**WIPRO ARABIA COMPANY LIMITED**
(Mixed Limited Liability Company)

**UNCONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2018**
**AND**
**INDEPENDENT AUDITOR'S REPORT**

**WIPRO ARABIA COMPANY LIMITED**
(Mixed Limited Liability Company)

**UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**
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Sensitivity: Internal & Restricted

# Independent auditor's report

**To the partners of**
**Wipro Arabia Company Limited (a Mixed Limited Liability Company)**

## Opinion

We have audited the unconsolidated financial statements of Wipro Arabia Company Limited (a Mixed Limited Liability Company), (the "Company") which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities ("IFRS for SMEs") endorsed in the Kingdom of Saudi Arabia, and other standards and versions endorsed by Saudi Organization for Certified Public Accountants ("SOCPA").

## 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 Unconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the unconsolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of matter - Basis of accounting

We draw attention to Note (2) to the unconsolidated financial statements, which refers to the basis for the preparation of the unconsolidated financial statements. These unconsolidated financial statements have been prepared for general purpose use. The Company has not prepared consolidated financial statements, because the Company itself is a subsidiary of a listed company in National Stock Exchange, India, which produces consolidated general purpose financial statements that are publically available. Our opinion has not been modified with respect to this matter.

## Responsibilities of management and Those Charged With Governance ("TCWG") for the unconsolidated financial statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with IFRS for SMEs endorsed in the Kingdom of Saudi Arabia, other standards and versions endorsed by SOCPA and Regulations of Companies requirements, and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or have 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 unconsolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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.

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 unconsolidated financial statements.

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the unconsolidated 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company or business activities to express an opinion on the unconsolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the management and TCWG 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.

**For Dr. Mohamed Al-Amri & Co.**
SD
Gihad Al-Amri
Certified Public Accountant
Registration No. 362

Riyadh, 11 Sha’ban 1440 H
Corresponding to: 16 April 2019 G

## STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2018

| | Note | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property and equipment | 6 | **2,441,917** | 2,588,923 | 4,588,104 |
| Intangible assets | 7 | **1,765,101** | 1,320,315 | 1,528,078 |
| Investment in subsidiary | 8 | **2,062,500** | - | - |
| Deferred cost | 9 | **3,242,906** | 9,637,601 | 4,149,615 |
| Rent deposit | | **-** | 150,000 | 150,000 |
| Deferred tax assets | 26 | **14,680,568** | 13,345,255 | 8,691,019 |
| | | **24,192,992** | 27,042,094 | 19,106,816 |
| **Current assets** | | | | |
| Inventories | 10 | **4,135,495** | 4,847,994 | 3,575,328 |
| Retentions receivable | | **48,386,807** | 46,636,859 | 98,857,879 |
| Unbilled revenue | | **53,998,519** | 102,530,275 | 90,596,458 |
| Trade receivables | 11 | **263,767,983** | 450,910,577 | 469,775,119 |
| Due from related parties | 27 | **89,435,181** | 83,506,513 | 73,734,040 |
| Deferred cost | 9 | **12,926,139** | 17,498,835 | 22,434,579 |
| Prepayments and other assets | 12 | **40,864,213** | 38,375,620 | 21,715,971 |
| Cash and cash equivalents | 13 | **354,583,304** | 86,714,709 | 37,995,782 |
| | | **868,097,641** | 831,021,382 | 818,685,156 |
| **TOTAL ASSETS** | | **892,290,633** | 858,063,476 | 837,791,972 |
| **EQUITY AND LIABILITIES** | | | | |
| **EQUITY** | | | | |
| Share capital | 14 | **30,000,000** | 30,000,000 | 30,000,000 |
| Statutory reserve | | **15,000,000** | 15,000,000 | 15,000,000 |
| Retained earnings | | **404,799,306** | 400,714,542 | 391,586,153 |
| **Total equity** | | **449,799,306** | 445,714,542 | 436,586,153 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Long term loans | 15 | **-** | - | 14,856,677 |
| Deferred revenue | 16 | **1,767,412** | 6,709,324 | 3,141,379 |
| Employees' end of service benefits | 17 | **16,693,786** | 17,815,055 | 15,404,012 |
| | | **18,461,198** | 24,524,379 | 33,402,068 |
| **Current liabilities** | | | | |
| Current portion of long term loans | 15 | **-** | 14,856,677 | 88,743,736 |
| Provision for zakat and tax | 26 | **4,424,918** | 4,367,428 | 8,237,378 |
| Trade payables | | **27,971,734** | 39,859,194 | 49,379,500 |
| Due to related parties | 27 | **217,847,372** | 143,051,797 | 74,776,111 |
| Accruals and other liabilities | 18 | **121,049,061** | 146,607,110 | 124,103,164 |
| Deferred revenue | 16 | **52,737,044** | 39,082,349 | 22,563,862 |
| | | **424,030,129** | 387,824,555 | 367,803,751 |
| **TOTAL LIABILITIES** | | **442,491,327** | 412,348,934 | 401,205,819 |
| **TOTAL EQUITY AND LIABILITIES** | | **892,290,633** | 858,063,476 | 837,791,972 |

These unconsolidated financial statements as shown on pages 4 to 31 were approved by the Board of Directors on 16 April 2019 (corresponding to 11 Sha'ban 1440H) signed on their behalf by:

SD SD

**Mohammed Bin Turki A. AL SAUD** (Director) **Nithin VJ** (Director)

The accompanying notes from 1 to 33 form integral part of these unconsolidated financial statements.

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| Revenue | 19 | **577,951,099** | 700,954,341 |
| Cost of revenue | 20 | **(486,239,248)** | (563,560,499) |
| **Gross profit** | | **91,711,851** | 137,393,842 |
| | | | |
| Selling and distribution expenses | 21 | **(14,886,169)** | (21,689,660) |
| General and administrative expenses | 22 | **(75,852,939)** | (104,313,432) |
| **Operating profit for the year** | | **972,743** | 11,390,750 |
| | | | |
| Other income | 23 | **3,468,555** | 720,195 |
| Other expenses | 24 | **-** | (1,181,663) |
| Finance cost | 25 | **(1,194,718)** | (2,999,362) |
| **Net profit before zakat and tax for the year** | | **3,246,580** | 7,929,920 |
| | | | |
| Zakat and tax for the year | 26 | **(4,593,355)** | (5,112,431) |
| **Net (loss) / profit for the year** | | **(1,346,775)** | 2,817,489 |
| | | | |
| **Other comprehensive income:** | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Re-measurement of employees' end of service benefits | 17 | **(497,129)** | (3,455,767) |
| **Other comprehensive loss for the year** | | **(497,129)** | (3,455,767) |
| | | | |
| **Total comprehensive loss for the year** | | **(1,843,904)** | (638,278) |

The accompanying notes from 1 to 33 form integral part of these unconsolidated financial statements

**WIPRO ARABIA COMPANY LIMITED** (Mixed Limited Liability Company)
**UNCONSOLIDATED FINANCIAL STATEMENTS**

**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2018**

| | Share capital | Statutory reserve | Total retained earnings | Total Equity |
|---|---|---|---|---|
| Balance as at 1 January 2017 (note 5) | 30,000,000 | 15,000,000 | 391,586,153 | 436,586,153 |
| Net profit / (loss) for the year | - | - | 2,817,489 | 2,817,489 |
| Other comprehensive loss for the year | - | - | (3,455,767) | (3,455,767) |
| Total comprehensive loss for the year | - | - | (638,278) | (638,278) |
| Zakat and tax reimbursable from shareholders | | | 9,766,667 | 9,766,667 |
| Balance at 31 December 2017 | 30,000,000 | 15,000,000 | 400,714,542 | 445,714,542 |
| Net profit / (loss) loss for the year | **-** | **-** | **(1,346,775)** | **(1,346,775)** |
| Other comprehensive loss for the year | **-** | **-** | **(497,129)** | **(497,129)** |
| Total comprehensive loss for the year | **-** | **-** | **(1,843,904)** | **(1,843,904)** |
| Zakat and tax reimbursable from shareholders | **-** | **-** | **5,928,668** | **5,928,668** |
| **Balance as at 31 December 2018** | **30,000,000** | **15,000,000** | **404,799,306** | **449,799,306** |

**Analysis of retained earnings:**

| | Note | Non-Saudi shareholder (66.67%) | Saudi shareholder (33.33%) | Total |
|---|---|---|---|---|
| **Balance at 1 January 2017** | | 263,967,205 | 127,618,948 | 391,586,153 |
| Net income for the year | | 5,286,878 | 2,643,042 | 7,929,920 |
| Zakat and tax | 26 | (5,399,239) | (4,367,428) | (9,766,667) |
| Deferred tax charge for the year | 26 | 4,654,236 | - | 4,654,236 |
| Other comprehensive loss | | (2,303,960) | (1,151,807) | (3,455,767) |
| Zakat and tax reimbursable from shareholders | | 5,399,239 | 4,367,428 | 9,766,667 |
| **Balance at 31 December 2017** | | 271,604,359 | 129,110,183 | 400,714,542 |
| Net income for the year | | **2,164,495** | **1,082,085** | **3,246,580** |
| Zakat and tax | 26 | **(1,503,750)** | **(4,424,918)** | **(5,928,668)** |
| Deferred tax charge for the year | 26 | **1,335,313** | **-** | **1,335,313** |
| Other comprehensive loss | | **(331,436)** | **(165,693)** | **(497,129)** |
| Zakat and tax reimbursable from shareholders | | **1,503,750** | **4,424,918** | **5,928,668** |
| **Balance at 31 December 2018** | | **274,772,731** | **130,026,575** | **404,799,306** |

The accompanying notes from 1 to 33 form integral part of these unconsolidated financial statements

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net profit before zakat and tax for the year | | **3,246,580** | 7,929,920 |
| ***Adjustment to reconcile income before zakat to net cash provided by operating activities:*** | | | |
| Depreciation of property and equipment | 6 | **1,431,235** | 2,494,069 |
| Gain on sale of property and equipment | | **(248,178)** | - |
| Amortization of intangible assets | 7 | **1,759,233** | 1,143,108 |
| Employees' end of service benefit charge | 17 | **3,016,889** | 2,714,328 |
| Trade receivables' provision | 12 | **11,329,494** | 31,044,836 |
| Inventories' provision | 11 | **231,711** | 15,073 |
| Finance cost | 25 | **1,194,718** | 2,999,362 |
| | | **21,961,682** | 48,340,696 |
| ***Working capital changes***: | | | |
| Inventories | 10 | **480,788** | (1,287,739) |
| Retention receivable | | **(1,749,948)** | 52,221,020 |
| Unbilled revenue | | **48,531,756** | (11,933,817) |
| Trade receivables | 11 | **175,813,100** | (12,180,294) |
| Due from related parties | 27 | **-** | (5,806) |
| Deferred cost | 9 | **10,967,391** | (552,242) |
| Prepayments and other current assets | 12 | **(3,484,971)** | (12,959,543) |
| Trade payables | | **(11,887,460)** | (9,520,306) |
| Due to related parties | 27 | **74,795,575** | 68,275,686 |
| Deferred revenue | 16 | **8,712,783** | 20,086,432 |
| Accruals and other liabilities | 18 | **(25,558,049)** | 22,503,946 |
| Zakat and tax paid | 26 | **(4,724,800)** | (17,336,723) |
| Employees' end of service benefits paid | 17 | **(4,635,287)** | (3,759,052) |
| Finance cost paid | 25 | **(1,194,718)** | (2,999,362) |
| **Net cash generated from operating activities** | | **288,027,842** | 138,892,896 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Additions to property and equipment | 6 | **(1,686,051)** | (494,888) |
| Proceeds from disposal of property and equipment | | **650,000** | - |
| Additions to intangible assets | 7 | **(2,204,019)** | (935,345) |
| Acquisition of a subsidiary | 8 | **(2,062,500)** | - |
| **Net cash used in investing activities** | | **(5,302,570)** | (1,430,233) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net movement in long term loans | | **(14,856,677)** | (88,743,736) |
| **Net cash used in financing activities** | | **(14,856,677)** | (88,743,736) |
| Net change in cash and cash equivalents | | **267,868,595** | 48,718,927 |
| Cash and cash equivalents at the beginning of the year | | **86,714,709** | 37,995,782 |
| **Cash and cash equivalents at the end of the year** | 13 | **354,583,304** | 86,714,709 |
| **Non-cash transactions:** | | | |
| Zakat charged transferred to 'due from related parties' | 27 | 5,928,668 | 9,766,667 |
| Tax paid in advance already included in zakat and tax paid | 12 | 1,146,378 | 3,700,106 |

## 1. LEGAL STATUS AND NATURE OF OPERATIONS

Wipro Arabia Company Limited, a Mixed Limited Liability Company ("the Company") incorporated in the Kingdom of Saudi Arabia under Commercial Registration No. 2051034646 dated Jumad Awal 6 1428H (corresponding to 23 May 2007). The Company operates in Saudi Arabia under the license of Saudi Arabian General Investment Authority (SAGIA) No. 102031016066 dated Rabi-al-Thani 18, 1428H (corresponding to 6 May 2007).

The ultimate parent company is Wipro Limited India ("WLI"), which is registered in India, and owns 67% of the Company's shareholding through Wipro Cyprus Limited, a company registered in Cyprus.

The shareholders of the Company and their respective shareholdings as of 31 December 2018 are as follows:

| Shareholders | Country of incorporation | Shareholding |
|---|---|---|
| Wipro Cyprus Limited | Cyprus | **66.7%** |
| Dar Al-Riyadh Holding Company Limited | Kingdom of Saudi Arabia | **33.3%** |
| | | **100%** |

The principal activities of the Company are to execute the development of computer programs, 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.

These financial statements include the accounts of the Company's branches, operating under individual commercial registrations:

| City | Commercial Registration No. | Address |
|---|---|---|
| Khobar | 2051034646 | Jarir Building, Suite No. 209, P.O. Box 31349, Al-Khobar 31952, Kingdom of Saudi Arabia. |
| Riyadh | 1010285709 | 7933 Al Muhandis Masaid Al Anqari, As Sulimaniyah, Riyadh 12245 |

### 1.1 Interest in a subsidiary

On 6 Safar 1439H (corresponding to 26 October 2017), the Company acquired a 55% shareholding of Women's Business Park Technologies (a Mixed Limited Liability company) ("WBPT"), a company registered in Riyadh, Kingdom of Saudi Arabia. The principle activity of WBPT comprises the provision of information technology related services, involving services and solutions of information technology, programming, developing systems, downloading, executing and analyzing systems, designing, drawing and programming, special software, maintaining software, designing web pages and other computer programming activities, providing related technical support and training services. The Company's financial year end is 31 March.

## 2. BASIS OF PREPARATION

### 2.1 First-time adoption of International Financial Reporting Standards for Small and Medium-sized Entities ("IFRS for SMEs")

For all years up to and including the year ended 31 December, 2017, the Company prepared its financial statements in accordance with the accounting standards promulgated by the Saudi Organization for Certified Public Accountants. These unconsolidated financial statements for the year ended December 31, 2018 are the first annual unconsolidated financial statements, the Company has prepared in accordance with IFRS for SMEs as endorsed in the Kingdom of Saudi Arabia.

Refer to note 5 for information on the first time adoption of IFRS for SMEs by the Company.

### 2.2 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with IFRS for SMEs as adopted in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

### 2.3 Unconsolidated financial statements

These unconsolidated financial statements have been prepared for general purpose use. The Company need not present the consolidated financial statements due to the following:

- The Company itself a subsidiary of Wipro Limited India. WLI is listed in National Stock Exchange, India; and
- WLI produces consolidated general purpose financial statements that comply with full IFRS.

Accordingly, the Company's investment in a subsidiary is accounted for under the equity method and in accordance with IFRS for SMEs as adopted in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA.

### 2.4 Basis of measurement

These unconsolidated financial statements are prepared under the historical cost convention, using the accruals basis of accounting, except for certain employees' benefits which are measured at present value.

### 2.5 Functional and presentation currency

These unconsolidated financial statements are presented in Saudi Riyals (SR) which is also the functional currency of the Company.

**Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when the fair value was determined.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

### 3.1 Key sources of estimation uncertainty

In preparing these unconsolidated financial statements, management has made judgements, estimates, and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are described below:

**Useful lives of depreciable assets**

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the Company. The carrying amounts are analyzed in relevant notes. Actual results, however, may vary due to technical or other obsolescence.

**Estimation uncertainty**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may substantially differ.

**Impairment of non-financial assets**

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable commission rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flow management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

**Leases**

Management uses a best estimate in determining the commission rate prevailing in the market for the purpose of discounting of commission free finance lease arrangement.

**Employees' defined benefit liability**

The cost of employee benefit obligations and other after-service benefits are determined by actuarial valuation exercises. The actuarial estimates involve making many assumptions that may differ from actual developments in the future. These assumptions include the determination of the discount rate, future salary increases and mortality rates. Given the complex nature of the estimates and the underlying assumptions and their long-term nature, the commitment of the identified benefits is greatly influenced by changes in these assumptions. All defaults are reviewed by the date each financial statement is set up.

**Provisions**

Recognition and measurement of provisions and contingencies: key assumptions about likelihood and magnitude of an outflow of resources.

**Estimated cost of completing projects**

The Company uses best estimates, using its in-house experts and based on its past experience for the similar projects, to estimate the total project cost. The Company revises and updates its cost estimation to complete the projects, when the project scope becomes more precise and projects' risks are more appropriately analyzed.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Property and equipment**

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

When parts of property and equipment are significant in cost in comparison to the total cost of the item, and where such parts/components have a useful life different than other parts and are required to be replaced at different intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in the statement of profit or loss and other comprehensive income as incurred.

Depreciation is calculated from the date the item of property and equipment are available for its intended use.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

| Assets Category | Useful life in years |
|---|---|
| Leasehold improvements | 5 |
| Computer and office equipment | 2 |
| Furniture and fixtures | 5 |

If there is an indication that there has been a significant change in useful life or residual value of an 0item, the depreciation is revised prospectively to reflect the new estimates.

**Property and equipment (continued)**

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income.

**Intangible assets**

Intangible assets are purchased computer software that are stated at cost less accumulated amortization and any accumulated impairment losses, if any. It is amortized over its estimated life of two years using the straight-line method. If there is an indication that there has been a significant change in useful life or residual value of an intangible asset, the amortization is revised prospectively to reflect the new estimates.

**Investments in subsidiary**

Subsidiaries are all entities over which the Company has control. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Investments in subsidiaries that have not been consolidated due to the exemptions taken as described in 2.3 above, are accounted for under the equity method and in accordance with IFRS for SMEs.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company; plus
- any costs directly attributable to the acquisition of the subsidiary.

**Impairment of non-financial assets**

At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset. All other leases are classified as operating leases.

Rights to assets held under finance leases are recognized as assets at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of commission on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in property and equipment, and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

**Inventories**

Inventories are valued at the lower of cost and the net realizable value i.e. estimated selling price less cost to complete and sell. Cost is determined using weighted average method.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell and the impairment loss is recognized immediately in profit or loss.

**Trade and other receivables**

Most sales are made on the basis of normal credit terms and the receivables do not bear commission. Where credit is extended beyond normal credit terms, receivables are measured at amortized cost using the effective commission method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit or loss.

**Cash and cash equivalents**

Cash and cash equivalents include bank balances and short-term deposits with original maturities of three months or less from the date of purchases and that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Statutory reserve**

In accordance with the Company's articles of association, the Company established a statutory reserve by the appropriation of 10% of net income until the reserve equaled 50% of the share capital. These reserves are not available for distribution to the shareholders.

**Employees' benefits**

- **Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare, child education allowance, furniture allowance that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

- **Employees' end of service benefits**

The liability or asset recognized in the statement of financial position in respect of the defined end of service benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method.

- **Employees' end of service benefits (continued)**

The net commission cost is calculated by applying the discount rate to the net balance of the defined end of service benefit obligation. This cost is included in employee benefit expense in the statement of profit or loss and other comprehensive income. Re-measurement gains and losses are recognized in the period in which they occur, directly in other comprehensive income. Past-service costs are recognized immediately in statement of profit or loss and other comprehensive income.

**Trade payables**

Trade payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective commission method. Trade payables denominated in a foreign currency are translated into presentation currency using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or other expenses.

**Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as commission expense.

**Zakat**

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. Any differences between the provision and the final assessment are recorded at the approval of the final assessment, when the provision is closed. The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

**Tax**

Tax expense represents the sum of the tax currently payable and deferred tax.

- **Current tax**

The tax currently payable is based on percentage of taxable profit attributable to foreign shareholder for the year using the tax rates in accordance with Saudi Arabian Income Tax Law. Additional liabilities arising from final assessments are provided for when the assessments are finalized with the GAZT.

- **Deferred tax**

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are generally recognized for all temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled (taxable temporary differences). Deferred tax assets are generally recognized for all temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled (deductible temporary differences) - but only to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognized in profit or loss.

- **Deferred tax (continued)**

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realized or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

**Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding any taxes or duty. Amounts disclosed as revenue are net of sales returns.

Revenue from sales of goods is recognized in accordance with the sales contract, on delivery of goods to customer and when significant risk and rewards are transferred to customer. Revenue on extended warranties purchased by customers against products are recognized as 'Deferred revenue' and charged into statement of profit or loss and other comprehensive income over the period of warranties, respective cost of such warranties are also recognized as 'Deferred warranty cost' and charged in line with respective revenue.

Revenue from rendering of services is recognized based on the nature of agreement and services. 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 profit or loss.

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

Billing in excess of revenue and advance billing are recorded as 'Deferred revenue' and subsequently charged to revenue when respective services are rendered or product is delivered. When billed are less than the revenue recognized, the difference is recorded as 'Unbilled revenue'.

**Other revenue**

Other revenue is recognized when the control of a certain good or service has been transferred to customers.

**Cost of sales**

All expenses are recognized on an accrual basis. Cost of revenue from the sale of goods is therefore recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Such risk and rewards are transfer are based on the term of contracts and normally passed on the delivery of goods.

For service revenue cost of revenue includes all directly attributable cost and overheads to render the service. Cost which has been incurred but respective service has not been rendered is recognized as 'Deferred cost' in statement of financial position and charged out to cost of revenue when the service has been rendered.

**Commission expense on loans and overdrafts**

All borrowing costs are recognized in profit or loss in the period in which they are incurred. Commission expense is recognized on the basis of the effective commission method and is included in finance costs.

**Selling and distribution, general and administrative expenses**

Selling and distribution expenses include any costs incurred to carry out or facilitate all selling activities at the Company. General and administrative expenses pertain to operation expenses which are not directly part of cost of revenue.

Allocations between selling and distribution, general and administrative expenses and cost of sales, when required, are made on a consistent basis.

**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

**Financial instruments – Recognition and measurement**

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

**i. Financial assets**

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

**Measurement of fair values**

The Company's financial assets and financial liabilities are measured at amortized cost. Fair values measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

The Company has not disclosed the fair value for financial instruments such as short term trade and other receivables, trade and other payables, cash and bank balances and short term deposits, because their carrying amounts are a reasonable approximation of fair values largely because of short term maturity of these instruments. Company has disclosed the fair value of bank loans held at amortized cost.

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as described below:

- **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance income (positive net changes in fair value) or finance costs (negative net changes in fair value) in the statement of profit or loss and other comprehensive income. The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

For the purpose of subsequent measurement, financial assets are classified into following categories:

- loans and receivables

- **Financial assets at fair value through profit or loss (continued)**

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective commission rate (ECR) method, less impairment. 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 ECR. The ECR amortization is included in finance income in the consolidated statement of profit or loss and other comprehensive income. The losses arising from impairment are recognized in the consolidated statement of profit or loss and other comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

**Impairment of financial assets**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**De-recognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) 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 or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**Financial assets carried at amortized cost**

For financial assets carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

**Financial assets carried at amortized cost (continued)**

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective commission rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of profit or loss and other comprehensive income. Commission income (recorded as finance income in the statement of profit or loss and other comprehensive income) continues to be accrued on the reduced carrying amount using the rate of commission used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss and other comprehensive income.

**i. Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

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.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts.

**Measurement of fair values**

The Company's financial liabilities are measured at amortized cost, assuming that the liability is exchanged in an orderly transaction between market participants to transfer the liability at the measurement date under current market conditions.

The Company has not disclosed the fair value for financial instruments such as trade and other payables, because their carrying amounts are a reasonable approximation of fair values largely because of short term maturity of these instruments. Company has disclosed the fair value of bank loans held at amortized cost.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

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

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in section 11 of IFRS for SMEs are satisfied. The Company has not designated any financial liabilities as at fair value through profit or loss.

For the purpose of subsequent measurement, financial liabilities are classified as follows:

- loans and borrowings

**Loans and borrowings**

After initial recognition, commission-bearing loans and borrowings are subsequently measured at amortized cost using the Effective Commission Rate (ECR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the ECR amortization process.

**Loans and borrowings (continued)**

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 ECR. The ECR amortization is included as finance costs in the consolidated statement of profit or loss and other comprehensive income.

This category generally applies to commission-bearing loans and borrowings.

**De-recognition**

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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.

## 5. FIRST-TIME ADOPTION OF IFRS FOR SMEs

The unconsolidated financial statements, for the year ended 31 December 2018, are the first the Company has prepared in accordance with IFRS for SMEs. For all periods up to and including 31 December 2017, the Company prepared its financial statements in accordance with accounting standards issued by Saudi Organization of Certified Public Accountants (SOCPA).

Accordingly, the Company has prepared unconsolidated financial statements which comply with IFRS for SMEs applicable for periods ending on or after 31 December 2018, together with the comparative period data as at 31 December 2017 and for the year ended 31 December 2017, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 January 2017, the Company's date of transition to IFRS for SMEs. This note explains the principal adjustments made by the Company in restating its SOCPA financial statements, including the statement of financial position as at 1 January 2017 and as at 31 December 2017.

**Exemptions**

Section 35 'Transition to the IFRS for SMEs' allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS for SMEs. However, the Company has not applied any of the exemptions.

## 5.1 Company's reconciliation of equity as at 1 January 2017

| | Note | As per SOCPA | Reclassification | Re-measurement due to transition | As per IFRS for SMEs |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property and equipment | B | 6,116,182 | (1,528,078) | - | 4,588,104 |
| Intangible assets | B | - | 1,528,078 | - | 1,528,078 |
| Deferred cost | B | 10,536,985 | (6,387,370) | - | 4,149,615 |
| Rent deposit | B | - | 150,000 | - | 150,000 |
| Deferred tax assets | C | - | - | 8,691,019 | 8,691,019 |
| | | 16,653,167 | (6,237,370) | 8,691,019 | 19,106,816 |
| **Current assets** | | | | | |
| Inventories | | 3,575,328 | - | - | 3,575,328 |
| Retentions receivable | B | | 98,857,880 | | 98,857,880 |
| Unbilled revenue | B | - | 90,596,458 | - | 90,596,458 |
| Accounts and other receivable | B | 651,438,412 | (651,438,412) | - | - |
| Trade receivables | B | - | 469,775,118 | - | 469,775,118 |
| Due from related parties | | 73,734,040 | - | - | 73,734,040 |
| Deferred cost | B | - | 22,434,579 | - | 22,434,579 |
| Prepayments and other assets | B | 37,913,180 | (16,197,209) | - | 21,715,971 |
| Cash and cash equivalents | | 37,995,782 | - | - | 37,995,782 |
| | | 804,656,742 | 14,028,414 | - | 818,685,156 |
| **TOTAL ASSETS** | | 821,309,909 | 7,791,044 | 8,691,019 | 837,791,972 |
| **EQUITY AND LIABILITIES** | | | | | |
| **EQUITY** | | | | | |
| Share capital | | 30,000,000 | - | - | 30,000,000 |
| Statutory reserve | | 15,000,000 | - | - | 15,000,000 |
| Retained earnings | | 381,957,712 | - | 9,628,441 | 391,586,153 |
| **TOTAL EQUITY** | | 426,957,712 | - | 9,628,441 | 436,586,153 |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Long term loans | | 14,856,677 | - | - | 14,856,677 |
| Warranty accruals | B | 3,141,379 | (3,141,379) | - | - |
| Deferred revenue | B | - | 3,141,379 | - | 3,141,379 |
| Employees' end of service benefits | A | 16,511,359 | - | (1,107,347) | 15,404,012 |
| | | 34,509,415 | - | (1,107,347) | 33,402,068 |
| **Current liabilities** | | | | | |
| Current portion of long term loans | | 88,743,736 | - | - | 88,743,736 |
| Provision for zakat and tax | | 8,237,378 | - | - | 8,237,378 |
| Trade payables | | 49,379,500 | - | - | 49,379,500 |
| Due to related parties | | 74,776,111 | - | - | 74,776,111 |
| Accruals and other liabilities | B | 129,427,026 | (5,493,787) | 169,925 | 124,103,164 |
| Warranty accrual | B | 9,279,031 | (9,279,031) | - | - |
| Deferred revenue | B | - | 22,563,862 | - | 22,563,862 |
| | | 359,842,782 | 7,791,044 | 169,925 | 367,803,751 |
| **TOTAL LIABILITIES** | | 394,352,197 | 7,791,044 | (937,422) | 401,205,819 |
| **Total Equity and Liabilities** | | 821,309,909 | 7,791,044 | 8,691,019 | 837,791,972 |

## 5.2 Company's reconciliation of equity as at 31 December 2017

| | Note | As per SOCPA | Reclassification | Re-measurement due to transition | As per IFRS for SMEs |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property and equipment | B | 3,909,238 | (1,320,315) | - | 2,588,923 |
| Intangible assets | B | - | 1,320,315 | - | 1,320,315 |
| Deferred cost | B | 11,787,585 | (2,149,984) | - | 9,637,601 |
| Rent deposit | B | - | 150,000 | - | 150,000 |
| Deferred tax assets | C | - | - | 13,345,255 | 13,345,255 |
| | | 15,696,823 | (1,999,984) | 13,345,255 | 27,042,094 |
| **Current assets** | | | | | |
| Inventories | | 4,847,994 | - | - | 4,847,994 |
| Retentions receivable | B | - | 46,636,859 | - | 46,636,859 |
| Unbilled revenue | B | - | 102,530,275 | - | 102,530,275 |
| Accounts and other receivable | B | 581,456,204 | (581,456,204) | - | - |
| Trade receivables | B | - | 450,910,577 | - | 450,910,577 |
| Due from related parties | B | 87,206,619 | (3,700,106) | - | 83,506,513 |
| Deferred cost | B | - | 17,498,835 | - | 17,498,835 |
| Prepayments and other assets | B | 50,174,365 | (11,798,745) | - | 38,375,620 |
| Cash and cash equivalents | | 86,714,709 | - | - | 86,714,709 |
| | | 810,399,891 | 20,621,491 | - | 831,021,382 |
| **TOTAL ASSETS** | | 826,096,714 | 18,621,507 | 13,345,255 | 858,063,476 |
| **EQUITY AND LIABILITIES** | | | | | |
| **EQUITY** | | | | | |
| Share capital | | 30,000,000 | - | - | 30,000,000 |
| Statutory reserve | | 15,000,000 | - | - | 15,000,000 |
| Retained earnings | A | 385,857,520 | - | 14,857,022 | 400,714,542 |
| **TOTAL EQUITY** | | 430,857,520 | - | 14,857,022 | 445,714,542 |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Long term loans | | - | - | - | - |
| Warranty accrual | B | 6,709,324 | (6,709,324) | - | - |
| Deferred revenue | B | - | 6,709,324 | | 6,709,324 |
| Employees' end of service benefits | A | 19,735,647 | - | (1,920,592) | 17,815,055 |
| | | 26,444,971 | - | (1,920,592) | 24,524,379 |
| **Current liabilities** | | | | | |
| Current portion of long term loans | | 14,856,677 | - | - | 14,856,677 |
| Provision for zakat and tax | | 4,367,428 | - | - | 4,367,428 |
| Trade payables | | 39,859,194 | - | - | 39,859,194 |
| Due to related parties | | 143,051,797 | - | - | 143,051,797 |
| Accruals and other liabilities | B | 162,459,750 | (16,261,465) | 408,825 | 146,607,110 |
| Warranty accrual | B | 4,199,377 | (4,199,377) | - | - |
| Deferred revenue | B | - | 39,082,349 | - | 39,082,349 |
| | | 368,794,223 | 18,621,507 | 408,825 | 387,824,555 |
| **TOTAL LIABILITIES** | | 395,239,194 | 18,621,507 | (1,511,767) | 412,348,934 |
| **Total Equity and Liabilities** | | 826,096,714 | 18,621,507 | 13,345,255 | 858,063,476 |

## 5.3 Company's reconciliation of profit or loss and other comprehensive income for the year ended 31 December 2017

| | Note | SOCPA | Reclassification | Re-measurement due to transition | IFRS for SMEs |
|---|---|---|---|---|---|
| Revenue | | 700,954,341 | - | - | 700,954,341 |
| Cost of revenue | A | (614,306,769) | 46,716,158 | 4,030,112 | (563,560,499) |
| **Gross profit** | | 86,647,572 | 46,716,158 | 4,030,112 | 137,393,842 |
| Selling and distribution expenses | B | (53,048,824) | 31,359,164 | - | (21,689,660) |
| General and administrative expenses | B | (26,238,110) | (78,075,322) | - | (104,313,432) |
| **Operating profit for the year** | | 7,360,638 | - | 4,030,112 | 11,390,750 |
| Other income | B | (461,468) | 1,181,663 | - | 720,195 |
| Other expenses | B | - | (1,181,663) | - | (1,181,663) |
| Finance cost | | (2,999,362) | - | - | (2,999,362) |
| **Net profit before zakat and tax for the year** | | 3,899,808 | - | 4,030,112 | 7,929,920 |
| Zakat and tax for the year | C | - | (9,766,667) | 4,654,236 | (5,112,431) |
| **Net profit for the year** | | 3,899,808 | (9,766,667) | 8,684,348 | 2,817,489 |
| **Other comprehensive income:** | | | | | |
| **Items which will not be reclassified to profit or loss:** | | | | | |
| Re-measurement of employees' end of service benefits | A | - | - | (3,455,767) | (3,455,767) |
| **Other comprehensive loss for the year** | | - | - | (3,455,767) | (3,455,767) |
| **Total comprehensive income/ ( loss) for the year** | | **3,899,808** | (9,766,667) | 5,228,581 | (638,278) |

### A. Defined benefit obligation

Under SOCPA, the Company recognized costs related to its post-employment benefits as current value of the vested benefit to which the employee is entitled at the year end. Under IFRS for SMEs, such liabilities are recognized on an actuarial basis. On transition to IFRS for SMEs the difference between the provision as per SOCPA and provision based on actuarial valuation liability has been recognized in other comprehensive income ("OCI").

### B. Changes due to presentation enhancement and reclassification

Certain changes in the Company's reconciliations to Section 35 of IFRS for SMEs, due to presentation enhancement and reclassifications from SOCPA and IFRS for SMEs, have no impact on the reported results or total equity.

### C. Deferred tax assets

Under IFRS for SMEs, deferred tax has been calculated based on the deductable differences in proportion to the percentage of shareholding by foreign shareholders.

### D. Statement of cash flows

The transition from SOCPA to IFRS for SMEs has not had a material impact on the statement of cash flows.

## 6. PROPERTY AND EQUIPMENT

| | Leasehold improvements | Computers and office equipment | Furniture and fixtures | Total |
|---|---|---|---|---|
| **Cost:** | | | | |
| As at 1 January, 2017 | 1,865,005 | 8,715,884 | 2,663,405 | 13,244,294 |
| Additions | - | 484309 | 10,578 | 494,887 |
| As at 31, December, 2017 | 1,865,005 | 9,200,193 | 2,673,983 | 13,739,181 |
| Additions | - | 1,229,202 | 456,849 | 1,686,051 |
| Disposals | - | (1,076,976) | - | (1,076,976) |
| As at 31, December, 2018 | **1,865,005** | **9,352,419** | **3,130,832** | **14,348,256** |
| | | | | |
| **Accumulated depreciation:** | | | | |
| As at 1 January, 2017 | 709,425 | 6,188,707 | 1,758,058 | 8,656,190 |
| Charge for the year | 385,898 | 1,816,638 | 291,532 | 2,494,068 |
| As at 31, December, 2017 | 1,095,323 | 8,005,345 | 2,049,590 | 11,150,258 |
| Charge for the year | 385,900 | 740,909 | 304,426 | 1,431,235 |
| Disposals | - | (675,154) | - | (675,154) |
| As at 31, December, 2018 | **1,481,223** | **8,071,100** | **2,354,016** | **11,906,339** |
| | | | | |
| **Net book values:** | | | | |
| **At 31 December 2018** | **383,782** | **1,281,319** | **776,816** | **2,441,917** |
| At 31 December 2017 | 769,682 | 1,194,848 | 624,393 | 2,588,923 |
| At 1 January 2017 | 1,155,580 | 2,527,176 | 905,348 | 4,588,104 |

## 7. INTANGIBLE ASSETS

**Computer software**

| | |
|---|---|
| **Cost:** | |
| As at 1 January, 2017 | 2,102,136 |
| Additions | 935,345 |
| As at 31 December, 2017 | 3,037,481 |
| Additions | 2,204,019 |
| As at 31 December, 2018 | 5,241,500 |
| | |
| **Accumulated amortization:** | |
| As at 1 January, 2017 | 574,058 |
| Charge for the year | 1,143,108 |
| As at 31 December, 2017 | 1,717,166 |
| Charge for the year | 1,759,233 |
| As at 31 December, 2018 | 3,476,399 |
| | |
| **Net book value:** | |
| As at December 31, 2018 | 1,765,101 |
| As at December 31, 2017 | 1,320,315 |
| As at 1 January, 2017 | 1,528,078 |

## 8. INVESTMENT IN SUBSIDIARY

On 6 Safar 1439H (corresponding to 26 October 2017), the Company acquired a 55% shareholding of Women's Business Park Technologies (a mixed liability company) ("WBPT"), a company registered in Riyadh, Kingdom of Saudi Arabia. The reaming 45% shareholding of WBPT is owned by Princess Nourah Bint Abdulrahman University Endowment Company.

Below is the movement of Company's investment in WBPT during the year:

| | |
|---|---|
| Cost of investment | **2,062,500** |
| Share of profit and other reserves during the year | **-** |
| Balance as at 31 December 2018 | **2,062,500** |

## 9. DEFERRED COST

| | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| **Current:** | | | |
| Deferred warranty cost | **1,059,620** | 2,071,675 | 3,008,245 |
| Advances to sub-contractors | **2,183,286** | 7,565,926 | 1,141,370 |
| | **3,242,906** | 9,637,601 | 4,149,615 |
| **Non-Current:** | | | |
| Deferred warranty cost | **1,556,663** | 2,842,068 | 6,900,879 |
| Advances to sub-contractors | **11,369,476** | 14,656,767 | 15,533,700 |
| | **12,926,139** | 17,498,835 | 22,434,579 |

Deferred warranty cost relates to payments made towards extended warranties to manufacturers of various IT related products. These extended warranties are bought by the Company's customers in addition to the standard warranty attached to the relevant IT product. This cost is amortized over the period of warranty in statement of profit or loss and other comprehensive income.

## 10. INVENTORIES

| | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| Products | **6,693,783** | 7,174,571 | 5,886,832 |
| Provision for slow moving and obsolete items | **(2,558,288)** | (2,326,577) | (2,311,504) |
| | **4,135,495** | 4,847,994 | 3,575,328 |

Included in inventories is an amount of SR 3,615,298 delivered to customers, related to projects in progress. As this is part of the performance obligation i.e. completion of the project including various materials and products, these products have been classified as inventories in the Company's unconsolidated financial statements.

## 11. TRADE RECEIVABLES

| | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| Trade receivables | **344,930,895** | 520,743,995 | 508,563,701 |
| Provision against doubtful debts | **(81,162,912)** | (69,833,418) | (38,788,582) |
| | **263,767,983** | 450,910,577 | 469,775,119 |

The movement of provision against trade receivables is as follows:

| | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| At the beginning of the year | **69,833,418** | 38,788,582 | 18,664,287 |
| Provision for the year | **11,329,494** | 31,044,836 | 20,746,930 |
| Reversal | **-** | - | (622,635) |
| **At the end of the year** | **81,162,912** | 69,833,418 | 38,788,582 |

## 12. PREPAYMENTS AND OTHER ASSETS

| | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| Suppliers' advances | **21,177,207** | 22,921,235 | 12,067,782 |
| Employees' advances | **3,489,043** | 4,635,118 | 5,638,590 |
| Prepaid insurance | **5,163,871** | 5,145,007 | 3,173,330 |
| Prepaid rent | - | 96,719 | 450,657 |
| Prepaid travel related costs | **2,131,931** | 1,877,435 | 385,612 |
| Tax paid in lieu of assessment | **5,717,902** | - | - |
| Advance tax | **2,553,728** | 3,700,106 | - |
| Security deposits | **317,580** | - | - |
| Accrued commission income | **312,951** | - | - |
| | **40,864,213** | 38,375,620 | 21,715,971 |

## 13. CASH AND CASH EQUIVALENT

| | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| Cash at banks | **59,583,304** | 1,714,709 | 37,995,782 |
| Term deposits | **295,000,000** | 85,000,000 | - |
| | **354,583,304** | 86,714,709 | 37,995,782 |

Term deposits are placed with a local bank with a maturity between 1 to 2 months at a commission rate ranging 1.5% to 1.8% per annum (31 December 2017: 1.4% to 1.75%)

## 14. SHARE CAPITAL

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

| | **Number of Shares** | | | | **Amount** | | |
|---|---|---|---|---|---|---|---|
| | **2018** | 2017 | 2016 | **%** | **2018** | 2017 | 2016 |
| Wipro Cyprus Company Limited | **20,000** | 20,000 | 20,000 | 66.67 | **20,000,000** | 20,000,000 | 20,000,000 |
| Dar Al Riyadh Holding Company Limited | **10,000** | 10,000 | 10,000 | 33.33 | **10,000,000** | 10,000,000 | 10,000,000 |
| | **30,000** | 30,000 | 30,000 | 100 | **30,000,000** | 30,000,000 | 30,000,000 |

## 15. LONG TERM LOANS

Long term loans related to various loans obtained in the past by the Company from Saudi British Bank. The Company has repaid all outstanding loans during the year.

## 16. DEFERRED REVENUE

| | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| **Non-current:** | | | |
| Deferred revenue - extended warranties | **1,767,412** | 6,709,324 | 3,141,379 |
| **Current:** | | | |
| Deferred revenue - services | **49,424,044** | 34,882,972 | 13,284,832 |
| Deferred revenue - extended warranties | **3,313,000** | 4,199,377 | 9,279,030 |
| | **52,737,044** | 39,082,349 | 22,563,862 |

## 17. EMPLOYEES' END OF SERVICE BENEFITS

The following table represents the movement of the employees' end of service benefits:

| | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| Balance at 1 January | **17,815,055** | 15,404,012 | 13,260,878 |
| **Included in profit or loss** | | | |
| Current service cost | **2,513,149** | 2,287,168 | 4,565,966 |
| Finance expense | **503,740** | 427,160 | 82,020 |
| | **20,831,944** | 18,118,340 | 17,908,864 |
| **Included in OCI** | | | |
| Actuarial loss | **497,129** | 3,455,767 | 195,844 |
| Benefits paid | **(4,635,287)** | (3,759,052) | (2,700,696) |
| **Balance at the end of the year** | **16,693,786** | 17,815,055 | 15,404,012 |

The Company accounts for employees' end of service benefits as per the regulations of Saudi Labor Law in the Kingdom of Saudi Arabia.

**Actuarial assumptions on defined benefit liability**

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

| | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| Discount rate | **4%** | 4% | 4% |
| Future salary growth | **1.20%** | 1.20% | 1.20% |

**Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have changed the defined benefit obligation to the amounts shown below:

| | **31 December 2018** | | 31 December 2017 | | 1 January 2017 | |
|---|---|---|---|---|---|---|
| | **Increase** | **Decrease** | Increase | Decrease | Increase | Decrease |
| Discount rate (0.5% movement) | **16,514,044** | **16,880,566** | 17,597,616 | 18,042,567 | 15,230,343 | 15,585,782 |
| Future salary growth (0.5% movement) | **16,886,792** | **16,506,389** | 18,050,020 | 17,588,515 | 15,592,919 | 15,221,919 |

## 18. ACCRUALS AND OTHER LIABILITIES

| | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| Suppliers' related accruals | **84,648,528** | 84,390,417 | 81,350,071 |
| Advances from customers | **11,730,568** | 31,902,661 | 19,991,751 |
| Goods received not billed | **7,672,047** | 16,606,389 | 9,735,723 |
| Insurance premium payable | **2,867,943** | 1,704,410 | 1,144,495 |
| Provision for onerous contracts | **1,563,041** | - | - |
| Leave encashment payable | **7,711,039** | 8,944,283 | 8,623,620 |
| Withholding tax payable | **74,305** | 238,815 | 915,961 |
| Salaries payable | **935,976** | 165,330 | 200,143 |
| Employees' benefits | **287,468** | 408,825 | 169,928 |
| VAT payable | **1,447,740** | - | - |
| Others | **2,110,406** | 2,245,980 | 1,971,472 |
| | **121,049,061** | 146,607,110 | 124,103,164 |

## 19. REVENUE

| | **31 December 2018** | 31 December 2017 |
|---|---|---|
| Products | **61,342,651** | 105,809,410 |
| Services | **516,608,448** | 595,144,931 |
| | **577,951,099** | 700,954,341 |

## 20. COST OF REVENUE

| | **31 December 2018** | 31 December 2017 |
|---|---|---|
| Salaries and related costs | **144,062,749** | 157,394,098 |
| Sub-contracting | **244,199,607** | 272,900,672 |
| Products | **62,096,181** | 95,586,451 |
| Travelling | **12,945,924** | 13,060,226 |
| Communication expenses | **2,282,726** | 2,170,884 |
| Provision for onerous contracts | **1,563,041** | - |
| Depreciation | **3,190,468** | 3,634,917 |
| Insurance | **4,735,735** | 4,927,941 |
| Rent | **835,737** | 34,216 |
| Others | **10,327,080** | 13,851,094 |
| | **486,239,248** | 563,560,499 |

## 21. SELLING AND DISTRIBUTION EXPENSES

| | **31 December 2018** | 31 December 2017 |
|---|---|---|
| Salaries and related costs | **7,021,263** | 10,799,998 |
| Support services | **5,367,422** | 5,929,095 |
| Travelling | **1,495,049** | 2,261,545 |
| Advertisement | **176,043** | 433,779 |
| Communication expenses | **105,020** | 375,218 |
| Courier | **-** | 84,868 |
| Insurance | **433,159** | 359,245 |
| Others | **288,213** | 1,445,912 |
| | **14,886,169** | 21,689,660 |

## 22. GENERAL AND ADMINISTRATIVE EXPENSES

| | **31 December 2018** | 31 December 2017 |
|---|---|---|
| Support services | **43,786,556** | 49,961,310 |
| Provision against doubtful debts (note 12) | **11,329,494** | 31,044,836 |
| Salaries and related costs | **7,971,526** | 12,345,162 |
| Rent | **3,059,485** | 3,510,131 |
| Write-off against trade receivables | **2,710,000** | - |
| Insurance | **1,794,299** | 1,570,162 |
| Travelling | **1,260,164** | 886,137 |
| Legal and professional fees | **1,502,043** | 1,032,439 |
| Communication expenses | **42,885** | 963,816 |
| Penalty | **-** | 20,000 |
| Depreciation | **-** | 2,259 |
| Bank charges | **888,361** | 1,460,498 |
| Others | **1,508,126** | 1,516,682 |
| | **75,852,939** | 104,313,432 |

## 23. OTHER INCOME

| | **31 December 2018** | 31 December 2017 |
|---|---|---|
| Gain on sale of fixed assets | **248,178** | - |
| Foreign exchange gain | **1,697,710** | - |
| Commission income | **1,522,667** | 120,153 |
| Other income | **-** | 600,042 |
| | **3,468,555** | 720,195 |

## 24. OTHER EXPENSES

| | **31 December 2018** | 31 December 2017 |
|---|---|---|
| Foreign exchange loss | **-** | (1,181,663) |

## 25. FINANCE COST

| | **31 December 2018** | 31 December 2017 |
|---|---|---|
| Commission on loan | **68,827** | 2,148,102 |
| Commission on guarantees | **1,125,891** | 851,260 |
| | **1,194,718** | 2,999,362 |

## 26. ZAKAT AND TAX

### Zakat

**A** The principal elements of the zakat base are as follows:

| | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| Non-current assets | **24,192,992** | 15,696,823 | 78,849,415 |
| Non-current liabilities | **18,461,198** | 26,444,971 | 34,509,415 |
| Opening shareholders' equity | **445,714,542** | 426,957,712 | 362,834,124 |
| Net income before zakat | **3,246,580** | 3,899,808 | 64,123,588 |

**B** Movement in Company's zakat provision is as follows:

| | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| At beginning of the year | **4,367,428** | 4,888,052 | 3,292,050 |
| Provision made during the year | **4,424,918** | 4,367,428 | 4,888,052 |
| Paid during the year | **(4,367,428)** | (4,888,052) | (3,292,050) |
| At the end of the year | **4,424,918** | 4,367,428 | 4,888,052 |

### Taxation

**A.** The major components of tax in the statement of profit and loss are analyzed as follows:

| | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| **Current tax** | | | |
| Current year | **1,495,702** | 5,399,239 | 12,113,681 |
| Prior year tax adjustment | **8,048** | - | - |
| **Deferred tax** | | | |
| Increase in deferred tax assets | **(1,335,313)** | (4,654,236) | (8,691,019) |
| Total tax expense reported in the statement of profit | **168,437** | 745,003 | 3,422,662 |

**Taxation (continued)**

**B. Movement in current tax provision**

The movement in Company's tax provisions is as follows:

| | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| At beginning of the year | **(3,700,106)** | 3,349,326 | 1,169,927 |
| Charged during the year | **1,495,702** | 5,399,239 | 12,113,681 |
| Prior year adjustment | **8,048** | - | - |
| Advance tax payments during the year | **(357,372)** | (12,448,671) | (9,934,282) |
| (Advance tax) / tax provision as the end of the year | **(2,553,728)** | (3,700,106) | 3,349,326 |

**C. Movement in deferred tax**

Deferred tax asset is measured at 20% (2016: 20%). The movement in deferred tax assets recognized by the Company is as follows:

| | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| At beginning of the year | **13,345,255** | 8,691,019 | - |
| Charged during the year | **1,335,313** | 4,654,236 | 8,691,019 |
| At end of the year | **14,680,568** | 13,345,255 | 8,691,019 |

The movement in deferred tax assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deductible temporary difference:

| | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| At beginning of the year | **66,726,275** | 43,455,093 | - |
| Charged during the year | **6,676,562** | 23,271,182 | 43,455,093 |
| At end of the year | **73,402,837** | 66,726,275 | 43,455,093 |

**C Status of zakat and tax assessment**

The zakat and tax charge for the year ended December 2017 was based on the financial statements of the Company for the year ended 31 December 2017. These financial statements were prepared in accordance with standards promulgated by SOCPA.

The Company has submitted its zakat declarations and has obtained restricted zakat certificate which is valid up to April 30, 2019

The Company received zakat and tax assessment from GAZT for the tax years 2008 to 2010, where GAZT agreed with Company's returns without demanding additional payments. During 2018, the Company received assessments for tax years 2011 to 2016. Following assessment the GAZT has demanded an additional payment of SR 57,394,417 related to tax year 2011 to 2016. This includes the following:

1. Zakat SR 18,640,944
2. Tax SR 33,080,504
3. Withholding tax SR 5,672,969.

The Company has appealed against the outcome of the assessment carried out by GAZT and waiting for GAZT's response on the same.

## 27. RELATED PARTY TRANSACTIONS AND BALANCES

**Transactions:**

| Related parties | Relationship | Nature | 31 December 2018 | 31 December 2017 |
|---|---|---|---|---|
| Wipro Limited India | **Ultimate parent** | Technical services | **37,292,625** | 42,401,250 |
| | | Support services | **29,219,726** | 22,251,230 |
| | | Corporate guarantee commission | **963,320** | 963,320 |
| Dar Al Riyadh Holding Company Limited | **Shareholder** | Technical services | **3,248,918** | 3,374,820 |
| | | Miscellaneous services | **-** | 1,225,343 |
| | | Corporate guarantee commission | **121,863** | 162,483 |
| | | Zakat expense transfer | **-** | 4,367,428 |
| Dar Al Riyadh Consultants | **Affiliate** | Miscellaneous services | **-** | 373,506 |
| | | Support services | **1,730,796** | 1,292,916 |
| Wipro Travel Services Limited | **Affiliate** | Travel services | **3,185,401** | 2,103,947 |
| Wipro Cyprus Limited | **Parent** | Tax expense transfer | **1,503,750** | 5,399,239 |

**Balances:**

**Due from related parties:**

| | 31 December 2018 | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| Tax reimbursable from Wipro Cyprus Limited | **65,633,531** | 64,129,781 | 58,730,542 |
| Zakat reimbursable from Dar Al Riyadh Holding Company Limited | **23,795,844** | 19,370,926 | 15,003,498 |
| Wipro Information technology (Egypt) SAE | **5,806** | 5,806 | - |
| | **89,435,181** | 83,506,513 | 73,734,040 |

**Due to related parties:**

| | 31 December 2018 | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| Wipro Limited India | **205,628,640** | 134,764,893 | 71,253,042 |
| Dar Al Riyadh Holding Company Limited | **10,161,083** | 5,110,836 | 2,452,766 |
| Wipro Bahrain Limited WLL | **28,704** | 1,818 | - |
| Wipro Doha LLC | **1,360** | - | - |
| Wipro Travel Services Limited | **2,027,585** | 3,174,250 | 1,070,303 |
| | **217,847,372** | 143,051,797 | 74,776,111 |

## 27. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The total remuneration of directors and other members of key management are as follows:

| | **31 December 2018** | 31 December 2017 |
|---|---|---|
| Short term benefits | - | - |
| Long term benefits | - | - |
| Others | - | - |
| | - | - |

## 28. OPERATING LEASE

The Company has operating leases for various office spaces. 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 31 December 2018 3,059,485 amounted to (2017: SR 3,510,131).

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

| | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| Within one year | **1,455,750** | 1,455,750 | 1,455,750 |
| One year to five years | - | 1,455,750 | 2,911,500 |

## 29. FINANCIAL INSTRUMENTS RISK AND MANAGEMENT

**Fair Value**
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Management does not believe that the fair values of the Company's financial assets and liabilities differ materially from their carrying values.

**Currency risk**
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management monitors fluctuations in foreign currency exchange rates and records its effects, if applicable, in the unconsolidated financial statements, and believes that the Company is not significantly vulnerable to exchange rate changes because the official currency of the Company is the Saudi Riyal, and all transactions are currently in Saudi Riyals, or United States Dollars, which currency is fixed to the Saudi Riyal.

**Liquidity risk**
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity is managed by management periodically ensuring its availability in amounts sufficient to meet any future commitments. The Company does not consider itself exposed to significant risks in relation to liquidity.

**Credit risk**
Credit risk is the risk that other parties will fail to discharge their obligations and cause the Company to incur a financial loss. Financial instruments that subject the Company to concentrations of credit risk consist of its bank balance, trade receivable and certain other receivables. The Company deposits its cash balances with a major high credit-rated financial institution and does not believe that there is a significant risk of non-performance by this financial institution. Trade receivable comprises amounts due from high profile companies in the Kingdom of Saudi Arabia, whilst other receivables include advances to suppliers. Management monitors this exposure and does not believe that the credit risk is material.

**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. Commission rate risk is monitored on an ongoing basis.

## 30. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and financial liabilities:

| | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| **Financial assets** | | | |
| **Financial assets at amortized cost:** | | | |
| Rent deposit | **312,951** | 150,000 | 150,000 |
| Retention receivables | **48,386,807** | 46,636,859 | 98,857,879 |
| Trade receivables | **263,767,983** | 450,910,577 | 469,775,119 |
| Due from related parties | **89,435,181** | 83,506,513 | 73,734,040 |
| Cash and cash equivalents | **354,583,304** | 86,714,709 | 37,995,782 |
| | | | |
| **Financial liabilities** | | | |
| **Financial liabilities at amortized cost:** | | | |
| Long term loans | **-** | 14,856,677 | 103,600,413 |
| Trade payables | **27,971,734** | 39,859,194 | 49,379,500 |
| Due to related parties | **217,847,372** | 143,051,797 | 74,776,111 |

## 31. CONTINGENCIES AND COMMITMENTS

At December 31, 2018, the Company has outstanding letters of credit of SR 1.86 million (2017: SR 4.7 million and 2016: SR 2.52 million) and letters of guarantee of SR 106 million (2017: SR 127.3 million and 2016: SR 179.29 Million) issued in the normal course of business.

## 32. SUBSEQUENT EVENTS

There have been no significant subsequent events since the year ended 31 December 2018 that would have a material impact on the financial position of the Company as reflected in these unconsolidated financial statements.

## 33. APPROVAL OF UNCONSOLIDATED FINANCIAL STATEMENTS

These unconsolidated financial statements were authorized for issue and approved on 16 April, 2019 (corresponding to 11 Sha'ban 1440H) by the Board of Directors of the Company.