**General Manager**

America  
Date: 07 May 2024

HCL Technologies Costa Rica S.R.L.

Statement of Changes in Equity for the year ended 31 December 2023

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

(Amount in CRC)

	Equity share capital		Other equity	Total equity
	Number of shares	Share capital	Reserves and surplus	
Balance as of January 1, 2022	120	12	8,605	8,617
Issue of equity shares during the year	6,516,780	651,678	-	651,678
Profit for the year	-	-	203,237	203,237
<b>Total comprehensive income for the year</b>	-	-	<b>203,237</b>	<b>854,915</b>
Balance as of December 31, 2022	6,516,900	651,690	211,842	863,532
Balance as of January 1, 2023	6,516,900	651,690	211,842	863,532
Profit for the year	-	-	274,146	274,146
<b>Total comprehensive income for the year</b>	-	-	<b>274,146</b>	<b>274,146</b>
Balance as of December 31, 2023	6,516,900	651,690	485,988	1,137,678

Summary of significant accounting policies (Note 1)

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

For B S R & Co. LLP

Chartered Accountants

ICAI Firm Registration Number : 101248W/W-100022

*Prince Sharma*

Prince Sharma (May 7, 2024 22:06 GMT+5.5)

Prince Sharma

Partner

Membership Number : 521307

Gurugram, India

Date: 07 May 2024

For and on behalf of the Board of Directors  
of HCL Technologies Costa Rica S.R.L.

*Raghu Raman Lakshmanan*

Raghu Raman Lakshmanan (May 7, 2024 10:55 CDT)

Raghu Raman Lakshmanan

General Manager

America

Date: 07 May 2024

**HCL Technologies Costa Rica S.R.L.**  
**Statement of Cash flow for the year ended 31 December 2023**  
(All amounts in thousands except share data and as stated otherwise)

	For the year ended 31 December 2023 (CRC)	For the year ended 31 December 2022 (CRC)
<b>A. Cash flows from operating activities</b>		
Profit before tax	274,146	203,237
<b>Adjustment for:</b>		
Depreciation expense	260,236	150,562
Unrealized forex on short term loan	(69,790)	-
Interest income	(916)	(687)
Interest expenses	45,715	23,308
	<b>509,391</b>	<b>376,420</b>
<b>Net changes in</b>		
Trade receivables	(175,956)	(737,636)
Inventories	(7,003)	-
Other financial and other assets	(33,150)	(85,771)
Trade payables	42,506	89,015
Provisions	33,373	15,626
Financial liabilities and other current liabilities	1,994	66,824
<b>Cash flow used in operations</b>	<b>371,155</b>	<b>(275,522)</b>
<b>Net cash flow from/(used in) operating activities (A)</b>	<b>371,155</b>	<b>(275,522)</b>
<b>B. Cash flows from investing activities</b>		
Purchase of property, plant and equipment.	(112,775)	(546,983)
Interest received	916	687
<b>Net cash used in investing activities (B)</b>	<b>(111,859)</b>	<b>(546,296)</b>
<b>C. Cash flows from financing activities</b>		
Interest paid	(29,154)	(1,551)
Proceeds from issue of share capital	-	651,678
Proceeds from short term borrowings	-	534,649
Payment of lease liabilities including interest	(189,745)	(209,274)
<b>Net cash (used in)/generated from financing activities (C)</b>	<b>(218,899)</b>	<b>975,502</b>
Net increase in cash and cash equivalents (A+B+C)	40,397	153,684
Cash and cash equivalents at the beginning of the year	153,684	-
<b>Cash and cash equivalents at the end of the year as per note 2.6</b>	<b>194,081</b>	<b>153,684</b>
<b>Summary of significant accounting policies (Note 1)</b>		

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

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

Prince Sharma  
Prince Sharma (May 7, 2024 22:06 GMT+5.5)

**Prince Sharma**  
**Partner**

Membership Number : 521307

Gurugram, India  
Date: 07 May 2024

**For and on behalf of the Board of Directors  
of HCL Technologies Costa Rica S.R.L.**

Raghu Raman Lakshmanan  
Raghu Raman Lakshmanan (May 7, 2024 10:55 CDT)

**Raghu Raman Lakshmanan**  
**General Manager**

America  
Date: 07 May 2024

## HCL Technologies Costa Rica S.R.L.

### Notes to financial statements for the year ended 31 December 2023

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

#### Organization and Nature of Operations

HCL Technologies Costa Rica S.R.L. (herein after referred to as the “Company”) is primarily engaged in providing all kind of IT services, services in cloud, application & infrastructure services and Customer technology support services. The Company was incorporated on 23 July 2021 in Costa Rica with registration number 3102823403 having registered office at Building C10, second floor, America Free Zone Park, Heredia, San Francisco.

The financial statements for the period ended 31 December 2023 were approved and authorized for issue by the Board of Directors on 07 May 2024.

#### 1. Significant Accounting Policies

##### *a) Basis of preparation*

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 (‘the Act’) read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Schedule III (Division II) to the Companies Act, 2013, as applicable, to the financial statements. The Company is not domiciled in India and hence not incorporated under Companies Act 2013 or under any previous Company law in India. These financial statements have been prepared on the request of the Ultimate Holding Company to comply with the requirement in India.

These financial statements have been prepared under the historical cost convention on an accrual and going concern basis except for certain financial assets and liabilities measured at fair value (refer note 1(h) for accounting policy regarding financial instruments).

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

The functional currency of the Company is Colones (CRC).

##### *b) Use of estimates*

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

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

- i. Accounting for costs expected to be incurred to complete performance under fixed price projects and determination of stand-alone selling prices for each distinct performance obligation in contracts involving multiple performance obligations, refer note 1(e).
- ii. Allowance for uncollectible accounts receivables, refer note 1(h)(i).
- iii. Recognition of income taxes, refer note 1(g)
- iv. Useful lives of property, plant and equipment, refer note 1(d)
- v. Identification of leases and measurement of lease liabilities and right of use assets, refer note 1(c)
- vi. Provisions and contingent liabilities, refer note 1(n) and note 2.13

## **HCL Technologies Costa Rica S.R.L.**

### **Notes to financial statements for the year ended 31 December 2023**

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

#### *c) Leases*

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

##### *Company as a lessee*

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

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

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

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

#### *d) Property, plant and equipment*

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

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

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

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

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

## HCL Technologies Costa Rica S.R.L.

### Notes to financial statements for the year ended 31 December 2023

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

#### d) *Property, plant and equipment(continued)*

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

Category of asset	Life (in years)
Computers and laptops	5
Office Equipment	10
Furniture and Fittings	10
Leasehold Improvements	5-10
Plant and Machinery	10

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

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

#### e) *Revenue Recognition*

##### *Contracts involving provision of services and material*

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

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

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

##### *Fixed Price contracts*

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

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

In arrangements involving sharing of customer revenues, revenue is recognized when the right to receive is established.

## HCL Technologies Costa Rica S.R.L.

### Notes to financial statements for the year ended 31 December 2023

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

#### *e) Revenue recognition(continued)*

##### *Multiple performance obligation*

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

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

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

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

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

Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in our statements of financial position, contract assets primarily relate to unbilled amounts on those contracts utilizing the cost to cost method of revenue recognition. Unbilled receivables represent contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

## **HCL Technologies Costa Rica S.R.L.**

### **Notes to financial statements for the year ended 31 December 2023**

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

#### *f) Fair value measurement*

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

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

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

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

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

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

- a. Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- b. Income approach – Converting the future amounts based on market expectations to its present value using the discounting methodology.
- c. Cost approach – Replacement cost method.

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

#### *g) Taxation*

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

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

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

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

## **HCL Technologies Costa Rica S.R.L.**

### **Notes to financial statements for the year ended 31 December 2023**

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

#### *g) Taxation(continued)*

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

HCL Technologies Costa Rica SRL is Free Trade Zone (FTZ) registered entity enjoying 100% income tax holiday for 8 years starting from November 30, 2021 granted by Ministry of Economy, Costa Rica, and hence, no current tax and deferred tax provided in the financial statements. This tax holiday extends to exemption on VAT for assets that are purchased locally, withholding tax on remittances abroad, including dividends, all import duties on machinery, raw materials, equipment, office furniture and any assets required for the FTZ activities, exemption of Municipal Taxes and Property Transfer Tax for a period of 10 years. These tax benefits are available for the period subject to meeting investment and employment conditions.

#### *h) Financial Instruments*

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

##### *i. Financial assets*

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

#### *Financial instruments at amortized cost*

A financial instrument is measured at the amortized cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

#### *Derecognition of financial assets*

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

#### *Impairment of financial assets*

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

## **HCL Technologies Costa Rica S.R.L.**

### **Notes to financial statements for the year ended 31 December 2023**

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

#### *ii. Financial liabilities*

All financial liabilities are recognized initially at fair value and, in the case of loans and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade payables and other payables.

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method except for deferred consideration recognized in a business combination which is subsequently measured at fair value through profit and loss. Gains and losses are recognized in the statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process.

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

#### *Derecognition*

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

#### *Offsetting of financial instruments*

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

#### *i) Earnings per share*

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted EPS amounts are computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

#### *j) Retirement and other employee benefits*

Contributions to defined contribution plans are recognized as expense when employees have rendered services entitling them to such benefits.

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The employees can carry forward up to the specified portion of the unutilized accumulated compensated absences and utilize it in future periods or receive cash at retirement or termination of employment. The expense on non-accumulating compensated absences is recognized in the statement of profit and loss in the year in which the absences occur.

#### *k) Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs also include exchange differences to the extent regarded as an adjustment to the borrowing costs.

Further, short term borrowing during the period is against the discharge of payroll liability of the company by its related party HCL Latin America Holding LLC as the company is in process of opening a bank account.

## **HCL Technologies Costa Rica S.R.L.**

### **Notes to financial statements for the year ended 31 December 2023**

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

#### ***l) Cash and short term deposits***

Cash and short-term deposits in the balance sheet comprise cash in banks and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

#### ***m) Foreign currency and translation***

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

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

#### ***n) Provisions and contingent liabilities***

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

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

#### ***o) 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.

#### ***p) Adoption of new accounting principles***

Onerous contracts – cost of fulfilling a contract (amendment to Ind AS 37 - Provisions, Contingent Liabilities and Contingent Assets). The amendment clarified that the ‘costs of fulfilling a contract’ comprise both the incremental costs and allocation of other direct costs. The Company has adopted this amendment effective 1 January 2023 and the adoption did not have any material impact on its financial statements.

#### ***q) Recently issued accounting pronouncements***

On 31 March 2023, the Ministry of Corporate Affairs (MCA), notified Companies (Indian Accounting Standards) Amendment Rules, 2023 effective from 1 April 2023. Following is key amended provision which is relevant for financial statements of the Company:

## **HCL Technologies Costa Rica S.R.L.**

### **Notes to financial statements for the year ended 31 December 2023**

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

#### ***Disclosure of accounting policies (amendments to Ind AS 1 - Presentation of Financial Statements)***

The amendments intend to assist in deciding which accounting policies to disclose in the financial statements. The amendments to Ind AS 1 require entities to disclose their material accounting policies rather than their significant accounting policies. The amendments provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Company does not expect this amendment to have any significant impact in its financial statements.

#### ***Definition of accounting estimate (amendments to Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)***

The amendments distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates has been replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The Company does not expect this amendment to have any significant impact in its financial statements.

#### ***Deferred tax related to assets and liabilities arising from a single transaction (amendments to Ind AS 12 - Income taxes)***

The amendments specify how to account for deferred tax on transactions such as leases. The amendments clarify that lease transactions give rise to equal and offsetting temporary differences and financial statements should reflect the future tax impacts of these transactions through recognizing deferred tax. The Company is evaluating the impact, if any, in its financial statements.



**2.6 Cash and cash equivalents**

	As at	
	31 December 2023	31 December 2022
	(CRC)	(CRC)
Balance with banks		
- in current accounts	194,081	153,684
	<b>194,081</b>	<b>153,684</b>

**2.7 Other current assets**

	As at	
	31 December 2023	31 December 2022
	(CRC)	(CRC)
<b>Unsecured</b>		
Advances to employees	5,691	3,283
Less: Provision for doubtful advances	(152)	-
	<b>5,539</b>	<b>3,283</b>
<b>Others</b>		
Prepaid expenses	48,620	35,324
Deferred contract cost	4,354	2,342
Balance with government authorities	33,083	18,750
Other advances	1,352	-
	<b>92,948</b>	<b>59,699</b>

**2.8 Share capital**

	As at	
	31 December 2023	31 December 2022
	(CRC)	(CRC)
<b>Authorized</b>		
6,516,900 equity shares of CRC 100 each	651,690	651,690
<b>Issued, subscribed and fully paid up</b>		
6,516,900 equity shares of CRC 100 each	651,690	651,690

**Terms/ rights attached to equity shares**

The Company has only one class of shares referred to as equity shares having a par value of CRC 100/-. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

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

	As at		As at	
	31 December 2023		31 December 2022	
	No. of shares	Amount in CRC	No. of shares	Amount in CRC
Number of shares at the beginning	6,516,900	651,690	120	12
Add: Shares issued during the year	-	-	6,516,780	651,678
Number of shares at the end	<b>6,516,900</b>	<b>651,690</b>	<b>6,516,900</b>	<b>651,690</b>

**Shares held by holding Company and/or their subsidiaries / associates:**

	As at		As at	
	31 December 2023		31 December 2022	
	No. of shares	% holding	No. of shares	% holding
Equity shares of CRC 100 each fully paid				
HCL Bermuda limited	6,516,900	100%	6,516,900	100%

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

	As at		As at	
	31 December 2023		31 December 2022	
	No. of shares	% holding	No. of shares	% holding
Equity shares of CRC 100 each fully paid				
HCL Bermuda limited	6,516,900	100%	6,516,900	100%

**Details of promoter holding shares in the Company:-**

	As at		As at		% change during the year
	31 December 2023		31 December 2022		
	No. of shares	% holding	No. of shares	% holding	
Equity shares of CRC 100 each fully paid					
HCL Bermuda limited, the holding company	6,516,900	100%	6,516,900	100%	0.00%

As per the records of the Company, including its register of shareholders/members received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

There are no bonus shares issued, no shares issued for consideration other than cash and no shares bought back immediately preceding the reporting date from date of incorporation.

**2.8 Share Capital (continued)****Capital management**

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

**2.9 Borrowings**

	As at	
	31 December 2023	31 December 2022
	(CRC)	(CRC)
Short term borrowings- related parties (Refer Note 2.21)	521,800	591,590
	<b>521,800</b>	<b>591,590</b>

The Company has availed short term loans of USD 1 million(CRC 638,827) from HCL EAS Limited, at a interest rate of SOFR + 50 bps. The loan is repayable not later than twelve months. Both parties may mutually agree to extend the term of the loan for an additional one year beyond the contractual term.

**2.10 Trade payables**

	As at	
	31 December 2023	31 December 2022
	(CRC)	(CRC)
Trade payables	56,164	55,930
Trade payables-related parties (Refer Note 2.21)	2,840	1,577
	<b>59,004</b>	<b>57,507</b>
Unbilled and accruals	72,516	31,508
	<b>72,516</b>	<b>31,508</b>
	<b>131,520</b>	<b>89,015</b>

Particulars	Not Due	Outstanding as at 31 December 2023 from the due date of payment				
		Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
		(i) Others	56,134	2,870	-	-
Unbilled and accruals						72,516
						<b>131,520</b>

Particulars	Not Due	Outstanding as at 31 December 2022 from the due date of payment				
		Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
		(i) Others	23,085	34,422	-	-
Unbilled and accruals						57,507
						31,508
						<b>89,015</b>

**2.11 Other financial liabilities**

	As at	
	31 December 2023	31 December 2022
	(CRC)	(CRC)
<b>Current</b>		
Interest payable- related parties (Refer Note 2.21)	8,254	6,544
Employee bonuses accrued	36,967	36,310
Other employee costs	5,658	5,425
Capital accounts payables	32,922	28,989
	<b>83,801</b>	<b>77,268</b>

**2.12 Other current liabilities**

	As at	
	31 December 2023	31 December 2022
	(CRC)	(CRC)
Advances received from customers- related parties (Refer Note 2.21)	3,374	17
Others		
Withholding and other payable	49,047	51,299
	<b>52,421</b>	<b>51,316</b>

**2.13 Provisions**

	As at	
	31 December 2023	31 December 2022
	(CRC)	(CRC)
<b>Current</b>		
Provision for employee benefits		
Provision for leave benefits	51,830	18,457
	<b>51,830</b>	<b>18,457</b>

HCL Technologies Costa Rica S.R.L.

Notes to Financial Statement for the year ended 31 December 2023

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

2.14 Revenue from operations

	For the year ended	For the year ended
	31 December 2023	31 December 2022
	(CRC)	(CRC)
Sale of services	3,171,884	1,843,429
	<b>3,171,884</b>	<b>1,843,429</b>

Disaggregate Revenue Information

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

	For the year ended	For the year ended
	31 December 2023	31 December 2022
	(CRC)	(CRC)
<b>Geography wise</b>		
America	109,304	152,081
Europe	2,717,845	1,353,808
India	26,221	105,961
Others	318,514	231,579
<b>Total</b>	<b>3,171,884</b>	<b>1,843,429</b>

Remaining performance obligations

Remaining performance obligations are subject to variability due to several factors such as terminations, changes in scope of contracts, periodic revalidations of the estimates, economic factors (change in currency rates, tax laws, etc.). As at 31 December 2023, the aggregate amount of transaction price allocated to remaining performance obligations as per the requirements of Ind AS 115 was CRC Nil. This is after exclusions of below:

- Contracts for which we recognize revenues based on the right to invoice for services performed,
- Variable consideration allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation, or
- Variable consideration in the form of a sales-based or usage-based royalty promised in exchange for a license of intellectual property.

Contract balances

Contract assets : A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets are recognized where there is excess of revenue over the billings. Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in our consolidated balance sheet. Contract assets primarily relate to unbilled amounts on fixed price contracts using the cost to cost method of revenue recognition. Unbilled receivables represents contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

Contract liabilities : A contract liability arises when there is excess billing over the revenue recognized

The company does not have any contract assets and contact liability as on 31 December 2023.

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

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

	For the year ended	For the year ended
	31 December 2023	31 December 2022
	(CRC)	(CRC)
Balance as at beginning of the year	7,975	-
Additional cost capitalised during the year	5,035	7,975
Deduction on account of cost amortised during the year	(1,338)	-
<b>Balance as at end of the year</b>	<b>11,672</b>	<b>7,975</b>

HCL Technologies Costa Rica S.R.L.  
Notes to Financial Statement for the year ended 31 December 2023  
(All amounts in thousands except share data and as stated otherwise)

**2.15 Other income**

	For the year ended	For the year ended
	31 December 2023	31 December 2022
	(CRC)	(CRC)
Interest income on financial instruments carried at amortized cost	916	687
Exchange differences (net)	16,687	106,271
	<b>17,603</b>	<b>106,958</b>

**2.16 Employee benefits expense**

	For the year ended	For the year ended
	31 December 2023	31 December 2022
	(CRC)	(CRC)
Salaries, wages and bonus	1,781,742	1,014,824
Contribution to legal welfare and other funds	501,357	281,112
Leave encashment	62,286	23,883
Staff welfare expenses	3,097	282
	<b>2,348,482</b>	<b>1,320,101</b>

**2.17 Finance cost**

	For the year ended	For the year ended
	31 December 2023	31 December 2022
	(CRC)	(CRC)
Interest		
-on lease liability	14,851	15,263
-on loans from related party (Refer note-2.21)	30,864	8,045
Bank charges	7,076	3,645
	<b>52,791</b>	<b>26,953</b>

**2.18 Other expenses**

	For the year ended	For the year ended
	31 December 2023	31 December 2022
	(CRC)	(CRC)
Power and fuel	68,499	40,832
Repairs and maintenance		
- Plant and machinery	4,554	3,847
- Buildings	-	4,567
- Others	75,577	73,364
Communication costs	10,574	6,384
Business promotion	-	541
Legal and professional charges	25,535	64,980
Printing and stationary	13,277	1,731
Dues and subscription	-	1,652
Rates and taxes	8	1,476
Recruitment, training and development	779	3,894
Travel and conveyance	37,119	21,203
Miscellaneous expenses	5,439	78
	<b>241,361</b>	<b>224,549</b>

HCL Technologies Costa Rica S.R.L.

Notes to Financial Statement for the year ended 31 December 2023

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

2.19 The computation of earnings per equity share (EPS) is as follows:

Particulars	As at	As at
	31 December 2023	31 December 2022
	(CRC)	(CRC)
Net profit as per statement of profit and loss for computation of EPS	274,146	203,237
Weighted average number of equity shares outstanding - Basic	6,516,900	6,103,533
Weighted average number of equity shares outstanding - Diluted	6,516,900	6,103,533
Nominal value of equity shares	100	100
<b>Earning per equity share</b>		
- Basic	42.07	33.30
- Diluted	42.07	33.30

2.20 Leases

(a) Company as a lessee

The company's significant leasing arrangements is in respect of leases for office accomodation.

The details of the right-of-use asset held by the company is as follows:

	For the year ended	For the year ended
	31 December 2023	31 December 2022
	(CRC)	(CRC)
<b>Balance as at 1 January</b>	<b>621,599</b>	<b>-</b>
Additions	43,632	731,355
Depreciation charge for the year	(155,517)	(109,756)
<b>Balance as at 31 December</b>	<b>509,714</b>	<b>621,599</b>

The reconciliation of lease liabilities is as follows:

	For the year ended	For the year ended
	31 December 2023	31 December 2022
	(CRC)	(CRC)
Balance as at beginning of the year	535,780	-
Additions	43,632	729,791
Amounts recognized in statement of profit and loss as interest expense	14,851	15,263
Payment of lease liabilities	(189,745)	(209,274)
<b>Balance as at end of the year</b>	<b>404,518</b>	<b>535,780</b>

The following table presents a maturity analysis of expected undiscounted cash flows for lease liabilities :

	For the year ended	For the year ended
	31 December 2023	31 December 2022
	(CRC)	(CRC)
Within one year	116,978	125,801
One to two years	134,358	137,310
Two to three years	136,416	137,311
Three to five years	38,065	171,638
<b>Total lease payments</b>	<b>425,817</b>	<b>572,060</b>
Imputed interest	(21,299)	(36,280)
<b>Total lease liabilities</b>	<b>404,518</b>	<b>535,780</b>

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

**HCL Technologies Costa Rica S.R.L.**  
**Notes to Financial Statement for the year ended 31 December 2023**  
(All amounts in thousands except share data and as stated otherwise)

**2.21 Related party transaction**

**a) Related parties where control exists**

**Ultimate Holding company**

HCL Technologies limited

**Holding company**

HCL Bermuda Limited

**b) Related Parties where transactions have taken place during the year**

HCL Technologies Limited (Ultimate holding company)

HCL Bermuda Limited (Holding company)

**Fellow Subsidiary**

Filial Espanola De HCL Technoioiges, S.L.(HCL Spain)

HCL (Brazil) Technologia Da Informacao EIRELI

HCL (New Zealand) Limited

HCL America Inc.

HCL Axon Solutions (Shanghai) Co., Limited

HCL Canada Inc. (Fy HCL Axon Technologies Inc.)

HCL EAS Limited

HCL Hungary Kft

HCL Japan Limited

HCL Latin America Holding LLC

HCL Saudi Arabia LLC

HCL Singapore Pte. Limited.

HCL Technologies (Taiwan) Limited.

HCL Technologies (Thailand) Limited.

HCL Technologies BV

HCL Technologies Corporate Services Limited

HCL Technologies Czech Republic s.r.o.

HCL Technologies Denmark ApS

HCL Technologies Egypt Limited

HCL Technologies Vietnam Company

HCL Hong Kong SAR Limited

HCL Asia Pacific Pte. Ltd

HCL Technologies France

HCL Technologies Greece Single Member P.C.

HCL Technologies Italy S.p.A.

HCL Technologies Malaysia SDN BHD (Fy HCL Axon Malaysia SDN BHD)

HCL Technologies Mexico S DE RL DE CV

HCL Technologies Norway AS

HCL Technologies Philippines Inc

HCL Technologies Romania s.r.l.

HCL Technologies South Africa (Proprietary) Limited

HCL Technologies Columbia

HCL Technologies (PTY) Ltd

HCL Technologies Germany GmbH

HCL Technologies UK Limited

HCL (Ireland) Infor. Syst LTD.

HCL Technologies Belgium BVBA

Axon Solutions Schweiz GmbH

HCL Technologies Sweden AB

Hcl Istanbul Bilisim Teknoloji

Hcl Technologies Austria GmbH

HCL Technologies Middle East FZ-LLC

PT. HCL Technologies Indonesia

HCLT Lanka Pvt Ltd

**c) Transactions with related parties during the ordinary course of business**

	Revenue	Interest Expense
<b>For the year ended 31 December 2023(CRC)</b>		
Ultimate Holding company	60,988	-
Fellow subsidiary company	3,110,896	30,864
<b>Total</b>	<b>3,171,884</b>	<b>30,864</b>
<b>For the year ended 31 December 2022(CRC)</b>		
Ultimate Holding company	126,740	-
Fellow subsidiary company	1,716,689	8,045
<b>Total</b>	<b>1,843,429</b>	<b>8,045</b>

**d) Outstanding balances**

	Unbilled receivables	Trade receivables	Interest payable on borrowings	Trade payables	Advance received	Borrowings
<b>For the year ended 31 December 2023(CRC)</b>						
Ultimate Holding company	-	9,859	-	2,840	3,374	-
Fellow subsidiary company	-	998,400	8,254	-	-	521,800
<b>Total</b>	<b>-</b>	<b>1,008,259</b>	<b>8,254</b>	<b>2,840</b>	<b>3,374</b>	<b>521,800</b>
<b>For the year ended 31 December 2022(CRC)</b>						
Ultimate Holding company	1,092	19,687	-	-	-	-
Holding company	-	-	-	-	17	-
Fellow subsidiary company	94,456	717,068	6,544	1,577	-	591,590
<b>Total</b>	<b>95,548</b>	<b>736,755</b>	<b>6,544</b>	<b>1,577</b>	<b>17</b>	<b>591,590</b>

**HCL Technologies Costa Rica S.R.L.****Notes to Financial Statement for the year ended 31 December 2023****(All amounts in thousands except share data and as stated otherwise)****2.22 Segment Reporting**

Operating segments are defined as components of an enterprise for which discrete financial information is available and their results are reviewed regularly by the chief operating decision maker (CODM), for allocation of resources and assessing performance.

The Company's ultimate holding company, HCL Technologies Limited's chief operating decision maker (CODM) reviews its results for allocation of resources and assessing performance by business segment comprising IT and Business Services, Engineering and R&D Services, and HCL Software. The ultimate Holding Company monitors the risk and returns of the Company's businesses on an entity level and evaluates the performance of the Company as one business segment. Hence there is only one reportable segment of the Company, as envisaged under Indian Accounting Standards -108 "Operating segments".

Revenue disaggregation as per geography is given in note 2.14.

**2.23 Commitments**

	As at	As at
	31 December 2023 (CRC)	31 December 2022 (CRC)
<b>Capital Commitments</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	-	161,555
	-	<b>161,555</b>

**2.24 Financial Instruments****(a) Financial assets and liabilities**

The carrying value of financial instruments by categories as at 31 December 2023 is as follows:

	Amortized Cost	Total Carrying Value
	(CRC)	(CRC)
<b>Financial Assets</b>		
Trade Receivables	1,008,259	1,008,259
Cash and Cash Equivalents	194,081	194,081
Others	17,089	17,089
<b>Total</b>	<b>1,219,429</b>	<b>1,219,429</b>
<b>Financial Liabilities</b>		
Short term Borrowings	521,800	521,800
Trade payables	131,520	131,520
Lease Liabilities	404,518	404,518
Others	83,801	83,801
<b>Total</b>	<b>1,141,639</b>	<b>1,141,639</b>

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

	Amortized Cost	Total Carrying Value
	(CRC)	(CRC)
<b>Financial Assets</b>		
Trade Receivables	832,303	832,303
Cash and Cash Equivalents	153,684	153,684
Others	18,873	18,873
<b>Total</b>	<b>1,004,860</b>	<b>1,004,860</b>
<b>Financial Liabilities</b>		
Short term Borrowings	591,590	591,590
Trade payables	89,014	89,014
Lease Liabilities	535,780	535,780
Others	77,268	77,268
<b>Total</b>	<b>1,293,652</b>	<b>1,293,652</b>

**HCL Technologies Costa Rica S.R.L.****Notes to Financial Statement for the year ended 31 December 2023**

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

**2.24 Financial Instruments (continued)****(b) Financial risk management**

The Company is exposed to market risk and liquidity risk which may impact the fair value of its financial instruments. The Company has a risk management policy to manage & mitigate these risks.

The Company's risk management policy aims to reduce volatility in financial statements while maintaining balance between providing predictability in the Company's business plan along with reasonable participation in market movement.

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk and interest rate risk.

**Foreign currency risk**

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

The exchange rate risk primarily arises from assets and liabilities denominated in currencies other than functional currency.

The exchange rate risk primarily arises from assets and liabilities denominated in currencies other than functional currency. An insignificant portion of the Company's revenue is in other foreign currency while a large portion of costs are in CRC. The fluctuation in exchange rates in respect to CRC may not have potential impact on the statement of profit and loss and equity.

Appreciation / depreciation of 1% in respective foreign currencies with respect to functional currency of the Company would result in decrease / increase in the Company's profit before tax by approximately CRC 8,443 (PY 2022: CRC 10,815) for the year ended 31 December 2023.

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

Non-derivative foreign currency exposure as of 31 December 2023 in major currencies is as below:

	Net financial assets		Net financial liabilities	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	(CRC)	(CRC)	(CRC)	(CRC)
USD/CRC	675,745	155,553	1,516,518	1,237,051

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not invested in fixed rate interest bearing investments. Hence the Company is not significantly exposed to interest rate risk.

**Credit risk**

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, trade receivables, unbilled revenue. By their nature, all such financial instruments involve risks, including the credit risk of nonperformance by counterparties as the entire revenue belongs to intercompany. The allowance for lifetime expected credit loss on customer balances is Nil as on 31 December 2023 and 31st December 2022.

**Liquidity risk**

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

Maturity profile of the Company's financial liabilities based on contractual payments is as below:

	Year 1 Current	Year 2	Year 3	Year 4-5 and thereafter	Total
<b>As at 31 December 2023 (CRC)</b>					
Borrowings	521,800	-	-	-	521,800
Trade payables	131,520	-	-	-	131,520
Lease liabilities	116,978	134,358	136,416	38,065	425,817
Other financial liabilities	83,801	-	-	-	83,801
<b>Total</b>	<b>854,099</b>	<b>134,358</b>	<b>136,416</b>	<b>38,065</b>	<b>1,162,938</b>
<b>As at 31 December 2022 (CRC)</b>					
Borrowings	591,590	-	-	-	591,590
Trade payables	89,014	-	-	-	89,014
Lease liabilities	125,801	137,310	137,311	171,638	572,060
Other financial liabilities	77,268	-	-	-	77,268
<b>Total</b>	<b>883,673</b>	<b>137,310</b>	<b>137,311</b>	<b>171,638</b>	<b>1,329,933</b>

**2.25 Ratio**

	Numerator	Denominator	Units	Year ended		% Variance
				31 December 2023	31 December 2022	
Current ratio	Current assets	Current liabilities	Times	1.4	1.1	23 %
Debt equity ratio	Total debts (refer note 1 below)	Total equity	Times	0.8	1.3	(38)%
Debt service coverage ratio	Earning available for debt service (refer note 2 below)	Debt service (refer note 3 below)	Times	2.7	1.8	47 %
Return on equity ratio	Profit for the year	Average total equity	%	27%	47%	(41)%
Trade receivables turnover ratio	Revenue from operations	Average trade receivables	Times	3.4	4.0	(13)%
Trade payables turnover ratio	Net credit purchases (refer note 4 below)	Average trade payables	Times	2.3	5.6	(59)%
Net capital turnover ratio	Revenue from operations	Working capital (refer note below 5)	Times	8.9	17.2	(48)%
Net profit ratio	Profit for the year	Revenue from operations	%	8.6%	11.0%	(21)%
Return on capital employed	Earning before interest and taxes	Capital employed (refer note 6 below)	%	15.5%	11.3%	36 %

**Notes :**

- (1) Total Debt = Borrowing + Lease liabilities
- (2) Earning available for debt services = Profit for the year + depreciation expense + interest
- (3) Debt service = Interest + payment for lease liabilities + principal repayments
- (4) Net credit purchase includes outsourcing costs and other expenses
- (5) Working capital = current assets - current liabilities
- (6) Capital employed = Tangible net worth including intangible assets + total debt
- (7) Average is calculated based on simple average of opening and closing balances.

**Explanation where change in the ratio is more than 25%**

- (1) Debt equity ratio has been reduced majorly on account of increase in profitability of the entity.
- (2) Debt service coverage ratio has been increased on account of increase in operating income of the entity.
- (3) Return on equity ratio has been decreased due to increase in other equity during the year.
- (4) Trade payable ratio has been decreased on account of significant increase in trade payables due to increase in liability for accrual expenses in the normal course of business as compared to previous period.
- (5) Net capital turnover ratio has been decreased mainly on account of increase in trade receivables due to increase in intercompany revenue as compared to previous period.
- (6) Return on capital employed increased on account of increase in profitability of the entity.

**2.26 Subsequent event**

The Company has evaluated all the subsequent events through 07th May 2024, which is the date on which these financial statements were issued, and no events have occurred from the balance sheet date through that date except for matters that have already been considered in the financial statements.

**2.27 Round off**

The Company has presented its financial statements in "CRC in Thousands" and accordingly, amounts less than CRC 0.50 thousands are rounded off to zero.

As per our report of even date attached

For B S R & Co. LLP

Chartered Accountants

ICAI Firm Registration Number : 101248W/W-100022

*Prince Sharma*

Prince Sharma (May 7, 2024 22:06 GMT+5.5)

Prince Sharma

Partner

Membership Number : 521307

Gurugram, India

Date: 07 May 2024

For and on behalf of the Board of Directors  
of HCL Technologies Costa Rica S.R.L.

*Raghu Raman Lakshmanan*

Raghu Raman Lakshmanan (May 7, 2024 10:55 CDT)

Raghu Raman Lakshmanan

General Manager

America

Date: 07 May 2024