



INDEPENDENT AUDITORS' REPORT

The Shareholders
Wipro Arabia Company Limited
Riyadh, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of **Wipro Arabia Company Limited** (a Limited liability Company) ("the Company"), which comprise the balance sheet as at December 31, 2017 and the statement of income, statement of cash flows and statement of changes in equity for the year then ended, and notes 1 to 23 to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting principles in the Kingdom of Saudi Arabia;

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Saudi Arabia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended December 31, 2016, were audited by another auditor who expressed an unmodified opinion on those statements on April 5, 2017.

Responsibilities of the Company's Management and Those Charged with Governance for the Financial Statements

The Company's Management is responsible for the preparation and fair presentation of the financial statements in conformity with generally accepted accounting principles in the Kingdom of Saudi Arabia and the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are 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 ISAs will always detect a material misstatement when it exists.



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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 ISAs endorsed in the Kingdom of Saudi Arabia, 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 an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Company's management.
- Conclude on the appropriateness of Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, 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.

Report on other legal and regulatory requirements

In our opinion these financial statements, taken as a whole, comply with the Regulations for Companies and the Company's by-laws with respect to the preparation and presentation of financial statements.

For Dr. Mohamed Al-Amri & Co.

SD

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

Riyadh, on 13 Sha'aban 1439 (H)
Corresponding to: 29 April 2018 G)

WIPRO ARABIA COMPANY LIMITED
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2017

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WIPRO ARABIA COMPANY LIMITED
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2017

WIPRO ARABIA COMPANY LIMITED
(A LIMITED LIABILITY COMPANY)

BALANCE SHEET
AS OF DECEMBER 31, 2017
(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	4	86,714,709	37,995,782
Accounts and other receivables	5	581,456,204	651,438,412
Due from related parties	10	87,206,619	73,734,040
Inventories	6	4,847,994	3,575,328
Prepayments and other current assets	7	50,174,365	37,913,180
Total current assets		810,399,891	804,656,742
Non-current assets:			
Property and equipment	8	3,909,238	6,116,182
Deferred warranty cost		11,787,585	10,536,985
Total non-current assets		15,696,823	16,653,167
TOTAL ASSETS		826,096,714	821,309,909
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Current liabilities:			
Term loans	9	14,856,677	88,743,736
Accounts payable		39,859,194	49,379,500
Due to related party	10	143,051,797	74,776,111
Accrued expenses and other current liabilities	11	162,459,750	129,427,026
Warranty accrual		4,199,377	9,279,031
Provision for Zakat and income tax	12	4,367,428	8,237,378
Total current liabilities		368,794,223	359,842,782
Non-current liabilities:			
Term loans	9	-	14,856,677
Employees' end of service benefits	13	19,735,647	16,511,359
Warranty accrual		6,709,324	3,141,379
Total non-current liabilities		26,444,971	34,509,415
TOTAL LIABILITIES		395,239,194	394,352,197
Shareholders' equity:			
Share capital	14	30,000,000	30,000,000
Statutory reserve	15	15,000,000	15,000,000
Retained earnings		385,857,520	381,957,712
Total shareholders' equity		430,857,520	426,957,712
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		826,096,714	821,309,909

These financial statements were approved by the Board of Directors on April 29, 2018 (corresponding to Sha'ban 13, 1439H).

The accompanying notes from 1 to 23 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, 2017
(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Revenue		700,954,341	769,590,566
Cost of revenue		<u>(614,306,769)</u>	<u>(645,240,238)</u>
Gross profit		86,647,572	124,350,328
Selling and marketing expenses	16	<u>(53,048,824)</u>	(43,742,769)
General and administrative expenses	17	<u>(26,238,110)</u>	(28,803,043)
Operating income		7,360,638	51,804,516
Financial charges	18	<u>(2,999,362)</u>	(6,644,821)
Other (loss) / income		<u>(461,468)</u>	18,963,893
Net income		<u>3,899,808</u>	<u>64,123,588</u>

The accompanying notes from 1 to 23 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, 2017
(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:			
Net income for the year		3,899,808	64,123,588
<i>Adjustments to reconcile net income for the year to net cash provided by operating activities:</i>			
Depreciation charge	8	3,637,177	2,776,630
Employees' end of service benefits charge	13	8,489,630	7,391,498
Financial charges		2,999,362	6,644,821
Provision for doubtful debts	5	31,044,836	20,746,930
Provision for obsolete stock	6	15,073	238,088
		<u>50,085,886</u>	<u>101,921,555</u>
Changes in operating assets and liabilities:			
Accounts and other receivables		38,937,371	2,539,354
Due from related parties		(3,363,180)	2,983,378
Due to related parties		68,275,686	21,037,680
Inventories		(1,287,739)	(381,914)
Prepayments and other current assets		(12,261,185)	10,985,726
Accounts payable		(9,520,306)	(1,956,886)
Deferred warranty cost		(1,250,600)	369,767
Accrued expenses and other current liabilities		33,032,724	17,580,234
Warranty accrual		(1,511,709)	(1,998,217)
Employees' end-of-service benefits paid	13	(5,265,342)	(4,529,879)
Zakat and income tax paid	12	(13,979,348)	(13,226,332)
Financial charges paid		(2,999,362)	(6,644,821)
Reversal of provision for doubtful debts		-	(622,635)
Net cash used in operating activities		<u>138,892,896</u>	<u>128,057,010</u>
Cash flows from investing activities:			
Additions to property and equipment	8	(1,430,233)	(4,598,500)
Net cash used in investing activities		<u>(1,430,233)</u>	<u>(4,598,500)</u>
Cash flows from financing activities:			
Net movement in term loans		(88,743,736)	(124,665,256)
Net cash provided by financing activities		<u>(88,743,736)</u>	<u>(124,665,256)</u>
Net change in cash and cash equivalents		48,718,927	(1,206,746)
Cash and cash equivalents at beginning of the year		<u>37,995,782</u>	<u>39,202,528</u>
Cash and cash equivalents at end of the year		<u>86,714,709</u>	<u>37,995,782</u>

The accompanying notes 1 through 23 form an integral part of these financial statements.

WIPRO ARABIA COMPANY LIMITED
(A LIMITED LIABILITY COMPANY)

BALANCE SHEET
AS OF DECEMBER 31, 2017
(Expressed in Saudi Arabian Riyals)

	Share Capital	Statutory Reserve	Retained Earnings	Total
As at December 31, 2015	30,000,000	15,000,000	317,834,124	362,834,124
Net income for the year	-	-	64,123,588	64,123,588
Zakat and income tax charge for the year	-	-	17,001,733	17,001,733
Zakat and income tax reimbursable from shareholders	-	-	(17,001,733)	(17,001,733)
As at December 31, 2016	30,000,000	15,000,000	381,957,712	426,957,712
Net income for the year	-	-	3,899,808	3,899,808
Zakat and income tax charge for the year	-	-	9,766,667	9,766,667
Zakat and income tax reimbursable from shareholders	-	-	(9,766,667)	(9,766,667)
As at December 31, 2017	30,000,000	15,000,000	385,857,520	430,857,520

The accompanying notes from 1 to 23 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, 2017
(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 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 ultimate parent company is Wipro Limited India ("WLI"), which is registered in India, and owns 67% of the Company through Wipro Cyprus Company Limited, a company registered in Cyprus.

The principal activities of the Company are to execute the development of computer programmes, maintenance contracts of integrated systems, provide services of data maintenance and related technical services, trainings and sale of IT software, system products along with accessories and spare parts.

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 principles 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 these financial statements.

(b) Basis of measurement

These 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 Arabian 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.

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.

WIPRO ARABIA COMPANY LIMITED
(A LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Saudi Riyals)

2. BASIS OF PREPARATION (Continued)

(d) Use of estimate and judgements (Continued)

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 in 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 receivables

Accounts receivable are stated at their original invoice amount less provision made for doubtful accounts. An allowance for doubtful receivables 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 cost method 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.

(d) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date 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 commission rate. Individually significant financial assets are tested for impairment on an individual basis.

WIPRO ARABIA COMPANY LIMITED
(A LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Saudi Riyals)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property and 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 expenditures are 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:

Assets Category	No. of Years
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.

Provision for warranty

The Company estimates the costs that may be incurred under its warranty obligations and records a liability for such costs at the time when related revenue is recognised. The provision is based on the best estimate of repair and maintenance expenditures for settling the warranty claims in the future.

(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 when 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 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.

WIPRO ARABIA COMPANY LIMITED
(A LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Saudi Riyals)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue and cost of revenue (continued)

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 a decrease 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.

General and administrative expenses include direct and indirect costs not specifically part of cost of revenue as required under generally accepted accounting principles 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 & Tax (GAZT).

(o) 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.

(p) Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at balance sheet date.

(q) Reclassifications

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

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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Saudi Riyals)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, comprise of cash at bank.

	<u>2017</u>	<u>2016</u>
Cash at bank	2,356,468	3,748,266
Term deposits	85,000,000	35,000,000
Cash at banls	87,356,468	38,748,266
Bank overdraft	(641,759)	(752,484)
	<u>86,714,709</u>	<u>37,995,782</u>

5. ACCOUNTS AND OTHER RECEIVABLES

	<u>2017</u>	<u>2016</u>
Trade receivables	520,743,995	508,563,700
Provision for doubtful debts	(69,833,418)	(38,788,582)
Trade receivables, net	450,910,577	469,775,118
Retentions receivables	46,636,859	98,857,880
Unbilled receivables	83,908,768	82,805,414
	<u>581,456,204</u>	<u>651,438,412</u>

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

	<u>2017</u>	<u>2016</u>
As at Januray 1,	38,788,582	18,664,287
Charge for the year	31,044,836	20,746,930
Reversals	-	(622,635)
As at December 31,	<u>69,833,418</u>	<u>38,788,582</u>

6. INVENTORIES

	<u>2017</u>	<u>2016</u>
IT products and related accessories and spare parts	7,174,571	5,886,832
Provision for obsolete stock	(2,326,577)	(2,311,504)
	<u>4,847,994</u>	<u>3,575,328</u>

7. PREPAYMENTS AND OTHER CURRENT ASSETS

	<u>2017</u>	<u>2016</u>
Advances to supplier	38,270,086	28,114,991
Employees' housing and other advances	4,635,118	5,638,590
Prepaid insurance	5,145,007	3,173,330
Prepaid rent	96,719	450,657
Claims receivable	1,877,435	385,612
Security deposit	150,000	150,000
	<u>50,174,365</u>	<u>37,913,180</u>

WIPRO ARABIA COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Saudi Riyals)

8. PROPERTY AND EQUIPMENT

	Computers and office equipment	Furniture and fixtures	Total
Cost:			
As at January 1, 2017	10,818,020	4,528,409	15,346,429
Additions during the year	1,419,654	10,579	1,430,233
As at December 31, 2017	12,237,674	4,538,988	16,776,662
Accumulated depreciation:			
As at January 1, 2017	6,762,765	2,467,482	9,230,247
Charge for the year	2,959,746	677,431	3,637,177
As at December 31, 2017	9,722,511	3,144,913	12,867,424
Net book value:			
At December 31, 2017	2,515,163	1,394,075	3,909,238
At December 31, 2016	4,055,255	2,060,927	6,116,182

9. TERM LOANS

As at December 31, 2017 the short term loans amounting to SR 14.85 million (2016: SR 88.74 million) consist of various loans taken from Saudi British Bank. These loans were obtained by the Company to meet its working capital requirements. The maturity dates of these short term loans range from one to two months and were repaid in February 2018.

The Company has unused credit facility of SR 206.6 million as at December 31, 2017 (2016: SR 148.2 million).

The total amount outstanding as at December 31, 2017 against the long term loans was SR Nil (2016: SR 14.85 million).

10. RELATED PARTY TRANSACTIONS AND BALANCES

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

In the ordinary course of business, the Company transacts with Wipro Limited India, Wipro Limited UAE, a branch office of Wipro Limited India and Dar Al Riyadh Holding Company Limited and its affiliate, Dar Al Riyadh Consultants. These 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. The terms and conditions of such transactions are mutually agreed and approved by the Company's management

WIPRO ARABIA COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Saudi Riyals)

10. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Transactions:

Related party	Relationship	Nature of transaction	2017	2016
Wipro Limited India	Affiliate	Technical services	42,401,250	57,228,518
		Support services	22,251,230	26,192,281
		Corporate guarantee commision	963,320	1,060,509
		Reversal of Liability	-	17,913,340
Dar Al Riyadh Holding Company Limited	Shareholder	Technical services	3,374,820	3,375,000
		Corporate guarantee commision	162,483	234,403
		Payment against services received	1,225,343	1,025,100
Dar Al Riyadh Consultants	Affiliate	Miscellaneous services	373,506	127,297
		Payment made services	1,292,916	266,883

Balances:

a) Due from related parties

	2017	2016
Income tax reimbursable from Wipro Cyprus Company Limited	67,829,887	58,730,542
Zakat reimbursable from Dar Al Riyadh Holding Company Limited	19,370,926	15,003,498
Wipro Infotech Egypt	5,806	-
	87,206,619	73,734,040

Due to related parties

	2017	2016
Wipro Limited India	137,939,143	72,323,345
Dar Al Riyadh Holding Company Limited	5,110,836	2,452,766
Wipro Bahrain Limited W.L.L	1,818	-
	143,051,797	74,776,111

11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2017	2016
Suppliers related accruals	84,390,417	81,350,071
Advances from customers	48,164,126	25,485,538
Goods received not billed	16,606,389	9,735,723
Accrual for leave encashment	8,944,283	8,623,620
Insurance premium payable	1,704,411	1,144,495
Withholding tax	238,815	915,961
Salary payable	165,330	200,143
Others	2,245,979	1,971,475
	162,459,750	129,427,026

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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**

	2017			2016		
	<u>Zakat</u>	<u>Income-tax</u>	<u>Total</u>	<u>Zakat</u>	<u>Income-tax</u>	<u>Total</u>
Charge for the year	4,367,428	5,399,239	9,766,667	4,888,052	12,113,681	17,001,733
	4,367,428	5,399,239	9,766,667	4,888,052	12,113,681	17,001,733

ii) The significant components of Zakat base for the year ended December 31, 2017 are as follows:

	<u>2017</u>	<u>2016</u>
Shareholders' equity at beginning of year	426,957,712	362,834,124
Net income before zakat	3,899,808	64,123,588
Non-current assets	15,696,823	78,849,701
Non-current liabilities	26,444,971	34,509,415

iii) Income tax charge for the current year is based on the adjusted taxable income amounted to SR 26,996,197 (2016 : SR 60,568,406).

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

The movement in accrued zakat and income tax during the year ended December 31, 2017 is as follows:

	<u>Zakat</u>	<u>Income tax</u>	<u>Total</u>
Balance at the beginning of the year	4,888,052	3,349,326	8,237,378
Charge for the year	4,367,428	5,399,239	9,766,667
Less: Payments during the year	(4,888,052)	(9,091,296)	(13,979,348)
Under provision for earlier years	-	342,731	342,731
Balance at end of the year	4,367,428	-	4,367,428

c) **Status of assessments**

The Company has filed a Zakat/Tax return for the year ended December 31, 2016 and has obtained Zakat/Tax certificate which is valid up to April 30, 2017.

13. EMPLOYEES END OF SERVICE BENEFITS

	<u>2017</u>	<u>2016</u>
As at January 1,	16,511,359	13,649,740
Provision for the year	8,489,630	7,391,498
Payments made during the year	(5,265,342)	(4,529,879)
As at December 31,	19,735,647	16,511,359

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14. SHARE CAPITAL

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

	Number of Shares			Amount	
	2017	2016	%	2017	2016
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

	2017	2016
Employees cost	10,799,998	12,348,300
Provision for doubtful debts	31,044,836	20,746,930
Travelling expenses	2,261,545	1,618,645
Support service charges	5,929,095	5,362,839
Bank charges	314,328	1,040,181
Advertisement	433,779	613,663
Communication expenses	375,218	515,735
Courier Expenses	84,868	287,314
Insurance	359,245	225,787
Others	1,445,912	983,375
	53,048,824	43,742,769

17. GENERAL AND ADMINISTRATIVE EXPENSES

	2017	2016
Employees cost	12,345,163	12,958,808
Support service charges	4,105,993	4,479,158
Office rent	3,510,131	3,286,408
Travelling expenses	886,137	1,812,314
Communication	983,411	2,242,224
Insurance	1,570,162	1,640,287
Legal and professional charges	833,939	815,027
Penalty	20,000	-
Depreciation	2,259	53,545
Others	1,980,915	1,515,272
	26,238,110	28,803,043

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18. FINANCIAL CHARGES

	<u>2017</u>	<u>2016</u>
Commission on loan	1,873,558	5,349,910
Commission on guarantess	1,125,804	1,294,911
	<u>2,999,362</u>	<u>6,644,821</u>

19. OPERATING LEASES

The Company has various operating leases for office space. These leases are between one to three years with options to renew at the end of lease terms. Lease payments are as per the agreed terms and conditions of the relevant lease contract. Lease expenses for the year ended December 31, 2017 3,510,131 amounted to (2016: SR 3,286,408).

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

	<u>2017</u>	<u>2016</u>
Within one year	1,455,750	1,455,750
Between one to five years	1,455,750	2,911,500

20. COMMITMENTS AND CONTINGENCIES

At December 31, 2017, the Company has outstanding letters of credit of SR 4.7 million (2016: SR 2.52 million) and letters of guarantee of SR 127.3 Million (2016: SR 179.29 Million) issued in the normal course of business.

21. 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 57.7% (2016: 60%) of the accounts receivables 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 highly credit rated local banks.

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.

Commission rate risk

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

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21. FINANCIAL INSTRUMENTS (Continued)

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.

22. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARD

SOCPA has approved a plan for transition to International Financial Reporting Standards (IFRSs). Accordingly, for the year ended December 31, 2018 the Branch will prepare its financial statements in accordance with IFRS as endorsed in Saudi Arabia.

23. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorized for issue by the Board of Directors on April 29, 2018 (corresponding to 13 Sha'ban 1439H).

