

WIPRO ARABIA COMPANY LIMITED
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2016

WIPRO ARABIA COMPANY LIMITED
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITORS' REPORT

The Shareholders
Wipro Arabia Company Limited
Al-Khobar, Kingdom of Saudi Arabia

We have audited the accompanying financial statements of **Wipro Arabia Company Limited** (the "Company") which comprise the balance sheet as of December 31, 2016 and the related statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 25 which form an integral part of these financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with the Regulations for Companies and the Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the financial statements taken as a whole:

- 1) present fairly, in all material respects, the financial position of the **Wipro Arabia Company Limited** as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Company; and
- 2) comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of the financial statements.

For KPMG Al Fozan & Partners
Certified Public Accountants



SDI-

Ebrahim Oboud Baeshen
License No. 382

Al Khobar
Date: 5 April 2017G
Corresponding to: 9 Rajab 1438H

WIPRO ARABIA COMPANY LIMITED
(A LIMITED LIABILITY COMPANY)

BALANCE SHEET
AS AT DECEMBER 31, 2016
Expressed in Saudi Arabian Riyals

	Note	2016	2015
ASSETS			
Current assets:			
Cash and cash equivalents	4	37,995,782	39,202,528
Accounts and other receivables	5	645,944,625	634,147,467
Due from related parties	10	11,537,506	2,983,319
Inventories	6	3,575,328	3,431,502
Prepayments and other current assets	7	37,913,180	48,898,906
Total current assets		736,966,421	728,663,722
Non-current assets:			
Equipments	8	6,116,182	4,294,311
Retention receivable		-	34,460,807
Deferred warranty cost		10,536,985	10,906,752
Due from related parties	10	62,196,534	51,493,279
Deferred tax asset		-	5,239,087
Total non-current assets		78,849,701	106,394,236
TOTAL ASSETS		815,816,122	835,057,958
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Term loans	9	88,743,736	138,408,992
Accounts payable		49,379,500	51,336,386
Due to related parties	10	74,776,111	53,738,431
Accrued expenses and other current liabilities	11	123,933,239	106,353,005
Warranty accrual		9,279,031	10,681,302
Provision for Zakat and income tax	12	8,237,378	4,461,977
Total current liabilities		354,348,995	364,980,093
Non-current liabilities:			
Term loans	9	14,856,677	89,856,676
Employees' end of service benefits	13	16,511,359	13,649,740
Warranty accrual		3,141,379	3,737,325
Total non-current liabilities		34,509,415	107,243,741
TOTAL LIABILITIES		388,858,410	472,223,834
Shareholders' equity:			
Share capital	14	30,000,000	30,000,000
Statutory reserve	15	15,000,000	15,000,000
Retained earnings		381,957,712	317,834,124
Total shareholders' equity		426,957,712	362,834,124
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		815,816,122	835,057,958

These financial statements as shown on pages 1 to 17 were approved by the Board of Directors on 5 April, 2017 and are signed on their behalf by

SDI-
Turki Bin Abdullah Bin Abdulrahman
(Director)

SDI-
Vellore Jaganmohan Nithin
(Director)

The accompanying notes 1 through 25 form an integral part of these financial statements.

WIPRO ARABIA COMPANY LIMITED
(A LIMITED LIABILITY COMPANY)

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
Expressed in Saudi Arabian Riyals

	Note	2016	2015
Revenue		769,590,566	821,677,130
Cost of revenue		(642,879,670)	(667,518,859)
Gross profit		126,710,896	154,158,271
Selling and marketing expenses	16	(46,103,337)	(31,802,062)
General and administrative expenses	17	(28,803,043)	(37,598,346)
Operating income		51,804,516	84,757,863
Financial charges	18	(6,644,821)	(6,985,878)
Other income	19	18,963,893	180,977
Net income		64,123,588	77,952,962

The accompanying notes 1 through 25 form an integral part of these financial statements.

WIPRO ARABIA COMPANY LIMITED
(A LIMITED LIABILITY COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
Expressed in Saudi Arabian Riyals

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:			
Net income		64,123,588	77,952,962
<i>Adjustments to reconcile net income for the year to net cash provided by operating activities:</i>			
Depreciation charge	8	2,776,630	1,679,729
Employees' end of service benefits charge	13	7,391,498	6,763,368
Financial charges		6,644,821	6,985,878
Provision for doubtful debt	5	20,746,930	10,799,917
Provision for obsolete stock	6	238,088	2,073,416
		<u>101,921,555</u>	<u>106,255,270</u>
Changes in operating assets and liabilities:			
Accounts receivable and retention receivable		2,539,354	41,372,433
Due from related party		2,983,378	(50,373,543)
Due to related party		21,037,680	(39,562,428)
Inventories		(381,914)	(5,306,085)
Prepayments and other current assets		10,985,726	1,581,802
Accounts payable		(1,956,886)	(14,350,722)
Deferred warranty cost		369,767	(4,722,706)
Accrued expenses and other current liabilities		17,580,234	(38,854,612)
Warranty provision		(1,998,217)	(2,633,563)
Employees' end-of-service benefits paid	13	(4,529,879)	(4,001,501)
Zakat & income tax paid	12	(13,226,332)	(18,582,477)
Financial charges paid		(6,644,821)	(6,572,059)
Reversal of provision for doubtful debt		(622,635)	-
Net cash provided by / (used in) operating activities		<u>128,057,010</u>	<u>(35,750,191)</u>
Cash flows from investing activities:			
Additions to equipment	8	(4,598,500)	(4,757,961)
Net cash used in investing activities		<u>(4,598,500)</u>	<u>(4,757,961)</u>
Cash flows from financing activities:			
Net movement in long term loan		(124,665,256)	31,515,392
Net (used in) / cash provided by financing activities		<u>(124,665,256)</u>	<u>31,515,392</u>
Net change in cash and cash equivalents		<u>(1,206,746)</u>	<u>(8,992,760)</u>
Cash and cash equivalents at beginning of the year		<u>39,202,528</u>	<u>48,195,288</u>
Cash and cash equivalents at end of the year		<u>37,995,782</u>	<u>39,202,528</u>

The accompanying notes 1 through 25 form an integral part of these financial statements.

WIPRO ARABIA COMPANY LIMITED
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016
Expressed in Saudi Arabian Riyals

	Share Capital	Statutory Reserve	Retained Earnings	Total
Balance as at December 31, 2014	30,000,000	15,000,000	239,881,162	284,881,162
Income for the year ended December 31, 2015	-	-	77,952,962	77,952,962
Zakat and income tax charge for the year ended December 31, 2015	-	-	13,231,751	13,231,751
Zakat and income tax reimbursable from shareholders	-	-	(13,231,751)	(13,231,751)
Balance at December 31, 2015	30,000,000	15,000,000	317,834,124	362,834,124
Income for the year ended December 31, 2016	-	-	64,123,588	64,123,588
Zakat and income tax charge for the year ended December 31, 2016	-	-	17,001,733	17,001,733
Zakat and income tax reimbursable from shareholders	-	-	(17,001,733)	(17,001,733)
Balance at December 31, 2016	30,000,000	15,000,000	381,957,712	426,957,712

The accompanying notes 1 through 25 form an integral part of these financial statements.

WIPRO ARABIA COMPANY LIMITED
(A LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
Expressed in Saudi Riyals

1. LEGAL STATUS AND OPERATIONS

Wipro Arabia Company Limited (the "Company") is a limited liability company formed in the Kingdom of Saudi Arabia under Commercial Registration No. 2051034646 dated Jumad Awal 6, 1428H, corresponding to May 23, 2007.

The principal activities of the Company are to execute computer programs development, maintenance contracts, and integrated systems and provide services of data maintenance, related technical services and training and trading in the field of IT software and system products along with accessories and spare parts. The Company operates in Saudi Arabia under the license of Saudi Arabian General Investment Authority (SAGIA) No. 581/2 dated Rabi' al-Thani 18, 1428H, corresponding to May 6, 2007.

The Company's registered office is located at Jarir Building, Suite No. 209, P.O. Box 31349, Al-Khobar 31952, Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

(a) **Statement of compliance**

The accompanying financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants ("SOCPA") and applicable laws and regulations in Saudi Arabia relevant to the preparation of financial statements.

The new Regulation for Companies issued through Royal Decree M/3 on 11 November 2015 (hereinafter referred as "The Law") came into force on 25/07/1437H (corresponding to 2 May 2016). The Company has to amend its Articles of Association for any changes to align the Articles to the provisions of The Law. Consequently, the Company shall present the amended Articles of Association to the shareholders in their Extraordinary General Assembly meeting for their ratification. The full compliance with The Law is expected not later than 24/07/1438H (corresponding to 21 April 2017).

(b) **Basis of measurement**

The financial statements are prepared under the historical cost convention using the accrual basis of accounting and the going concern concept.

(c) **Functional and presentation currency**

The accompanying financial statements are presented in Saudi Riyals (SR) which is the functional currency of the Company.

(d) **Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

WIPRO ARABIA COMPANY LIMITED
(A LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
Expressed in Saudi Riyals

2. **BASIS OF PREPARATION (Continued)**

(d) **Use of estimate and judgements (Continued)**

Provision for doubtful debts – (Note 5)

Provision for doubtful debts reflects the estimate of losses arising from the failure or inability of the customers to make the required payments in the normal course of business. Collections from customers are continuously monitored and provisions are recognized based on the customers' credit worthiness, general market conditions and the historic write-off experience. Changes to the estimated provision are made if the financial condition of the customers improves or deteriorates.

Estimated costs for contract completion

Management estimates the total cost to complete the contract which represents the current best estimates of man-hours, materials and other costs to be incurred on the project. These estimates are reviewed on an ongoing basis and are revised to incorporate further costs expected to be incurred or curtailment of these costs, arising as a result of change in scope, variation orders or change in assumptions in the light of new information.

Useful lives of equipment – (Note 8)

Management estimates useful lives and residual values of equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as expected usage, physical wear and tear, and technological or commercial obsolescence of assets concerned could result in the actual useful lives or residual values differing from initial estimates.

3. **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less. The statement of cash flows has been prepared using the indirect method.

(b) **Accounts receivable**

Accounts receivable are stated at their original invoice amount less provision made for doubtful accounts. An allowance for doubtful accounts is established when there is significant doubt that the Company will not be able to collect all amounts due according to the original terms of the agreement. Bad debts are written off when identified.

(c) **Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is principally based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
Expressed in Saudi Riyals

3 **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(d) **Impairment of non-financial assets**

The carrying amounts of non-financial assets are reviewed at the date of the financial statements to ascertain whether there is an event or changes in circumstances indicating that the carrying amount of an asset exceeds its recoverable amount. When such an indicator exists, the recoverable amount of the asset is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell.

A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

(e) **Impairment of financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis.

(f) **Equipment**

Items of equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the asset. All other expenditure is recognized in the statement of income when incurred.

Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. The estimated useful lives of the principal classes of assets are as follows:

<u>Assets Category</u>	<u>No. of Years</u>
Furniture and fixtures	5
Computers and Office equipment	2

(g) **Provisions**

A provision is recognized if, as a result of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the company recognizes any impairment loss on assets associated with that contract.

NOTES TO THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Employees' end of service benefits

Employees' end of service benefits, calculated in accordance with Saudi Arabian labor regulations, are accrued and charged to statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

(i) Revenue and cost of revenue

Revenue from software development services comprises revenue from "Time and Material" (T&M) and "fixed price" contracts. Revenue from time and material services contracts is recognized as related services are performed. Contract revenue from fixed price contracts is recognized based on the percentage of completion method, which is determined using the proportion of costs incurred to-date to the total costs for the completion of the contracts as estimated by the management. Billings do not necessarily correlate with revenue recognized using the percentage of completion method of accounting.

No revenue is recognized on a contract where, in the opinion of the management, the ultimate outcome of the contract cannot be reasonably assessed. Losses expected at the completion of a contract are recognized immediately in the statement of income.

Revenue from variations in contract work is recognized in the statement of income to the extent that it is probable that it will be recoverable and that its value is capable of being measured reliably.

Revenue from application maintenance services is recognized over the period of the contract.

Revenue from sale of products is recognized in accordance with the sales contract, on dispatch to the customer and when risks and rewards of ownership are transferred to the customer.

Billings in excess of recognized revenue are recorded in "Advance billing on incomplete contracts". When billings are less than recognized revenue, the difference is recorded in "Unbilled receivables".

Contract cost includes all expenditures directly related to specific projects incurred in the contracting activities.

(j) Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Selling and marketing expenses principally comprise of costs incurred in the sales promotion of the products and services.

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NOTES TO THE FINANCIAL STATEMENTS
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3. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(j) **Expenses (Continued)**

General and administrative expenses include direct and indirect costs not specifically part of cost of revenue as required under generally accepted accounting standards in the Kingdom of Saudi Arabia. Allocations of common expenses between cost of revenue, selling and marketing and general and administrative expenses, when required, are made on a consistent basis. Financial charges comprise of interest payable on term borrowings.

(k) **Operating lease**

Payments under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

(l) **Foreign currency translation**

Transactions denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the balance sheet date. Exchange gains or losses are credited or charged to the statement of income.

(m) **Zakat and income tax**

Zakat and income tax, computed in accordance with the Saudi Arabian fiscal regulations, are accrued and charged to retained earnings. Since the shareholders have agreed to reimburse Zakat and income tax from the proceeds of the future dividend, such amount receivable from the partners is credited to retained earnings. Additional liabilities arising from final assessments are provided for when the assessments are finalized with the general Authority of Zakat & Income Tax (GAZT).

(n) **Dividends**

Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they are approved by the shareholders.

WIPRO ARABIA COMPANY LIMITED
(A LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
Expressed in Saudi Riyals

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, comprise of the following:

	<u>2016</u>	<u>2015</u>
Cash at bank	3,748,266	14,202,528
Time deposits	35,000,000	25,000,000
Cash at banks	38,748,266	39,202,528
Bank overdraft	(752,484)	-
	<u>37,995,782</u>	<u>39,202,528</u>

- a) Time deposits are held in commercial banks for a period of less than three months and yield financial income at the prevailing market rates.
- b) Bank overdraft represents a credit facility from one of the local banks in Saudi Arabia for the purpose of financing the Company's daily operations.

5. ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables as at December 31, comprise of the following:

	<u>2016</u>	<u>2015</u>
Trade receivables	508,563,700	484,116,327
Provision for doubtful debts	(38,788,582)	(18,664,287)
Trade receivables	469,775,118	465,452,040
Retentions receivable	98,857,879	46,042,394
Unbilled receivables	77,311,628	122,653,033
	<u>645,944,625</u>	<u>634,147,467</u>

Movements summary in provision for doubtful debts for the year ended December 31 are as follows:

	<u>2016</u>	<u>2015</u>
Balance at beginning of the year	18,664,287	13,302,258
Additions	20,746,930	10,799,917
Reversals	(622,635)	(5,437,888)
Balance at the end of the year	<u>38,788,582</u>	<u>18,664,287</u>

6. INVENTORIES

Inventories as at December 31, comprise of the following:

	<u>2016</u>	<u>2015</u>
Traded goods	5,886,832	5,504,918
Provision for obsolete stock	(2,311,504)	(2,073,416)
	<u>3,575,328</u>	<u>3,431,502</u>

WIPRO ARABIA COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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7. **PREPAYMENTS AND OTHER CURRENT ASSETS**

Prepayments and other current assets as at December 31, comprise of the following:

	2016	2015
Advances to supplier	28,114,991	28,167,209
Employees' housing and other advances	5,638,590	6,593,992
Prepaid insurance	3,173,330	4,338,738
Prepaid rent	450,657	190,405
Claims receivable	385,612	9,458,462
Security Deposit	150,000	150,100
	<u>37,913,180</u>	<u>48,898,906</u>

8. **EQUIPMENT**

The movement in equipment during the year is summarized as follows:

	Computers and Office equipment	Furniture and fixtures	Total
Cost:			
As at January 1, 2016	6,255,845	4,492,084	10,747,929
Additions during the year	4,562,175	36,325	4,598,500
As at December 31, 2016	<u>10,818,020</u>	<u>4,528,409</u>	<u>15,346,429</u>
As at January 1, 2016	(4,753,237)	(1,700,380)	(6,453,617)
Charge for the year	(2,009,528)	(767,102)	(2,776,630)
As at December 31, 2016	<u>(6,762,765)</u>	<u>(2,467,482)</u>	<u>(9,230,247)</u>
Net book value:			
At December 31, 2016	<u>4,055,255</u>	<u>2,060,927</u>	<u>6,116,182</u>
At December 31, 2015	<u>1,502,608</u>	<u>2,791,703</u>	<u>4,294,311</u>

9. **TERM LOANS**

As at December 31, 2016 the short term loans amounting to SR 88.74 million (2015: SR 138.40 million) consist of various loans taken from Saudi British Bank. These loans have been obtained by the Company for the purposes of meeting its working capital requirements. The maturity dates of the short term loans range from three months to twelve months. The Company has unused credit facility of SR 148.20 million as at December 31, 2016.

Total amount outstanding as at December 31, 2016 against the long term loans was SR 14.85 million (2015: 89.85 million).

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10. RELATED PARTY TRANSACTIONS

The related parties consist of the shareholders, their subsidiaries, affiliates and its Board of Directors.

The ultimate parent Company of Wipro Arabia Company Limited is Wipro Limited India, which is registered in India, and owns 67% of the Company through Wipro Cyprus Company Limited, a company registered in Cyprus. The other shareholder in the Company is Dar Al Riyadh Holding Company Limited which is the local shareholder in Saudi Arabia.

In the ordinary course of business, the Company transacts with Wipro Limited India, Wipro Limited UAE, which is the branch office of Wipro Limited India and Dar Al Riyadh Holding Company Limited and its affiliates such as Dar Al Riyadh Consultants. Such transactions relate to the purchase of materials, hire and maintenance of equipment, provision of support services, and other expenses incurred on behalf of the Company by its affiliates. The terms and conditions of such transactions are mutually agreed and approved by the Company's management.

During the year ended December 31, the Company had the following significant transactions with its related parties:

<u>Related party</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>2016</u>	<u>2015</u>
Wipro Limited, India	Affiliate	Technical services	57,228,518	68,558,044
		Payment against services	26,192,281	159,381,899
		Corporate guarantee commission	1,060,509	725,550
		Reversal of Liability	17,913,340	-
Dar Al Riyadh Holding Company Limited	Shareholder	Technical services	3,375,000	3,375,000
		Corporate guarantee commission	234,403	362,700
		Payment against services received	1,025,100	9,283,495
Dar Al Riyadh Consultants	Affiliate	Miscellaneous services	127,297	139,586
		Payment made for Miscellaneous services	266,883	646,026

The above transactions resulted in the following balances with related parties at December 31:

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10. RELATED PARTY TRANSACTIONS (continued)

a) Due from related parties

Current Portion:	2016	2015
Income tax reimbursable from Wipro Cyprus Company Limited	9,520,752	-
Zakat reimbursable from Dar Al Riyadh Holding Company Limited	2,016,754	-
Wipro Bahrain	-	277,228
Wipro limited - BPO	-	200,155
Dar Al Riyadh Holding Company Limited	-	2,505,936
	<u>11,537,506</u>	<u>2,983,319</u>
Non-Current Portion:	2016	2015
Income tax reimbursable from Wipro Cyprus Company Limited	49,209,790	41,377,833
Zakat reimbursable from Dar Al Riyadh Holding Company Limited	12,986,744	10,115,446
	<u>62,196,534</u>	<u>51,493,279</u>

b) Due to related parties

	2016	2015
Wipro Limited, India	72,323,345	53,598,845
Dar Al Riyadh Holding Company Limited	2,452,766	-
Dar Al Riyadh Consultants	-	139,586
	<u>74,776,111</u>	<u>53,738,431</u>

11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities as at December 31, comprise of the following:

	2016	2015
Suppliers related accruals	82,513,639	86,531,217
Advances from customers	18,828,183	3,128,522
Goods received not billed	9,735,723	6,079,561
Accrual for leave encashment	8,623,620	7,942,270
Premium payable	1,144,495	893,964
Withholding tax	915,961	482,007
Salaries payable	200,143	154,020
Others	1,971,475	1,141,444
	<u>123,933,239</u>	<u>106,353,005</u>

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12. **ZAKAT AND INCOME TAX**

The Company is subject to Zakat and income tax in the Kingdom of Saudi Arabia in accordance with Saudi Arabia fiscal regulation.

a) **Charge for the year**

i) Zakat and income tax charge for the year ended December 31 comprises the following:

	2016			2015		
	Zakat	Income-tax	Total	Zakat	Income-tax	Total
Charge for the year	4,888,052	12,113,681	17,001,733	3,292,050	11,685,806	14,977,856
Deferred tax	-	-	-	-	(1,746,105)	(1,746,105)
	<u>4,888,052</u>	<u>12,113,681</u>	<u>17,001,733</u>	<u>3,292,050</u>	<u>9,939,701</u>	<u>13,231,751</u>

ii) The significant components of Zakat base for the year ended December 31, are as follows:

	2016	2015
Shareholders' equity at beginning of year	362,834,124	284,881,162
Net income before zakat	64,123,588	77,952,962
Non-current assets	78,849,701	54,900,957
Non-current liabilities	34,509,415	107,243,741

iii) Income tax charge for the current year is based on the adjusted taxable income amounted to SR 60,568,406 (2015 : SR 58,429,029).

b) **Provision for Zakat and income tax**

The movement in accrued zakat and income tax during the year ended December 31, 2016 is as follows:

	Zakat	Income tax	Total
Balance at the beginning of the year	3,292,050	1,169,927	4,461,977
Charge for the year	4,888,052	12,113,681	17,001,733
Less: Payments during the year	(3,292,050)	(9,934,282)	(13,226,332)
Balance at end of the year	<u>4,888,052</u>	<u>3,349,326</u>	<u>8,237,378</u>

c) **Status of assessments**

The Company has filed a Zakat/Tax return for the year ended December 31, 2015 and has obtained Zakat/Tax certificate which is valid up to April 30, 2017. GAZT has raised revised assessment for the years 2008 to 2010 with additional tax and withholding tax liability of SR 61K. The Company has requested GAZT to correct certain errors in the revised final assessment. The assessments for the years 2011 to 2015 have not yet been raised by the GAZT.

13. **EMPLOYEES END OF SERVICE BENEFITS**

The movement in employees' end of service benefits during the year ended December 31, is as follows:

	2016	2015
Balance at January 01	13,649,740	10,887,873
Provision during the year	7,391,498	6,763,368
Payments made during the year	(4,529,879)	(4,001,501)
Balance at December 31	<u>16,511,359</u>	<u>13,649,740</u>

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14. SHARE CAPITAL

The Company's capital of 2016 and 2015 consists of 30,000 shares of SR 1000 each fully paid and held at the yearend December 31, as follows:

	Number of Shares		%	Amount	
	2016	2015		2016	2015
Wipro Cyprus Company Limited - Cyprus	20,000	20,000	66.67	20,000,000	20,000,000
Dar Al Riyadh Holding Company Limited - KSA	10,000	10,000	33.33	10,000,000	10,000,000
	30,000	30,000	100	30,000,000	30,000,000

15. STATUTORY RESERVE

In accordance with Company's Articles of Association, the Company is required to transfer at least 10% of its net income each year to a statutory reserve until such reserve equals 50% of its share capital. This reserve is not available for distributions to the shareholders. The statutory reserve requirement has been fulfilled and, accordingly, the Company is not required to transfer any additional amount to this reserve.

16. SELLING AND MARKETING EXPENSES

Selling and marketing expenses for the year ended December 31, comprise of:

	2016	2015
Employees cost	12,348,302	12,159,586
Provision for doubtful debts	20,746,930	5,362,029
Travelling expenses	7,694,288	6,287,762
Manpower charges	1,647,764	4,743,229
Bank charges	1,040,181	785,848
Advertisement	613,663	413,533
Communication expenses	515,735	170,821
Courier Expenses	287,314	396,225
Others	1,209,160	1,483,029
	46,103,337	31,802,062

17. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended December 31, comprise of:

	2016	2015
Employees cost	12,958,808	20,622,228
Manpower charges	4,479,158	4,324,394
Rent	3,286,408	3,775,760
Travelling expenses	2,148,996	2,202,951
Communication	2,242,223	2,184,414
Insurance	1,640,287	1,941,258
Legal and professional charges	1,163,818	1,136,601
Depreciation	53,545	317,073
Others	829,800	1,093,667
	28,803,043	37,598,346

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18. **FINANCIAL CHARGES**

Financial charges for the year ended December 31, comprise of:

	2016	2015
Interest on loan	5,349,910	5,897,628
Interest on guarantees	1,294,911	1,088,250
	<u>6,644,821</u>	<u>6,985,878</u>

Interest on guarantees includes interest charged by the parent company Wipro Limited India Company Limited and the shareholder Dar Al Riyadh Holding Company Limited against the guarantees provided by them. These guarantees carry a fixed rate of interest at 0.15% per annum.

19. **OTHER INCOME**

Other income includes an amount of SR 17.9 million pertaining to the reversal related party payable balance. This amount was due to WIPRO Limited, India towards short term travel allowance for employees which were long outstanding and now waived off by the WIPRO Limited, India.

20. **DIVIDEND**

During the year, the Company did not declare the dividend (2015: NIL).

21. **OPERATING LEASES**

The Company has various operating leases for office space. The leases are for initial period for one year to three years with options to renew the leases after lease terms. Lease payments are either fixed or increase annually to reflect market rentals. Rental expenses for the year ended December 31, 2016 amounted to SR 3,286,408 (2015: SR 3,775,760).

At December 31, the Company's obligations under non-cancellable operating leases are payable as follows:

	2016	2015
Within one year	1,455,750	1,455,750
Between one to five years	2,911,500	4,367,250

22. **COMMITMENTS AND CONTINGENCIES**

At December 31, 2016, the Company has outstanding letters of credit of SR 2.52 million (2015: SR Nil) and letters of guarantee of SR 179.29 million (2015: SR 144.51 million) issued in the normal course of business.

23. **FINANCIAL INSTRUMENTS**

Financial instruments carried on the balance sheet principally include cash and cash equivalents, accounts receivable, certain other receivables, due from and to related party, accounts payable, certain other payables and short-term borrowings.

Credit risk

Credit risk is the risk that counterparties may not meet their obligations, so the other party may incur a financial loss. At the balance sheet date the Company is exposed to a concentration of credit risk, as 60% (2015: 47%) of the accounts receivable are due from five customers only. However the management believes that the total amount is fully recoverable as most of the receivables are due from highly reputed Government and Semi Government institutions. The Company maintains its cash with high credit rated local banks.

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23. FINANCIAL INSTRUMENTS (Continued)

Currency risk

This relates to the risk of change in the value of financial instruments due to change in foreign currency rates. The Company's transactions are mainly in Saudi Riyals and US Dollars. Management monitors the fluctuations in currency exchange rates and manages its effect on the financial statements accordingly.

Liquidity risk

Liquidity risk is the risk that an enterprise may encounter difficulty in meeting commitments associated with financial instruments. Liquidity risk is managed by systematic monitoring to ensure availability of funds to meet any future liabilities as they become due. The Company has sufficient availability of short term borrowings to manage its liquidity position.

Interest rate risk

The Company's financial assets and liabilities as at the balance sheet date, except for short term borrowings are not exposed to interest rate risk. Interest for short term borrowings is fixed. Interest rate risk is monitored on an ongoing basis.

Fair value

Fair value risk is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the accompanying financial statements are prepared under the historical cost convention, differences may arise between the book values and the fair value estimates.

24. COMPARATIVE RECLASSIFICATION

Certain comparative figures have been reclassified to comply with the current year presentation of the financial statements.

25. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorized for issue by the Board of Directors on 5 April 2017.