

Persistent Systems Malaysia Sdn. Bhd.
CONDENSED BALANCE SHEET AS AT JUNE 30, 2016

	Notes	As at June 30, 2016 In ₹	As at June 30, 2015 In ₹	As at March 31, 2016 In ₹
ASSETS				
Non-current assets				
Property, Plant and Equipment	5.1	12,267,982	22,170,178	14,393,710
Intangible assets	5.2	66,977	208,187	89,117
		12,334,959	22,378,365	14,482,827
Financial assets				
- Loans	6	3,905,589	3,370,563	3,810,422
Other non-current assets	7	47,251	149,440	71,282
		16,287,799	25,898,368	18,364,531
Current assets				
Financial Assets				
- Trade receivables	8	12,277,598	33,943,254	24,983,058
- Cash and cash equivalents	9	82,958,987	69,680,594	71,240,087
- Loans	10	1,168,160	425,085	1,176,175
Current tax assets (net)		38,920,811	-	39,187,860
Other current assets	11	135,950,921	164,779,396	143,005,715
		271,276,477	268,828,329	279,592,895
TOTAL		287,564,276	294,726,697	297,957,426
EQUITY AND LIABILITIES				
EQUITY				
Equity share capital	4	102,247,081	102,247,081	102,247,081
Other equity		118,740,168	80,509,891	85,770,727
		220,987,249	182,756,972	188,017,808
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities (net)	12	-	1,260,201	-
		-	1,260,201	-
Current liabilities				
Financial liabilities				
- Trade payables	13	56,223,615	74,355,197	91,227,156
- Other financial liabilities	14	2,015,871	656,338	1,827,383
Other current liabilities	15	-	8,392,048	6,901
Provisions	16	8,337,541	14,526,177	16,878,178
Current tax liabilities (net)		-	12,779,764	-
		66,577,027	110,709,524	109,939,618
TOTAL		287,564,276	294,726,697	297,957,426
Summary of significant accounting policies	3			

The accompanying notes are an integral part of the condensed financial statements

As per our report of even date

For JOSHI APTE & CO
Firm registration no. 104370W
Chartered Accountants

For and on behalf of the Board of Directors of
Persistent Systems Malaysia Sdn. Bhd.

per C. K. Joshi
Partner
Membership no. 030428
Place: Pune
Date : July 22, 2016

Dr. Anand Deshpande
Director
Place: Pune
Date : July 22, 2016

Azlin Ghazali
Director
Place: Kuala Lumpur
Date : July 22, 2016

Persistent Systems Malaysia Sdn. Bhd.**CONDENSED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER ENDED JUNE 30, 2016.**

	Notes	For the quarter ended		For the year ended
		June 30, 2016	June 30, 2015	March 31, 2016
		In ₹	In ₹	In ₹
Income				
Revenue from operations (net)	17	146,591,827	137,271,857	542,674,885
Other income	18	2,389,943	306,370	392,946
Total income (A)		148,981,770	137,578,227	543,067,831
Expenses				
Employee benefits expense	19.1	33,689,752	43,816,621	163,462,041
Cost of technical professionals	19.2	68,809,191	83,630,895	346,614,157
Depreciation and amortization expense	5.3	2,027,646	4,737,881	12,613,095
Other expenses	20	10,587,300	11,141,374	44,181,694
Total expenses (B)		115,113,889	143,326,771	566,870,987
Profit before tax (A - B)		33,867,881	(5,748,544)	(23,803,156)
Tax expense				
Current tax		-	-	(20,108,903)
Deferred tax (credit)		-	(1,292,996)	(2,432,212)
Total tax expense		-	(1,292,996)	(22,541,115)
Net profit for the period / year (C)		33,867,881	(4,455,548)	(1,262,041)
Other comprehensive income				
Items that will not be reclassified to profit or loss (D)		-	-	-
Items that will be reclassified to profit or loss (E)				
- Exchange differences in translating the financial statements from functional currency to reporting currency		(898,440)	244,579	2,311,908
		(898,440)	244,579	2,311,908
Total comprehensive income for the quarter / year (C) + (D) + (E)		32,969,441	(4,210,969)	1,049,867
Earnings per equity share	21			
[Nominal value of share MYR 1 (Corresponding quarter / Previous year: MYR 1)]				
Basic (In ₹)		6.21	(0.82)	(0.23)
Diluted (In ₹)		6.21	(0.82)	(0.23)
Summary of significant accounting policies	3			

The accompanying notes are an integral part of the condensed financial statements

As per our report of even date

For JOSHI APTE & CO
Firm registration no. 104370W
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Place: Pune
Date : July 22, 2016

Place: Pune
Date : July 22, 2016

Place: Kuala Lumpur
Date : July 22, 2016

Persistent Systems Malaysia Sdn. Bhd.**CASH FLOW STATEMENT FOR THE QUARTER ENDED JUNE 30, 2016**

	For the quarter ended June 30, 2016 In ₹	For the quarter ended June 30, 2015 In ₹	For the year ended March 31, 2016 In ₹
Cash flow from operating activities			
Profit before tax	33,867,881	(5,748,544)	(23,803,156)
Adjustments for:			
Depreciation and amortization expense	2,027,646	4,737,881	12,613,095
Unrealised exchange loss/ (gain) (net)	1,480,971	1,047,902	(13,702,076)
Change in foreign currency translation reserve	(511,169)	1,513,275	1,541,764
Provision for doubtful receivables	-	-	889,520
Operating profit before working capital changes	36,865,329	1,550,514	(22,460,853)
Movements in working capital :			
Decrease / (Increase) in trade receivables	12,883,737	(19,789,692)	824,907
Decrease/(Increase) in other current assets	7,047,530	4,113,460	28,886,979
(Increase) / Decrease in loans and advances	(95,167)	2,861,786	(1,275,442)
Decrease/(Increase) in other non-current assets	24,031	-	-
(Decrease) / Increase in trade payables and current liabilities	(36,465,923)	(157,113)	11,729,311
(Decrease) / Increase in provisions	(8,540,637)	1,138,932	3,490,933
Operating profit after working capital changes	11,718,900	(10,282,113)	21,195,835
Direct taxes paid (net of refunds)	-	(10,914,261)	(40,493,552)
Net cash generated from operating activities (A)	11,718,900	(21,196,374)	(19,297,717)
Cash flows from investing activities			
Payment towards capital expenditure	-	(1,429,396)	(1,768,560)
Net cash (used in) investing activities (B)	-	(1,429,396)	(1,768,560)
Cash flows from financing activities			
Net cash (used in) financing activities (C)	-	-	-
	For the quarter ended June 30, 2016 In ₹	For the quarter ended June 30, 2015 In ₹	For the year ended March 31, 2016 In ₹
Net increase in cash and cash equivalents (A + B + C)	11,718,900	(22,625,770)	(21,066,277)
Cash and cash equivalents at the beginning of the period / year	71,240,087	92,306,364	92,306,364
Cash and cash equivalents at the end of the period / year	82,958,987	69,680,594	71,240,087
Components of cash and cash equivalents			
Cash on hand	12,113	22,649	2,000
Balances with banks			
On current accounts	82,946,874	69,657,945	71,238,087
Cash and cash equivalents as per note 9	82,958,987	69,680,594	71,240,087

Summary of significant accounting policies - Refer note 3

The accompanying notes are an integral part of the condensed financial statements

As per our report of even date

For JOSHI APTE & CO
Firm registration no. 104370W
Chartered Accountants

For and on behalf of the Board of Directors of
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Place: Kuala Lumpur
Date : July 22, 2016

Persistent Systems Malaysia Sdn. Bhd.**STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED JUNE 30, 2016****A. Equity share capital**

(Refer note 4)

In ₹

Balance as at April 1, 2016	Changes in equity share capital during the period	Balance as at June 30, 2016
102,247,081	-	102,247,081

In ₹

Balance as at April 1, 2015	Changes in equity share capital during the period	Balance as at June 30, 2015
102,247,081	-	102,247,081

In ₹

Balance as at April 1, 2015	Changes in equity share capital during the year	Balance as at March 31, 2016
102,247,081	-	102,247,081

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Persistent Systems Malaysia Sdn. Bhd.**STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED JUNE 30, 2016****B. Other equity**

In ₹

Particulars	<u>Reserves and surplus</u>	<u>Items of other comprehensive income</u>	Total
	Retained earnings	Exchange differences on translating the financial statements	
Balance as at April 1, 2016	99,974,180	(14,203,453)	85,770,727
Net profit for the period	33,867,881	-	33,867,881
Other comprehensive income for the period	-	(898,440)	(898,440)
Balance at June 30, 2016	133,842,061	(15,101,893)	118,740,168

In ₹

Particulars	<u>Reserves and surplus</u>	<u>Items of other comprehensive income</u>	Total
	Retained earnings	Exchange differences on translating the financial statements	
Balance as at April 1, 2015	99,412,127	(16,515,361)	82,896,766
Ind AS adjustments on first time adoption (Refer note 22)	1,824,094	-	1,824,094
Net profit for the period	(4,455,548)	-	(4,455,548)
Other comprehensive income for the period	-	244,579	244,579
Balance at June 30, 2015	96,780,673	(16,270,782)	80,509,891

In ₹

Particulars	<u>Reserves and surplus</u>	<u>Items of other comprehensive income</u>	Total
	Retained earnings	Exchange differences on translating the financial statements	
Balance as at April 1, 2015	99,412,127	(16,515,361)	82,896,766
Ind AS adjustments on first time adoption (Refer note 22)	1,824,094	-	1,824,094
Net profit for the period	(1,262,041)	-	(1,262,041)
Other comprehensive income for the period	-	2,311,908	2,311,908
Balance at March 31, 2016	99,974,180	(14,203,453)	85,770,727

1. Nature of operations

Persistent Systems Malaysia Sdn. Bhd. ("the Company") is a Malaysia based wholly owned subsidiary of Persistent Systems Ltd. The Company is specializing in software products, services and technology innovation. It is engaged in development of software in the network monitoring space which enables the network administrators to optimize their networks and telecom service providers to maximize their return on investments.

2. Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and under the historical cost convention except for certain financial instruments which have been measured at fair value. The accounting policies are consistently applied by the Company during the year and are consistent with those used in previous year except for the changes in accounting policies required to be made on first time adoption of Indian Accounting Standards notified under the Companies Act, 2013.

Statement of compliance

In accordance with the notification issued by the Ministry of Corporate Affairs, the Company has adopted Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 with effect from April 1, 2016. Previous period numbers in the financial statements have been restated to Ind AS. In accordance with Ind AS 101 First-time Adoption of Indian Accounting Standards, the Company has presented a reconciliation from the presentation of financial statements under Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 ("Previous GAAP") to Ind AS of Shareholders' equity as at March 31, 2016, June 30, 2015 and April 1, 2015 and of the comprehensive net income for the quarter ended June 30, 2015 and the year ended March 31, 2016.

These financial statements have been prepared in accordance with Ind AS 34 Interim Financial Reporting as notified under the Companies (Indian Accounting Standards) Rules, 2015 read with Section 133 of the Companies Act, 2013.

3. Summary of significant accounting policies**(a) Accounting year**

The accounting year of the Company is from April 01 to March 31.

(b) Functional currency

The Company's functional currency is Malaysian Ringgit (MYR)

(c) Use of estimates

The preparation of the financial statements in conformity with Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the end of year. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

(d) Property, Plant and Equipment

Property, Plant and Equipment are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. The cost comprises the purchase price and directly attributable costs of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. Capital work-in-progress includes cost of fixed assets that are not ready to be put to use.

Subsequent expenditure related to an item of Property, Plant and Equipment is added to its book value only if it is probable that future economic benefits associated with the item will flow to the Company. All other expenses on existing Property, Plant and Equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the year during which such expenses are incurred.

Gains or losses arising from disposal of Property, Plant and Equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is disposed.

(e) Intangible assets

Intangible assets including software licenses of enduring nature and contractual rights acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use.

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

Research and development cost

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

- technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the asset;
- its ability to use or sell the asset;
- how the asset will generate probable future economic benefits;
- the availability of adequate resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during development.

Such development expenditure, until capitalization, is reflected as intangible assets under development.

Following the initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization of internally generated intangible asset begins when the development is complete and the asset is available for use.

(f) Depreciation and amortization

Depreciation on Property, Plant and Equipment is provided using the Straight Line Method ('SLM') over the useful lives of the assets estimated by the management.

The management estimates the useful lives for the Property, Plant and Equipment as follows:

Assets	Useful lives
Buildings*	25 years
Computers	3 years
Computers - Servers and networks*	3 years
Office equipments	5 years
Plant and equipment*	5 years
Plant and equipment (Windmill)*	20 years
Plant and equipment (Solar Energy System)*	10 years
Furniture and fixtures*	5 years
Vehicles*	5 years

*For these classes of assets, based on internal assessment and independent technical evaluation carried out by external valuers the management believes that the useful lives as given above best represent the period over which the management expects to use these assets. Hence the useful lives of these assets are different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

Individual assets whose cost does not exceed ₹ 5,000 are fully depreciated in the year of acquisition.

Intangible assets are amortized on a straight line basis over their estimated useful lives commencing from the day the asset is made available for use.

(g) Impairment of property, plant and equipment and other intangible assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors.

Recoverable amount of intangible under development that is not yet available for use is estimated at least at each financial period / year end even if there is no indication that the asset is impaired.

An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

(h) Financial Instruments**i) Financial assets***Initial recognition and measurement*

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.

Subsequent measurement

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

- Financial assets at amortized cost

Financial instruments that are held within a business model whose objective is to hold assets for collecting contractual cash flows and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are subsequently measured at amortized cost using the effective interest rate method. The change in measurements are recognized as finance income in the statement of profit and loss.

- Financial assets at fair value through other comprehensive income (FVTOCI)

Financial instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the financial assets and the assets' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding are subsequently measured at fair value. Fair value movements are recognized in other comprehensive income.

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

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

ii) Financial liabilities*Initial recognition and measurement*

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

Subsequent measurement

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

- Financial liabilities at amortized cost

Financial liabilities such as loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. The change in measurements are recognized as finance costs in the statement of profit and loss.

- Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss if the recognition criteria as per Ind AS 109 are satisfied. Gains or losses on liabilities held for trading are recognized in statement of profit and loss. Fair value gains or losses on liabilities designated as FVTPL attributable to changes in own credit risk are recognized in other comprehensive income. All other changes in fair value of liabilities designated as FVTPL are recognized in the statement of profit and loss. The Company has not designated any financial liability as at FVTPL.

iii) Impairment**i) Financial assets**

The Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on financial assets measured at amortized cost and financial assets that are debts instruments and are measured at fair value through other comprehensive income (FVTOCI). ECL is the difference between contractual cash flows that are due and the cash flows that the Company expects to receive, discounted at the original effective interest rate.

For trade receivables, the Company recognizes impairment loss allowance based on lifetime ECL at each reporting date, right from its initial recognition. For other financial assets, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12 month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used.

ii) Non-financial assets

The carrying amounts of Property, Plant and Equipment and Goodwill are reviewed at each balance sheet date or whenever there is any indication of impairment based on internal/external factors. If any indications exist, the Company estimates the asset's recoverable amount.

Recoverable amount of intangible under development that is not yet available for use is estimated at least at each financial quarter / year end even if there is no indication that the asset is impaired.

An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

(i) Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings.

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

(j) Leases***Where the Company is a lessee***

Leases that transfers substantially all the risks and rewards incidental to ownership to the Company are classified as finance leases.

Finance leases are capitalized at the lower of the inception date fair value of the leased assets and the present value of the minimum lease payments.

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases.

Operating lease payments are recognized as an expense in the statement of profit and loss as per the terms of the lease agreements.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Company. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) Income from software services

Revenue from time and material engagements is recognized on time proportion basis as and when the services are rendered in accordance with the terms of the contracts with customers.

In case of fixed price contracts, revenue is recognized based on the milestones achieved as specified in the contracts, on proportionate completion basis.

Revenue from royalty is recognized in accordance with the terms of the relevant agreements.

Revenue from maintenance contracts and subscription is recognized on a pro-rata basis over the period of the contract.

Revenue from licensing of software and sale of products is recognized upon delivery.

Unbilled revenue represents revenue recognized in relation to work done until the balance sheet date for which billing has not taken place.

Unearned revenue represents the billing in respect of contracts for which the revenue is not recognized.

The Company collects service tax and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the Company. Hence, they are excluded from revenue.

(ii) Interest

Interest income is recognized on a time proportion basis taking into account the carrying amount and the effective interest rate. Interest income is included under the head 'Other income' in the statement of profit and loss.

(iii) Dividend

Dividend income is recognized when the Company's right to receive dividend is established by the reporting date. Dividend income is included under the head 'Other income' in the statement of profit and loss.

(l) Foreign currency translation**(i) Foreign currency transactions and balances****Initial recognition**

Foreign currency transactions are recorded in the functional currency viz. SGD, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

The transactions are in MYR, which are converted for reporting in Indian currency on the following basis. The equity share capital is translated on the date of transaction and fixed assets are translated at the closing rate as at the date of the balance sheet. All current assets and current liabilities are translated at the closing rate as at the date of the balance sheet. All Income and Expense items are converted at weighted average of Inter Bank Selling Rate for the period.

The exchange difference arising out of the quarter / year end conversion is translated to Currency Translation Reserve and the said amount is shown under the head "Other Equity".

Settlement

Revenue and expenses denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit or loss for the period in which the transaction is settled.

(m) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with Malaysian Income tax Act, 1967. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current reporting period and reversal of timing differences of earlier reporting periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

In the situations where the Company is entitled to a tax holiday under the Income-tax Act enacted in Malaysia, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of temporary differences which reverse after the tax holiday period is recognized in the year in which the temporary differences originate.

At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

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

(n) Earnings per share (EPS)

Basic earnings per share are calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the reporting period is adjusted for events such as

bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares), if any occurred during the reporting period, that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit for the year attributable to the equity shareholders and the weighted average number of equity shares outstanding during the year, are adjusted for the effects of all dilutive potential equity shares.

The number of shares and potential dilutive equity shares are adjusted retrospectively for all periods presented for any bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

(o) Provisions

A provision is recognized when the Company has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on the best estimate required to settle the obligation at the reporting date. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. These estimates are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(p) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

(q) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprises of cash at bank, cash in hand and short term deposits with an original maturity period of three months or less.

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4. Share capital

	As at June 30, 2016 In ₹	As at June 30, 2015 In ₹	As at March 31, 2016 In ₹
Authorized shares (No.)			
10,000,000 Equity shares of MYR 1 each (previous year 10,000,000 of MYR 1 each)	MYR 10,000,000	MYR 10,000,000	MYR 10,000,000
	MYR 10,000,000	MYR 10,000,000	MYR 10,000,000
Issued, subscribed and fully paid-up shares (No.)			
5,450,000 Equity shares of 1 MYR each fully paid (Previous year 5,450,000 Equity shares of MYR 1 each)	102,247,081	102,247,081	102,247,081
Issued, subscribed and fully paid-up share capital	102,247,081	102,247,081	102,247,081

a) Reconciliation of the shares outstanding at the beginning and at the end of the year

The reconciliation of the number of shares outstanding and the amount of share capital is set out below:

	As at June 30, 2016		As at June 30, 2016		(In ₹) As at March 31, 2015	
	No of shares	Amount	No of shares	Amount	No of shares	Amount
Number of shares at the beginning of the quarter / year	5,450,000	102,247,081	5,450,000	102,247,081	5,450,000	102,247,081
Add : Issued during the quarter / year	-	-	-	-	-	-
Number of shares at the end of the quarter / year	5,450,000	102,247,081	5,450,000	102,247,081	5,450,000	102,247,081

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Persistent Systems Malaysia Sdn. Bhd.

Notes forming part of condensed financial statements

5.1 Property, Plant and Equipment

						In ₹
	Computers	Office equipments	Plant and Equipment - Freehold	Leasehold improvements	Furniture and fixtures	Total
Gross block (At cost)						
As at April 1, 2016	31,538,856	152,313	6,999,408	2,351,132	7,801,175	48,842,884
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Effect of foreign currency translation from functional currency to reporting currency	(214,924)	(1,038)	(47,698)	(16,022)	(53,161)	(332,843)
As at June 30, 2016	31,323,932	151,275	6,951,710	2,335,110	7,748,014	48,510,041
Depreciation and amortization						
As at April 1, 2016	26,408,591	73,935	3,333,778	855,002	3,777,868	34,449,174
Charge for the period	1,097,110	8,516	384,184	96,120	420,409	2,006,339
Disposals	-	-	-	-	-	-
Effect of foreign currency translation from functional currency to reporting currency	(168,315)	(414)	(18,639)	(4,807)	(21,279)	(213,454)
As at June 30, 2016	27,337,386	82,037	3,699,323	946,315	4,176,998	36,242,059
Net block						
As at June 30, 2016	3,986,546	69,238	3,252,387	1,388,795	3,571,016	12,267,982
As at March 31, 2016	5,130,265	78,378	3,665,630	1,496,130	4,023,307	14,393,710

						In ₹
	Computers	Office equipments	Plant and equipment	Leasehold improvements	Furniture and fixtures	Total
Gross block (At cost)						
As at April 1, 2015	29,388,336	118,654	6,910,932	2,321,412	7,702,564	46,441,898
Additions	1,429,396	-	-	-	-	1,429,396
Disposals	-	-	-	-	-	-
Effect of foreign currency translation from functional currency to reporting currency	(268)	70	4,093	1,377	4,563	9,835
As at June 30, 2015	30,817,464	118,724	6,915,025	2,322,789	7,707,127	47,881,129
Depreciation and amortization						
As at April 1, 2015	16,897,724	41,450	1,739,360	455,786	2,031,543	21,165,863
Charge for the period	3,733,326	7,182	398,215	99,645	435,688	4,674,056
Disposals	-	-	-	-	-	-
Effect of foreign currency translation from functional currency to reporting currency	(103,017)	(192)	(11,025)	(2,746)	(11,988)	(128,968)
As at June 30, 2015	20,528,033	48,440	2,126,550	552,685	2,455,243	25,710,951
Net block						
As at June 30, 2015	10,289,431	70,284	4,788,475	1,770,104	5,251,884	22,170,178
As at March 31, 2016	12,490,612	77,204	5,171,572	1,865,626	5,671,021	25,276,035

						In ₹
	Computers	Office equipments	Plant and equipment	Leasehold improvements	Furniture and fixtures	Total
Gross block (At cost)						
As at April 1, 2015	29,388,336	118,654	6,910,932	2,321,412	7,702,564	46,441,898
Additions	1,740,524	28,036	-	-	-	1,768,560
Disposals	-	-	-	-	-	-
Effect of foreign currency translation from functional currency to reporting currency	409,996	5,623	88,476	29,720	98,611	632,426
As at March 31, 2016	31,538,856	152,313	6,999,408	2,351,132	7,801,175	48,842,884
Depreciation and amortization						
As at April 1, 2015	16,897,724	41,450	1,739,360	455,786	2,031,543	21,165,863
Charge for the year	8,883,570	30,541	1,502,635	375,986	1,644,252	12,436,984
Disposals	-	-	-	-	-	-
Effect of foreign currency translation from functional currency to reporting currency	627,297	1,944	91,783	23,230	102,073	846,327
As at March 31, 2016	26,408,591	73,935	3,333,778	855,002	3,777,868	34,449,174
Net block						
As at March 31, 2016	5,130,265	78,378	3,665,630	1,496,130	4,023,307	14,393,710
As at March 31, 2015	12,490,612	77,204	5,171,572	1,865,626	5,671,021	25,276,035

Persistent Systems Malaysia Sdn. Bhd.
Notes forming part of condensed financial statements
5.2. Intangible assets

	In ₹	
	Software	Total
Gross block (At Cost)		
As at April 1, 2016	553,098	553,098
Additions	-	-
Disposals	-	-
Effect of foreign currency exchange differences	(3,769)	(3,769)
As at June 30, 2016	549,329	549,329
Amortization		
As at April 1, 2016	463,981	463,981
Charge for the period	21,307	21,307
Reversals/ Disposals during the period	-	-
Effect of foreign currency exchange differences	(2,936)	(2,936)
As at June 30, 2016	482,352	482,352
Net block		
As at June 30, 2016	66,977	66,977
As at March 31, 2016	89,117	89,117
	Software	Total
Gross block (At Cost)		
As at April 1, 2015	546,106	546,106
Additions	-	-
Disposals	-	-
Effect of foreign currency exchange differences	324	324
As at June 30, 2015	546,430	546,430
Amortization		
As at April 1, 2015	276,187	276,187
Charge for the period	63,825	63,825
Reversals/ Disposals during the period	-	-
Effect of foreign currency exchange differences	(1,769)	(1,769)
As at June 30, 2015	338,243	338,243
Net block		
As at June 30, 2015	208,187	208,187
As at March 31, 2015	269,919	269,919
	In ₹	
	Software	Total
Gross block (At Cost)		
As at April 1, 2015	546,106	546,106
Additions	-	-
Disposals	-	-
Effect of foreign currency exchange differences	6,992	6,992
As at March 31, 2016	553,098	553,098
Amortization		
As at April 1, 2015	276,187	276,187
Charge for the year	176,111	176,111
Reversals/ Disposals during the period	-	-
Effect of foreign currency exchange differences	11,683	11,683
As at March 31, 2016	463,981	463,981
Net block		
As at March 31, 2016	89,117	89,117
As at March 31, 2015	269,919	269,919

Persistent Systems Malaysia Sdn. Bhd.
Notes forming part of condensed financial statements

5.3. Depreciation and amortization

	In ₹		
	For the quarter ended		For the year ended
	June 30, 2016	June 30, 2015	March 31, 2016
On Property, Plant and Equipment	2,006,339	4,674,056	12,436,984
On intangible assets	21,307	63,825	176,111
	2,027,646	4,737,881	12,613,095

6. Non-current financial assets : Loans

	As at	As at	As at
	June 30, 2016	June 30, 2015	March 31, 2016
	In ₹	In ₹	In ₹
Security deposits (At amortised cost)			
Unsecured, considered good	3,905,589	3,370,563	3,810,422
Unsecured, considered doubtful	-	-	-
	3,905,589	3,370,563	3,810,422
Less: Provision for doubtful deposits	-	-	-
	3,905,589	3,370,563	3,810,422

7. Other non-current assets

	As at	As at	As at
	June 30, 2016	June 30, 2015	March 31, 2016
	In ₹	In ₹	In ₹
Advances (Unsecured, considered good)			
Advances recoverable in cash or kind or for value to be received	47,251	149,440	71,282
	47,251	149,440	71,282

8. Trade receivables

	As at	As at	As at
	June 30, 2016	June 30, 2015	March 31, 2016
	In ₹	In ₹	In ₹
Outstanding for a period exceeding six months from the date they are due for payment			
Unsecured, considered good	-	-	-
Unsecured, considered doubtful	948,507	-	930,671
	948,507	-	930,671
Less : Provision for doubtful receivables	(948,507)	-	(930,671)
	-	-	-
Others			
Unsecured, considered good	12,277,598	33,943,254	24,983,058
Unsecured, considered doubtful	-	-	-
	12,277,598	33,943,254	24,983,058
Less : Provision for doubtful receivables	-	-	-
	12,277,598	33,943,254	24,983,058
	12,277,598	33,943,254	24,983,058

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Persistent Systems Malaysia Sdn. Bhd.**Notes forming part of condensed financial statements****9. Cash and cash equivalents**

	As at June 30, 2016 In ₹	As at June 30, 2015 In ₹	As at March 31, 2016 In ₹
Cash and cash equivalents as presented in cash flow statement			
Cash in hand	12,113	22,649	2,000
Balances with banks			
On current accounts	82,946,874	69,657,945	71,238,087
	82,958,987	69,680,594	71,240,087

10. Current financial assets : Loans

	As at June 30, 2016 In ₹	As at June 30, 2015 In ₹	As at March 31, 2016 In ₹
Carried at amortised cost			
Security Deposits			
Unsecured, considered good	1,168,160	425,085	1,176,175
	1,168,160	425,085	1,176,175

11. Other current assets

	As at June 30, 2016 In ₹	As at June 30, 2015 In ₹	As at March 31, 2016 In ₹
Advances (Unsecured, considered good)			
Advances recoverable in cash or kind or for value to be received	2,267,555	1,355,144	4,235,185
Other advances (Unsecured, considered good)			
GST receivable (net)	265,889	216,545	358,855
Unbilled revenue	133,417,477	163,207,707	138,411,675
	135,950,921	164,779,396	143,005,715

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Persistent Systems Malaysia Sdn. Bhd.**Notes forming part of condensed financial statements****12. Deferred tax liability (net)**

	As at June 30, 2016 In ₹	As at June 30, 2015 In ₹	As at March 31, 2016 In ₹
Deferred tax liabilities			
Difference in book values and tax base values and other differences in a block of property, plant and equipment and other intangible assets as per tax books and financial books	-	1,260,201	-
	-	1,260,201	-

13. Trade payables

	As at June 30, 2016 In ₹	As at June 30, 2015 In ₹	As at March 31, 2016 In ₹
Trade payables for goods and services	56,223,615	74,355,197	91,227,156
	56,223,615	74,355,197	91,227,156

14. Other current financial liabilities

	As at June 30, 2016 In ₹	As at June 30, 2015 In ₹	As at March 31, 2016 In ₹
Advance from related parties (Unsecured, considered good)			
-Persistent Systems Limited	1,410,284	403,687	1,233,188
-Persistent Systems Inc.	605,587	252,651	594,195
	2,015,871	656,338	1,827,383

15. Other current liabilities

	As at June 30, 2016 In ₹	As at June 30, 2015 In ₹	As at March 31, 2016 In ₹
Advance from customers	-	8,096,418	-
Unearned revenue	-	295,630	6,901
	-	8,392,048	6,901

16. Current liabilities : Provisions

	As at June 30, 2016 In ₹	As at June 30, 2015 In ₹	As at March 31, 2016 In ₹
Provision for employee benefits			
Leave encashment	-	1,535,315	-
Other employee benefits	8,337,541	12,990,862	16,878,178
	8,337,541	14,526,177	16,878,178

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Persistent Systems Malaysia Sdn. Bhd.**Notes forming part of condensed financial statements****17. Revenue from operations (net)**

	For the quarter ended		For the year ended
	June 30, 2016	June 30, 2015	March 31, 2016
	In ₹	In ₹	In ₹
Software services	146,591,827	137,271,857	542,674,885
	146,591,827	137,271,857	542,674,885

18. Other income

	For the quarter ended		For the year ended
	June 30, 2016	June 30, 2015	March 31, 2016
	In ₹	In ₹	In ₹
Interest income			
On financial assets carried at amortised cost	26,340	26,683	100,131
Foreign exchange gain (net)	2,363,603	279,687	292,815
	2,389,943	306,370	392,946

19. Personnel expenses

	For the quarter ended		For the year ended
	June 30, 2016	June 30, 2015	March 31, 2016
	In ₹	In ₹	In ₹
19.1 Employee benefits expense			
Salaries, wages and bonus	26,852,702	36,920,382	138,715,224
Defined contribution to other funds	4,377,834	4,502,125	16,452,029
Staff welfare and benefits	2,450,552	2,394,114	8,294,788
Employee stock option expenses	8,664	-	-
	33,689,752	43,816,621	163,462,041
19.2 Cost of technical professionals			
Technical professionals - related parties	65,933,587	82,832,482	340,081,766
Technical professionals - others	2,875,604	798,413	6,532,391
	68,809,191	83,630,895	346,614,157
	102,498,943	127,447,516	510,076,198

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Persistent Systems Malaysia Sdn. Bhd.**Notes forming part of condensed financial statements****20. Other expenses**

	For the quarter ended		For the year ended
	June 30, 2016	June 30, 2015	March 31, 2016
	In ₹	In ₹	In ₹
Travelling and conveyance	2,416,748	4,381,393	14,147,933
Electricity expenses (net)	962,371	899,940	3,455,363
Internet link expenses	743,285	784,097	3,003,346
Communication expenses	170,067	235,808	768,392
Recruitment expenses	212,698	449,234	450,439
Training and seminars	185,817	(455,536)	(449,423)
Purchase of software licenses and support expenses	434,262	310,108	1,478,917
Provision for doubtful receivables/ (provision for doubtful receivables written back) (net)	-	-	889,520
Rent	2,790,376	2,715,048	10,352,111
Insurance	72,008	71,270	281,644
Rates and taxes	17,506	4,492	42,346
Legal and professional fees	625,662	205,478	2,086,834
Repairs and maintenance			
- Plant and Machinery	993,078	508,281	3,511,574
- Others	8,904	13,202	67,542
Advertisement and sponsorship fees	30,712	7,594	445,014
Computer consumables	-	157	48,745
Auditors' remuneration	100,872	184,541	352,098
Books, memberships, subscriptions	288,873	255,436	1,072,299
Miscellaneous expenses	534,061	570,831	2,177,000
	10,587,300	11,141,374	44,181,694

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Persistent Systems Malaysia Sdn. Bhd.

Notes forming part of condensed financial statements

21. Earnings per share

		For the quarter ended June 30, 2016	For the quarter ended June 30, 2015	For the year ended March 31, 2016
<u>Numerator for Basic and Diluted EPS</u>				
Net Profit after tax (In ₹)	(A)	33,867,881	(4,455,548)	(1,262,041)
<u>Denominator for Basic EPS</u>				
Weighted average number of equity shares of MYR 1 each	(B)	5,450,000	5,450,000	5,450,000
<u>Denominator for Diluted EPS</u>				
Number of equity shares of MYR 1 each	(C)	5,450,000	5,450,000	5,450,000
Basic Earnings per share of MYR 1 each (In ₹)	(A/B)	6.21	(0.82)	(0.23)
Diluted Earnings per share of MYR 1 each (In ₹)	(A/C)	6.21	(0.82)	(0.23)

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22. First-time adoption of Ind-AS

These financial statements, for the period ended 30 June 2016, are the first financial statements the Company has prepared in accordance with Ind-AS. For periods up to and including the year ended March 31, 2016, the Company prepared its financial statements in accordance with statutory reporting requirements in India immediately before adopting Ind AS ('previous GAAP').

Accordingly, the Company has prepared financial statements which comply with Ind-AS applicable for period ending on June 30 2016, together with the comparative period data as at and for the period ended June 30, 2015 and for the year ended March 31, 2016. In preparing these financial statements, the Company's opening balance sheet was prepared as at April 1, 2015, the Company's date of transition to Ind-AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at April 1, 2015 and the financial statements as at and for the period ended June 30, 2015 and for the year ended March 31, 2016.

Exemptions applied

Ind AS 101 allows first-time adopters certain optional exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following optional exemptions

A. Deemed cost

The Company has elected to measure the carrying value for all of its Property, Plant and Equipment as per the previous GAAP and use that as its deemed cost as at the date of transition to Ind AS i.e. April 1, 2015.

Explanation of transition to Ind AS

The below mentioned reconciliations provide a quantification of the effect of significant differences arising from the transition from Indian GAAP to Ind AS in accordance with Ind AS 101 for the following:

- equity as at April 1, 2015
- equity as at June 30, 2015
- equity as at March 31, 2016
- Profit for the quarter ended June 30, 2015
- Profit for the year ended March 31, 2016

There are no material adjustments to the cash flow statements.

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Persistent Systems Malaysia Sdn. Bhd.
Notes forming part of condensed financial statements

In the reconciliations mentioned below, certain reclassifications are made to Indian GAAP financial information to align with the Ind AS presentation.

Particulars	Note	01-Apr-15			30-Jun-15				31-Mar-16				Note
		Indian GAAP	Effect of transition to Ind AS	Ind AS	Indian GAAP	Effect of transition to Ind AS	Reclassification adjustments	Ind AS	Indian GAAP	Effect of transition to Ind AS	Reclassification adjustments	Ind AS	
Assets													
Non-current assets													
Financial assets													
- Loans	6	3,521,019	(178,417)	3,342,602	3,523,105	(152,542)	-	3,370,563	43,071,936	(73,654)	(39,187,860)	3,810,422	
Other non-current assets	7	-	175,075	175,075	-	149,440	-	149,440	-	71,282	-	71,282	Note 2
Current assets													
Other current assets	11				163,207,707	-	1,571,689	164,779,396	138,411,675	-	4,594,040	143,005,715	
Liabilities													
Equity													
Other Equity		82,896,766	1,824,095	84,720,861	78,428,851	2,081,040		80,509,891	83,128,697	2,642,030		85,770,727	Note 1 & 2
Current liabilities													
Financial liabilities													
-Trade payables	14	77,439,315	(1,827,436)	75,611,879	76,439,339	(2,084,142)	-	74,355,197	93,871,558	(2,644,402)	-	91,227,156	Note 1

Further, following reclassifications related to assets and liabilities have been made as per Ind AS compliant format of the financial statements:

Particulars	30-Jun-15	31-Mar-16	Old schedule name
Current Financial assets			
-Loans	425,085	1,176,175	Short term loans and advances
Current tax assets (net)	-	39,187,860	Long-term loans and advances
Other current assets	1,571,689	4,594,040	Short term loans and advances
Current liabilities			
Financial liabilities			
-Other financial liabilities	656,338	1,827,383	Short-term borrowings
Current tax liabilities (net)	12,779,764	-	Short term Provisions

Persistent Systems Malaysia Sdn. Bhd.
Notes forming part of condensed financial statements
Reconciliation of profit

Particulars	Note	Quarter ended June 30, 2015			Year ended March 31, 2016			Note
		Indian GAAP	Effect of transition to Ind AS	Ind AS	Indian GAAP	Effect of transition to Ind AS	Ind AS	
Income								
Revenue from operations (net)	17	137,271,857	-	137,271,857	542,674,885	-	542,674,885	
Other income	18	279,687	26,683	306,370	292,815	100,131	392,946	Note 2
Other expenses	19 & 20	138,827,173	(238,283)	138,588,890	554,939,532	(681,640)	554,257,892	Note 1 and Note 2
EBIDTA		(1,275,629)	264,966	(1,010,663)	(11,971,832)	781,771	(11,190,061)	
Depreciation and amortization	5.3	4,737,881	-	4,737,881	12,613,095	-	12,613,095	
Profit before tax (A - B)		(6,013,510)	264,966	(5,748,544)	(24,584,927)	781,771	(23,803,156)	
Total tax expense	PL	(1,292,996)	-	(1,292,996)	(22,541,115)	-	(22,541,115)	
Net profit for the year	PL	(4,720,514)	264,966	(4,455,548)	(2,043,812)	781,771	(1,262,041)	

Notes
Note 1

Under Indian GAAP, the expenditure and corresponding liability for escalation of lease rent during non-cancellable lease period is required to be considered and total lease rent payable during non-cancellable lease period is recognized on straight line basis over the non-cancellable lease period. Under Ind AS, this additional expenses and corresponding liability on lease escalation is not required to be recognized if such escalation represents normal inflation in the economy. Accordingly, the excess expenses and corresponding lease escalation liability is reversed. The impact arising on this change is summarized as follows:

Particulars		01-Apr-15	30-Jun-15	31-Mar-16
Statement of profit and loss				
Other expenses		-	(264,719)	(780,844)
Balance sheet				
Trade payables	(1,827,436)	(256,705)	(816,966)	
Adjustment to retained earnings	1,827,436	-	-	

Note 2

Under Indian GAAP, the security deposits are recognized at the transaction value. Under Ind AS, the security deposits (financial assets) are recognized at the fair value under amortized cost method. The difference between the fair value and the transaction value is considered as prepaid rent and amortized over the period of lease. The finance income is recognized on the amortized cost of security deposits for the reported period. The impact arising on this change is summarized as follows:

Particulars		01-Apr-15	30-Jun-15	31-Mar-16
Statement of profit and loss				
Other expenses (Prepaid rent)	-	26,436	99,204	
Other income (Finance income)	-	(26,683)	(100,131)	
Balance sheet				
Non current loans				
Non current loans	175,075	240	970	
Other non-current assets				
Adjustment to retained earnings	175,075	7	(43)	

23. Contingent liabilities

The Company does not have any contingent liability as on June 30, 2016 (previous quarter/ year ₹ Nil).

- 24.** Previous quarter's / year's figures have been regrouped where necessary to conform to current years' classification.

As per our report of even date

**For Joshi Apte &Co.,
Firm registration no. 104370W
Chartered Accountants**

**For and on behalf of the Board of Directors of
Persistent Systems Malaysia Sdn. Bhd.**

per C.K. Joshi
Partner
Membership No.030428
Place: Pune
Date : July 22, 2016

Dr. Anand Deshpande
Director

Place: Pune
Date : July 22, 2016

Azlin Ghazali
Director

Place: Kuala Lumpur
Date : July 22, 2016