

# BSR & Co. LLP

Chartered Accountants

Building No. 10, 12th Floor, Tower-C,  
DLF Cyber City, Phase-II,  
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## Independent Auditor's Report

To the Board of Directors of HCL Canada Inc.

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of HCL Canada Inc. (the "Company"), which comprise the Balance Sheet as at 31 March 2025, and the Statement of Profit and Loss (including other comprehensive income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information (collectively referred to as "the financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2025, and its profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

#### Basis for Opinion

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

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

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

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

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

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

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

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

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

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

## **BSR & Co. LLP**

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

### **Other Matter-Restriction on Use**

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

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

**RAKESH** Digitally signed by  
RAKESH DEWAN  
Date: 2025.06.26  
**DEWAN** 22:00:47 +05'30'

Place: Gurugram, India  
Date: 26 June 2025

**Rakesh Dewan**  
Partner  
Membership No. 092212  
ICAI UDIN: 25092212BMMJGF4109

# **HCL Canada Inc.**

## **FINANCIAL STATEMENTS**

**For the year ended March 31, 2025 and 2024**

**HCL Canada Inc.****Balance Sheet**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

	Note No.	As at 31 March 2025	As at 31 March 2024
<b>I. ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Property, plant and equipment	3.1	3,999	5,976
(b) Capital work in progress	3.3	19	-
(c) Right-of-use assets	3.25	3,536	4,740
(d) Goodwill	3.2	10,106	6,843
(e) Other intangible assets	3.4	4,302	1,103
<b>(f) Financial assets</b>			
(i) Trade receivables- unbilled	3.5	1,104	3,153
(ii) Others	3.6	1,120	2,605
(g) Deferred tax assets (net)	3.23	5,375	1,063
(h) Other non-current assets	3.7	2,448	2,764
<b>Total non-current assets</b>		<b>32,009</b>	<b>28,247</b>
<b>(2) Current assets</b>			
(a) Inventories	3.8	767	452
<b>(b) Financial assets</b>			
(i) Trade receivables			
Billed	3.5	121,712	134,924
Unbilled	3.5	53,580	17,562
(ii) Cash and cash equivalents	3.9(a)	17,945	10,113
(iii) Other bank balances	3.9(b)	70,689	23,098
(iv) Loans	3.10	-	4
(v) Others	3.6	2,545	2,051
(c) Other current assets	3.11	42,298	20,599
<b>Total current assets</b>		<b>309,536</b>	<b>208,803</b>
<b>TOTAL ASSETS</b>		<b>341,545</b>	<b>237,050</b>
<b>II. EQUITY</b>			
(a) Equity share capital	3.12	207	207
(b) Other equity		173,678	144,794
<b>TOTAL EQUITY</b>		<b>173,885</b>	<b>145,001</b>

**HCL Canada Inc.****Balance Sheet**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

	Note No.	As at 31 March 2025	As at 31 March 2024
<b>III. LIABILITIES</b>			
<b>(1) Non-current liabilities</b>			
<b>(a) Financial liabilities</b>			
(i) Lease liabilities	3.25	2,388	4,122
(ii) Others	3.13	490	112
<b>(b) Contract liabilities</b>		934	1,496
<b>(c) Provisions</b>	3.14	6,730	5,494
<b>Total non-current liabilities</b>		<b>10,542</b>	<b>11,224</b>
<b>(2) Current liabilities</b>			
<b>(a) Financial liabilities</b>			
(i) Lease liabilities	3.25	2,265	1,845
(ii) Trade payables			
Billed	3.15	30,403	10,981
Unbilled and accruals	3.15	70,277	27,810
(iii) Others	3.13	15,287	14,826
<b>(b) Other current liabilities</b>	3.16	5,063	4,825
<b>(c) Contract liabilities</b>		26,300	14,686
<b>(d) Provisions</b>	3.14	4,488	3,683
<b>(e) Current tax liabilities (net)</b>		3,035	2,169
<b>Total current liabilities</b>		<b>157,118</b>	<b>80,825</b>
<b>TOTAL LIABILITIES</b>		<b>167,660</b>	<b>92,049</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>341,545</b>	<b>237,050</b>

**Material accounting policies**

1

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

For B S R &amp; Co. LLP

Chartered Accountants

ICAI Firm Registration Number : 101248W/W-100022

RAKESH DEWAN  
Digitally signed by  
 RAKESH DEWAN  
 Date: 2025.06.25  
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Rakesh Dewan  
 Partner  
 Membership Number: 092212

Gurugram, India  
 Date: 26 June 2025

For and on behalf of the Board of Directors of  
 HCL Canada Inc.

VIJAYA KUMAR CHINNASWAMY  
Digitally signed by  
 VIJAYA KUMAR CHINNASWAMY  
 Date: 2025.06.25  
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C. Vijayakumar  
 Director

New Jersey, USA  
 Date: 25 June 2025

SHIV KUMAR WALIA  
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 Date: 2025.06.25  
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Shiv Walia  
 Director

Noida(UP), India  
 Date: 25 June 2025

**HCL Canada Inc.****Statement of Profit and Loss**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

	Note No.	Year ended	
		31 March 2025	31 March 2024
<b>I. Revenue</b>			
Revenue from operations	3.17	522,824	497,660
Other income	3.18	5,216	1,698
<b>Total income</b>		<b>528,040</b>	<b>499,358</b>
<b>II. Expenses</b>			
Purchase of stock-in-trade		3,614	2,668
Changes in inventories of stock-in-trade	3.19	(315)	1,098
Outsourcing costs		186,369	156,681
Employee benefits expense	3.20	281,149	282,313
Finance costs	3.21	1,307	360
Depreciation and amortisation expense	3.1, 3.4 & 3.25	4,330	4,382
Other expenses	3.22	11,947	15,100
<b>Total expenses</b>		<b>488,401</b>	<b>462,602</b>
<b>III. Profit before tax</b>		<b>39,639</b>	<b>36,756</b>
<b>IV. Tax expense</b>	3.23		
Current tax		14,686	13,527
Deferred tax charge/ (credit)		(4,319)	(1,799)
<b>Total tax expense</b>		<b>10,367</b>	<b>11,728</b>
<b>V. Profit for the year</b>		<b>29,272</b>	<b>25,028</b>
<b>VI. Other comprehensive income</b>			
<b>VII. Total comprehensive income for the year</b>		<b>29,272</b>	<b>25,028</b>
<b>Earnings per equity share of par value CAD</b>	3.24		
Basic		2,927.24	2,502.80
Diluted		2,927.24	2,502.80

**Material accounting policies** 1

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

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

**RAKESH DEWAN**  
Digitally signed by RAKESH DEWAN  
Date: 2025.06.26  
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**Rakesh Dewan**  
**Partner**  
**Membership Number: 092212**  
**Gurugram, India**  
**Date: 26 June 2025**

**For and on behalf of the Board of Directors of**  
**HCL Canada Inc.**

**VIJAYA KUMAR CHINNASWAMY**  
Digitally signed by VIJAYA KUMAR CHINNASWAMY  
Date: 2025.06.25  
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**C. Vijayakumar**  
**Director**  
**New Jersey, USA**  
**Date: 25 June 2025**

**SHIV KUMAR WALIA**  
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Date: 2025.06.25  
22:38:15 +05'30'

**Shiv Walia**  
**Director**  
**Noida(UP), India**  
**Date: 25 June 2025**

**HCL Canada Inc.****Statement of Changes in Equity**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

	Equity share capital		Other equity			Total equity
	Number of shares	Share capital	Reserves and surplus		Total Other Equity	
			Retained earnings	Securities premium		
<b>Balance as at 1 April 2023</b>	10,000	207	117,876	1,900	119,776	119,983
Profit for the year	-	-	25,028	-	25,028	25,028
Share based payment to employees	-	-	(10)	-	(10)	(10)
<b>Balance as at 31 March 2024</b>	10,000	207	142,894	1,900	144,794	145,001
<b>Balance as at 1 April 2024</b>	10,000	207	142,894	1,900	144,794	145,001
Profit for the year	-	-	29,272	-	29,272	29,272
Transferred from securities premium to retained earnings	-	-	1,900	(1,900)	-	-
Share based payment to employees	-	-	(381)	-	(381)	(381)
Excess tax benefit for share based payments	-	-	(7)	-	(7)	(7)
<b>Balance as at 31 March 2025</b>	10,000	207	173,678	-	173,678	173,885

**Refer note 1 for material accounting policies**

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

**For B S R & Co. LLP****Chartered Accountants****ICAI Firm Registration Number : 101248W/W-100022**RAKESH DEWAN  
Digitally signed by  
RAKESH DEWAN  
Date: 2025.06.26  
21:56:45 +05'30'**Rakesh Dewan**  
Partner  
Membership Number: 092212Gurugram, India  
Date: 26 June 2025**For and on behalf of the Board of Directors of  
HCL Canada Inc.**VIJAYA KUMAR CHINNASWAMY  
Digitally signed  
by VIJAYA KUMAR  
CHINNASWAMY  
Date: 2025.06.25  
20:59:46 -0700'**C. Vijayakumar**  
DirectorNew Jersey, USA  
Date: 25 June 2025SHIV KUMAR WALIA  
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SHIV KUMAR WALIA  
Date: 2025.06.25  
22:38:49 +05'30'**Shiv Walia**  
DirectorNoida(UP), India  
Date: 25 June 2025

HCL Canada Inc.

Statement of Cash Flows

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

	Year ended	
	31 March 2025	31 March 2024
<b>A. Cash flows from operating activities</b>		
Profit before tax	39,639	36,756
Adjustments for:		
Depreciation and amortization expense	4,330	4,382
Interest income	(3,303)	(1,698)
Provision no longer required, written back	(147)	82
Interest expense	1,236	291
Other non-cash charges (net)	(4)	-
<b>Operating profit before working capital changes</b>	<b>41,751</b>	<b>39,813</b>
Net change in		
Trade receivables	(20,359)	(28,342)
Inventories	(315)	1,098
Other financial assets and other assets	(17,834)	13,010
Trade payables	61,889	(20,348)
Provisions, contract liabilities and other liabilities	12,014	7,317
<b>Cash generated from operations</b>	<b>77,146</b>	<b>12,548</b>
Income taxes paid	(13,820)	(13,821)
<b>Net cash flow from (used in) operating activities (A)</b>	<b>63,326</b>	<b>(1,273)</b>
<b>B. Cash flows from investing activities</b>		
Proceeds from loans extended to group companies	4	5,423
Payments for business acquisition	(6,207)	-
Purchase of property, plant and equipment and capital work in progress	(500)	(583)
Proceeds from sale of property, plant and equipment	-	2
Bank deposit made	(47,591)	(23,098)
Interest received	2,058	2,063
<b>Net cash flow used in investing activities (B)</b>	<b>(52,236)</b>	<b>(16,193)</b>
<b>C. Cash flows from financing activities</b>		
Interest paid	(1,095)	(113)
Payment of lease liabilities including interest	(2,163)	(1,938)
<b>Net cash flow used in financing activities (C)</b>	<b>(3,258)</b>	<b>(2,051)</b>
<b>Net increase (decrease) in cash and cash equivalents (A+B+C)</b>	<b>7,832</b>	<b>(19,517)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>10,113</b>	<b>29,630</b>
<b>Cash and cash equivalents at the end of the year as per note 3.9(a)</b>	<b>17,945</b>	<b>10,113</b>
<b>Refer note 1 for material accounting policies</b>		

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

For B S R & Co. LLP  
Chartered Accountants

ICAI Firm Registration Number : 101248W/W-100022

RAKESH DEWAN

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RAKESH DEWAN  
Date: 2025.06.26  
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Rakesh Dewan  
Partner  
Membership Number: 092212

Gurugram, India  
Date: 26 June 2025

For and on behalf of the Board of Directors of  
HCL Canada Inc.

Digitally signed  
by VIJAYA  
KUMAR  
CHINNASWAMY  
Date: 2025.06.25  
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C. Vijayakumar  
Director

New Jersey, USA  
Date: 25 June 2025

SHIV KUMAR WALIA

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SHIV KUMAR WALIA  
Date: 2025.06.25  
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Shiv Walia  
Director

Noida(UP), India  
Date: 25 June 2025

## **HCL Canada Inc.**

### **Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

#### **ORGANIZATION AND NATURE OF OPERATIONS**

HCL Canada Inc. (hereinafter referred to as the Company) is a Business Transformation Consultancy Company is primarily engaged in providing a range of IT and business services, engineering and R&D services and modernized software products and IP-led offerings. The Company was incorporated on September 8, 2006 in Winnipeg (Canada) having its registered office at 7125 Mississauga Road, Mississauga ON L5N 0C2, Canada. The Company leverages its global technology workforce and intellectual properties to deliver solutions across following verticals - Financial Services, Manufacturing, Life Sciences & Healthcare, Public Services, Retail & CPG, Technology & Services and Telecom, Media, Publishing and Entertainment.

The financial statements for the year ended 31 March 2025 were approved and authorized for issue by the Board of Directors on 25 June 2025.

#### **1. MATERIAL ACCOUNTING POLICIES**

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

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

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

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy.

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

The functional currency of the Company is CAD. Accordingly, amounts less than CAD 0.50 thousands are rounded off to zero '-', and amounts more than CAD 0.50 thousands are rounded off to nearest multiple number.

##### **b) Use of estimates, judgements and assumptions**

The preparation of financial statements in conformity with Ind AS 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 the Company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. Changes in estimates are reflected in the financial statements in the year in which the changes are made.

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

- i. Accounting for costs expected to be incurred to complete performance under fixed price projects and determination of stand-alone selling prices for each distinct performance obligation in respect of proprietary software products, refer note 1(f).
- ii. Allowance for uncollectible accounts receivables, refer note 1(q)(i).
- iii. Fair value of the consideration transferred (including contingent consideration) and fair value of the assets acquired and liabilities assumed, measured on a provisional basis in case of business combination, refer note 1(c)
- iv. Recognition of income and deferred taxes, refer note 1(h) and note 3.23.
- v. Key actuarial assumptions for measurement of future obligations under employee benefit plans, refer note 1(p).
- vi. Useful lives of property, plant and equipment, refer note 1(i).

## **HCL Canada Inc.**

### **Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

#### **b) Use of estimates, judgements and assumptions (continued)**

- vii. Lives of intangible assets, refer note 1(j).
- viii. Key assumptions used for impairment of goodwill, refer note 1(n) and note 3.2.
- ix. Identification of leases and measurement of lease liabilities and right of use assets, refer note 1(m).
- x. Provisions and contingent liabilities, refer note 1(o) and note 3.30.

#### **c) Business combination 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 and the amount of any non-controlling interest in the acquiree. For each business combination, the Company measures the non-controlling interest in the acquiree at fair value. 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 the amount recognized for non-controlling interest, 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.

#### **d) Foreign currency and translation**

The financial statements of the Company are presented in its functional currency CAD. For each foreign operation, the Company determines the functional currency which is its respective local currency.

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

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

The translation of foreign operations from respective functional currency into CAD (the reporting currency) for assets and liabilities is performed using the exchange rates in effect at the balance sheet date, and for revenue, expenses and cash flows is performed using an appropriate daily weighted average exchange rate for the respective years.

#### **e) Fair value measurement**

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

The Company holds certain fixed income securities, equity securities and derivatives, which must be measured using the guidance for fair value hierarchy and related valuation methodologies. The guidance of fair value specifies a hierarchy of valuation techniques based on whether the inputs to each measurement are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions about current market conditions. The fair value hierarchy also requires a Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The prescribed fair value hierarchy and related valuation methodologies are as follows:

## **HCL Canada Inc.**

### **Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

#### **e) Fair value measurement (continued)**

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

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

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

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

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

Certain assets are measured at fair value on a non-recurring basis. The assets consist primarily of nonfinancial assets such as goodwill and intangible assets. Goodwill and intangible assets recognized in business combinations are measured at fair value initially and subsequently when there is an indicator of impairment, the impairment is recognized.

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

#### **f) Revenue recognition**

Revenue is recognized when, or as, control of a promised service or good transfers to a customer, in an amount that reflects the consideration (Transaction price) to which the Company expects to be entitled in exchange for transferring those products or services (Performance obligation). Revenue is recognized for any contract, once it is approved in writing, is legally enforceable, the rights of the parties are identified, payment terms are defined, the contract has commercial substance and collectability of consideration is probable. Revenue is measured based on the Transaction price which is the consideration of the contract and is shown net of applicable taxes and adjusted for any variable consideration like volume discounts, service level allowances, incentive or any other discount. Transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component.

Revenue from time-and-material, volume based, and transaction-based contracts is recognized as the related services are performed through efforts expended, units serviced, number of transactions processed, etc. that correspond with value transferred to customer.

Revenue related to fixed price contracts where performance obligations and control are satisfied over a period of time like technology integration contracts, complex network building contracts, system implementations and application development contracts is recognized based on progress towards completion of the performance obligation using percentage-of-completion method.

Revenue is recognized based on the costs incurred to date as a percentage of the total estimated costs to fulfill the contract. Any revision in cost to complete would result in an increase or decrease in revenue and such changes are recorded in the period in which they are identified.

In arrangements involving sharing of customer revenues for services delivered, revenue is recognized when the right to receive such revenue share is established.

Revenue related to other fixed price contracts providing maintenance and support services, are recognized based on the right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered. If invoicing is not consistent with value delivered, revenues are recognized basis stand-alone selling price for the service performed. The Company uses cost plus expected margin to determine stand-alone selling price.

## **HCL Canada Inc.**

**Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

### **f) Revenue recognition (continued)**

Revenue from distinct proprietary software is recognized at a point in time at the inception of the arrangement when right to use is granted to the customer. In the case of renewals of term licenses with existing customers, revenue from term license is recognized at a point in time when the renewal is agreed on signing of contracts. Revenue from support and subscription (S&S) is recognized over the contract term on a straight-line basis as the Company is providing a service of standing ready to provide support, when-and-if needed, and is providing unspecified software upgrades on a when-and-if available basis over the contract term. In case software are bundled with support and subscription either for perpetual or term based license, such support and subscription contracts are generally priced as a percentage of the net fees paid by the customer to purchase the license and are generally recognized as revenues ratably over the contractual period that the support services are provided.

When a sales arrangement contains provision of multiple products, services and software licenses, company identifies the distinct performance obligation including lease obligation and allocates total consideration to each performance obligation on a relative standalone selling price. Company uses cost plus expected margin to determine standalone selling price. Revenue from finance leases is recognized when all risks and ownership are transferred to the customer, with no remaining obligations that affect acceptance. Revenue is recognized at the fair value of the asset or, if lower, the present value of lease payments, discounted at a market interest rate. Interest from finance leases is recognized as other income on an accrual basis using the effective interest method.

In instances when revenue is derived from sales of third-party vendor services, material or licenses, revenue is recorded on a gross basis when the Company is a principal to the transaction and net of costs when the Company is acting as an agent between the customer and the vendor, once control of a promised good is transferred to a customer.

Revenue from certain activities in transition services in outsourcing arrangements are not capable of being distinct or represent separate performance obligation and is recognized over the period of the arrangement. Direct and incremental costs in relation to such transition activities which are expected to be recoverable under the contract are considered as contract fulfillment costs and classified as Deferred contract cost and recognized over the period of arrangement. Certain upfront non-recurring incremental contract acquisition costs and other upfront fee paid to customer are deferred and classified as Deferred contract cost and amortized to revenue, usually on a straight-line basis, over the term of the contract.

An onerous contract provision is recognized when the expected unavoidable costs of meeting the future obligations exceed the expected economic benefits to be received under a contract. Such provision, if any, is recorded in the period in which such losses become probable and is included in the cost of revenues.

Contract assets are recognized when revenue recognized is more than billing and right to consideration is conditional upon factors other than the passage of time. Unbilled receivables are recognized where the right to consideration is unconditional and only the passage of time is required before the payment is due (i.e., only act of invoicing is pending). Contract liability is Company's obligation to transfer goods or services to customers when there is excess billing over the revenue recognized.

### **g) Other income**

Other income mainly comprises interest income on debt securities, bank and other deposits, other interest income recognized using the effective interest method, profit on sale of property, plant and equipments, debt securities and mutual fund and net foreign exchange gains.

### **h) Income taxes**

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in the statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Provision for income tax includes the impact of provisions established for uncertain income tax positions. Tax assets and liabilities are offset only if there is a legally enforceable right to set off the recognized amounts, and it is intended to realize the asset and settle the liability on a net basis or simultaneously.

## HCL Canada Inc.

Notes to financial statements for the year ended 31 March 2025

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

### h) Income taxes (continued)

Deferred income tax assets and liabilities recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are recognized for those temporary differences which originate during the tax holiday period are reversed after the tax holiday period. For this purpose, reversal of timing differences is determined using first-in-first-out method.

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

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

The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the year that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized. Deferred income taxes are not provided on the undistributed earnings of subsidiaries where it is expected that the earnings of the subsidiary will not be distributed in the foreseeable future.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in the statement of profit and loss.

### i) Property, plant, and equipment

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

Expenses on existing property, plant, and equipment, including day-to-day repairs, maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

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

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

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

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

<u>Asset description</u>	<u>Asset life (in years)</u>
Office equipment	5
Computers and networking equipment	4–5
Furniture and fixtures	7

## HCL Canada Inc.

Notes to financial statements for the year ended 31 March 2025

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

### i) Property, plant, and equipment (continued)

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

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

### j) 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 economic 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 period. 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

#### Asset description

Software

Customer related intangibles (includes customer contracts and customer relationships)

#### Asset life (in years)

Over the term of license or 3 years, whichever is lower

0.5 to 10

### k) Borrowing costs

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

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

### l) Research and development costs

Research costs are expensed as incurred. Development expenditure, on an individual project, is recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete and its ability and intention to use or sell the asset.
- How the asset will generate future economic benefit.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

## **HCL Canada Inc.**

**Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

### **m) Leases**

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

#### **Company as a lessee**

Company is lessee in case of leasehold land, office space, accommodation for its employees & IT equipment. These leases are evaluated to determine whether it contains a lease based on principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors as defined in Ind AS 116 effective from 1 April 2019.

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

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

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

#### **Company as a lessor**

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which they are earned or contingency is resolved.

Leases in which the Company transfers substantially all the risk and benefits of ownership of the asset are classified as finance leases. Assets given under finance lease are recognized as a receivable at an amount equal to the present value of lease receivable. After initial recognition, the Company apportions lease rentals between the principal repayment and interest income so as to achieve a constant periodic rate of return on the net investment outstanding in respect of the finance leases. The interest income is recognized in the statement of profit and loss. Initial direct costs such as legal cost, brokerage cost etc. are recognized immediately in the statement of profit and loss.

When arrangements include multiple performance obligations, the Company allocates the consideration in the contract between the lease components and the non-lease components on a relative standalone selling price basis.

Stock in trade are valued at the lower of the cost or net realizable value. 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 identification of individual costs of each item. Cost of stock in trade, that are interchangeable and not specific to any project are determined using the weighted average cost formula.

## **HCL Canada Inc.**

**Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

### **n) Impairment of non-financial assets**

#### **Goodwill**

Goodwill is tested for impairment annually as on 31 March and whenever there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Company's cash generating units (CGUs) expected to benefit from the synergies arising from the business combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment occurs when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. Value-in-use is the present value of future cash flows expected to be derived from the CGU. Total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU, pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill recognized in statement of profit and loss is not reversed in the subsequent period.

#### **Intangible assets and property, plant and equipment**

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

Impairment, if any, is measured by the amount by which the carrying value of the asset exceeds the estimated recoverable amount of the asset. Subsequently if there is a change in the estimates used to determine the recoverable amount, the impairment loss is reversed. Such reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined on the date of reversal, if no impairment loss had been recognized. Such impairment and any subsequent reversal is recognized in the statement of profit and loss.

### **o) Provisions and contingent liabilities**

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

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

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

i. State plans: The Company has a saving and Investment Plan under Section 401(k) of the Internal Revenue Code of the United States of America. This is a defined contribution plan. Contributions are charged to statement of Profit and Loss in the period in which they accrue.

## **HCL Canada Inc.**

**Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

### **p) Retirement and other employee benefits (continue)**

ii. Compensated absences: The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation (using the Projected Unit Credit method) based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. Accumulated leave, which is expected to be utilized within the next 12 months, is treated as a short-term employee benefit and accumulated leave expected to be carried forward beyond twelve months is treated as a long-term employee benefit for measurement purposes. The expense on non-accumulating compensated absences is recognized in the period in which the absences occur. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

### **g) Financial Instruments**

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

#### **(i) Financial assets**

All financial assets are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition of the financial assets (other than financial assets at fair value through profit or loss) are added to the fair value measured on initial recognition of financial asset. Purchase and sale of financial assets are accounted for at trade date. However, trade receivables that do not contain a significant financing component are measured at transaction price.

#### **Cash and cash equivalents**

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

#### **Financial instruments at amortized cost**

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

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

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

#### **Financial instruments at Fair Value through Other Comprehensive Income**

A 'financial instrument' is classified and measured at fair value through OCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent solely payments of principal and interest.

Financial instruments included within the OCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in other comprehensive income (OCI). Interest income is recognized in statement of profit and loss for debt instruments. On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from OCI to statement of profit and loss.

#### **Financial instruments at Fair Value through Profit and loss**

Any financial instrument, which does not meet the criteria for categorization at amortized cost or at fair value through other comprehensive income, is classified at fair value through profit and loss. Financial instruments included in the fair value through profit and loss category are measured at fair value with all changes recognized in the statement of profit and loss.

## **HCL Canada Inc.**

**Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

### **g) Financial Instruments (continued)**

#### **Equity investments**

Equity investments in subsidiaries and investments for which sufficient more recent information to measure fair value are not available are measured at cost. Other equity investments in scope of Ind AS 109 are measured at fair value through profit and loss. Contingent considerations recognized by an acquirer in a business combination to which Ind AS 103 applies are classified at fair value through profit and loss.

Equity instruments included within the fair value through profit and loss category are measured at fair value with all changes recognized in the statement of profit and loss.

#### **Derecognition of financial assets**

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

#### **Impairment of financial assets**

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

#### **(ii) Financial liabilities**

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

##### **Financial liabilities at fair value through profit or loss**

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. Changes in fair value of such liability are recognized in the statement of profit or loss.

##### **Financial liabilities at amortized cost**

The Company's financial liabilities at amortized cost include trade and other payables, loans and borrowings including bank overdrafts.

After initial recognition, interest-bearing loans and borrowings and other financial liabilities are subsequently measured at amortized cost using the Effective Interest Method (EIR) method. Gains and losses are recognized in statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process.

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

#### **Derecognition**

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

#### **(iii) Derivative financial instruments and hedge accounting**

Foreign exchange forward contracts and options are purchased to mitigate the risk of changes in foreign exchange rates associated with forecast transactions denominated in certain foreign currencies.

The Company recognizes all derivatives as assets or liabilities measured at their fair value. Changes in fair value for derivatives not designated in a hedge accounting relationship are marked to market at each reporting date and the related gains (losses) are recognized in the statement of profit and loss as 'foreign exchange gains (losses)'.

## **HCL Canada Inc.**

### **Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

#### **g) Financial Instruments (continued)**

The foreign exchange forward contracts and options in respect of forecast transactions which meet the hedging criteria are designated as cash flow hedges. Changes in the derivative fair values (net of tax) that are designated as effective cash flow hedges are deferred and recorded in the hedging reserve account as a component of accumulated 'other comprehensive income (loss)' until the hedged transaction occurs and are then recognized in the statement of profit and loss. The ineffective portion of hedging derivatives is immediately recognized in the statement of profit and loss.

In respect of derivatives designated as hedges, the Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also formally assesses both at the inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Hedge accounting is discontinued prospectively from the last testing date when (1) it is determined that the derivative financial instrument is no longer effective in offsetting changes in the fair value or cash flows of the underlying exposure being hedged; (2) the derivative financial instrument matures or is sold, terminated or exercised; or (3) it is determined that designating the derivative financial instrument as a hedge is no longer appropriate. When hedge accounting is discontinued the deferred gains or losses on the cash flow hedge remain in 'other comprehensive income (loss)' until the forecast transaction occurs. Any further change in the fair value of the derivative financial instrument is recognized in current year earnings.

#### **Offsetting of financial instruments**

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

#### **r) Dividend**

Final dividend proposed by the Board of Directors are recognized upon approval by the shareholders who have the right to decrease but not increase the amount of dividend recommended by the Board of Directors. Interim dividends are recognized on declaration by the Board of Directors.

#### **s) Earnings per share (EPS)**

Basic EPS amounts are computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the year.

Diluted EPS amounts are computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

#### **t) Nature and purpose of reserves**

##### **Securities premium reserve**

Securities premium represents additional paid in capital on issue of equity shares.

#### **u) Recently issued accounting pronouncements**

As on 31 March 2025, there are no new standards or amendments to the existing standards applicable to the Company which has been notified by Ministry of Corporate Affairs.

**HCL Canada Inc.**

**Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

**2. ACQUISITIONS**

**(a) Arrangements / acquisitions in current period**

**(i) 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 CAD 6,207 thousands which has been preliminarily allocated based on management estimates to the acquired assets and liabilities as follows:

	<b>Amount in CAD (thousand)</b>
Customer related intangibles	3,729
Goodwill	3,263
Deferred Revenue	<u>(785)</u>
<b>Total Purchase Consideration</b>	<b><u>6,207</u></b>

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:

	<b>Life (in years)</b>
Customer related intangibles	1 - 9
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.

**HCL Canada Inc.**

**Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

**3. Notes to financial statements**

**3.1 Property, plant and equipment**

The changes in the carrying value for the year ended 31 March 2025:

	Office equipment	Computers	Furniture and fittings	Total
Gross Block as at 1 April 2024	3,998	7,081	2,547	13,626
Additions	3	478	-	481
Adjustments	(102)	(31)	-	(133)
Disposals	-	(325)	-	(325)
Gross Block as at 31 March 2025	3,899	7,203	2,547	13,649
Accumulated Depreciation as at 1 April 2024	2,239	4,442	969	7,650
Charge for the year	759	1,270	373	2,402
Adjustments	(21)	(120)	64	(77)
Deduction	-	(325)	-	(325)
Accumulated Depreciation as at 31 March 2025	2,977	5,267	1,406	9,650
Net Block as at 31 March 2025	922	1,936	1,141	3,999
Net Block as at 31 March 2024	1,759	2,639	1,578	5,976

The changes in the carrying value for the year ended 31 March 2024:

	Office equipment	Computers	Furniture and fittings	Total
Gross Block as at 1 April 2023	3,971	6,532	2,544	13,047
Additions	27	553	3	583
Disposals	-	(4)	-	(4)
Gross Block as at 31 March 2024	3,998	7,081	2,547	13,626
Accumulated Depreciation as at 1 April 2023	1,469	3,138	595	5,202
Charge for the year	770	1,306	374	2,450
Deduction	-	(2)	-	(2)
Accumulated Depreciation as at 31 March 2024	2,239	4,442	969	7,650
Net Block as at 31 March 2024	1,759	2,639	1,578	5,976
Net Block as at 31 March 2023	2,502	3,394	1,949	7,845

**3.2 Goodwill**

The following table presents the change in the carrying value of Goodwill based on identified CGUs for the year 31 March 2025:

	Total
Opening balance as at 1 April 2024	6,843
Acquired through business combinations (refer note 2(a)(i))	3,263
Closing balance as at 31 March 2025	10,106

The following table presents the change in Goodwill for the year ended 31 March 2024:

	Total
Opening balance as at 1 April 2023	6,843
Addition	-
Amortisation	-
Closing balance as at 31 March 2024	6,843

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash generating units (CGUs) which benefit from the synergies of the acquisition.

Goodwill is tested annually on March 31, for impairment, or sooner whenever there is an indication that goodwill may be impaired. Impairment is recognised, when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU. The estimated value-in-use of this CGU is based on the future cash flow forecasts for 10 years & then on perpetuity on the basis of certain assumptions which include revenue growth, earnings before interest and taxes, taxes, capital outflow and working capital requirements.

## HCL Canada Inc.

### Notes to financial statements for the year ended 31 March 2025

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

### 3. Notes to financial statements

#### 3.2 Goodwill (continued)

The assumptions are taken on the basis of past trends and management estimates and judgement. Future cash flows are discounted with "Weighted Average Cost of Capital". The key assumptions are as follows:

	As at	
	31 March 2025	31 March 2024
Growth rate (average of next 5 years) (%)	4	2.0 to 5.0
Terminal growth rate (%)	2.0	2.0
Pre-tax discount rate (%)	7.02	5.64

As at 31 March 2025 and 31 March 2024 the estimated recoverable amount of the CGUs exceeded its carrying amount and accordingly, no impairment was recognized. An analysis of the sensitivity of the computation to a change in key assumptions based on reasonable probability did not identify any probable scenario in which the recoverable amount of the CGUs would decrease below its carrying amount.

#### 3.3 Capital work in progress

The following table presents the ageing schedule for Capital-work-in progress:

	Amount in CWIP for a period of				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
As at 31 March 2025					
Projects in progress	19	-	-	-	19
	19	-	-	-	19

During the year ended 31 March 2025, CAD nil amount (31 March 2024, CAD nil amount) were capitalized and transferred from capital work in progress to property, plant and equipment.

There are no overdue projects as at 31 March 2025 and 31 March 2024.

#### 3.4 Other intangible assets

The changes in the carrying value for the year ended 31 March 2025.

	Software	Customer related intangibles	Total
Gross Block as at 1 April 2024	241	2,891	3,132
Acquired through business combination	-	3,729	3,729
Gross Block as at 31 March 2025	241	6,620	6,861
Accumulated Amortization as at 1 April 2024	241	1,788	2,029
Charge for the year	-	530	530
Accumulated Amortization as at 31 March 2025	241	2,318	2,559
Net Block as at 31 March 2025	-	4,302	4,302
Net Block as at 31 March 2024	-	1,103	1,103
Estimated remaining useful life (in years)	-	1-9	

The changes in the carrying value for the year ended 31 March 2024.

	Software	Customer related intangibles	Total
Gross Block as at 1 April 2023	241	2,891	3,132
Additions	-	-	-
Gross Block as at 31 March 2024	241	2,891	3,132
Accumulated Amortization as at 1 April 2023	241	1,483	1,724
Charge for the year	-	305	305
Accumulated Amortization as at 31 March 2024	241	1,788	2,029
Net Block as at 31 March 2024	-	1,103	1,103
Net Block as at 31 March 2023	-	1,408	1,408
Estimated remaining useful life (in years)	-	5	



**HCL Canada Inc.**

**Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

**3. Notes to financial statements**

**3.6 Other financial assets**

	As at	
	31 March 2025	31 March 2024
<b>Non-current</b>		
<b>Carried at amortized cost</b>		
Finance lease receivables (refer note 3.25)	541	1,806
Security deposits	337	375
Other financial assets-others	242	424
	<b>1,120</b>	<b>2,605</b>
<b>Current</b>		
<b>Carried at amortized cost</b>		
Interest receivable-others	1,454	140
Interest receivable-related parties (refer note 3.28)	-	69
Security deposits	885	785
Other receivables- related parties (refer note 3.28)	5	46
Finance lease receivables (refer note 3.25)	128	994
Other financial assets-others	73	17
	<b>2,545</b>	<b>2,051</b>

**3.7 Other non-current assets**

	As at	
	31 March 2025	31 March 2024
<b>Unsecured, considered good unless otherwise stated</b>		
Others:		
Prepaid expenses	415	182
Deferred contract cost (refer note 3.17)	2,033	2,582
	<b>2,448</b>	<b>2,764</b>

**3.8 Inventories**

	As at	
	31 March 2025	31 March 2024
Stock in trade	767	452
	<b>767</b>	<b>452</b>

**3.9 Cash and cash equivalents and Other bank balances**

	As at	
	31 March 2025	31 March 2024
<b>a) Cash and cash equivalents</b>		
Balance with banks	17,945	10,113
	<b>17,945</b>	<b>10,113</b>
<b>b) Other bank balances</b>		
Short term deposits	70,689	23,098
	<b>70,689</b>	<b>23,098</b>

**3.10 Loans**

	As at	
	31 March 2025	31 March 2024
<b>Carried at amortized cost</b>		
Loans to related parties (refer note 3.28)	-	4
	<b>-</b>	<b>4</b>

**HCL Canada Inc.**

**Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

**3. Notes to financial statements**

**3.11 Other current assets**

	As at	
	31 March 2025	31 March 2024
<b>Unsecured, considered good unless otherwise stated</b>		
Advances other than capital advances		
Advances to employees	41	171
Advances to suppliers	78	91
Others:		
Deferred cost	1,597	2,037
Deferred cost-related parties (refer note 3.28)	27,446	13,601
Prepaid expenses	11,693	1,600
Prepaid expenses-related parties (refer note 3.28)	-	3
Contract assets	1,102	3,088
Other advances	341	8
	<b>42,298</b>	<b>20,599</b>

**3.12 Equity share capital**

	As at	
	31 March 2025	31 March 2024
<b>Authorized share capital</b>	-	-
<b>Issued, subscribed and fully paid up</b>		
10,000 (Previous year 10,000) equity shares (no specified par value), fully paid up	207	207

**Term/rights attached to equity shares**

The Company has only one class of shares referred to as equity shares having no par value. Each holder of equity shares is entitled to one vote per share.

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

**a) Reconciliation of the number of shares outstanding**

	As at			
	31 March 2025		31 March 2024	
	No. of shares	Amount	No. of shares	Amount
Number of shares at the beginning	10,000	207	10,000	207
Number of shares at the end	10,000	207	10,000	207

**b) Details of shareholders holding more than 5 % shares are as follows:**

Name of the shareholders	As at			
	31 March 2025		31 March 2024	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of CAD 20.7316 each, fully paid HCL Technologies Holding UK Limited, UK (w.e.f March 21, 2024)	9,999	100.0%	9,999	100.0%

**HCL Canada Inc.**

**Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

**3. Notes to financial statements**

**3.12 Equity share capital (continued)**

Movement in shareholding	As at			
	31 March 2025		31 March 2024	
	Change in number of shares	% change during the period	Change in number of shares	% change during the period
HCL Technologies Holding UK Limited, UK	-	0.00%	9,999	100.0%
HCL Bermuda Limited, Bermuda	-	0.00%	9,999	-100.0%

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

**c) Other share considerations**

There are no bonus shares issued, no shares issued for consideration other than cash and no shares bought back during the period of five years immediately preceding the reporting date.

**Capital management**

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

**3.13 Other financial liabilities**

	As at	
	31 March 2025	31 March 2024
<b>Non-Current</b>		
<b>Carried at amortized cost</b>		
Employee bonuses accrued	261	5
<b>Carried at fair value through other comprehensive income</b>		
Other payables-related parties (refer note below and 3.28)	229	-
Other financial liabilities- others	-	107
	<b>490</b>	<b>112</b>
<b>Current</b>		
<b>Carried at amortized cost</b>		
Accrued salaries and benefit		
Employee bonuses accrued	10,431	9,610
Other employee costs	3,021	2,623
Others		
Capital accounts payable	48	479
<b>Carried at fair value through profit and loss</b>		
Other payables-related parties (refer note below and 3.28)	-	1,895
Other financial liabilities- others	1,787	219
	<b>15,287</b>	<b>14,826</b>

Note: Represents amount payable to HCL Technologies Limited, the ultimate Parent Company against RSUs awarded to the employees of the Company (refer note 3.28)

**HCL Canada Inc.**

**Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

**3. Notes to financial statements**

**3.14 Provisions**

	As at	
	31 March 2025	31 March 2024
<b>Non-current</b>		
Provision for leave benefits	6,730	5,494
	<b>6,730</b>	<b>5,494</b>
<b>Current</b>		
Provision for leave benefits	4,463	3,683
Other provisions	25	-
	<b>4,488</b>	<b>3,683</b>

**3.15 Trade payables**

	As at	
	31 March 2025	31 March 2024
Trade payables	17,975	5,698
Trade payables-related parties (refer note 3.28)	12,428	5,283
	<b>30,403</b>	<b>10,981</b>
Unbilled accruals	16,696	11,490
Unbilled accruals-related parties (refer note 3.28)	53,581	16,320
	<b>70,277</b>	<b>27,810</b>
	<b>100,680</b>	<b>38,791</b>

	Not Due	Outstanding as at 31 March 2025 from the due date of payment				
		Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
Others						
- undisputed	11,630	18,270	184	244	24	30,352
- disputed	-	40	-	11	-	51
	<b>11,630</b>	<b>18,310</b>	<b>184</b>	<b>255</b>	<b>24</b>	<b>30,403</b>
Unbilled and accruals						<b>70,277</b>
						<b>100,680</b>

	Not Due	Outstanding as at 31 March 2024 from the due date of payment				
		Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
Others-undisputed	8,690	1,840	315	19	117	10,981
Unbilled and accruals						<b>27,810</b>
						<b>38,791</b>

**3.16 Other current liabilities**

	As at	
	31 March 2025	31 March 2024
Advances received from customers	166	340
Withholding and other statutory dues	4,897	4,485
	<b>5,063</b>	<b>4,825</b>

**HCL Canada Inc.****Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

**3. Notes to financial statements****3.17 Revenue from operations**

	Year ended	
	31 March 2025	31 March 2024
Sale of services	519,168	493,685
Sale of hardware and software	3,656	3,975
	<b>522,824</b>	<b>497,660</b>

**Disaggregate Revenue Information**

The disaggregated revenue from contracts with customers is as follows:

	Year ended	
	31 March 2025	31 March 2024
Canada	265,003	247,112
United Kingdom	167,593	144,387
United States of America	52,615	50,908
India	33,335	41,948
Rest of the world	4,278	13,305
	<b>522,824</b>	<b>497,660</b>

**Remaining performance obligations**

Remaining performance obligations are subject to variability due to several factors such as terminations, changes in scope of contracts, periodic revalidations of the estimates, economic factors (changes in currency rates, tax laws etc.)

As at 31 March 2025, the aggregate amount of transaction price allocated to remaining performance obligations as per the requirements of Ind AS 115 was \$ 565,885 thousands (31 March 2024 \$ 561,284 thousands) out of which, approximately 42% (31 March 2024 approximately 41%) is expected to be recognized as revenues within one year and the balance beyond one year.

This is after exclusions as below:

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

**Contract balances**

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

Contract assets pertains to the Current year is nil (i.e., from 1 April 2024 to 31 March 2025) and CAD 31 thousand pertains to previous year (i.e., from 1 April 2023 to 31 March 2024).

**Contract liabilities:** A contract liability arises when there is excess billing over the revenue recognized. The below table discloses the movement in balances of contract liabilities:

	Year ended	
	31 March 2025	31 March 2024
Balance as at beginning of the year	16,182	16,295
Additional amounts billed	23,559	15,092
Deduction on account of revenues recognized during the year	(12,507)	(15,205)
<b>Balance as at end of the year</b>	<b>27,234</b>	<b>16,182</b>

**HCL Canada Inc.****Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

**3. Notes to financial statements****3.17 Revenue from operations (continued)**

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

	Year ended	
	31 March 2025	31 March 2024
Balance as at beginning of the year	18,220	31,300
Additional amounts billed	17,442	4,602
Deduction on account of revenues recognized during the year	(4,586)	(17,682)
<b>Balance as at end of the year</b>	<b>31,076</b>	<b>18,220</b>

Reconciliation of revenue recognized with the contracted price is as follows:

	Year ended	
	31 March 2025	31 March 2024
Contracted price	523,086	500,682
Reduction towards variable consideration components	(262)	(3,022)
<b>Revenue recognized</b>	<b>522,824</b>	<b>497,660</b>

**3.18 Other income**

	Year ended	
	31 March 2025	31 March 2024
Interest income on related parties (refer note 3.28)	-	64
Interest income on bank and other deposits	3,303	1,634
Foreign exchange fluctuations (net)	1,766	-
Provision no longer required, written back	147	-
	<b>5,216</b>	<b>1,698</b>

**3.19 Changes in inventories of stock-in-trade**

	Year ended	
	31 March 2025	31 March 2024
Opening stock	452	1,550
Less: Closing stock	(767)	(452)
	<b>(315)</b>	<b>1,098</b>

**3.20 Employee benefits expense**

	Year ended	
	31 March 2025	31 March 2024
Salaries, wages and bonus	264,927	266,237
Contribution to funds and other employee benefits	15,664	15,072
Share based payments to employees (refer note below)	420	928
Staff welfare expenses	138	76
	<b>281,149</b>	<b>282,313</b>

HCL Technologies Limited ('HCLT'), the ultimate parent company has provided equity-based incentives under RSU Plans to eligible employees of HCLT and its subsidiaries which are administered by the Nomination and Remuneration Committee (NRC) of the Company through a controlled Trust. The restricted stock units (RSUs) granted under the plans entitles the holder to one equity share of the Company at an exercise price, which is approved by the Nomination and Remuneration Committee.

"Share based payments to employees" represents reimbursement of cost to HCLT, towards RSUs granted by HCLT to the employees of the Company. The fair value of these RSUs is determined using the Black-Scholes Model for RSUs with time and non-market performance based vesting conditions. The Company reimburses for the actual cost of treasury shares to HCLT upon exercise. Excess cost over the fair value is treated as a reduction in equity (security premium).

**HCL Canada Inc.****Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

**3. Notes to financial statements****3.21 Finance costs**

	Year ended	
	31 March 2025	31 March 2024
Interest expense on lease liabilities (refer note 3.25)	141	178
Other interest cost	1,095	113
Bank charges	71	69
	<b>1,307</b>	<b>360</b>

**3.22 Other expenses**

	Year ended	
	31 March 2025	31 March 2024
Travel and conveyance	4,822	5,253
Legal and professional charges	2,349	2,193
Communication costs	1,415	1,712
Power and fuel	1,483	1,665
Business Promotion	694	800
Foreign exchange fluctuations (net)	-	477
Repairs and maintenance	250	457
Insurance	253	283
Rent	170	169
Recruitment, training and development	18	35
Provision for doubtful debts/ bad debts written off (net)	-	82
Others	493	1,974
	<b>11,947</b>	<b>15,100</b>

**3.23 Income taxes**

	Year ended	
	31 March 2025	31 March 2024
<b>Income tax charged to statement of profit and loss</b>		
Current income tax charge	14,686	13,527
Deferred tax (credit)/charge	(4,319)	(1,799)
	<b>10,367</b>	<b>11,728</b>

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

	Year ended	
	31 March 2025	31 March 2024
Profit before tax	39,639	36,756
Statutory tax rate in Canada	26.39%	26.24%
<b>Expected tax expense</b>	<b>10,459</b>	<b>9,648</b>
Permanent Difference	(7)	40
Additional prior year provision	48	(123)
Additional provision created in books	-	2,163
Others	(133)	-
<b>Total taxes</b>	<b>10,367</b>	<b>11,728</b>
<b>Effective income tax rate</b>	<b>26.15%</b>	<b>31.91%</b>

**HCL Canada Inc.**

**Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

**3. Notes to financial statements**

**3.23 Income taxes (continued)**

Components of deferred tax assets and liabilities for the year ended 31 March 2025:

	Opening balance	Recognized in profit and loss	Closing balance
<b>Deferred tax assets</b>			
Accrued employee costs	2,084	510	2,594
Unrealized forex gain	29	(72)	(43)
Capital Loss	88	(1)	87
Employee stock compensation	483	(430)	53
Lease liability	1,317	(386)	931
Others	-	27	27
<b>Gross deferred tax assets (A)</b>	<b>4,001</b>	<b>(352)</b>	<b>3,649</b>
<b>Deferred tax liabilities</b>			
Depreciation and amortization	824	(226)	598
Deferred revenue/cost	50	(4,292)	(4,242)
Intangible assets	141	97	238
ROU assets	1,259	(386)	873
Others	664	143	807
<b>Gross deferred tax liabilities (B)</b>	<b>2,938</b>	<b>(4,664)</b>	<b>(1,726)</b>
<b>Net deferred tax assets (A-B)</b>	<b>1,063</b>	<b>4,312</b>	<b>5,375</b>

Components of deferred tax assets and liabilities for the year ended 31 March 2024:

	Opening balance	Recognized in profit and loss	Closing balance
<b>Deferred tax assets</b>			
Accrued employee costs	1,547	537	2,084
Unrealized forex gain	-	29	29
Capital Loss	135	(47)	88
Employee stock compensation	255	228	483
Lease liability	1,672	(355)	1,317
<b>Gross deferred tax assets (A)</b>	<b>3,609</b>	<b>392</b>	<b>4,001</b>
<b>Deferred tax liabilities</b>			
Depreciation and amortization	998	(174)	824
Deferred revenue/cost	956	(906)	50
Intangible assets	120	21	141
ROU assets	1,663	(404)	1,259
Others	628	36	664
<b>Gross deferred tax liabilities (B)</b>	<b>4,365</b>	<b>(1,427)</b>	<b>2,938</b>
<b>Net deferred tax assets (A-B)</b>	<b>(756)</b>	<b>1,819</b>	<b>1,063</b>

**HCL Canada Inc.****Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

**3. Notes to financial statements****3.24 Earning per share (EPS)**

	Year ended	
	31 March 2025	31 March 2024
Profit for the year attributable to owners of the Company	29,272	25,028
Weighted average number of equity shares outstanding in calculating basic EPS	10,000	10,000
Weighted average number of equity shares outstanding in calculating dilutive EPS	10,000	10,000
Nominal value of equity shares (in CAD)	1	1
Earnings per equity share (in CAD)		
- Basic	2,927.24	2,502.80
- Diluted	2,927.24	2,502.80

**3.25 Leases****a) Company as a lessee**

The Company's significant leasing arrangements are in respect of leases for office spaces & accommodation for its employees and IT equipment.

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

	Right-of-use assets	
	Buildings	Total
Balance as at 1 April 2023	6,365	6,365
Additions	133	133
Depreciation charge for the year	(1,627)	(1,627)
Derecognition	(131)	(131)
Balance at 31 March 2024	4,740	4,740
Additions	692	692
Depreciation charge for the year	(1,398)	(1,398)
Derecognition	(498)	(498)
Balance as at 31 March 2025	3,536	3,536

The reconciliation of lease liabilities is as follows:

	Year ended	
	31 March 2025	31 March 2024
Balance as at the beginning of the year	5,967	6,847
Additions	708	880
Amounts recognized in statement of profit and loss as interest expense	141	178
Payment of lease liabilities	(2,163)	(1,938)
Balance as at the end of the year	4,653	5,967

## HCL Canada Inc.

### Notes to financial statements for the year ended 31 March 2025

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

#### 3. Notes to financial statements

##### 3.25 Leases (continued)

###### a) Company as a lessee (continued)

The following table presents a maturity analysis of expected undiscounted cash flows for lease liabilities as on 31 March:

	As at	
	31 March 2025	31 March 2024
Within one year	2,343	1,978
1 to 2 years	1,519	1,947
2 to 3 years	892	1,404
3 to 5 years	15	871
<b>Total lease payments</b>	<b>4,769</b>	<b>6,200</b>
Imputed interest	(116)	(233)
<b>Total lease liabilities</b>	<b>4,653</b>	<b>5,967</b>

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

###### b) Company as a lessor

The Company has given IT equipment's to its customers on a finance lease basis. The future lease receivables in respect of assets given on finance lease are as follows:

	Total minimum lease payments outstanding	Interest included in minimum lease payments	Present value of minimum lease payments
<b>As at 31 March 2025</b>			
Not later than 1 year	168	(41)	127
Later than 1 year and not later than 5 years	572	(30)	542
	<b>740</b>	<b>(71)</b>	<b>669</b>
<b>As at 31 March 2024</b>			
Not later than 1 year	1,041	(46)	995
Later than 1 year and not later than 5 years	1,867	(92)	1,775
More than 5 years	30	-	30
	<b>2,938</b>	<b>(138)</b>	<b>2,800</b>

##### 3.26 Segment reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available and whose results are reviewed regularly by the chief operating decision maker (CODM), for allocation of resources and assessing performance. The Company's holding company, HCL Technologies Limited's chief operating decision maker (CODM) reviews its results for allocation of resources and assessing performance by business segment comprising IT and Business Services, Engineering and R&D Services, and HCL Software (previously known as products and platforms). The ultimate Holding Company monitors the risk and returns of the Company's businesses on an entity level and evaluates the performance of the Company as one business segment which is overall a part of the reorganized entity level business segments. Hence, there is only one reportable segment of the Company, as envisaged under Indian Accounting Standards - 108 "Operating segments".

Revenue disaggregation as per geography has been included in note 3.17.

**HCL Canada Inc.**

Notes to financial statements for the year ended 31 March 2025

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

**3. Notes to financial statements****3.27 Financial instruments****a) Financial assets and liabilities**

The carrying value of financial instruments by categories as at 31 March 2025 is as follows:

	Amortized Cost	Total Carrying amount
<b>Financial assets</b>		
Trade receivables (including unbilled)	176,396	176,396
Cash and cash equivalents	17,945	17,945
Other bank balances	70,689	70,689
Others	3,665	3,665
<b>Total</b>	<b>268,695</b>	<b>268,695</b>
<b>Financial liabilities</b>		
Lease liabilities	4,653	4,653
Trade payables (including unbilled and accruals)	100,680	100,680
Others	15,777	15,777
<b>Total</b>	<b>121,110</b>	<b>121,110</b>

The carrying value of financial instruments by categories as at 31 March 2024 is as follows:

	Amortized Cost	Total Carrying amount
<b>Financial assets</b>		
Trade receivables (including unbilled)	155,639	155,639
Cash and cash equivalents	10,113	10,113
Other bank balances	23,098	23,098
Loans	4	4
Others	4,656	4,656
<b>Total</b>	<b>193,510</b>	<b>193,510</b>
<b>Financial liabilities</b>		
Lease liabilities	5,967	5,967
Trade payables (including unbilled and accruals)	38,791	38,791
Others	14,938	14,938
<b>Total</b>	<b>59,696</b>	<b>59,696</b>

**b) Financial risk management**

The Company is exposed to market risk, credit risk and liquidity risk which may impact the fair value of its financial instruments. The Company has a risk management policy to manage & mitigate these risks. The Company's risk management policy aims to reduce volatility in financial statements while maintaining balance between providing predictability in the Company's business plan along with reasonable participation in market movement.

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk and interest rate risk. The Company is primarily exposed to fluctuation in foreign currency exchange rates.

**(i) Financial currency risk**

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

## HCL Canada Inc.

### Notes to financial statements for the year ended 31 March 2025

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

#### 3. Notes to financial statements

##### 3.27 Financial instruments (continued)

The exchange rate risk primarily arises from assets and liabilities denominated in currencies other than the functional currency and foreign currency forecasted revenue and cash flows. A significant portion of the Company revenue and cost is in Euro, GBP and USD. The fluctuation in exchange rates in respect to the USD may have potential impact on the statement of profit and loss and other comprehensive income and equity.

To mitigate the foreign currency, risk the Company uses derivatives as governed by the Company's strategy, which provides principles on the use of such forward contracts and currency options consistent with the Company's Risk Management Policy.

The impact of appreciation / depreciation of 2% in respective foreign currencies with respect to functional currency of the Company and same would result in increase/decrease in the Company's profit before tax by approximately CAD 1,190 thousand (31 March 2024, approximately CAD 454 thousand) for the year ended 31 March 2025.

The rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure and a simultaneous parallel foreign exchange rates shift of all the currencies by 2% against the respective functional currencies of the Company. The sensitivity analysis presented above may not be representative of the actual change.

Non-derivative foreign currency exposure as of 31 March 2025 and 31 March 2024 in major currencies is as below:

	Financial Assets		Financial Liabilities	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024
USD/CAD	86,566	36,308	26,347	11,940
INR/CAD	-	17	236	1,951
CNY/CAD	-	779	-	-

##### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates arises on borrowings with floating interest rate which is not material.

##### Credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, inter-corporate deposits, trade receivables, unbilled receivables, finance lease receivables, investment securities and derivative instruments. The cash resources of the Company are invested with banks, financial institutions and corporations after an evaluation of the credit risk. By their nature, all such financial instruments involve risks, including the credit risk of non performance by counterparties.

The customers of the Company are primarily corporations based in the United States of America and Europe and accordingly, trade receivables, unbilled receivables and finance lease receivables are concentrated in the respective countries. The Company periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of trade receivables, unbilled receivables, contract assets and finance lease receivables. No single customer accounted for more than 10% of trade receivables, unbilled receivables and finance lease receivables. The Company also outsourced selected client related credit risks to financial markets through "Non-recourse assignment" of receivables.

The allowance for lifetime expected credit loss on customer balances is as below:

	As at	
	31 March 2025	31 March 2024
Balance at the beginning of the year	1,005	921
Additional provision during the year	396	554
Deductions on account of write offs and collections	(444)	(470)
Balance at the end of the year	957	1,005

**HCL Canada Inc.****Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

**3. Notes to financial statements****3.27 Financial instruments (continued)****Liquidity risk**

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

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

	<b>Less than 1 year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>More than 3 years</b>	<b>Total</b>
<b>As at 31 March 2025</b>					
Lease liabilities	2,343	1,519	892	15	4,769
Employee bonus accrued	10,692	-	-	-	10,692
Trade payables (including unbilled and accruals)	100,680	-	-	-	100,680
Other financial liabilities	4,856	229	-	-	5,085
<b>Total</b>	<b>118,571</b>	<b>1,748</b>	<b>892</b>	<b>15</b>	<b>121,226</b>
<b>As at 31 March 2024</b>					
Lease liabilities	1,978	1,947	1,404	871	6,200
Employee bonus accrued	9,615	-	-	-	9,615
Trade payables (including unbilled and accruals)	38,791	-	-	-	38,791
Other financial liabilities	5,216	107	-	-	5,323
<b>Total</b>	<b>55,600</b>	<b>2,054</b>	<b>1,404</b>	<b>871</b>	<b>59,929</b>

**HCL Canada Inc.**

**Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

**3. Notes to financial statements**

**3.28 Related party transactions**

Description of relationship	Names of related parties
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**i. Related parties where control exists**

- Ultimate Holding Company      HCL Technologies Limited
- Holding Company                HCL Technologies Holding UK Limited

**ii. Related parties with whom transactions (including outstanding balances) have taken place during the year**

- Ultimate Holding Company      HCL Technologies Limited
- Holding Company                HCL Technologies Holding UK Limited
- Fellow Subsidiaries             
 

Filial Espanola De HCL Technologies, s.l. HCL Technologies Greece Single Member P.C. HCL istanbul Bilisim Teknolojileri Ltd sirketi HCL (Brazil) Tecnologia da Informacao Ltda HCL Technologies Mexico S DE RL DE CV HCL Technologies Trinidad and Tobago Ltd HCL Technologies Czech Republic s.r.o HCL Technologies Columbia S.A.S. HCL Technologies Sweden AB HCL Technologies Romania s.r.l HCL Technologies Germany GmbH HCL (Ireland) Information Systems Ltd. HCL Technologies Belgium BVBA HCL Technologies Lanka (Private) Ltd HCL Vietnam Company Ltd HCL Axon Solutions (Shanghai) Co., Ltd. HCL Australia Services PTY. Limited HCL Technologies Middle East FZ- LLC HCL Technologies Corporate Services Ltd HCL Technologies Malaysia SDN BHD HCL Technologies Morocco Ltd HCL Technologies S.A.C. HCL Axon Tech.(Shanghai)Co.Ltd	Sankalp Semiconductor Pvt. Ltd. HCL America Inc. HCL Argentina S.A. HCL America Solutions Inc. HCL Technologies Angola (SU), LDA. HCL Poland Sp.z.o.o. HCL Technologies B.V. HCL Technologies S.A. HCL Technologies Finland Oy HCL Technologies Italy S p A HCL Technologies France HCL Singapore Pte. Limited HCL Japan Limited HCL (New Zealand) Limited HCL Saudi Arabia LLC HCL Technologies Egypt Ltd HCL Hong Kong SAR Limited Sankalp Semiconductor Inc. HCL Technologies Philippines Inc HCL Technologies Beijing Co., Ltd HCL Technologies (Shanghai) Limited HCL Technologies (Thailand) Ltd. HCL Technologies Solutions GmbH
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- Key management personnel (KMP):
 

Mr. C. Vijayakumar	
Mr. Shiv Walia	(Appointed w.e.f. 6th September 2024)
Mr. Prateek Aggarwal	(Ceased w.e.f. 6th September 2024)

**iii. Transactions with related parties during the year:**

	Ultimate Holding Company		Fellow Subsidiaries	
	Year ended			
	31 March 2025	31 March 2024	31 March 2025	31 March 2024
Revenue from operations	32,227	41,696	215,237	196,279
Interest Income	-	-	-	64
Outsourcing costs	72,620	86,275	51,636	22,064
Insurance expense	109	132	-	-
Other expenses	-	-	-	156

**HCL Canada Inc.****Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

**3. Notes to financial statements****3.28 Related party transactions (continued)****Material Related Party Transactions during the year:**

	Year ended	
	31 March 2025	31 March 2024
<b>HCL Technologies Limited</b>		
Outsourcing costs	72,620	86,275
<b>HCL Technologies Corporate Services Limited</b>		
Revenue from operations	163,708	142,031

**iv. Outstanding Balances with related parties as at year end:**

	Ultimate Holding Company		Fellow Subsidiaries	
	As at			
	31 March 2025	31 March 2024	31 March 2025	31 March 2024
Trade receivables, other financial assets and other assets	38,296	19,172	83,661	79,896
Trade payables, other financial liabilities and contract liabilities	43,552	18,234	22,687	5,264

All transactions entered by the Company with related parties are at arm's length and in ordinary course of business.

No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other persons or entities, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

The Company has not received any funds from any persons or entities, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Parties ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

**3.29 Research and development expenditure**

	As at	
	31 March 2025	31 March 2024
Amount charged to statement of profit and loss	1,648	576
	1,648	576

**3.30 Commitments and contingent liabilities**

	As at	
	31 March 2025	31 March 2024
<b>Capital and other commitments</b>		
Estimated amount of unexecuted capital contracts	139	28
	139	28

The Company is involved in various lawsuits, claims and proceedings that arise in the ordinary course of business, the outcome of which is inherently uncertain. Some of these matters include speculative and frivolous claims for substantial or indeterminate amounts of damages. The Company records a liability when it is both probable that a loss has been incurred and the amount can be reasonably estimated. Significant judgement is required to determine both probability and the estimated amount. The Company reviews these provisions at least quarterly and adjusts these provisions accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. The Company believes that the amount or estimable range of reasonably possible loss, will not, either individually or in the aggregate, have a material adverse effect on its business, financial position, results of the Company, or cash flows with respect to loss contingencies for legal and other contingencies as at 31 March 2025.

**HCL Canada Inc.**

Notes to financial statements for the year ended 31 March 2025

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

**3. Notes to financial statements****3.31 Ratios**

Ratio	Numerator	Denominator	Units	Year ended		% Variance
				31 March 2025	31 March 2024	
Current ratio	Current assets	Current liabilities	Times	2.0	2.6	(23%)
Debt equity ratio	Total debts <i>(refer note 1 below)</i>	Total equity	Times	0.0	0.0	-
Debt service coverage ratio	Earnings available for debt service <i>(refer note 2 below)</i>	Debt service <i>(refer note 3 below)</i>	Times	10.6	14.5	(27%)
Return on equity ratio	Profit for the year	Average total equity	%	18.4	18.9	(3%)
Inventory turnover ratio	Cost of goods sold <i>(refer note 4 below)</i>	Average inventories	Times	5.4	3.8	42%
Trade receivables turnover ratio	Revenue from operations	Average trade receivables	Times	3.1	3.5	(11%)
Trade payables turnover ratio	Net credit purchases <i>(refer note below 5)</i>	Average trade payables	Times	2.9	3.6	(19%)
Net capital turnover ratio	Revenue from operations	Working capital <i>(refer note below 6)</i>	Times	3.4	3.9	(13%)
Net profit ratio	Profit for the year	Revenue from operations	%	5.6	5.0	12%
Return on capital employed	Earnings before interest and taxes	Capital employed <i>(refer note 7 below)</i>	%	23.7	24.8	(4%)

**Notes :**

(1) Total debts consist of borrowings and lease liabilities

(2) Earning available for debt services = Profit for the year + depreciation, amortization and impairment + interest + Provision for doubtful debts + non-cash charges

(3) Debt service = Interest + payment for lease liabilities + principal repayments

(4) Cost of goods sold includes purchase of stock in trade and change in inventories of stock in trade

(5) Net credit purchase includes purchase of stock-in-trade , change in inventories of stock-in-trade, outsourcing costs and other expenses

(6) Working capital = current assets - current liabilities

(7) Capital employed = Tangible net worth includes acquired goodwill and other intangibles assets + total debt - deferred tax assets

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

Inventory turnover ratio has increased due to decrease in inventory balance.

Debt service coverage ratio has decreased due to increase in interest and principal repayments.

**HCL Canada Inc.**

**Notes to financial statements for the year ended 31 March 2025**

(All amounts in CAD thousands, except shares, per share data and as stated otherwise)

**3. Notes to financial statements**

**3.32 Subsequent events**

The Company has evaluated all the subsequent events through 25 June 2025, which is the date on which these financial statements were issued, and no events have occurred from the balance sheet date through that date except for matters that have already been considered in the financial statements.

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As per our report of even date attached

**For B S R & Co. LLP**

**ICAI Firm Registration Number : 101248W/W-100022**

**Chartered Accountants**

**For and on behalf of the Board of Directors of  
HCL Canada Inc.**

**RAKESH DEWAN** Digitally signed by  
RAKESH DEWAN  
Date: 2025.06.26  
21:58:00 +05'30'

**Rakesh Dewan**  
**Partner**  
**Membership Number: 092212**

**Gurugram, India**  
**Date: 26 June 2025**

**VJAYA KUMAR CHINNASWAMY WAMY** Digitally signed  
by VJAYA KUMAR CHINNASWAMY WAMY  
Date: 2025.06.25  
21:00:42 -0700'

**C. Vijayakumar**  
**Director**

**New Jersey, USA**  
**Date: 25 June 2025**

**SHIV KUMAR WALIA** Digitally signed by  
SHIV KUMAR WALIA  
Date: 2025.06.25  
22:40:46 +05'30'

**Shiv Walia**  
**Director**

**Noida(UP), India**  
**Date: 25 June 2025**

