

HCL Arabia Limited
(A Limited Liability Company)

Financial Statements for the year ended
31 December 2024
together with
Independent Auditor's Report

HCL ARABIA LIMITED
(A Limited Liability Company)

FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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KPMG Professional Services Company

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P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

شركة كي بي إم جي للاستشارات المهنية مساهم مهنية

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 2024, 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 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards Accounting Standard for Small and Medium-sized Entities (IFRS for SMEs) that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS for SMEs that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, the 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.

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 Company

Nourah Mansour Alqarni
License Number 646

Al Riyadh: 26 Dhul Hijjah, 1446H
Corresponding to: 22 June 2025



HCL Arabia Limited
(A Limited Liability Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	31 Dec'24 SR	31 Dec'23 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	49,702,191	30,860,125
Account receivables and unbilled revenue	6	105,371,174	67,525,311
Finance lease receivables		31,157	5,681
Prepayments, deposits and other receivables	7	7,571,467	6,720,914
Amounts due from related parties	8d	11,516,407	13,184,498
TOTAL CURRENT ASSETS		174,192,396	118,296,529
NON-CURRENT ASSET			
Goodwill	9	1,889,652	1,473,980
Intangible assets	11	1,570,214	896,503
Property and equipment	10	1,102,484	1,360,576
Account receivables and unbilled revenue	6	11,021,325	13,921,584
Prepayments, deposits and other receivables	7	510,756	112,297
Finance lease receivables		123,650	908
Deferred tax assets	14b	1,338,203	741,814
TOTAL NON-CURRENT ASSETS		17,556,284	18,507,662
TOTAL ASSETS		191,748,680	136,804,191
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Account payables and accruals	12	20,423,271	21,763,737
Amounts due to related parties	8d	35,672,724	54,132,654
Borrowings	13	80,751,850	30,188,305
Provision for income tax	14b	1,934,785	1,185,487
Employees defined benefits liabilities	15	552,761	280,127
TOTAL CURRENT LIABILITIES		139,335,391	107,550,310
NON-CURRENT LIABILITY			
Employees defined benefits liabilities	15	4,621,391	2,612,379
Other payables and accruals	17	6,500,448	3,099,949
Borrowings	13	11,267,700	-
TOTAL NON-CURRENT LIABILITIES		22,389,539	5,712,328
TOTAL LIABILITIES		161,724,930	113,262,638
EQUITY			
Capital	16	6,100,000	6,100,000
Statutory reserve		1,830,000	1,788,775
Retained earnings		22,093,750	15,652,778
TOTAL EQUITY		30,023,750	23,541,553
TOTAL LIABILITIES AND EQUITY		191,748,680	136,804,191

These financial statements as shown on pages from 3 to 25 were approved by the shareholders on 17 June 2025 and signed on their behalf by:

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 2024

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	31 Dec'24 SR	31 Dec'23 SR
Revenue	18	172,193,067	127,523,939
Cost of revenue	19	(141,538,344)	(111,049,008)
GROSS PROFIT		30,654,723	16,474,931
EXPENSES			
Selling and distribution expenses	20	(5,183,559)	(4,167,051)
(Charge)/reversal of impairment loss on trade receivables	6	(650,855)	1,118,823
General and administrative expenses	21	(12,336,626)	(7,019,847)
OPERATING PROFIT		12,483,683	6,406,856
Other expenses-net	22	(700,625)	(125,268)
Financial charges	23	(2,902,728)	(919,625)
PROFIT BEFORE INCOME TAX		8,880,330	5,361,963
Income tax	14a	(1,792,125)	(1,110,058)
PROFIT FOR THE YEAR		7,088,205	4,251,905
Other comprehensive (loss)/income:			
Items that will not be subsequently reclassified to profit and loss			
Re-measurement loss of defined benefit liabilities	15	(757,511)	(473,299)
Deferred tax credit related to re-measurement loss of defined liabilities	14b	151,503	94,658
TOTAL OTHER COMPREHENSIVE LOSS		(606,008)	(378,641)
TOTAL COMPREHENSIVE INCOME		6,482,197	3,873,264

These financial statements as shown on pages from 3 to 25 were approved by the shareholders on 17 June 2025 and signed on their behalf by:

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 2024

(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'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
As at 1 Jan'24	6,100,000	1,788,775	15,652,778	23,541,553
Profit for the year	-	-	7,088,205	7,088,205
Other comprehensive loss for the year	-	-	(606,008)	(606,008)
Total comprehensive income	-	-	6,482,197	6,482,197
Transferred to statutory reserve	-	41,225	(41,225)	-
Total profit and OCI for the year	-	41,225	6,440,972	6,482,197
As at 31 Dec'24	6,100,000	1,830,000	22,093,750	30,023,750

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 2024

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	31 Dec'24 SR	31 Dec'23 SR
Cash flows from operating activities			
Profit before income tax		8,880,330	5,361,963
<i>Adjustments for :</i>			
Depreciation and amortisation	9,10,11	909,474	1,616,600
Employees defined benefit expenses	15	1,694,418	1,026,451
Bad Debts written off	20	16,937	27,500
Provision for doubtful debts	6	650,855	(1,118,823)
Interest on borrowings from related party	23	2,794,009	833,186
Interest income on customer receivables	22	(2,369)	(585)
		14,943,654	7,746,292
<i>Changes in working capital:</i>			
Account receivables and unbilled revenue		(35,627,043)	(36,702,271)
Prepayments, deposits and other receivables		(1,249,012)	(2,860,188)
Inventories		-	5,419
Finance lease receivables		(148,218)	47,714
Amount due from related parties		1,668,091	(1,605,342)
Account payables and accruals		2,060,032	4,888,852
Amount due to related parties		(21,253,939)	21,199,769
Cash used in operations		(39,606,435)	(7,279,755)
Income tax paid	14b	(1,474,065)	(885,389)
Interest income on customer receivables	22	2,369	585
Employees defined benefits paid	15	(170,283)	(99,717)
<i>Net cash used in operating activities</i>		(41,248,414)	(8,264,276)
Cash flows from investing activities			
Addition to goodwill	9	(677,664)	-
Acquisition of property and equipment	10	(143,268)	(1,381,962)
Addition to intangibles	11	(919,833)	-
<i>Net cash used in investing activities</i>		(1,740,765)	(1,381,962)
Cash flows from financing activities			
Borrowings from related party:			
Additions during the year	13	61,831,245	20,606,425
<i>Net cash generated from financing activities</i>		61,831,245	20,606,425
Net increase in cash and cash equivalents		18,842,066	10,960,187
Cash and cash equivalents at the beginning of the year		30,860,125	19,899,938
Cash and cash equivalents at the end of the year	5	49,702,191	30,860,125

R. Al-Fulki

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 2024

1 COMPANY INFORMATION AND ACTIVITIES

HCL Arabia Limited (the "Company") is a Limited Liability Company formed under the Regulations for Companies in the Kingdom of Saudi Arabia under Commercial Registration Number 1010308344 on 4/6/1432H (corresponding to 7 May 2011) and MISA License Number 112031098754-01 valid up to 14/7/1447 (corresponding to 3 January 2026). The registered office of the Company is located at AL Olaya Street, Al Aqariya Plaza, Office NO.203, Riyadh-12244, Kingdom of Saudi Arabia ("KSA").

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Judgements and estimates

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

2.3 Basis of measurement

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

2.4 Presentation and functional currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Cash and cash equivalents

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

Accounts receivable

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

Unbilled revenue

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

Financial assets and liabilities

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

Impairment and collectability of financial assets

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

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

Offsetting a financial asset and a financial liability

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

Property and equipment

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

<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.



3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Capital work in progress

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

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

Intangible assets

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

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

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

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

Asset description	Asset life (in years)
Software	3
Customer relationships	1 to 10
Order Book	1.5

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



3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Value added tax

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

Impairment of non-financial assets

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

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

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.



3 SUMMARY OF SIGNIFICANT 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

In accordance with the Companies Law, the Company may prescribe creation of statutory reserve through its Articles of Associates. Accordingly, the Company has opted to transfer profits to the statutory reserve until such reserve equals 30% of the share capital. This 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.



3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

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

New standards and amendments to the existing standards

There are no amendments to the IFRS for SMEs as endorsed by SOCPA in the Kingdom of Saudi Arabia that 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	1,102,484
Goodwill	1,889,652
Intangible assets	1,570,214

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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5 CASH AND CASH EQUIVALENTS

	31 Dec'24	31 Dec'23
	<i>SR</i>	<i>SR</i>
Cash at bank	49,702,191	30,860,125
	49,702,191	30,860,125

6 ACCOUNT RECEIVABLES AND UNBILLED REVENUE

	31 Dec'24	31 Dec'23
	<i>SR</i>	<i>SR</i>
Trade receivables	52,110,469	27,673,347
Unbilled revenue	65,081,989	53,922,652
Impairment loss on trade receivable	(799,959)	(149,104)
	116,392,499	81,446,895
Less: Non-current portion	(11,021,325)	(13,921,584)
Amount disclosed as current portion	105,371,174	67,525,311

Movements for impairment loss on trade receivables are as follows:

	31 Dec'24	31 Dec'23
	<i>SR</i>	<i>SR</i>
At beginning of the year	149,104	1,267,927
Creation/(Reversal) for the year	650,855	(1,118,823)
At end of the year	799,959	149,104

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'24	8,138,417	7,638,722	4,371,295	31,162,076	51,310,510	
31 Dec'23	10,917,782	3,623,070	1,074,676	11,908,715	27,524,243	

7 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 Dec'24	31 Dec'23
	<i>SR</i>	<i>SR</i>
Prepaid expense	4,011,125	3,069,750
Deferred cost	164,399	147,327
Deposits	3,519,076	3,484,690
Others	387,623	131,444
	8,082,223	6,833,211
Less: Non-current portion	(510,756)	(112,297)
Amount disclosed as current portion	7,571,467	6,720,914

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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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. Saifullah Raichur Nazeer Ahmed

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

Ultimate Holding Company

HCL Technologies Limited

Key Management Personnel

Mr. Saifullah Raichur Nazeer Ahmed

Fellow Subsidiaries

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

HCL America Inc.

HCL Technologies Norway AS

HCL Great Britain Limited

HCL (New Zealand) Limited

HCL Technologies South Africa (Proprietary) Limited

HCL Technologies Limited- Ireland Branch

HCL Technologies Limited - Abu Dhabi branch

HCL (Brazil) Tecnologia da informacao EIRELI

HCL Technologies B.V.

HCL GmbH

HCL Technologies Italy S.p.A.

HCL Sweden AB

HCL Technologies Beijing Co. Ltd.

HCL Technologies Middle East FZ-LLC

PT HCL Technologies Indonesia Limited

HCL Istanbul Bilisim Teknolojileri Limited sirketi

HCL Technologies Chile Spa

HCL Axon Solutions (Shanghai) Co. Limited

HCL (Ireland) Information Systems Limited

HCL Technologies Columbia S.A.S.

HCL Technologies Belgium BVBA

HCL Technologies Finland Oy

HCL Canada Inc - SD

HCL Asia Pacific Pte Limited

Geometric China Inc.

HCL Canada Inc.

HCL Singapore Pte. Limited

HCL Technologies (Shanghai) Limited

HCL Technologies Denmark Aps

HCL Technologies Vietnam Company Limited

HCL Muscat Technologies LLC

HCL Hungary Kft

HCL Poland Sp.z.o.o.

HCL Guatemala, Sociedad Anonima

HCL Technologies Lanka (Private) Limited

HCL Hong Kong SAR Limited

HCL Technologies Philippines Inc

HCL Technologies Egypt Limited

HCL Technologies Greece Single Member P.C.

HCL Technologies Lithuania UAB

HCL Technologies UK Limited

HCL Technologies Mexico

HCL Australia Services Pty. Limited

HCL Technologies (PTY) Limited

HCL Technologies Solutions GmbH

HCL Technologies Czech Republic s.r.o.

HCL Technologies Germany GmbH

HCL Technologies Romania s.r.l.

HCL Technologies France

HCL Technologies Malaysia Sdn Bhd

HCL Argentina s.a.

HCL Belgium NV

HCL Japan Limited

HCL Technologies Austria GmbH

HCL Technologies Sweden AB

HCL Technologies Costa Rica

HCL Technologies Corporate Services Limited

HCL Latin America Holding LLC

HCL Technologies (Taiwan) Limited.

HCL Technologies Spain

Octavian Acquisition Corp

Actian Corporation

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

HCL America Solutions Inc.

HCL Technologies (Thailand) Limited.



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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'24	31 Dec'23
	SR	SR
Ultimate Holding Company:		
a) Consulting charges accrued to ultimate holding company	34,797,863	36,900,545
b) Sales made/services rendered to ultimate holding company	944,568	256,950
c) Payments made to ultimate holding company	55,509,914	22,911,624
Key Management Personnel:		
a) Salary Payments made during the year to Mr. Uma Kant Sharma	70,015	136,998
b) Salary Payments made during the year to Mr. Saifullah Raichur Nazeer Ahmed	210,767	-
	<u>280,782</u>	<u>136,998</u>

Fellow Subsidiaries:

i) Consultation services rendered by fellow subsidiaries

	31 Dec'24	31 Dec'23
	SR	SR
HCL Technologies Corporate Services Limited	1,740,158	-
HCL Technologies Middle East FZ-LLC	862,638	654,285
HCL America Inc.	205,797	1,043,005
HCL Technologies Egypt Ltd.	152,451	336,024
HCL Japan Limited	90,340	-
HCL Technologies Finland Oy	73,774	108,383
HCL Technologies Mexico S. DE R. L. DE C. V.	44,926	34,237
HCL Technologies Norway AS	41,315	-
HCL Canada Inc - SD	36,567	543,149
HCL Technologies France	7,852	43,772
HCL Technologies Austria GmbH	6,061	81,116
HCL Technologies UK Limited	4,728	359,818
HCL Technologies Germany GmbH	4,040	87,567
HCL Australia Services Pty. Limited	2,886	-
HCL Technologies Belgium BVBA	2,108	35,185
HCL America Solutions Inc.	90	-
Octavian Acquisition Corp	-	514,534
HCL Singapore Pte. Limited	-	362,940
Action Corporation	-	232,627
HCL Technologies Beijing Co. Ltd.	-	165,070
HCL Asia Pacific Pte Limited	-	138,877
HCL Technologies (PTY) Limited	-	107,477
HCL Guatemala, Sociedad Anónima	-	51,796
HCL (Ireland) Information Systems Limited	-	42,756
HCL Technologies Costa Rica	-	38,439
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
HCL Axon Solutions (Shanghai) Co. Limited	-	4,999
HCL Poland sp. z o.o	-	4,260
PT HCL Technologies Indonesia Limited	-	3,370
HCL Technologies Denmark ApS	-	2,472
	<u>3,275,731</u>	<u>5,090,728</u>

ii) Marketing Services rendered by fellow subsidiaries

	31 Dec'24	31 Dec'23
	SR	SR
HCL Technologies Limited	-	686,374
	<u>-</u>	<u>686,374</u>

iii) Insurance Services rendered by fellow subsidiaries

	31 Dec'24	31 Dec'23
	SR	SR
HCL Technologies Limited	4,035	-
	<u>4,035</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

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8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

iv) Sales made/Services rendered to fellow subsidiaries

	31 Dec'24	31 Dec'23
	SR	SR
HCL Technologies Corporate Services Limited	1,369,698	25,745
HCL Technologies Middle East FZ- LLC	157,971	-
HCL Istanbul Bilisim Teknolojileri Limited sirketi	86,230	-
HCL Technologies (PTY) Ltd.	43,774	-
HCL Technologies Denmark ApS	39,401	86,763
HCL Technologies Greece Single Member P.C.	35,589	-
HCL Axon Solutions (Shanghai) Co. Limited	23,685	98,054
HCL Technologies (Thailand) Limited.	21,042	-
HCL Technologies Germany GmbH	20,805	174,289
HCL America Inc.	16,344	(548,179)
HCL Japan Limited	13,591	15,324
Telerox Marketing, Inc.	9,384	(63,617)
HCL Technologies Vietnam Company Limited	9,073	3,948
HCL Technologies France	8,468	-
HCL (Brazil) Technologia Da Informacao EIRELI	7,945	-
HCL Technologies Mexico	7,799	-
HCL Technologies Italy S.P.A	7,254	-
HCL Technologies Norway AS	6,022	-
HCL Technologies BV	5,467	122,604
HCL Canada Inc - SD	4,184	94,359
PT. HCL Technologies Indonesia	3,482	2,930
HCL Asia Pacific Pte Limited	2,250	-
HCL (Ireland) Information Systems Limited	2,204	-
HCL Technologies Finland Oy	2,117	442,488
HCL Technologies UK Limited	1,897	57,592
HCL Technologies Austria GmbH	1,808	97,043
HCL Australia Services Pty. Limited	-	28,842
HCL Technologies Romania s.r.l.	-	187,287
HCL Technologies Columbia S.A.S.	-	50,840
HCL Technologies Belgium BVBA	-	32,136
HCL Singapore Pte. Limited	-	10,513
HCL Technologies Sweden AB	-	5,307
HCL Technologies Philippines, Inc	-	4,879
HCL Hungary KFT.	-	2,950
HCL Technologies South Africa (Proprietary) Limited	-	2,108
	1,907,484	934,205

v) Payments made to fellow subsidiaries

	31 Dec'24	31 Dec'23
	SR	SR
HCL America Inc.	2,158,446	216,483
HCL Technologies Middle East FZ- LLC	2,058,438	260,032
HCL Canada Inc.	900,087	35,057
HCL Technologies Egypt Limited	772,805	125,959
HCL Technologies Corporate Services Limited	526,420	-
Action Corporation	232,627	-
HCL Technologies UK Limited	226,750	138,796
HCL Asia Pacific Pte Limited	203,817	-
HCL Technologies Costa Rica	161,937	-
HCL Technologies Beijing Co., Ltd	156,745	-
HCL Technologies Mexico	154,238	-
HCL Technologies Finland Oy	108,325	65,941
HCL Technologies (PTY) Limited	102,163	-
HCL Technologies (Shanghai) Limited	87,023	46,984
HCL Japan Limited	85,862	-
HCL Australia Services Pty. Limited	59,984	-
HCL Technologies Norway AS	38,459	6,745
HCL Technologies Malaysia SDN BHD	28,094	-
HCL Technologies Romania s.r.l.	22,090	-

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

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8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

v) Payments made to fellow subsidiaries (continued)

	31 Dec'24	31 Dec'23
	SR	SR
HCL Axon Solutions (Shanghai) Co., Limited	18,934	-
PT. HCL Technologies Indonesia	16,219	-
HCL Muscat Technologies LLC	14,805	-
HCL Technologies France	14,640	61,787
HCL Technologies Austria GmbH	14,291	67,034
HCL Technologies Germany GmbH	12,975	154,432
HCL Technologies Czech Republic s.r.o.	11,374	-
HCL Hungary Kft	10,961	-
HCL Technologies Spain	10,778	-
HCL Istanbul Bilisim Teknolojileri Limited sirketi	5,865	-
HCL Technologies Belgium BVBA	5,696	29,148
HCL Guatemala, Sociedad Anonima	5,230	81,758
HCL Poland Sp.z.o.o.	4,446	-
HCL (Ireland) Information Systems Limited	4,370	46,988
HCL Technologies Denmark ApS	2,258	38,208
HCL (New Zealand) Limited	643	21,304
Octavian Acquisition Corp	-	1,205,974
HCL HCL Latin America Holding, LLC, Costa Rica Branch	-	109,975
HCL Technologies Costa Rica	-	88,108
HCL Technologies Sweden AB	-	13,658
HCL Technologies Chile SpA	-	2,631
HCL Technologies (Taiwan) Limited	-	2,438
	8,237,795	2,819,440

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'24	31 Dec'23
	SR	SR
Ultimate Holding Company	10,493,886	12,129,559
Fellow subsidiaries:		
HCL Technologies Corporate Services Limited	770,020	16,014
HCL (Brazil) Tecnologia da informacao EIRELI	138,886	132,012
HCL Technologies Colombia SAS	40,156	50,803
HCL Axon Solutions (Shanghai) Co. Limited.	19,081	146,952
HCL Japan Limited	13,589	15,323
HCL Technologies France	8,467	6,562
HCL Technologies Italy S.p.A.	6,202	-
HCL Technologies Lanka (Private) Limited	6,088	7,391
HCL Technologies Germany GmbH	4,810	37,792
HCL Technologies Norway AS	3,384	-
HCL Technologies BV	3,168	-
HCL Technologies UK Limited	1,897	-
HCL (Ireland) Information Systems Limited	1,682	-
HCL Canada Inc.	1,337	-
HCL Technologies Finland Oy	1,210	-
HCL Technologies Austria GmbH	988	-
HCL Asia Pacific Pte Limited	865	-
HCL Technologies Middle East FZ-LLC	691	-
HCL Argentina s.a.	-	234,706
HCL Technologies Romania s.r.l.	-	211,326
HCL Latin America Holding LLC	-	81,776
HCL Technologies Denmark ApS	-	42,624
HCL Australia Services Pty. Limited	-	24,371
HCL Technologies Belgium BVBA	-	13,566
HCL Technologies Egypt Limited	-	9,528
HCL Guatemala, Sociedad Anonima	-	7,769
PT. HCL Technologies Indonesia	-	7,171
HCL Technologies Sweden AB	-	5,306
HCL Technologies Vietnam Company Limited	-	3,947
	11,516,407	13,184,498

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2024

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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'24	31 Dec'23
	SR	SR
Ultimate Holding Company	30,502,613	46,661,873
Fellow subsidiaries:		
HCL America Inc.	3,797,994	3,011,304
HCL Technologies Corporate Services Limited	1,150,516	-
HCL Technologies Middle East FZ-LLC	136,950	1,292,831
HCL Technologies France	84,560	10,383
HCL America Solutions Inc.	91	-
HCL Canada Inc.	-	894,276
HCL Technologies Egypt Ltd.	-	612,087
Actian Corporation	-	232,620
HCL Technologies UK Limited	-	221,449
HCL Asia Pacific Pte Limited	-	194,025
HCL Technologies Beijing Co. Ltd.	-	152,114
HCL Technologies Costa Rica	-	136,995
HCL Technologies Mexico	-	117,261
HCL Technologies (PTY) Limited	-	107,477
HCL Technologies (Shanghai) Limited	-	91,599
Telerox Marketing, Inc.	-	86,381
HCL Australia Services Pty. Limited	-	61,082
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
PT HCL Technologies Indonesia Limited	-	16,647
HCL Muscat Technologies LLC	-	13,245
HCL Technologies Germany GmbH	-	13,088
HCL Technologies Czech Republic s.r.o.	-	12,023
HCL Technologies Austria GmbH	-	11,783
HCL Hungary KFT.	-	10,109
HCL Technologies Spain	-	9,811
HCL Guatemala, Sociedad Anónima	-	7,774
HCL (Ireland) Information Systems Limited	-	6,235
HCL Technologies Belgium BVBA	-	5,124
HCL Istanbul Bilisim Teknolojileri Limited sirketi	-	5,096
HCL Poland sp. z o.o	-	4,106
HCL Technologies Denmark ApS	-	2,471
HCL (New Zealand) Limited	-	913
HCL Technologies Greece	-	355
	35,672,724	54,132,654

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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9 Goodwill

	31 Dec'24	31 Dec'23
	SR	SR
At the beginning of the year	1,473,980	2,563,444
Additions	677,664	-
Less: Amortization	(261,992)	(1,089,464)
At the end of the year	1,889,652	1,473,980

Acquisition of business related to certain assets (CSS) of Communications Technology Group (CTG) from Hewlett Packard Enterprise (HPE)

On 23 May 2024, HCL Group signed a definitive agreement to carve-out and acquire business related to certain intellectual property rights (IPs), customer relationships with global Communication Service Providers (CSPs) along with Engineering and R&D talent of Communications Technology Group (CTG) from HPE. The acquisition got consummated, post-regulatory approvals on 1 December 2024. The acquisition will enable HCL Group to gain a portfolio of service offerings that includes industry-leading IPs, solutions and systems integration around Business Support Systems (BSS), network applications, service cloudification and data intelligence.

Out of the overall deal purchase price of \$ 210Mn, the company had paid the purchase price of SAR 512,660 which has been preliminarily allocated based on management estimates to the acquired assets and liabilities as follows:

	Amount
	SR
Customer relationship	529,608
Order book	390,225
Goodwill	677,664
Deferred revenue	(1,084,837)
Total purchase consideration	512,660

The resultant goodwill is primarily tax deductible.

The table below shows the values and lives of intangible assets recognized on acquisition which will be amortized on straight line basis:

	Life (in Years)
Customer relationship	9
Order book	1.5
Goodwill	10

HCL Group is in the process of making a final determination of the purchase price and fair value of assets and liabilities acquired. Finalization of such determination may result in certain adjustments to the above allocations.

10 Property and equipment

	Office equipment	Furniture and fixtures	Computers and Laptop	Total
	SR	SR	SR	SR
Cost :				
At 1 Jan'24	11,965	470,900	1,899,256	2,382,121
Additions	-	-	143,268	143,268
At 31 Dec'24	11,965	470,900	2,042,524	2,525,389
Accumulated depreciation:				
At 1 Jan'24	11,965	470,900	538,680	1,021,545
Charge for the year	-	-	401,360	401,360
At 31 Dec'24	11,965	470,900	940,040	1,422,905
Net Book Value:				
At 31 Dec'24	-	-	1,102,484	1,102,484

	Office equipment	Furniture and fixtures	Computers and Laptop	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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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11 INTANGIBLE ASSETS

	Customer Relationship SR	Order Book SR	Software Application SR	Total SR
Cost :				
At 1 Jan'24	2,203,778	-	337,453	2,541,231
Additions	529,608	390,225	-	919,833
At 31 Dec'24	2,733,386	390,225	337,453	3,461,064
Accumulated amortization:				
At 1 Jan'24	1,307,275	-	337,453	1,644,728
Charge for the year	224,443	21,679	-	246,122
At 31 Dec'24	1,531,718	21,679	337,453	1,890,850
Net Book Value:				
At 31 Dec'24	1,201,668	368,546	-	1,570,214

	Customer Relationship SR	Order Book SR	Software Application SR	Total SR
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

12 ACCOUNT PAYABLES AND ACCRUALS

	31 Dec'24 SR	31 Dec'23 SR
Contract liabilities	5,560,602	8,012,343
Accrued expenses	7,451,229	4,398,928
Other payables	2,265,606	4,860,199
Employee payables	2,018,281	1,059,556
Trade payables	3,127,553	3,432,711
	20,423,271	21,763,737

13 BORROWINGS

	31 Dec'24 SR	31 Dec'23 SR
Borrowings from related party	92,019,550	30,188,305
Less: Non-current portion	(11,267,700)	-
Amount disclosed as current portion	80,751,850	30,188,305

Movements for borrowings from related party are as follows:

	31 Dec'24 SR	31 Dec'23 SR
At beginning of the year	30,188,305	9,581,880
Additions during the year	61,831,245	20,606,425
At end of the year	92,019,550	30,188,305

The Company entered into unsecured loan facility agreement with the following parties:

- Short-term loan agreement with HCL America Inc. for amount of USD 21.50 million (SAR 80.75 million). The loan is intended for the Company's working capital requirement and will be payable on demand with interest of LIBOR +100 bps per annum and SOFR +50 bps per annum.
- Long-term loan agreement with HCL Technologies France for amount of USD 3 million (SAR 11.27 million). The loan is intended for the Company's working capital requirement with interest of ESTR +50 bps per annum.

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14 INCOME TAX AND DEFERRED TAX

a) Income tax

Charge for the year

The income tax charge consists of:

	31 Dec'24	31 Dec'23
	SR	SR
<u>Current tax*</u>		
Current income tax	2,237,011	1,193,560
<u>Deferred tax credit</u>		
Relating to origination and reversal of temporary differences**	(444,886)	(83,502)
Income tax reported in the statement of comprehensive income	1,792,125	1,110,058

* Current income tax has been provided for based on the estimated taxable profit at 20% (2023: 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'24	31 Dec'23
	SR	SR
Profit before tax	8,880,330	5,361,963
Tax rate	20%	20%
Expected tax expense	1,776,066	1,072,393
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
Others	16,059	1,070
Total taxes	1,792,125	1,110,058
Effective income tax rate	20%	20%

	31 Dec'24	31 Dec'23
	SR	SR
<u>Deferred tax assets</u>		
Provision for doubtful debt	159,993	29,821
Differences in depreciation	208,905	204,120
Provision for employees defined benefits liabilities	1,034,830	578,501
Total deferred tax assets	1,403,728	812,442
<u>Deferred tax liability</u>		
Unrealised forex gain	65,525	70,628
Net deferred tax assets	1,338,203	741,814

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

	31 Dec'24		31 Dec'23	
	SR		SR	
	Income tax	Deferred tax assets	Income tax	Deferred tax assets
At beginning of the year	1,185,487	741,814	877,316	563,654
Provided and expensed during the current year	2,223,363	444,886	1,193,560	83,502
DTA created against OCI	-	151,503	-	94,658
Payments during the year	(1,474,065)	-	(885,389)	-
At end of the year	1,934,785	1,338,203	1,185,487	741,814

c) Status of assessments

The Company has submitted income tax declarations for all years upto 31 Dec'24 to the Zakat, Tax and Customs authority (the "ZATCA"). However, no assessments have been raised by ZATCA yet.

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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'24 and 31 Dec'23 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'24	31 Dec'23
	SR	SR
Present value of employees defined benefits liabilities		
Current Liabilities	552,761	280,127
Non current Liabilities	4,621,391	2,612,379
	<u>5,174,152</u>	<u>2,892,506</u>

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

Current service costs	1,570,283	988,982
Interest costs on liability	124,135	37,469
	<u>1,694,418</u>	<u>1,026,451</u>

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

Employees defined benefits liabilities at beginning of the year	2,892,506	1,492,473
Current service costs	1,570,283	988,982
Interest costs on liability	124,135	37,469
End of service benefits paid	(170,283)	(99,717)
Actuarial loss	757,511	473,299
Employees defined benefits liabilities at end of the year	<u>5,174,152</u>	<u>2,892,506</u>

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

	31 Dec'24	31 Dec'23
Discount rate	4.67%	4.51%
Future salary increment rate	6.00%	4.00%
Retirement age (female)	55	55
Retirement age (male)	60	60

Sensitivity Analysis:

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

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For the year ended 31 December 2024

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15 EMPLOYEES DEFINED BENEFITS LIABILITIES (continued)

	Year ended Dec'24	
	Discount Rate	Salary Escalation Rate
Defined benefit obligation on increase in 50 bps	5,026,650	5,326,142
Impact of increase in 50 bps on DBO	-2.85%	2.94%
Defined benefit obligation on decrease in 50 bps	5,328,863	5,027,783
Impact of decrease in 50 bps on DBO	2.99%	-2.83%

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 analysis.

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'24	31 Dec'23
	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'24	31 Dec'23
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'24	31 Dec'23
	SR	SR
Employee payables	4,021,858	2,655,030
Contract liabilities	2,478,590	444,919
	6,500,448	3,099,949

18 REVENUE

	31 Dec'24	31 Dec'23
	SR	SR
Application and support services	172,031,004	127,854,185
Product revenue	162,063	(330,246)
	172,193,067	127,523,939

19 COST OF REVENUE

	31 Dec'24	31 Dec'23
	SR	SR
Consulting charges-Group	38,073,592	41,991,272
Employee benefit expenses	86,811,018	56,559,625
Outsourced services	4,514,402	2,141,481
Break fix charges	11,789,129	7,575,656
Others	255,561	2,686,464
Software license	94,642	94,510
	141,538,344	111,049,008

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For the year ended 31 December 2024

(All amounts in Saudi Riyals unless otherwise stated)

20 SELLING AND DISTRIBUTION EXPENSES

	31 Dec'24	31 Dec'23
	SR	SR
Marketing expenses	161,448	993,274
Outsourcing costs	1,788,259	903,981
Bad debts written off	16,937	27,500
Travel	3,216,915	2,242,296
	<u>5,183,559</u>	<u>4,167,051</u>

21 GENERAL AND ADMINISTRATIVE EXPENSES

	31 Dec'24	31 Dec'23
	SR	SR
Professional fees	9,115,699	4,439,098
Depreciation and amortisation (note 9, 10 and 11)	909,474	1,616,600
Establishment and maintenance costs	2,161,487	803,854
Rent	149,966	160,295
	<u>12,336,626</u>	<u>7,019,847</u>

22 OTHER EXPENSES-NET

	31 Dec'24	31 Dec'23
	SR	SR
Foreign exchange loss - net	702,994	125,853
Interest income on customer receivables	(2,369)	(585)
	<u>700,625</u>	<u>125,268</u>

23 FINANCIAL CHARGES

	31 Dec'24	31 Dec'23
	SR	SR
Interest on borrowings from related party	2,794,009	833,186
Bank charges	108,719	86,439
	<u>2,902,728</u>	<u>919,625</u>

24 EVENTS AFTER THE REPORTING PERIOD

There have been no significant subsequent events since the year ended 31 Dec'24 that would have material impact on the statement of financial position of the Company as shown in these financial statements.

25 APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 Dec'24 were authorised for issuance by the shareholders on 17 June 2025.

