

HCL Arabia Limited
(A Limited Liability Company)

Financial Statements for the year ended
31 December 2023
together with
Independent Auditor's Report

HCL ARABIA LIMITED
(A Limited Liability Company)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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KPMG Professional Services

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Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة روشن، 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 2023, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards Accounting Standards for Small and Medium-sized Entities (IFRS for SME's) that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the 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 SME's 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, the Board of Directors, are responsible for overseeing the Company's financial reporting process.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR40,000,000 (previously known as "KPMG Al Fozan & Partners Certified Public Accountants") and a non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مبنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (٤٠,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة...

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 the 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 Number 457



Al Riyadh: 27 Dhul Hijjah 1445H
Corresponding to: 03 July 2024

HCL Arabia Limited
(A Limited Liability Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	31 Dec'23 SR	31 Dec'22 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	30,860,125	19,899,938
Account receivables and unbilled revenue	6	67,525,311	43,653,301
Finance lease receivables		5,681	47,717
Prepayments, deposits and other receivables	7	6,720,914	3,952,663
Amounts due from related parties	8d	13,184,498	11,579,156
Inventories		-	5,419
TOTAL CURRENT ASSETS		118,296,529	79,138,194
NON-CURRENT ASSET			
Goodwill	9	1,473,980	2,563,444
Intangible assets	11	896,503	1,139,523
Property and equipment	10	1,360,576	262,730
Account receivables and unbilled revenue	6	13,921,584	-
Prepayments, deposits and other receivables	7	112,297	20,360
Finance lease receivables		908	6,586
Deferred tax assets	14b	741,814	563,654
TOTAL NON-CURRENT ASSETS		18,507,662	4,556,297
TOTAL ASSETS		136,804,191	83,694,491
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Account payables and accruals	12	21,763,737	17,344,805
Amounts due to related parties	8d	54,132,654	32,099,699
Borrowings	13	30,188,305	9,581,880
Provision for income tax	14b	1,185,487	877,316
Employees defined benefits liabilities	15	280,127	199,166
TOTAL CURRENT LIABILITIES		107,550,310	60,102,866
NON-CURRENT LIABILITY			
Employees defined benefits liabilities	15	2,612,379	1,293,307
Other payables and accruals	17	3,099,949	2,630,029
TOTAL NON-CURRENT LIABILITIES		5,712,328	3,923,336
TOTAL LIABILITIES		113,262,638	64,026,202
EQUITY			
Capital	16	6,100,000	6,100,000
Statutory reserve		1,788,775	1,401,449
Retained earnings		15,652,778	12,166,840
TOTAL EQUITY		23,541,553	19,668,289
TOTAL LIABILITIES AND EQUITY		136,804,191	83,694,491

These financial statements as shown on pages from 3 to 25 were approved by the shareholders on 26 June 2024 and signed on their behalf by:

Umar Kant Shauw

The attached notes 1 to 25 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 2023

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	31 Dec'23 SR	31 Dec'22 SR
Revenue	18	127,523,939	77,897,856
Cost of revenue	19	(111,049,008)	(65,137,639)
GROSS PROFIT		16,474,931	12,760,217
EXPENSES			
Selling and distribution expenses	20	(4,167,051)	(4,052,471)
Reversal of impairment loss on trade receivables	6	1,118,823	1,555,883
General and administrative expenses	21	(7,019,847)	(4,114,987)
OPERATING PROFIT		6,406,856	6,148,642
Other expenses-net	22	(125,268)	(262,856)
Financial charges	23	(919,625)	(315,597)
PROFIT BEFORE INCOME TAX		5,361,963	5,570,189
Income tax	14a	(1,110,058)	(1,110,225)
PROFIT FOR THE YEAR		4,251,905	4,459,964
Other comprehensive (loss)/income:			
Items that will not be subsequently reclassified to profit and loss			
Re-measurement loss of defined benefit liabilities	15	(473,299)	(139,047)
Deferred tax credit related to re-measurement loss of defined liabilities	14b	94,658	27,810
TOTAL OTHER COMPREHENSIVE LOSS		(378,641)	(111,237)
TOTAL COMPREHENSIVE INCOME		3,873,264	4,348,727

These financial statements as shown on pages from 3 to 25 were approved by the shareholders on 26 June 2024 and signed on their behalf by:

Umkant Shau

The attached notes 1 to 25 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 2023

(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'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
As at 1 Jan'23	6,100,000	1,401,449	12,166,840	19,668,289
Profit for the year	-	-	4,251,905	4,251,905
Other comprehensive loss for the year	-	-	(378,641)	(378,641)
Total comprehensive income	-	-	3,873,264	3,873,264
Transferred to statutory reserve	-	387,326	(387,326)	-
Total profit and OCI for the year	-	387,326	3,485,938	3,873,264
As at 31 Dec'23	6,100,000	1,788,775	15,652,778	23,541,553

Umar Kant Shau

The attached notes 1 to 25 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 2023

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	31 Dec'23 SR	31 Dec'22 SR
Cash flows from operating activities			
Profit before income tax		5,361,963	5,570,189
<i>Adjustments for :</i>			
Depreciation and amortisation	9,10,11	1,616,600	463,655
Employees defined benefit expenses	15	1,026,451	694,676
Bad Debts written off	20	27,500	653,873
Property and equipment written off		-	2,530
Provision for doubtful debts	6	(1,118,823)	(1,555,883)
Interest on borrowings from related party	23	833,186	233,524
Interest income on customer receivables	22	(585)	(441)
		<u>7,746,292</u>	<u>6,062,123</u>
<i>Changes in working capital:</i>			
Account receivables and unbilled revenue		(36,702,271)	(23,220,038)
Prepayments, deposits and other receivables		(2,860,188)	(2,911,388)
Inventories		5,419	(5,419)
Finance lease receivables		47,714	3,287
Amount due from related parties		(1,605,342)	(5,815,381)
Account payables and accruals		4,888,852	12,300,738
Amount due to related parties		21,199,769	(4,843,452)
Cash used in operations		<u>(7,279,755)</u>	<u>(18,429,530)</u>
Income tax paid	14b	(885,389)	(1,367,604)
Interest income on customer receivables	22	585	441
Employees defined benefits paid	15	(99,717)	(84,307)
<i>Net cash used in operating activities</i>		<u>(8,264,276)</u>	<u>(19,881,000)</u>
Cash flows from investing activities			
Acquisition of property and equipment	10	(1,381,962)	(76,568)
<i>Net cash used in investing activities</i>		<u>(1,381,962)</u>	<u>(76,568)</u>
Cash flows from financing activities			
Borrowings from related party:			
Additions during the year	13	20,606,425	11,457,330
Repayments during the year	13	-	(1,875,450)
<i>Net cash generated from financing activities</i>		<u>20,606,425</u>	<u>9,581,880</u>
Net increase/(decrease) in cash and cash equivalents		10,960,187	(10,375,688)
Cash and cash equivalents at the beginning of the year		19,899,938	30,275,626
Cash and cash equivalents at the end of the year	5	<u>30,860,125</u>	<u>19,899,938</u>

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The attached notes 1 to 25 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

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.

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 for any changes to align the Articles to the provisions of the Law.

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 MATERIAL 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).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

3 SUMMARY OF MATERIAL 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:

<u>Category of property and equipment</u>	<u>Years</u>
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.

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3 SUMMARY OF MATERIAL 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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3 SUMMARY OF MATERIAL 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:

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.

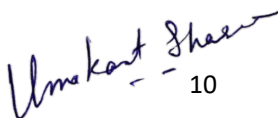
Deferred tax

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.

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.


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3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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.

Umakant Shrivastava

3 SUMMARY OF MATERIAL 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.

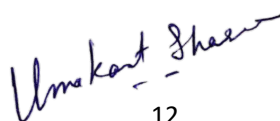
Impairment of non-financial assets

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	1,360,576
Goodwill	1,473,980
Intangible assets	896,503

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.



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.

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HCL Arabia Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

(All amounts in Saudi Riyals unless otherwise stated)

5 CASH AND CASH EQUIVALENTS

	31 Dec'23	31 Dec'22
	SR	SR
Cash at bank	30,860,125	19,899,938
	30,860,125	19,899,938

6 ACCOUNT RECEIVABLES AND UNBILLED REVENUE

	31 Dec'23	31 Dec'22
	SR	SR
Trade receivables	27,673,347	31,808,392
Unbilled revenue	53,922,652	13,112,836
Impairment loss on trade receivable	(149,104)	(1,267,927)
	81,446,895	43,653,301
Less: Non-current portion	(13,921,584)	-
Amount disclosed as current portion	67,525,311	43,653,301

Movements for impairment loss on trade receivables are as follows:

	31 Dec'23	31 Dec'22
	SR	SR
At beginning of the year	1,267,927	2,823,810
Reversal for the year	(1,118,823)	(1,555,883)
At end of the year	149,104	1,267,927

The ageing of unimpaired trade receivables is as follows:

	<i>Neither past due nor impaired</i>		<i>Past due but not impaired</i>		<i>Total</i>
	<i>0-30 days</i>	<i>30 – 60 days</i>	<i>61 – 90 days</i>	<i>>90 days</i>	
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
31 Dec'23	12,002,409	3,623,070	1,074,676	11,908,715	28,608,870
31 Dec'22	6,403,121	13,208,885	564,181	10,364,278	30,540,465

7 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 Dec'23	31 Dec'22
	SR	SR
Prepaid expense	3,069,750	816,972
Deferred cost	147,327	37,066
Deposits	3,484,690	2,869,863
Others	131,444	249,122
	6,833,211	3,973,023
Less: Non-current portion	(112,297)	(20,360)
Amount disclosed as current portion	6,720,914	3,952,663

Umar Kant Shau

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2023
(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 America Inc.	HCL Hungary Kft
HCL Technologies Norway AS	HCL Poland Sp.z.o.o.
HCL Great Britain Limited	HCL Guatemala, Sociedad Anonima
HCL (New Zealand) Limited	HCL Technologies Lanka (Private) Limited
HCL Technologies South Africa (Proprietary) Limited	HCL Hong Kong SAR Limited
HCL Technologies Limited- Ireland Branch	HCL Technologies Philippines Inc
HCL Technologies Limited - Abu Dhabi branch	HCL Technologies Egypt Limited
HCL (Brazil) Tecnologia da informacao EIRELI	HCL Technologies Greece Single Member P.C.
HCL Technologies B.V.	HCL Technologies Lithuania UAB
HCL GmbH	HCL Technologies UK Limited
HCL Technologies Italy S.p.A.	HCL Technologies Mexico
HCL Sweden AB	HCL Australia Services Pty. Limited
HCL Technologies Beijing Co. Ltd.	HCL Technologies (PTY) Limited
HCL Technologies Middle East FZ-LLC	HCL Technologies Solutions GmbH
PT HCL Technologies Indonesia Limited	HCL (Netherlands) BV
Butler America Aerospace LLC	HCL Technologies Germany GmbH
HCL Technologies Chile Spa	HCL Technologies Romania s.r.l.
HCL Axon Solutions (Shanghai) Co. Limited	HCL Technologies France
HCL (Ireland) Information Systems Limited	HCL Technologies Malaysia Sdn Bhd
HCL Technologies Columbia S.A.S.	HCL Argentina s.a.
HCL Technologies Belgium BVBA	HCL Belgium NV
HCL Technologies Finland Oy	HCL Japan Limited
HCL Canada Inc - SD	HCL Technologies Austria GmbH
HCL Asia Pacific Pte Limited	HCL Technologies Sweden AB
Geometric China Inc.	HCL Technologies Mexico S. DE R. L. DE C. V.
HCL Canada Inc.	HCL Technologies Corporate Services Limited
HCL Singapore Pte. Limited	HCL Latin America Holding LLC
HCL Technologies (Shanghai) Limited	HCL Technologies (Taiwan) Limited.
HCL Technologies Denmark Aps	

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

HCL Technologies Vietnam Company Limited
HCL Muscat Technologies LLC
HCL Technologies Spain
Octavian Acquisition Corp

Uma Kant Sharma

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2023
(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'23	31 Dec'22
	SR	SR
Ultimate Holding Company:		
a) Consulting charges accrued to ultimate holding company	36,900,545	13,981,666
b) Sales made/services rendered to ultimate holding company	256,950	13,743
c) Payments made to ultimate holding company	22,911,624	19,638,635

Key Management Personnel:

a) Salary Payments made during the year to Mr. Uma Kant Sharma	136,998	138,227
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Fellow Subsidiaries:

i) Consultation services rendered by fellow subsidiaries

	31 Dec'23	31 Dec'22
	SR	SR
HCL America Inc.	1,043,005	297,130
HCL Technologies Middle East FZ-LLC	654,285	403,901
HCL Canada Inc - SD	543,149	367,659
Octavian Acquisition Corp	514,534	-
HCL Singapore Pte. Limited	362,940	-
HCL Technologies UK Limited	359,818	37,554
HCL Technologies Egypt Ltd.	336,024	692,968
Actian Corporation	232,627	905,342
HCL Technologies Beijing Co. Ltd.	165,070	-
HCL Asia Pacific Pte Limited	138,877	75,841
HCL Technologies Finland Oy	108,383	-
HCL Technologies (PTY) Limited	107,477	-
HCL Technologies Germany GmbH	87,567	97,449
HCL Technologies Austria GmbH	81,116	-
HCL Guatemala, Sociedad Anónima	51,796	35
HCL Technologies France	43,772	26,264
HCL (Ireland) Information Systems Limited	42,756	-
HCL Technologies Costa Rica	38,439	169,090
HCL Technologies Belgium BVBA	35,185	-
HCL Technologies Mexico S. DE R. L. DE C. V.	34,237	80,572
HCL Technologies Malaysia Sdn Bhd	28,476	-
HCL Technologies Romania s.r.l.	23,085	-
HCL Muscat Technologies LLC	15,588	-
HCL Hungary KFT.	11,051	-
HCL Technologies Spain	10,975	-
HCL Istanbul Bilisim Teknolojileri Limited sirketi	5,395	2,351
HCL Axon Solutions (Shanghai) Co. Limited	4,999	14,962
HCL Poland sp. z o.o	4,260	-
PT HCL Technologies Indonesia Limited	3,370	11,875
HCL Technologies Denmark ApS	2,472	46,604
HCL Technologies (Shanghai) Limited	-	91,775
H C L Technologies Lanka (Private) Limited	-	67,972
HCL Australia Services Pty. Limited	-	58,240
HCL (New Zealand) Limited	-	26,776
HCL Technologies Czech Republic s.r.o.	-	10,688
HCL Sweden AB	-	9,222
HCL Technologies Norway AS	-	8,587
HCL Technologies (Taiwan) Limited.	-	3,199
HCL Technologies Chile Spa	-	2,982
HCL Technologies Greece Single Member P.C.	-	355
	5,090,728	3,509,393

ii) Marketing Services rendered by fellow subsidiaries

	31 Dec'23	31 Dec'22
	SR	SR
HCL Technologies Limited	686,374	619,687
	686,374	619,687

Uma Kant Sharma

HCL Arabia Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

(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'23	31 Dec'22
	SR	SR
HCL Technologies Finland Oy	442,488	84,969
HCL Technologies Romania s.r.l.	187,287	147,128
HCL Technologies Germany GmbH	174,289	396,408
HCL Technologies BV	122,604	57,157
HCL Axon Solutions (Shanghai) Co. Limited	98,054	-
HCL Technologies Austria GmbH	97,043	-
HCL Canada Inc - SD	94,359	53,683
HCL Technologies Denmark ApS	86,763	-
HCL Technologies UK Limited	57,592	70,009
HCL Technologies Columbia S.A.S.	50,840	-
HCL Technologies Belgium BVBA	32,136	1,992
HCL Australia Services Pty. Limited	28,842	28,067
HCL Technologies Corporate Services Limited	25,745	5,493
HCL Japan Limited	15,324	4,082
HCL Singapore Pte. Limited	10,513	-
HCL Technologies Sweden AB	5,307	-
HCL Technologies Philippines, Inc	4,879	5,735
HCL Technologies Vietnam Company Limited	3,948	-
HCL Hungary KFT.	2,950	-
PT. HCL Technologies Indonesia	2,930	4,249
HCL Technologies South Africa (Proprietary) Limited	2,108	-
HCL Argentina s.a.	-	193,703
HCL (Brazil) Tecnologia Da Informacao EIRELI	-	132,012
HCL (New Zealand) Limited	-	74,911
HCL Latin America Holding LLC	-	63,822
HCL Technologies (PTY) Ltd.	-	61,842
HCL Technologies Mexico S. DE R. L. DE C. V.	-	31,082
HCL Technologies (Taiwan) Limited	-	14,099
HCL Technologies Italy S.P.A	-	11,902
HCL Technologies Egypt Ltd	-	9,547
HCL Asia Pacific Pte Limited	-	8,169
HCL Technologies Lanka (Private) Limited	-	7,405
Telerox Marketing, Inc.	(63,617)	63,216
HCL America Inc.	(548,179)	361,137
	934,205	1,891,819

iv) Payments made to fellow subsidiaries

	31 Dec'23	31 Dec'22
	SR	SR
Octavian Acquisition Corp	1,205,974	-
HCL Technologies Middle East FZ- LLC	260,032	330,128
HCL America Inc.	216,483	1,441,597
HCL Technologies Germany GmbH	154,432	-
HCL Technologies UK Limited	138,796	213,429
HCL Technologies Egypt Limited	125,959	30,494
HCL HCL Latin America Holding, LLC, Costa Rica Branch	109,975	-
HCL Technologies Costa Rica	88,108	-
HCL Guatemala, Sociedad Anonima	81,758	17,834
HCL Technologies Austria GmbH	67,034	-
HCL Technologies Finland Oy	65,941	10,560
HCL Technologies France	61,787	56,541
HCL (Ireland) Information Systems Limited	46,988	-
HCL Technologies (Shanghai) Limited	46,984	89,814
HCL Technologies Denmark ApS	38,208	-
HCL Canada Inc.	35,057	301,876
HCL Technologies Belgium BVBA	29,148	3,228
HCL (New Zealand) Limited	21,304	-
HCL Technologies Sweden AB	13,658	-

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

(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)

iv) Payments made to fellow subsidiaries (continued)

	31 Dec'23	31 Dec'22
	SR	SR
HCL Technologies Norway AS	6,745	199,401
HCL Technologies Chile SpA	2,631	-
HCL Technologies (Taiwan) Limited	2,438	-
HCL Technologies Lanka (Private) Limited	-	62,534
HCL Technologies BV	-	34,532
HCL Technologies Romania s.r.l.	-	25,100
HCL Axon Solutions (Shanghai) Co., Limited	-	32,174
PT. HCL Technologies Indonesia	-	15,671
HCL Technologies Malaysia SDN BHD	-	12,178
HCL Asia Pacific Pte Limited	-	8,579
HCL Mexico	-	4,421
HCL Poland Sp.z.o.o.	-	3,390
HCL Technologies Philippines, Inc	-	3,358
HCL Hong Kong SAR Limited	-	2,971
HCL Technologies Beijing Co., Ltd	-	2,930
HCL Argentina s.a.	-	2,258
HCL Hungary Kft	-	1,985
	2,819,440	2,906,983

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'23	31 Dec'22
	SR	SR
Ultimate Holding Company	12,129,559	9,966,112
Fellow subsidiaries:		
HCL Argentina s.a.	234,706	234,846
HCL Technologies Romania s.r.l.	211,326	153,442
HCL Axon Solutions (Shanghai) Co. Limited.	146,952	48,898
HCL (Brazil) Tecnologia da Informacao EIRELI	132,012	146,417
HCL Latin America Holding LLC	81,776	123,017
HCL Technologies Colombia SAS	50,803	-
HCL Technologies Denmark ApS	42,624	-
HCL Technologies Germany GmbH	37,792	-
HCL Australia Services Pty. Limited	24,371	-
HCL Technologies Corporate Services Limited	16,014	-
HCL Japan Limited	15,323	-
HCL Technologies Belgium BVBA	13,566	-
HCL Technologies Egypt Limited	9,528	9,547
HCL Guatemala, Sociedad Anonima	7,769	-
HCL Technologies Lanka (Private) Limited	7,391	7,406
PT. HCL Technologies Indonesia	7,171	4,249
HCL Technologies France	6,562	-
HCL Technologies Sweden AB	5,306	-
HCL Technologies Vietnam Company Limited	3,947	-
HCL America Inc.	-	394,429
HCL Singapore Pte. Limited	-	331,257
HCL Technologies (PTY) Limited	-	61,842
HCL Mexico	-	31,084
HCL Technologies (Taiwan) Limited	-	16,459
HCL Technologies Finland Oy	-	16,076
Telrex Marketing, Inc.	-	14,809
HCL Asia Pacific Pte Limited	-	8,169
HCL Technologies Chile Spa	-	5,681
HCL Technologies Philippines Inc	-	2,789
HCL Technologies South Africa (Proprietary) Limited	-	2,627
	13,184,498	11,579,156

Umar Kant Shaeer

HCL Arabia Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

(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'23	31 Dec'22
	SR	SR
Ultimate Holding Company	46,661,873	27,592,717
Fellow subsidiaries:		
HCL America Inc.	3,011,304	579,314
HCL Technologies Middle East FZ-LLC	1,292,831	990,155
HCL Canada Inc.	894,276	414,379
HCL Technologies Egypt Ltd.	612,087	592,429
Actian Corporation	232,620	905,342
HCL Technologies UK Limited	221,449	37,644
HCL Asia Pacific Pte Limited	194,025	75,841
HCL Technologies Beijing Co. Ltd.	152,114	-
HCL Technologies Costa Rica	136,995	182,146
HCL Mexico	117,261	80,572
HCL Technologies (PTY) Limited	107,477	-
HCL Technologies (Shanghai) Limited	91,599	148,191
Telerx Marketing, Inc.	86,381	-
HCL Australia Services Pty. Limited	61,082	61,259
HCL Singapore Pte. Limited	34,137	-
HCL Technologies Finland Oy	28,435	-
HCL Technologies Malaysia Sdn Bhd	28,349	-
HCL Technologies Romania s.r.l.	20,017	-
HCL Axon Solutions (Shanghai) Co., Ltd. Wuxi Branch	19,179	14,962
PT HCL Technologies Indonesia Limited	16,647	12,888
HCL Muscat Technologies LLC	13,245	-
HCL Technologies Germany GmbH	13,088	93,928
HCL TECHNOLOGIES CZECH REPUBLIC s.r.o.	12,023	11,895
HCL Technologies Austria GmbH	11,783	-
HCL Technologies France	10,383	29,410
HCL Hungary KFT.	10,109	-
HCL Technologies Spain	9,811	-
HCL Guatemala, Sociedad Anónima	7,774	44,196
HCL (Ireland) Information Systems Limited	6,235	13,568
HCL Technologies Belgium BVBA	5,124	-
HCL Istanbul Bilisim Teknolojileri Limited sirketi	5,096	2,351
HCL Poland sp. z o.o	4,106	-
HCL Technologies Denmark ApS	2,471	44,950
HCL (New Zealand) Limited	913	27,217
HCL Technologies Greece	355	355
HCL Latin America Holding, LLC, Costa Rica branch	-	112,429
HCL Technologies Sweden AB	-	16,666
HCL Technologies Norway AS	-	8,690
HCL Technologies Chile Spa	-	3,220
HCL Technologies (Taiwan) Ltd.	-	2,985
	54,132,654	32,099,699

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HCL Arabia Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

(All amounts in Saudi Riyals unless otherwise stated)

9 Goodwill

	31 Dec'23	31 Dec'22
	SR	SR
At the beginning of the year	2,563,444	2,563,444
Less: Amortization	(1,089,464)	-
At the end of the year	1,473,980	2,563,444

10 Property and equipment

	<i>Office equipment</i>	<i>Furniture and fixtures</i>	<i>Computers and Laptop</i>	Total
	SR	SR	SR	SR
Cost :				
At 1 Jan'23	11,965	470,900	517,294	1,000,159
Additions	-	-	1,381,962	1,381,962
At 31 Dec'23	11,965	470,900	1,899,256	2,382,121
Accumulated depreciation:				
At 1 Jan'23	11,965	470,900	254,564	737,429
Charge for the year	-	-	284,116	284,116
At 31 Dec'23	11,965	470,900	538,680	1,021,545
Net Book Value:				
At 31 Dec'23	-	-	1,360,576	1,360,576

	<i>Office equipment</i>	<i>Furniture and fixtures</i>	<i>Computers and Laptop</i>	Total
	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

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HCL Arabia Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

(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'23	2,203,778	337,453	2,541,231
Additions	-	-	-
At 31 Dec'23	2,203,778	337,453	2,541,231
Accumulated amortization:			
At 1 Jan'23	1,072,172	329,536	1,401,708
Charge for the year	235,103	7,917	243,020
At 31 Dec'23	1,307,275	337,453	1,644,728
Net Book Value:			
At 31 Dec'23	896,503	-	896,503
	<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

12 ACCOUNT PAYABLES AND ACCRUALS

	<i>31 Dec'23</i>	<i>31 Dec'22</i>
	<i>SR</i>	<i>SR</i>
Contract liabilities	8,012,343	4,392,516
Accrued expenses	4,398,928	2,340,462
Other payables	4,860,199	7,677,589
Employee payables	1,059,556	1,215,662
Trade payables	3,432,711	1,718,576
	21,763,737	17,344,805

13 BORROWINGS

	<i>31 Dec'23</i>	<i>31 Dec'22</i>
	<i>SR</i>	<i>SR</i>
Borrowings from related party	30,188,305	9,581,880
	30,188,305	9,581,880

Movements for borrowings from related party are as follows:

	<i>31 Dec'23</i>	<i>31 Dec'22</i>
	<i>SR</i>	<i>SR</i>
At beginning of the year	9,581,880	-
Additions during the year	20,606,425	11,457,330
Repayments during the year	-	(1,875,450)
At end of the year	30,188,305	9,581,880

The Company entered into unsecured short-term loan facility agreement with HCL America Inc. for amount of USD 8.10 million (SAR 32.08 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.

Umair Shah

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

(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'23	31 Dec'22
	SR	SR
<u>Current tax*</u>		
Current income tax	1,193,560	861,525
<u>Deferred tax credit</u>		
Relating to origination and reversal of temporary differences**	(83,502)	248,700
Income tax reported in the statement of comprehensive income	1,110,058	1,110,225

* Current income tax has been provided for based on the estimated taxable profit at 20% (2022: 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:

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

	31 Dec'23	31 Dec'22
	SR	SR
Profit before tax	5,361,963	5,570,189
Tax rate	20%	20%
Expected tax expense	1,072,393	1,114,038
Tax effect of adjustments to reconcile expected tax expense to reported tax expense		
Provision/(reversal) due to change in tax position and impact of prior period provision	36,595	(2,143)
Others	1,070	(1,670)
Total taxes	1,110,058	1,110,225
Effective income tax rate	20%	20%

	31 Dec'23	31 Dec'22
	SR	SR
<u>Deferred tax assets</u>		
Provision for doubtful debt	29,821	253,585
Differences in depreciation	204,120	30,090
Provision for employees defined benefits liabilities	578,501	298,495
Total deferred tax assets	812,442	582,170
<u>Deferred tax liability</u>		
Unrealised forex gain	70,628	18,516
Net deferred tax assets	741,814	563,654

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

	31 Dec'23		31 Dec'22	
	SR		SR	
	Income tax	Deferred tax assets	Income tax	Deferred tax assets
At beginning of the year	877,316	563,654	1,383,395	784,544
Provided and expensed during the current year	1,193,560	83,502	861,525	(248,700)
Provided and expensed during the previous year	-	-	-	-
DTA created against OCI	-	94,658	-	27,810
Payments during the year	(885,389)	-	(1,367,604)	-
At end of the year	1,185,487	741,814	877,316	563,654

c) Status of assessments

The Company has submitted income tax declarations for all years upto 31 Dec'23 to the Zakat, Tax and Customs authority (the "ZATCA"). However, no assessments have been raised by ZATCA yet.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

(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'23 and 31 Dec'22 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'23	31 Dec'22
	SR	SR
Present value of employees defined benefits liabilities		
Current Liabilities	280,127	199,166
Non current Liabilities	2,612,379	1,293,307
	2,892,506	1,492,473

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

Current service costs	988,982	675,384
Interest costs on liability	37,469	19,292
	1,026,451	694,676

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

Employees defined benefits liabilities at beginning of the year	1,492,473	743,057
Current service costs	988,982	675,384
Interest costs on liability	37,469	19,292
End of service benefits paid	(99,717)	(84,307)
Actuarial loss	473,299	139,047
Employees defined benefits liabilities at end of the year	2,892,506	1,492,473

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

	31 Dec'23	31 Dec'22
Discount rate	4.51%	2.69%
Future salary increment rate	4.00%	7.20%
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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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

(All amounts in Saudi Riyals unless otherwise stated)

15 EMPLOYEES DEFINED BENEFITS LIABILITIES (continued)

	Year ended Dec'23	
	Discount Rate	Salary Escalation Rate
Defined benefit obligation on increase in 50 bps	2,799,281	2,991,114
Impact of increase in 50 bps on DBO	-3.22%	3.41%
Defined benefit obligation on decrease in 50 bps	2,991,104	2,798,396
Impact of decrease in 50 bps on DBO	3.41%	-3.25%

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 (2022: 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'23	31 Dec'22
	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'23	31 Dec'22
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'23	31 Dec'22
	SR	SR
Employee payables	2,655,030	1,819,878
Contract liabilities	444,919	810,151
	3,099,949	2,630,029

18 REVENUE

	31 Dec'23	31 Dec'22
	SR	SR
Application and support services	127,523,939	77,897,856
	127,523,939	77,897,856

19 COST OF REVENUE

	31 Dec'23	31 Dec'22
	SR	SR
Consulting charges-Group	41,991,272	17,467,605
Employee benefit expenses	56,559,625	39,774,470
Outsourced services	2,141,481	1,651,119
Break fix charges	7,575,656	4,940,423
Others	2,686,464	1,230,895
Software license	94,510	73,127
	111,049,008	65,137,639

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

(All amounts in Saudi Riyals unless otherwise stated)

20 SELLING AND DISTRIBUTION EXPENSES

	31 Dec'23	31 Dec'22
	<i>SR</i>	<i>SR</i>
Marketing expenses	993,274	690,375
Outsourcing costs	903,981	762,001
Bad debts written off	27,500	653,873
Travel	2,242,296	1,946,222
	4,167,051	4,052,471

21 GENERAL AND ADMINISTRATIVE EXPENSES

	31 Dec'23	31 Dec'22
	<i>SR</i>	<i>SR</i>
Professional fees	4,439,098	2,665,127
Depreciation and amortisation (note 9, 10 and 11)	1,616,600	463,655
Establishment and maintenance costs	803,854	757,721
Rent	160,295	160,247
Penalty on direct tax	-	68,237
	7,019,847	4,114,987

22 OTHER EXPENSES-NET

	31 Dec'23	31 Dec'22
	<i>SR</i>	<i>SR</i>
Foreign exchange loss - net	125,853	263,297
Interest income on customer receivables	(585)	(441)
	125,268	262,856

23 FINANCIAL CHARGES

	31 Dec'23	31 Dec'22
	<i>SR</i>	<i>SR</i>
Interest on borrowings from related party	833,186	233,524
Bank charges	86,439	82,073
	919,625	315,597

24 RECLASSIFICATION

During the year, the Company has identified certain adjustments relating to reclassifications in statement of cashflow, accounts payables and accruals and amounts due to related parties, which have also been adjusted in the prior year. Such adjustments do not have a material impact on these financial statements.

25 APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 Dec'23 were authorised for issuance by the shareholders on 26 June 2024.

Umar Kant Shau