

**SQS BFSI FZE
HAMRIYAH FREE ZONE AUTHORITY
SHARJAH, U.A.E.**

**FINANCIAL STATEMENTS
31 MARCH 2017**

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FINANCIAL STATEMENTS
31 MARCH 2017**

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SQS BFSI FZE
HAMRIYAH FREE ZONE AUTHORITY
SHARJAH, U.A.E.
DIRECTORS' REPORT
31 MARCH 2017

The director has pleasure in submitting her report and the audited financial statements for the year ended 31 March 2017.

Principal Activity

The principal activity of the SQS BFSI FZE is IT Consultancy.

Business Operations Review

The SQS BFSI FZE has made a profit of AED 287,072/- for the year.

Events since the end of the year

There are no significant events since the end of the year and the date of this report, which is likely to affect, substantially the result of the operations or the financial position of the FZE.

Shareholder and its interests

The shareholder as at 31 March 2017 and its interests in the share capital of the FZE as at that date were as follows:

Name	Number of share	AED
M/s SQS India BFSI Limited	600	600,000
	600	600,000

Auditors

The auditors, M/s Nadeem and Umendra Chartered Accountants are appointed to carry out independent audit for the period.

Authorized Signatory

25 April 2017

Independent auditor's report

To,
Shareholders
SQS BFSI FZE
Hamriyah Free Zone Authority
Sharjah - United Arab Emirates

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of **SQS BFSI FZE**, Hamriyah Free Zone Authority, Sharjah - United Arab Emirates (“Entity”) which comprise the statement of financial position as at **March 31, 2017**, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at **March 31, 2017**, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, 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 unqualified opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity’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 Entity or to cease operations, or has no realistic alternative but to do so.

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. 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, 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.

We communicate with management and 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

As required by the U.A.E. Federal Commercial Companies Law No. 2 of 2015, we further confirm that,

- 1 We have obtained all the information and explanations which we consider necessary for our audit.
- 2 The financial statements have been prepared and comply in all material respects with the applicable provisions of the U.A.E. Federal Commercial Companies Law No. 2 of 2015, and the Memorandum and Articles of Association of the Entity.
- 3 Proper books of accounts have been maintained by the Entity.
- 4 The contents of the Directors' report which relates to the financial statements are in agreement with the Entity's books of account.
- 5 The Entity has not made any investments in share and stocks during the year ended **March 31, 2017**.
- 6 Note 6 to the financial statements reflects the disclosures relating to material related party transactions and the terms under which they were conducted.
- 7 Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Entity has contravened, during the financial year ended, any of the applicable provisions of the U.A.E Federal Commercial Companies Law No. 2 of 2015, or the Memorandum and Articles of Association of the Entity, which would materially affect its activities or its financial position as of **March 31, 2017**.

Nadeem Hussain Khan
Audit Partner
Regn. No. 756
Nadeem and Umendra Chartered Accountants
Dubai - United Arab Emirates

April 25, 2017

SQS BFSI FZE
HAMRIYAH FREE ZONE AUTHORITY
SHARJAH, U.A.E.
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	2017 AED	2016 AED
NON-CURRENT ASSETS			
Fixed assets	4	<u>4,407</u>	<u>9,385</u>
		<u>4,407</u>	<u>9,385</u>
CURRENT ASSETS			
Other current assets	5	524,796	549,126
Due from related parties	6.1	3,075,897	2,577,761
Cash and cash equivalents	7	<u>357,184</u>	<u>539,783</u>
		<u>3,957,877</u>	<u>3,666,670</u>
TOTAL ASSETS		<u><u>3,962,284</u></u>	<u><u>3,676,055</u></u>
CURRENT LIABILITIES			
Due to related parties	6.2	254,837	165,396
Accounts payables	8	-	450
Other payables and provisions	9	<u>739,948</u>	<u>829,782</u>
		<u>994,785</u>	<u>995,628</u>
EQUITY FUNDS			
Share capital		600,000	600,000
Retained earnings		<u>2,367,499</u>	<u>2,080,427</u>
		<u>2,967,499</u>	<u>2,680,427</u>
TOTAL LIABILITIES AND EQUITY FUNDS		<u><u>3,962,284</u></u>	<u><u>3,676,055</u></u>

The accounting policies and notes on pages 7 to 11 form an integral part of these financial statements.

The independent auditors' report is set forth on page 2.

These financial statements have been approved and signed by the undersigned on 25 April 2017.

For SQS BFSI FZE

Authorized Signatory

SQS BFSI FZE
HAMRIYAH FREE ZONE AUTHORITY
SHARJAH, U.A.E.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 AED	2016 AED
REVENUE	10	10,474,237	11,753,853
Cost of sales	11	<u>(8,255,450)</u>	<u>(9,469,061)</u>
GROSS PROFIT		2,218,787	2,284,792
Administrative expenses	12	<u>(1,921,986)</u>	<u>(2,051,772)</u>
OPERATING PROFIT		296,801	233,020
Depreciation	4	(4,215)	(3,408)
Financial charges	13	(4,751)	(5,037)
(Loss) on sale of fixed assets		(763)	-
NET PROFIT FOR THE YEAR		<u><u>287,072</u></u>	<u><u>224,575</u></u>

The accounting policies and notes on pages 7 to 11 form an integral part of these financial

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HAMRIYAH FREE ZONE AUTHORITY
SHARJAH, U.A.E.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Share capital AED	Retained earnings AED	Total AED
As at 1 April 2015	600,000	1,855,852	2,455,852
Profit for the year	-	224,575	224,575
As at 31 March 2016	600,000	2,080,427	2,680,427
Profit for the year	-	287,072	287,072
As at 31 March 2017	600,000	2,367,499	2,967,499

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HAMRIYAH FREE ZONE AUTHORITY
SHARJAH, U.A.E.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 AED	2016 AED
Cash flows from operating activities			
Profit for the year		287,072	224,575
Adjustment:			
Add: Depreciation		4,215	3,408
Loss on sales of fixed assets		763	
Operating profit before changes in operating assets and liabilities		<u>292,050</u>	<u>227,983</u>
Decrease / (Increase) in other current assets		24,330	(55,268)
(Increase) in due from related parties		(498,136)	(1,436,577)
Increase / (Decrease) in accounts payables		(450)	(19,493)
Increase in due to related parties		89,441	165,396
(Decrease) in accrued and other payables		(89,834)	(4,994)
		<u>(474,649)</u>	<u>(1,350,936)</u>
Net cash from (used in) operating activities		<u>(182,599)</u>	<u>(1,122,953)</u>
Cash flows from investing activities			
Purchase of fixed assets		-	(12,793)
Net cash flow from / (used in) financing activities (B)		<u>-</u>	<u>(12,793)</u>
Net (Decrease) in cash and cash equivalents		(182,599)	(1,135,746)
Cash and cash equivalents at beginning of the year		<u>539,783</u>	<u>1,675,529</u>
Cash and cash equivalents at end of the year	8	<u><u>357,184</u></u>	<u><u>539,783</u></u>

The accounting policies and notes on pages 7 to 11 form an integral part of these financial statements.

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For SQS BFSI FZE

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HAMRIYAH FREE ZONE AUTHORITY
SHARJAH, U.A.E.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1 LEGAL STATUS AND BUSINESS ACTIVITY

- a) **SQS BFSI FZE.** was registered on 15 June 2010, in Hamriyah Free Zone, Sharjah, United Arab Emirates, as a Free Zone Establishment in accordance with the provision of Article 218 of the UAE Commercial Companies Law No. 8 of 1984, as amended. The registered address of the FZE is E-LOB - Office No. E-77G-04, P.O.Box 50989, Hamriyah Free Zone, Sharjah, UAE.
- b) The principal activity of the SQS BFSI FZE is IT Consultancy.

2 SHAREHOLDING

The shareholding of the SQS BFSI FZE is as follows

Name	Number of share	AED
M/s SQS India BFSI Limited	600	600,000
	600	600,000

- 2.1 The authorized and paid up share capital of the SQS BFSI FZE is AED 600,000/- divided into 600 shares of AED 1,000/- each.

3 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and the requirements of UAE Commercial Companies Law No. 8 of 1984, as amended.

b) Presentation currency

These financial statements have been expressed in UAE Dirham, which is the functional and domicile currency of the SQS BFSI FZE. The figures have been rounded off the nearest 1/- UAE Dirham.

c) Summary of Significant accounting Policies

The significant accounting policies adopted and which have been consistently applied are as follows:

i) Revenue recognition

The company generates revenue from professional services rendered. Revenue is recognized for the services performed while the corresponding cost of providing those services are reflected as cost of sales. Revenue represents services billed to parent company based on transfer pricing study.

ii) Foreign currency transactions

Transactions in foreign currencies are translated into UAE Dirham at the rate of exchange ruling on the date of the transactions.

Monetary assets and liabilities expressed in foreign currencies are translated into UAE Dirham at the rate of exchange ruling at the statement of financial position date.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

Gains or losses resulting from foreign currency transactions are taken to the statement of comprehensive income.

iii) Provisions

Provisions are recognized when the SQS BFSI FZE has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a realizable estimate of the amount of the obligation can be made.

iv) Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation and impairment losses. The cost less estimated residual value, where material, is depreciated using the straight-line method from the date of acquisition to the estimated useful life.

An assessment of residual values is undertaken at each statement of financial position date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.

	<u>% age</u>
Office equipment	33.33
Computer equipment	33.33

v) Cash and cash equivalents

Cash and cash equivalents comprise cash and balance in bank current accounts.

4 FIXED ASSETS	Office equipment	Computer equipment	Total
Cost			
As at 1 April 2016	1,799	10,994	12,793
Deletion during the year	(1,799)	-	(1,799)
As at 31 March 2017	-	10,994	10,994
Accumulated depreciation			
As at 1 April 2016	486	2,922	3,408
Charge for the year	550	3,665	4,215
Adjustment on disposal	(1,036)	-	(1,036)
As at 31 March 2017	-	6,587	6,587
Net Asset Value on 31 March 2017	-	4,407	4,407

SQS BFSI FZE
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SHARJAH, U.A.E.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

	2017	2016
	AED	AED
5 OTHER CURRENT ASSETS		
Receivables	149,371	140,242
Prepayments	19,349	7,507
Advances to staff / creditor	55,434	100,735
Deposits	300,642	300,642
	524,796	549,126
6 RELATED PARTY TRANSACTIONS		
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions.		
For the year ended 31 March 2017, following are the details of related party transactions:		
DUE FROM RELATED PARTIES		
6.1 SQS India BFSI Limited	3,075,897	2,577,761
	3,075,897	2,577,761
6.2 DUE TO RELATED PARTIES		
SQS India BFSI Limited MEPZ unit	254,837	165,396
	254,837	165,396
7 CASH AND CASH EQUIVALENTS		
Cash at bank	357,184	539,783
	357,184	539,783
8 ACCOUNTS PAYABLES		
Accounts payables	-	450
	-	450
9 PROVISIONS AND OTHER PAYABLES		
Provisions	728,574	755,119
Employees expenses payable	10,452	74,663
Other payable	922	-
	739,948	829,782
10 REVENUE		
(Note 10.1)	10,474,237	11,753,853

10.1 Revenue represents invoices raised for services rendered on behalf of Parent Company SQS India BFSI Limited and SQS India BFSI Limited MEPZ unit).

SQS BFSI FZE
HAMRIYAH FREE ZONE AUTHORITY
SHARJAH, U.A.E.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

	2017	2016
	AED	AED
11 COST OF SALES		
Direct expenses	<u>8,255,450</u>	<u>9,469,061</u>
	<u>8,255,450</u>	<u>9,469,061</u>
12 ADMINISTRATIVE EXPENSES		
Salaries and benefits	1,420,860	1,461,572
Professional fees	2,292	11,485
Printing and stationery	3,420	-
Communication & utilities	1,430	2,340
Business promotion expenses	254,050	308,385
Travelling expenses	67,748	108,054
Rates and taxes	25,000	25,000
Exchange (Loss)	59,731	62,001
Other administrative expenses	<u>87,455</u>	<u>72,935</u>
	<u>1,921,986</u>	<u>2,051,772</u>
13 FINANCIAL CHARGES		
Bank charges	<u>4,751</u>	<u>5,037</u>
	<u>4,751</u>	<u>5,037</u>

14 FINANCIAL INSTRUMENTS

The management conducts and operates the business in a prudent manner, taking into account the significant risks to which the business is or could be exposed.

The primary risks to which the business is exposed comprise credit, currency and liquidity and cash flow interest rate risks.

Credit risk

Financial assets that potentially expose the SQS BFSI FZE to concentrations of credit risk comprise principally bank balances and trade and other receivables.

Credit risk relating to trade receivables is managed by assessing the creditworthiness of potential customers and the potential for exposure to the market in which they operate, combined with regular monitoring and

The SQS BFSI FZE bank accounts are placed with high credit quality financial institutions.

Currency risk

There are no significant exchange rate risk as substantially all financial assets and liabilities are denominated in AED or US Dollars against which the UAE Dirham rate is fixed.

**SQS BFSI FZE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

15 FAIR VALUE

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value of the financial assets and financial liabilities which are required to be carried at cost or at amortized cost approximates to their carrying values.

16 COMPARATIVE FIGURE

Previous period figures have been reclassified / regrouped wherever necessary to conform to the presentation adopted in these financial statements. All figures have been rounded off to the nearest AED 1/-.

The accounting policies and notes on pages 7 to 11 form an integral part of these financial statements.

The independent auditors' report is set forth on page 2.

These financial statements have been approved and signed by the undersigned on 25 April 2017.

For SQS BFSI FZE

Authorized Signatory
