KPIT

2015-16

*Financial Statment of Subsidiaries*

# A TECHNOLOGY COMPANY THAT CARES

*Technologies for a better world*

# Contents

# KPIT Technologies (UK) Limited

Registered Office: Gautam House, 1-3 Shenley Avenue, Ruislip Manor, Middlesex, HA4 6BP

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 MARCH 2016**

The directors present their strategic report for the year ended 31 March 2016.

**REVIEW OF BUSINESS**

The Directors are pleased to report that 2016 was a successful year for the company.

In the UK, the overall economic scenario has improved in 2015-16. As compared to the previous year, the region is showing signs of stability, but the business cycles still remain to be long. Because of uncertain economic scenario, foreign exchange fluctuations also pose a risk to company's business. The company was able to expand business with its existing customer base in UK and Europe and also acquired some new customers in the region. The company has shown substantial growth in FY 2015-16 with its Auto Business showing considerable growth, as compared to the previous financial year and we expect the company to perform well despite the difficulties and be able to achieve the revenue targets for FY 2016-17.

The results for the year and financial position of the company are as shown in the annexed financial statements.

**ON BEHALF OF THE BOARD:**

**P Sathe**

**Director**

Date: 25 April 2016

## REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2016

The directors present their report with the financial statements of the company for the year ended 31 March 2016.

**PRINCIPAL ACTIVITY**

The principal activity of the company during the year was marketing and sale of computer software products and allied IT enabled services, operating in conjuction with KPIT Technologies Limited, the parent company which is registered in India.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 March 2016.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 April 2015 to the date of this report.

K P Patil

D Koshal

P Sathe

M O'Connor

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The company's financial instruments comprise cash and liquid resources, various items such as trade debtors, trade creditors etc that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. It is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the company's financial instruments are liquidity risk, interest rate risk, credit risk, and market risk.

**Liquidity risk**

The company has to manage the financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

**Credit risk**

The company financial asset is cash. It is exposed to credit risk in respect of its cash balances as it uses only one financial institution in the UK.

**Foreign exchange risk management**

Foreign currency transaction exposures arising on internal and external trade flows are partially hedged. The company's objective is to minimise the exposure of overseas trade to transaction risk by matching local currency income with local currency costs where possible, as well as maintaining multi-currency accounts to minimise conversions.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, Butler & Co LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD**

**P Sathe**

Director

Date: 25 April 2016

# REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

**KPIT TECHNOLOGIES (UK) LIMITED**

We have audited the financial statements of KPIT Technologies (UK) Limited for the year ended 31 March 2016 on pages six to nineteen. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

S Phadke (Senior Statutory Auditor)
for and on behalf of Butler & Co LLP
Chartered Accountants
& Statutory Auditor
Third Floor
126-134 Baker Street
London
W1U 6UE

Date: 25 April 2016

# INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

| | | 2016 | 2015 |
|---|---|---|---|
| | Notes | £ | £ |
| **TURNOVER** | 2 | 28,326,110 | 21,618,675 |
| Cost of sales | | 22,679,807 | 17,148,402 |
| **GROSS PROFIT** | | 5,646,303 | 4,470,273 |
| Administrative expenses | | 3,696,801 | 2,859,828 |
| **OPERATING PROFIT** | 4 | 1,949,502 | 1,610,445 |
| Interest receivable and similar income | | 22,029 | 6,659 |
| | | 1,971,531 | 1,617,104 |
| Interest payable and similar charges | 6 | 15,254 | 10,944 |
| **PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION** | | 1,956,277 | 1,606,160 |
| Tax on profit on ordinary activities | 7 | 383,390 | 268,719 |
| **PROFIT FOR THE FINANCIAL YEAR** | | 1,572,887 | 1,337,441 |

# Other Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2016

| | | 2016 | 2015 |
|---|---|---|---|
| | Notes | £ | £ |
| PROFIT FOR THE YEAR | | 1,572,887 | 1,337,441 |
| OTHER COMPREHENSIVE INCOME | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 1,572,887 | 1,337,441 |

## Balance Sheet

31 MARCH 2016

| | | 2016 | | 2015 | |
|---|---|---|---|---|---|
| | Notes | £ | £ | £ | £ |
| **FIXED ASSETS** | | | | | |
| Tangible assets | 8 | | 14,724 | | 13,129 |
| Investments | 9 | | 9,137,633 | | 9,137,633 |
| | | | 9,152,357 | | 9,150,762 |
| **CURRENT ASSETS** | | | | | |
| Debtors | 10 | 9,206,621 | | 8,019,481 | |
| Cash at bank | | 2,881,054 | | 1,599,875 | |
| | | 12,087,675 | | 9,619,356 | |
| **CREDITORS** | | | | | |
| Amounts falling due within one year | 11 | 8,548,396 | | 7,653,240 | |
| **NET CURRENT ASSETS** | | | 3,539,279 | | 1,966,116 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | 12,691,636 | | 11,116,878 |
| **PROVISIONS FOR LIABILITIES** | 12 | | 1,871 | | - |
| **NET ASSETS** | | | 12,689,765 | | 11,116,878 |
| **CAPITAL AND RESERVES** | | | | | |
| Called up share capital | 13 | | 10,215,966 | | 10,215,966 |
| Retained earnings | 14 | | 2,473,799 | | 900,912 |
| **SHAREHOLDERS' FUNDS** | | | 12,689,765 | | 11,116,878 |

The financial statements were authorised for issue by the Board of Directors on 25 April 2016 and were signed on its behalf by:

**P Sathe**

Director

## Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2016

| | **Called up share capital** | **Retained earnings** | **Total equity** |
|---|---|---|---|
| | £ | £ | £ |
| **Balance at 1 April 2014** | 8,246,266 | (436,529) | 7,809,737 |
| **Changes in equity** | | | |
| Issue of share capital | 1,969,700 | - | 1,969,700 |
| Total comprehensive income | - | 1,337,441 | 1,337,441 |
| **Balance at 31 March 2015** | 10,215,966 | 900,912 | 11,116,878 |
| **Changes in equity** | | | |
| Total comprehensive income | - | 1,572,887 | 1,572,887 |
| **Balance at 31 March 2016** | 10,215,966 | 2,473,799 | 12,689,765 |

## Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2016

| | | 2016 | 2015 |
|---|---|---|---|
| | Notes | £ | £ |
| Cash flows from operating activities | | | |
| Cash generated from operations | 1 | 1,335,608 | 536,369 |
| Interest paid | | (15,254) | (10,944) |
| Tax paid | | 10,856 | (258,565) |
| Net cash from operating activities | | 1,331,210 | 266,860 |
| Cash flows from investing activities | | | |
| Purchase of tangible fixed assets | | (7,497) | (4,991) |
| Purchase of fixed asset investments | | - | (1,890,912) |
| Sale of tangible fixed assets | | 437 | - |
| Interest received | | 22,029 | 6,659 |
| Net cash from investing activities | | 14,969 | (1,889,244) |
| Cash flows from financing activities | | | |
| Amount introduced by directors | | (65,000) | - |
| Share issue | | - | 1,969,700 |
| Net cash from financing activities | | (65,000) | 1,969,700 |
| Increase in cash and cash equivalents | | 1,281,179 | 347,316 |
| Cash and cash equivalents at beginning of year | 2 | 1,599,875 | 1,252,559 |
| Cash and cash equivalents at end of year | 2 | 2,881,054 | 1,599,875 |

## Notes to the Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2016

**1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Profit before taxation | 1,956,277 | 1,606,160 |
| Depreciation charges | 5,607 | 3,486 |
| Amounts owed to group undertakings | 299,513 | 124,605 |
| Finance costs | 15,254 | 10,944 |
| Finance income | (22,029) | (6,659) |
| | 2,254,622 | 1,738,536 |
| Increase in trade and other debtors | (1,936,006) | (2,065,388) |
| Increase in trade and other creditors | 1,016,992 | 863,221 |
| **Cash generated from operations** | 1,335,608 | 536,369 |

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

| **Year ended 31 March 2016** | | |
|---|---|---|
| | 31/3/16 | 1/4/15 |
| | £ | £ |
| Cash and cash equivalents | 2,881,054 | 1,599,875 |
| **Year ended 31 March 2015** | | |
| | 31/3/15 | 1/4/14 |
| | £ | £ |
| Cash and cash equivalents | 1,599,875 | 1,252,559 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2016

## 1. ACCOUNTING POLICIES

**Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

**Turnover**

Turnover represents amounts receivable for services provided net of VAT. Revenue on perpetual software licences is recognised on approval by the customer providing there are no unfulfilled obligations.

Revenue for software services is recognised on the basis of services rendered. In case of time & material contracts, invoices are raised on the basis of customer approved timesheets. In case of fixed price projects, invoices are raised for prescribed milestones achieved on the basis of acceptance / sign-off received from customer.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Short leasehold - 10% on cost

Fixtures and fittings - 15% on cost

Plant & machinery - 33.33% on reducing balance

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Hire purchase and leasing commitments**

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

**Going concern**

The directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The Directors consider it appropriate to adopt the going concern basis in preparing the annual financial statements.

## 2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| United Kingdom | 21,021,947 | 16,338,920 |
| Europe | 5,773,645 | 4,050,211 |
| United States of America | 1,527,986 | 1,226,858 |
| Asia | 2,532 | 2,686 |
| | 28,326,110 | 21,618,675 |

## 3. STAFF COSTS

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Wages and salaries | 8,946,529 | 6,738,167 |
| Social security costs | 759,725 | 579,030 |
| | 9,706,254 | 7,317,197 |

## 3. STAFF COSTS - continued

The average monthly number of employees during the year was as follows:

| | 2016 | 2015 |
|---|---|---|
| Marketing, Sales & Delivery | 162 | 129 |
| Administration | 5 | 5 |
| | 167 | 134 |

## 4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Other operating leases | 58,001 | 63,725 |
| Depreciation - owned assets | 5,607 | 3,486 |
| Foreign exchange differences | (26,338) | 23,324 |
| Directors' remuneration | 345,190 | 415,160 |

Information regarding the highest paid director is as follows:

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Emoluments etc | 343,438 | 390,264 |

## 5. AUDITORS' REMUNERATION

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Fees payable to the company's auditors for the audit of the company's financial statements | 12,600 | 12,600 |

Legal and professional fees include £9,314 for the provision of a non- audit services i.e.: payroll and taxation compliance.

## 6. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Bank interest | 15,254 | 10,944 |

## 7. TAXATION

**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows:

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| **Current tax:** | | |
| UK corporation tax | 381,519 | 268,719 |
| Deferred tax | 1,871 | - |
| Tax on profit on ordinary activities | 383,390 | 268,719 |

## 7. TAXATION - continued

**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Profit on ordinary activities before tax | 1,956,277 | 1,606,160 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 21%) | 391,255 | 337,294 |
| Effects of: | | |
| Excess of depreciation over capital allowance | (611) | (615) |
| tax purposes | | |
| purposes | | |
| Tax losses utilised | - | (77,148) |
| Over/Under provision of tax | (9,125) | 9,188 |
| Deferred tax | 1,871 | - |
| Total tax charge | 383,390 | 268,719 |

## 8. TANGIBLE FIXED ASSETS

| | Short leasehold | Plant and machinery | Fixtures and fittings | Totals |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **COST** | | | | |
| At 1 April 2015 | 1,023 | 30,600 | 6,746 | 38,369 |
| Additions | - | 7,497 | - | 7,497 |
| Disposals | - | (437) | - | (437) |
| At 31 March 2016 | 1,023 | 37,660 | 6,746 | 45,429 |
| **DEPRECIATION** | | | | |
| At 1 April 2015 | 1,023 | 18,732 | 5,485 | 25,240 |
| Charge for year | - | 4,777 | 830 | 5,607 |
| Charge written back | - | (142) | - | (142) |
| At 31 March 2016 | 1,023 | 23,367 | 6,315 | 30,705 |
| **NET BOOK VALUE** | | | | |
| At 31 March 2016 | - | 14,293 | 431 | 14,724 |
| At 31 March 2015 | - | 11,868 | 1,261 | 13,129 |

**9. FIXED ASSET INVESTMENTS**

| | Shares in group undertakings £ |
|---|---|
| **COST** | |
| At 1 April 2015 | |
| and 31 March 2016 | 9,137,633 |
| **NET BOOK VALUE** | |
| At 31 March 2016 | 9,137,633 |
| At 31 March 2015 | 9,137,633 |

The company's investments at the Balance Sheet date in the share capital of companies include the following:

KPIT Technologies GmbH

Country of incorporation: Germany

Nature of business: IT services

| Class of shares: | % holding |
|---|---|
| Ordinary | 100.00 |

| | 31/3/16 £ | 31/3/15 £ |
|---|---|---|
| Aggregate capital and reserves | 5,905,470 | 5,330,410 |
| Profit for the year | 177,614 | 155,481 |

KPIT Technologies (UK) Limited is acting as a 'Guarantor'. As per the agreement the guarantor shall pay all such amounts payable by KPIT Technologies GmbH as though the guarantor instead of KPIT Technologies GmbH was expressed to be the principal debtor.

The financial statements contain information about KPIT Technologies (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 399-402 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the group.

**10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

| | 2016 £ | 2015 £ |
|---|---|---|
| Trade debtors | 8,460,497 | 6,557,669 |
| Amounts owed by group undertakings | 544,168 | 1,357,145 |
| Other debtors | 117,505 | 83,324 |
| Directors' current accounts | 65,000 | - |
| Tax | - | 889 |
| Prepayments and accrued income | 19,451 | 20,454 |
| | 9,206,621 | 8,019,481 |

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

| | 2016 £ | 2015 £ |
|---|---|---|
| Amounts owed to group undertakings | 5,103,233 | 5,616,555 |
| Tax | 391,486 | - |
| Social security and other taxes | 206,790 | 164,621 |
| VAT | 949,541 | 671,739 |
| Other creditors | 593,340 | 272,915 |
| Accrued expenses | 1,304,006 | 927,410 |
| | 8,548,396 | 7,653,240 |

**12. PROVISIONS FOR LIABILITIES**

| | 2016 £ | 2015 £ |
|---|---|---|
| Deferred tax | 1,871 | - |

| | Deferred tax £ |
|---|---|
| Provided during year | 1,871 |
| Balance at 31 March 2016 | 1,871 |

**13. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 2016 £ | 2015 £ |
|---|---|---|---|---|
| 6,421,170 | Ordinary | 1 | 10,215,966 | 10,215,966 |

**14. RESERVES**

| | Retained earnings £ |
|---|---|
| At 1 April 2015 | 900,912 |
| Profit for the year | 1,572,887 |
| At 31 March 2016 | 2,473,799 |

**15. ULTIMATE PARENT COMPANY**

The ultimate controlling party and ultimate and immediate parent company is KPIT Technologies Limited, a company registered in India.

KPIT Technologies Limited is the parent undertaking of the only group for which consolidated financial statements are prepared. These financial statements may be obtained by the public form KPIT Campus, Plot 35 & 36, Rajiv Gandhi InfoTech Park, Hinjewadi, Pune - 411 057, India.

**16. OTHER FINANCIAL COMMITMENTS**

The company has created a Rent Deposit Deed dated 28 August 2008, for securing £ 12,337.50 due or to become due from the company to the lessor of the company premises.The lease on which has been renewed on 9th August 2013.

**17. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES**

The following advances and credits to a director subsisted during the years ended 31 March 2016 and 31 March 2015:

| | 2016 £ | 2015 £ |
|---|---|---|
| **P Sathe** | | |
| Balance outstanding at start of year | 4,000 | 7,000 |
| Amounts advanced | 65,000 | - |
| Amounts repaid | (4,000) | (3,000) |
| Balance outstanding at end of year | 65,000 | 4,000 |

**18. RELATED PARTY DISCLOSURES**

In accordance with Financial Reporting Standard No. 102.33.1A, transactions with other group undertakings have not been disclosed in these financial statements.

**Reconciliation of Equity**

**1 APRIL 2014**

**(Date of Transition to FRS 102)**

| | Notes | UK GAAP £ | Effect of transition to FRS 102 £ | FRS 102 £ |
|---|---|---|---|---|
| FIXED ASSETS | | | | |
| Tangible assets | 8 | 11,624 | - | 11,624 |
| Investments | 9 | 7,246,721 | - | 7,246,721 |
| | | 7,258,345 | - | 7,258,345 |
| CURRENT ASSETS | | | | |
| Debtors | 10 | 5,364,086 | - | 5,364,086 |
| Cash at bank | | 1,252,559 | - | 1,252,559 |
| | | 6,616,645 | - | 6,616,645 |
| CREDITORS | | | | |
| Amounts falling due within one year | 11 | (6,065,253) | - | (6,065,253) |
| **NET CURRENT ASSETS** | | 551,392 | - | 551,392 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 7,809,737 | - | 7,809,737 |
| **NET ASSETS** | | 7,809,737 | - | 7,809,737 |
| **CAPITAL AND RESERVES** | | | | |
| Called up share capital | 12 | 8,246,266 | - | 8,246,266 |
| Retained earnings | 13 | (436,529) | - | (436,529) |
| **SHAREHOLDERS' FUNDS** | | 7,809,737 | - | 7,809,737 |

## Reconciliation of Equity - continued
## 31 MARCH 2015

| | Notes | UK GAAP £ | Effect of transition to FRS 102 £ | FRS 102 £ |
|---|---|---|---|---|
| **FIXED ASSETS** | | | | |
| Tangible assets | 8 | 13,129 | - | 13,129 |
| Investments | 9 | 9,137,633 | - | 9,137,633 |
| | | 9,150,762 | - | 9,150,762 |
| **CURRENT ASSETS** | | | | |
| Debtors | 10 | 8,019,481 | - | 8,019,481 |
| Cash at bank | | 1,599,875 | - | 1,599,875 |
| | | 9,619,356 | - | 9,619,356 |
| **CREDITORS** | | | | |
| Amounts falling due within one year | 11 | (7,653,240) | - | (7,653,240) |
| **NET CURRENT ASSETS** | | 1,966,116 | - | 1,966,116 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 11,116,878 | - | 1,116,878 |
| **NET ASSETS** | | 11,116,878 | - | 11,116,878 |
| **CAPITAL AND RESERVES** | | | | |
| Called up share capital | 12 | 10,215,966 | - | 10,215,966 |
| Retained earnings | 13 | 900,912 | - | 900,912 |
| **SHAREHOLDERS' FUNDS** | | 11,116,878 | - | 11,116,878 |

## Reconciliation of Profit
## FOR THE YEAR ENDED 31 MARCH 2015

| | UK GAAP £ | Effect of transition to FRS 102 £ | FRS 102 £ |
|---|---|---|---|
| **TURNOVER** | 21,618,675 | - | 21,618,675 |
| Cost of sales | (17,148,402) | - | (17,148,402) |
| | | | |
| **GROSS PROFIT** | 4,470,273 | - | 4,470,273 |
| Administrative expenses | (2,859,828) | - | (2,859,828) |
| | | | |
| **OPERATING PROFIT** | 1,610,445 | - | 1,610,445 |
| Interest receivable and similar income | 6,659 | - | 6,659 |
| Interest payable and similar charges | (10,944) | - | (10,944) |
| **PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION** | 1,606,160 | - | 1,606,160 |
| Tax on profit on ordinary activities | (268,719) | - | (268,719) |
| **PROFIT FOR THE FINANCIAL YEAR** | 1,337,441 | - | 1,337,441 |

## Trading and Profit and Loss Account
## FOR THE YEAR ENDED 31 MARCH 2016

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Sales** | | 28,326,110 | | 21,618,675 |
| **Cost of sales** | | | | |
| Purchases | 15,130,829 | | 11,510,244 | |
| Wages | 7,150,595 | | 5,383,345 | |
| Social security | 398,383 | | 254,813 | |
| | | 22,679,807 | | 17,148,402 |
| **GROSS PROFIT** | | 5,646,303 | | 4,470,273 |
| **Other income** | | | | |
| Deposit account interest | 496 | | 1,718 | |
| Interest on Intercompany loan | 21,533 | | 4,941 | |
| | | 22,029 | | 6,659 |
| | | 5,668,332 | | 4,476,932 |
| **Expenditure** | | | | |
| Directors' salaries | 345,190 | | 415,160 | |
| Directors' social security | 46,275 | | 55,096 | |
| Wages | 1,450,744 | | 939,662 | |
| Social security | 315,067 | | 269,121 | |
| Rent | 58,001 | | 63,725 | |
| Rates and water | 15,562 | | 18,723 | |
| Insurance | 13,390 | | 5,700 | |
| Light and heat | 4,079 | | 4,456 | |
| Office expenses | 5,665 | | 4,071 | |
| Telephone | 59,717 | | 58,412 | |
| Post and stationery | 9,470 | | 13,165 | |
| Travelling | 1,035,711 | | 714,055 | |
| Repairs and renewals | 1,248 | | 3,057 | |
| Staff Welfare | 8,513 | | 6,891 | |
| Training expenses | 12,783 | | 15,022 | |
| Recruitment expenses | 33,809 | | 77,922 | |
| Subscriptions | 87,128 | | 45,696 | |
| Sundry expenses | (76) | | 17 | |
| Disposal of assets | (20) | | - | |
| Legal and professional fees | 54,277 | | 60,567 | |
| Auditors' remuneration | 12,600 | | 12,600 | |
| Foreign exchange losses | (26,338) | | 23,324 | |
| Marketing expenses | 59,055 | | 26,974 | |
| Bad debts | 58,879 | | 6,853 | |
| | | 3,660,729 | | 2,840,269 |
| | | 2,007,603 | | 1,636,663 |
| **Finance costs** | | | | |
| Bank charges | 30,465 | | 16,073 | |
| Bank interest | 15,254 | | 10,944 | |
| | | 45,719 | | 27,017 |
| Carried forward | | 1,961,884 | | 1,609,646 |

## Trading and Profit and Loss Account
## FOR THE YEAR ENDED 31 MARCH 2016

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Brought forward | | 1,961,884 | | 1,609,646 |
| Depreciation | | | | |
| Plant and machinery | 4,776 | | 2,628 | |
| Fixtures and fittings | 831 | | 858 | |
| | | 5,607 | | 3,486 |
| NET PROFIT | | 1,956,277 | | 1,606,160 |

# KPIT Technologies GmbH

Registered Office: Adams-Lehmann-StraBe. 109, 80797 Munich, Germany

## Management Report for the fiscal year 2015-2016

**Fundamental information about the Company**

The Company provides Engineering & SAP related services to its clients in Germany. The company operates primarily under two industry verticals: Automotive & Manufacturing. Customers include Automotive OEMs and Tier 1s. In the Manufacturing vertical, customers are primarily mid to large size German manufacturing companies and German subsidiaries of international manufacturing companies. This vertical focus strategy along with the investments in industry specific solutions helped us in bringing scalability in our existing strategic customers. It also helped us close large deals in the target verticals. During the year we have not only focused on growth but also have tried to identify and understand the new areas where we can deliver value to our customers in line with their changing business priorities. This had aided us in getting engaged in more transformational deals.

Solutions offered to automotive sector are Software products in AUTOSAR, Infotainment & Diagnostic tooling (ODX/OTX). We started development on the world's First AUTOSAR stack completely compatible to R4.0.3 and developed according to the Quality Management requirements of IS026262. This Basic Software (BSW) stack is most efficient in implementing safety critical applications for Powertrain, Chassis and Body Electronics. Globally, over 20 OEMs and Tier1s worldwide leverage our in-vehicle networking expertise, superior quality and highly competent local support across the globe to co-innovate and develop their AUTOSAR based Electrical IElectronic (E/E) systems.

We also offer engineering services around development and testing of Electronic Control Units (ECUs). The ECUs are typically in Powertrain, Body & Chassis. We have been working towards creation of non-linear solutions in this domain which would also contribute in increasing the overall iP based revenues for the company.

Solutions offered to manufacturing sector are primarily consulting & support services around SAP. Offerings include SAP ERP Implementation and upgrades, Business Intelligence & Analytics, Customer Relationship Management (CRM), Human Capital Management (HCM), SAP SuccessFactors, SAP NetWeaver and SAP SME solutions.

The main offices of the company are located in Munich. The Company has implemented globalMPLS connectivity to connect to KPIT offices around the world and deployed Telepresence solution (High Definition Video Conferencing). This has helped company to demonstrate global capabilities to customers seamlessly.

**Report on Economic Position**

**Macro-economic and Sector-specific Environment**

As we started the year FY2016, macro-economic conditions were stabilised. During the year, strong growth was experienced, mainly in Automotive Vertical. The Company also registered considerable growth in Manufacturing Vertical, which it started focusing in FY16. S a l e s have improved in the European Union since the financial downturn, but automakers in some E.U. nations struggling to grow their economies face low profits, fragmented markets, and the inefficiencies of model proliferation. The E.U. auto industry is figuring out ways to better match production capacity to market demand, while simultaneously investing in new potentially strong product areas (for example, small SUVs and crossovers) and in new automobile technologies.

**Course of Business**

The company forged ahead in the form of a Consultative Partner providing transformative solutions and offerings, than a mere technology service provider. These offerings could ease down the customer issues not only in terms of cost savings, but also in terms of time-to-market, profitability and cash flows.

In 2015-16, the Company strengthened its position in Automotive Products business further.

**Financial Position**

The Company recorded an overall output of Euro 19.16 Million during the year as compared to Euro 17.44 Million in the previous year. Further, it reported a Net Profit of Euro 0.23 Million as compared to a Net Profit of Euro 0.21 Million in the previous year. The Company was able to achieve the Target Revenue as the main customers did very well, but the Net Profit was much lower than expected (Euro 1.0 Million), because of higher Employee Costs. In this year, the Company has started the process of rationalizing the costs and it is expected to continue in 2016-17.

The decrease in profitability is primarily due to the investments the company has made to develop its ability to deliver the projects onsite and also in strengthening the Sales Teams. Other Costs including Staff Costs and Other Operating expenses have shown a proportionate change which is commensurate with the changed nature of operations of the Company.

During the year, the Company incurred Euro 0.14 Million towards income tax expenses.

The Company recorded total assets of Euro 15.76 Million during the year as compared to, Euro 12.61 Million in the previous year. The increase in Total Assets is because of substantial investment in Non-current Financial Assets relating to subsequent acquisition and earn-out costs for KPIT Solutions GmbH and KPIT Medini Technologies AG. The Company had Net Assets of Euro 7.51 Million as of 31st March 2016.

The Net Current Assets have decreased by Euro 0.10 Million as compared to the previous year. Out of the total current liabilities of Euro 4.90 Million, Euro 4.14 Million (84%) are relating to amounts payable to Affiliated Group Companies for services purchased from them on the basis of the existing Revenue Model. Other Current Liabilities and Provisions (excluding acquisition related provisions of Euro 2.25 Million) of Euro 1.86 Million are adequately covered with the Company's Cash Balance of Euro 0.53 Million and Trade Receivables of Euro 6.39 Million. On an Overall Basis, the Company has a Current Ratio of 1.25 as compared to 1.39 in previous year.

The Company does not have any Long-term Debt and is fully funded through Shareholders' Equity. The Company's Sole Shareholder, KPIT Technologies (UK) Limited is committed to providing all the necessary financial support to the Company.

The company did not incur any capital expenditure of material nature during the year.

**Report on Post Balance Sheet Events**

The Company does not have any transactions of material nature to report under this section.

**Report on Expected Developments**

In FY2016-17, the Company expects to focus on increasing the revenues (topline) further and also improve profitability. The Company is targeting the Revenues in excess of Euro 25.00 Million and a Net Profit in excess of Euro 1.50 Million. The Company aims to achieve this by focusing on offerings in - iche areas, as well as by expanding the customer base and stringent Cost Controls. This would translate into an even improved Financial Position for the Company.

The Company is also working towards improving its Cash Flows by aiming to reduce the time for realizing the invoices from customers.

With the Global Economy stabilizing and looking upwards, the Company feels that the Business Environment is well suited for its offerings and it is confident to exploit the improvement in business conditions to the fullest possible extent.

**Report on Opportunities and Risks**

The economic climate in EU countries remains uncertain and the buying of services by Automotive OEMs & Tier1s continues to remain challenging. However, the main customer base of the company is holding well and the company is able to acquire new customers in the region. We expect the company to perform well despite the difficulties and be able to achieve the revenue targets for FY2016-17. Especially in the areas of AUTOSAR & vehicle diagnostics business potentials look quite stable which gives a good base for further growth. The Company is also positioned well to exploit the opportunities in Automotive Sector with its value added offerings.

**Employees**

As on March 31, 2016, the Company had total of 140 employees as compared to 136 as at the end of previous year.

Munich,
July 11, 2016

Pankaj Sathe
**Managing Director**

## Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the [Company KPIT Technologies GmbH, Munich] for the financial year from April 1, 2015 to March 31, 2016. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § [Article] 317 HGB [„Handelsgesetzbuch": „German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

**Our audit has not led to any reservations.**

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements (and supplementary provisions of the shareholder agreement/ articles of incorporation) and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development."

Munich, July 12, 2016

TAP Dr. Schlumberger Krämer Pothorn & Partner mbB

Wirtschaftsprüfungsgesellschaft

Steuerberatungsgesellschaft

[Original German version signed by:]

Krämer

Wirtschaftsprüfer

[German Public Auditor]

## Balance sheet

as at 31 March 2016

| Assets | | Mar 31, 2016 | | Mar 31, 2015 |
|---|---|---|---|---|
| | | EUR | EUR | EUR |
| A. | **Fixed assets** | | | |
| I. | **Intangible assets** | | | |
| 1. | Concessions, industrial and similar rights and | | | |
| | licenses in such rights and assets | 16,114.94 | | 13,402.63 |
| 2. | Payments on account | 382,513.05 | | 158,556.24 |
| | | 398,627.99 | | 171,958.87 |
| II. | **Tangible assets** | | | |
| | | | | |
| 1. | Other equipment, operating and office equipment | 156,611.78 | | 224,928.53 |
| III. | **Non-current financial assets** | | | |
| 1. | Investments in affiliated companies | 7,714,259.35 | | 4,824,259.80 |
| | | | | |
| | | | 8,269,499.12 | 5,221,147.20 |
| B. | **Current assets** | | | |
| I. | **Inventories** | | | |
| 1. | Work in process | 187,285.18 | | 270,495.97 |
| II. | **Receivables and other assets** | | | |
| 1. | Trade receivables | 6,388,124.47 | | 5,643,754.66 |
| 2. | Receivables from affiliated companies | 331,706.68 | | 321,857.00 |
| 3. | Other assets | 49,054.35 | | 205,743.16 |
| | | | | |
| | | 6,768,885.50 | | 6,171,354.82 |
| III. | **Cash in hand, bank balance and checks** | 535,392.92 | | 945,865.90 |
| | | | 7,491,563.60 | 7,387,716.69 |
| C. | **Prepaid expenses** | | 0.00 | 4,000.00 |
| | | | 15,761,062.72 | 12,612,863.89 |

| Equity and liablities | | Mar 31, 2016 | | Mar 31, 2015 |
|---|---|---|---|---|
| | | EUR | EUR | EUR |
| A. | **Equity** | | | |
| I. | **Called up share capital** | | | |
| 1. | Capital subscribed | 10,000,000.00 | | 10,000,000.00 |
| 2. | Outstanding contributions - not called up | -2,338,253.00 | | -2,338,253.00 |
| | | | | |
| | | | 7,661,747.00 | 7,661,747.00 |
| II. | **Capital reserve** | | 386,511.59 | 386,511.59 |
| III. | **Profit/loss carried forward** | | -759,708.03 | -972,305.77 |
| IV. | **Net profit/loss for the year** | | 226,006.68 | 212,597.74 |
| | | | 7,514,557.24 | 7,288,550.56 |
| B. | **Provisions** | | | |
| 1. | Tax provisions | 10,686.78 | | 0.00 |
| 2. | Other provisions | 3,332,571.10 | | 676,682.71 |
| | | | 3,343,257.88 | 676,682.71 |
| C. | **Liablities** | | | |
| 1. | Advance payments received on account of orders | 235,599.45 | | 147,868.38 |
| 2. | Trade payables | 7,141.90 | | 7,141.90 |
| 3. | Liabilities to affiliated companies | 4,142,362.68 | | 4,211,121.25 |
| 4. | Other liabilities | 518,143.57 | | 281,499.09 |
| | - thereof from taxes EUR 454,152.24 (previous year: EUR 266,577.47) | | | |
| | - thereof for social security EUR 55,797.40 (previous year: EUR 13,045.38) | | | |
| | | | 4,903,247.60 | 4,647,630.62 |
| | | | | |
| | | | | |
| | | | | |
| | | | 15,761,062.72 | 12,612,863.89 |

## Income Statement for the Period

from April 1, 2015 to March 31, 2016

| | | | 2015/2016 | 2014/2015 |
|---|---|---|---|---|
| | | EUR | EUR | EUR |
| 1. | Revenues | 19,241,409.88 | | 17,263,771.70 |
| 2. | Increase or decrease in work in process | -83,210.79 | | 174,211.40 |
| | | | 19,158,199.09 | 17,437,983.10 |
| 3. | Other operating income | | 96,677.29 | 274,583.56 |
| 4. | Cost of materials | | | |
| | a) Cost of purchased services | -5,821,591.46 | | -6,662,166.08 |
| | | | -5,821,591.46 | -6,662,166.08 |
| 5. | Staff costs | | | |
| | a) Wages and salaries | -8,398,582.68 | | -6,741,707.18 |
| | b) Social security and pension costs | -1,302,079.24 | | -1,059,246.98 |
| | | | -9,700,661.92 | -7,800,954.16 |
| 6. | Depreciation and amortisation | | | |
| | a) Amortisation of intangible assets and depreciation | | | |
| | of property, plant and equipment | -84,758.00 | | -71,789.58 |
| | | | -84,758.00 | -71,789.58 |
| 7. | Other operating expenses | | -3,216,853.19 | -2,827,148.53 |
| 8. | Other interest and similar income | | 5,394.00 | 2,326.16 |
| | - thereof from affiliated companies: EUR 5,394.00 (previous year: EUR 1,857.00) | | | |
| 9. | Interest and similar expenses | | -57,791.84 | -6,712.00 |
| | - thereof to affiliated companies: EUR -57,791.84 (previous year: EUR -6,712.00) | | | |
| **10.** | **Profit from ordinary operations** | | **378,613.97** | **346,122.47** |
| 11. | Taxes on income | | -143,004.69 | -133,496.00 |
| 12. | Other taxes | | -9,602.60 | -28.73 |
| **13.** | **Net profit/loss for the year** | | **226,006.68** | **212,597.74** |

## FIXED ASSETS SCHEDULE as at March 31, 2016

| | | Acquisition- and production costs | | | | Accumulated depreciation | | | | Net block | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **April 1, 2015** | **Additions** | **Deductions** | **March 31, 2016** | **April 1, 2015** | **Additions** | **Deductions** | **March 31, 2016** | **March 31, 2016** | **March 31, 2015** |
| | | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| I. | Intangible Assets | | | | | | | | | | |
| 1. | Consessions, industrial and similar rights and | | | | | | | | | | |
| | licenses in such rights and assets | 72,272.45 | 8,184.03 | 0.00 | 80,456.48 | 58,869.82 | 5,471.72 | 0.00 | 64,341.54 | 16,114.94 | 13,402.63 |
| 2. | Payments on account | 158,556.24 | 223,956.81 | 0.00 | 382,513.05 | 0.00 | 0.00 | 0.00 | 0.00 | 382,513.05 | 158,556.24 |
| | | **230,828.69** | **232,140.84** | **0.00** | **462,969.53** | **58,869.82** | **5,471.72** | **0.00** | **64,341.54** | **398,627.99** | **171,958.87** |
| II. | Tangible assets | | | | | | | | | | |
| 1. | Other equipment, operating and office equipment | 626,906.81 | 10,969.53 | 0.00 | 637,876.34 | 401,978.28 | 79,286.28 | 0.00 | 481,264.56 | 156,611.78 | 224,928.53 |
| III. | Non-current financial assets | | | | | | | | | | |
| 1. | Investments of affiliated companies | 4,824,259.80 | 2,889,999.55 | 0.00 | 7,714,259.35 | 0.00 | 0.00 | 0.00 | 0.00 | 7,714,259.35 | 4,824,259.80 |
| | | **5,681,995.30** | **3,133,109.92** | **0.00** | **8,815,105.22** | **460,848.10** | **84,758.00** | **0.00** | **545,606.10** | **8,269,499.12** | **5,221,147.20** |

# Notes to the financial statements

for Fiscal Year 2015 / 2016

## I. General information

The financial statements have been prepared in accordance with provisions of the third book of the Handelsgesetzbuch (HGB – German Commercial Code; section 238 ff. of the HGB) and the supplementary provisions for companies limited by shares (section 264 ff. of the HGB).

The company is a medium-sized corporation as defined by section 267 (2) of the HGB.

Insofar classification standards of the HGB have been changed compared to the previous year, the consistency of presentation principle (section 265 (1) of the HGB) has been preserved by adjusting the figures of the prior year.

## II. Accounting policies

Intangible assets acquired for a consideration are capitalized at their cost of acquisition. Depreciation and amortization are charged on a straight-line basis. Acquisitions during the year are written down pro rata temporis.

Property, plant and equipment is capitalized at its acquisition or production cost less accumulated depreciation. Acquisitions during the year are written down pro rata temporis.

Low value assets are written down in full in the year of acquisition.

Among financial investments, shares rights are measured at nominal amount, taking the principle of lower of cost or market into account. Loans are basically stated at their nominal value. Loans which bear no or a below market rate of interest are discounted to their present value.

Services not yet invoiced shown in the line item Inventories are capitalized under consideration of the principle of the lower of cost and market with direct costs and an appropriate share of the overheads. Projects, which, in an overall view will almost certainly announce a loss, are written down to a lower attributable fair value (loss-free valuation).

Receivables and other current assets are reported at their principal amount. Specific risks that can be detected are accounted for by valuation allowances. The general credit risk is covered by a global valuation allowance on receivables.

Cash and cash equivalents are shown at their nominal value.

The equity capital as shown in the balance sheet corresponds to the articles of association and the commercial register.

Other provisions take into account all recognizable risks and uncertain obligations and were listed at the amount of the probable obligations.

Liabilities are carried at the amount required to settle the obligation.

Foreign currency assets and liabilities are translated at the mean spot rates prevailing at the reporting date. Section 253 (1) sentence 1 of the HGB and section 252 (1) no. 4 second half sentence of the HGB are not applied to other assets or liabilities with a remaining term of one year or less.

A distinction of revenue recognition has to be made between contracts of services and contracts of work. Assignments based on contracts of service are invoiced according to working hours and revenues are recognized at this point. Revenue recognition of contracts of work is made only after contract completion or upon buyer's partial acceptance.

## III. Balance sheet disclosures

**Fixed assets**

The development of the fixed assets and the depreciation thereof for the financial year are shown in the fixed assets movement schedule attached to the notes.

**Financial assets**

The financial assets contain shares in affiliated companies of KPIT medini Technologies AG, Berlin (formerly: IKV++ Technologies AG) and of KPIT Solutions GmbH, Bielefeld (formerly: HD Solutions GmbH).

**Receivables from affiliated companies**

An amount of KEUR 327 of the total receivables from subsidiaries has a remaining term of more than one year.

**Provisions**

Other provisions amounting to KEUR 3,984 mainly include provisions for investments in subsidiaries (KEUR 2,248) especially KPIT medini Technologies AG, Berlin (formerly: IKV++ Technologies AG) and of KPIT Solutions GmbH, Bielefeld (formerly: HD Solutions GmbH). Furthermore provisions for employee bonuses (KEUR 361), provisions of outstanding invoices (KEUR 287), provisions for leave encashment (KEUR 279) and provisions for expenses (KEUR 157).

**Liabilities**

Liabilities to affiliated companies amounting to KEUR 4,142 (previous year: KEUR 4,211) include liabilities to the indirect shareholder KPIT Technologies Ltd., Pune, India amounting to KEUR 1,478 (previous year: KEUR 2,969) and liabilities to the direct shareholder KPIT Technologies (UK) Limited, Ruislip Manor, Middlesex (UK) amounting to KEUR 13 (previous year: KEUR 1,017).

The table below shows a summary of the liabilities broken down according to remaining terms.

| | March 31, 2016 | | | March 31, 2015 (previous year) | | |
|---|---|---|---|---|---|---|
| | remaining term up to 1 year | remaining term between 1 and 5 years | total | remaining term up to 1 year | remaining term between 1 and 5 years | total |
| | KEUR | KEUR | KEUR | KEUR | KEUR | KEUR |
| 1. Advance payments received on account of orders | 236 | 0 | 236 | 148 | 0 | 148 |
| 2. Trade payables | 7 | 0 | 7 | 7 | 0 | 7 |
| 3. Liabilities to affiliated companies | 1,642 | 2,500 | 4,142 | 3,211 | 1,000 | 4,211 |
| - thereof to shareholders | 13 | 0 | 13 | 17 | 1,000 | 1,017 |
| 4. Other liabilities | 518 | 0 | 518 | 282 | 0 | 282 |
| - thereof from taxes | 454 | 0 | 454 | 267 | 0 | 267 |
| -thereof for social securities | 56 | 0 | 56 | 13 | 0 | 13 |
| **Total liabilities** | **2,403** | **2,500** | **4,903** | **3,648** | **1,000** | **4,648** |

## IV. Income statement disclosures

The income statement was prepared in accordance with the total cost method.

**Revenues**

Broken down by geographic markets, the revenues are:

| | 2015/2016 | 2014/2015 |
|---|---|---|
| | KEUR | KEUR |
| Domestic | 14,450 | 12,856 |
| Export | 4,708 | 4,563 |
| Revenue adjustments | 83 | 155 |
| Total | 19,241 | 17,264 |

**Cost of materials**

The cost of purchased services results from affiliated companies with an amount of KEUR 5,720 (previous year: KEUR 6,470).

Other operating expenses

Other operating expenses of KEUR 3,216 include, inter alia, advertising and travel expenses of KEUR 785 (previous year: KEUR 641), expenses from currency translation of KEUR 39 (previous year: KEUR 335) and rental expenses of KEUR 334 (previous year: KEUR 349).

## V. Other mandatory disclosures

Future financial obligations

In addition to the liabilities stated in the balance sheet, there are future financial obligations from rental agreements of KEUR 332.

Share property

| Entity | Participation quota | Equity | Annual result | Financial statements year ending |
|---|---|---|---|---|
| KPIT medini Technologies AG (formerly: IKV++ Technologies AG) | 100% | 484,045.73 € | 484,515.07 € | March 31, 2015 |
| KPIT Solutions GmbH (formerly: HD Solutions GmbH) | 100% | 382,115.56 € | 179,217.58 € | December 31, 2014 |

Managing director

Managing directors in fiscal year 2015/2016 were:

– Mr. Pankaj Maheshwar Sathe, operating managing director

In accordance with section 286 (4) of the HGB the disclosure of the management total remuneration is omitted.

Average amount of employees during the fiscal year

During the fiscal year 2015/2016 134 employees (previous year 115) were employed on average.

During the fiscal year the following groups of employees were employed by the company:

| | Employees | |
|---|---|---|
| | 2015/2016 | 2014/2015 |
| Marketing | 7.5 | 8.0 |
| Project | 117.0 | 99.5 |
| Support | 9.3 | 7.5 |

**Group affiliation**

The financial statements of KPIT Technologies GmbH are included in the consolidated financial statements of KPIT Technologies Ltd., Pune/ India as of March 31, 2016.

The consolidated financial statements of KPIT Technologies Ltd., Pune/ India as of March 31, 2016 will be electronically filed with the Ministry of Corporate Affairs (Government of India) and be disclosed under Company Identification Number (CIN) L72200PN1990PLC059594.

Munich, April 21, 2016

Pankaj Maheshwar Sathe

# KPIT Technologies Netherlands B.V.

Registered Office: Westerdoksdijk 423, 1013 BX, Amsterdam, The Netherlands.

## Board's Report

Dear Shareholders,

Your Board of Directors is pleased to present herewith the Fifth report of the Directors on the operations of the Company together with the accounts for the financial year ended on March 31, 2016.

**Financial Results**

| Particulars | 2015-16 Euro (Million) | 2014-15 Euro (Million) |
|---|---|---|
| Total Revenues | 3.08 | 2.46 |
| Net Profit /(Loss) for the period | 0.28 | 0.31 |

**Operations**

During the year under review, the revenues increased by 25%. However net profit declined by 10%.

**Audit**

The Company is not required by the local laws to have an independent audit firm to issue a report to the shareholders on the financial statements. No audit opinion has been sought in respect of these financial statements. The accounts are prepared from the internally prepared management accounts of the Company. The same management accounts are audited in order for the Group Auditors to give an audit opinion in relation to the group accounts i.e. consolidated accounts of KPIT Technologies Limited, the parent company. Hence, no separate audit report is given in respect of the Company.

For and on behalf of the Board of Directors
**KPIT Technologies Netherlands B.V.**

Pune
April 26, 2016

**Kishor Patil**
Chairman

## Balance Sheet

(Amount in EUR Million)

| | Note | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' funds** | | | |
| Share capital | 2 | 0.50 | 0.50 |
| Reserves and surplus | 3 | 0.46 | 0.18 |
| | | **0.96** | **0.68** |
| **Current liabilities** | | | |
| Trade payables | 4 | 0.57 | 0.54 |
| Other current liabilities | 5 | 0.22 | 0.17 |
| Short-term provisions | 6 | 0.14 | 0.09 |
| | | **0.93** | **0.80** |
| **TOTAL** | | **1.89** | **1.48** |
| **ASSETS** | | | |
| **Current assets** | | | |
| Trade receivables | 7 | 0.86 | 0.77 |
| Cash and bank balances | 8 | 0.83 | 0.59 |
| Short-term loans and advances | 9 | 0.01 | - |
| Other current assets | 10 | 0.19 | 0.12 |
| | | **1.89** | **1.48** |
| **TOTAL** | | **1.89** | **1.48** |
| Significant accounting policies | 1 | | |
| Notes referred to above form an integral part of the financial statements | 2-16 | | |

For and on behalf of the Board of Directors of
**KPIT Technologies Netherlands B.V.**

Director Director

Place : Pune
Date: 26 April, 2016

## Statement of Profit and Loss

(Amount in EUR Million)

| | Note | For the year ended 31 March, 2016 | For the year ended 31 March, 2015 |
|---|---|---|---|
| **Revenue from operations** | | | |
| Sale of services | 11 | 3.08 | 2.46 |
| **Total revenue** | | **3.08** | **2.46** |
| **Expenses** | | | |
| Employee benefit expense | 12 | 0.57 | 0.52 |
| Other expenses | 13 | 2.20 | 1.54 |
| **Total expenses** | | **2.77** | **2.06** |
| **Loss before tax** | | 0.31 | 0.40 |
| **Tax expense** | | | |
| Current tax | | 0.03 | 0.09 |
| **Total tax expense** | | **0.03** | **0.09** |
| **Profit / (Loss) for the year** | | **0.28** | **0.31** |
| Significant accounting policies | 1 | | |
| Notes referred to above form an integral part of the financial statements | 2-16 | | |

For and on behalf of the Board of Directors of
**KPIT Technologies Netherlands B.V.**

Director Director

Place : Pune
Date: 26 April, 2016

## Cash Flow Statement

(Amount in EUR Million)

| PARTICULARS | For the year ended 31 March, 2016 | For the year ended 31 March, 2015 |
|---|---|---|
| **A] CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Net profit / (loss) before tax | 0.31 | 0.40 |
| **Adjustments for changes in working capital:** | | |
| Increase / (Decrease) in Trade Payables | 0.03 | 0.16 |
| Increase / (Decrease) in Other Current Liabilities | 0.05 | (0.01) |
| Increase / (Decrease) in Short-term Provisions | 0.11 | - |
| (Increase) / Decrease in Trade Recievables | (0.09) | (0.29) |
| (Increase) / Decrease in Short-term Loans and Advances | (0.01) | - |
| (Increase) / Decrease in Other Current Assets | (0.07) | (0.05) |
| Cash generated from operations | 0.33 | 0.21 |
| Taxes Paid | (0.09) | 0.01 |
| **Net cash from operating activities** | 0.24 | 0.22 |
| **Net Increase / (decrease) in cash and cash equivalents** | **0.24** | **0.22** |
| Cash and cash equivalents at close of the year (refer note 1 below) | 0.83 | 0.59 |
| Cash and cash equivalents at beginning of the year (refer Note 1 below) | 0.59 | 0.37 |
| **Cash surplus / (deficit) for the year** | 0.24 | 0.22 |
| **Note 1 :** | | |
| **Cash and cash equivalents include:** | | |
| Balance with banks | | |
| - In current accounts | 0.83 | 0.59 |
| **Total Cash and cash equivalents** | 0.83 | 0.59 |

**Note 2 :**

Figures in brackets represent outflows of cash and cash equivalents.

**Note 3 :**

The above cash flow statement has been prepared under the indirect method as set out in Accounting Standard 3 on cash flow statements.

For and on behalf of the Board of Directors of
**KPIT Technologies Netherlands B.V.**

Director Director

Place : Pune

Date: 26 April, 2016

## Notes forming part of the financial statements for the year ended 31 March 2016

**Company Overview:**

KPIT Technologies Netherlands B.V. is a private limited liablity company, having its statutory set in Amsterdam, and its registered address at Oranje Nassaulaan 55 Ie etage, 1075 AK Amsterdam, The Netherlands. The Company was incorporated on March 16, 2012. The Company is wholly owned by KPIT Technologies Limited, Pune, India.

The Company is engaged in the business of providing pre-packaged, industry-specific SAP software solutions and IT services.

**1. Significant Accounting Policies:**

**1.1 Basis for preparation of financial statements**

The financial statements have been prepared under the historical cost convention, on the accrual basis of accounting, in accordance with the generally accepted accounting principles (GAAP) in India and comply with the Accounting Standards ("AS") specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

The financial statements are presented in EURO ("EUR") and are rounded off to the nearest EUR Million.

**Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results may differ from those estimates. Any difference between the actual results and estimates are recognised in the period in which the results are known/ materialize. Any revision to accounting estimates is recognised prospectively in the current and future periods.

**1.2 Revenue recognition**

Revenue from software development and services on time and material basis is recognized based on software development, services rendered and related costs incurred based on timesheets and are billed to clients as per the contractual terms. Revenue from fixed price contracts, where there is no uncertainty as to measurement or collectability of consideration, is recognized based upon the proportionate completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Revenue from the sale of software products is recognized when the sale is completed with the passing of the ownership.

Customer reimbursable expenses are recorded as a reduction from associated costs.

Interest income is recognized on time proportion basis.

**1.3 Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of cost of that asset. All other borrowing costs are charged to the Statement of Profit and Loss.

**1.4 Current non-current classification**

All assets and liabilities are classified into current and non-current.

**Assets**

An asset is classified as current when it satisfies any of the following criteria:

a. it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b. it is held primarily for the purpose of being traded;

c. it is expected to be realised within 12 months after the reporting date; or

d. it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for atleast 12 months after the reporting date.

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

**Liabilities**

A liability is classified as current when it satisfies any of the following criteria:

a. it is expected to be settled in the Company's normal operating cycle;

b. it is held primarily for the purpose of being traded;

c. it is due to be settled within 12 months after the reporting date; or

d. the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

**Operating cycle**

Operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. The operating cycle of the Company is less than twelve months.

**1.5 Accounting for taxes on income**

**Income tax**

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income-tax expense is recognised in the Statement of Profit and Loss. Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws.

**Deferred tax**

Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws for the tax consolidation group, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available to the tax consolidation group against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

**1.6 Impairment of Assets:**

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. Impairment loss is recognized when the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use. For the purpose of impairment testing, assets are grouped together into the smallest group of assets (cash generating unit or CGU) that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Intangible assets which are not yet available for use are tested for impairment annually. Other fixed assets (tangible and intangible) are reviewed at each reporting date to determine if there is any indication of impairment. For assets in respect of which any such indication exists and for intangible assets mandatorily tested annually for impairment, the asset's recoverable amount is estimated.

If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists or has decreased, the assets or CGU's recoverable amount is estimated. For assets other than goodwill, the impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such a reversal is recognised in the Statement of Profit and Loss.

During the year under consideration, there was no indication, either internal or external as to the impairment of any of the assets.

**1.7 Foreign currency transactions**

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Monetary items are translated at the year-end rates and the exchange differences so determined as also the realised exchange differences are recognised in the Statement of Profit and Loss.

**1.8 Employee benefits**

**Compensated absences**

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave.

**1.9 Provisions, Contingent Liabilities and Contingent Assets:**

As per Accounting Standard (AS) 29, 'Provisions, Contingent Liabilities and Contingent Assets', the Company recognizes provisions only when it has a present obligation 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 when a reliable estimate of the amount of the obligation can be made.

**No Provision is recognized for -**

(a) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

(b) Present obligations that arise from past events but are not recognized because -

i. It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

ii. A reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed periodically and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

(Amount in EUR Million)

| | | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| 2 | **Share capital** | | |
| | **Authorised** | | |
| | 5,000 (Previous year 5,000) Ordinary shares of EUR 100 each. | 0.50 | 0.50 |
| | **Issued, subscribed and paid-up:** | | |
| | 5,000 (Previous year 5,000) Ordinary shares of EUR 100 each fully paid up. | 0.50 | 0.50 |
| | | **0.50** | **0.50** |
| | | | |
| 3 | **Reserves and surplus** | | |
| | Surplus/(Deficit) in Statement of Profit and Loss | | |
| | At the commencement of the year | 0.18 | (0.13) |
| | Add : Profit/(Loss) for the year | 0.28 | 0.31 |
| | | 0.46 | 0.18 |
| | | **0.46** | **0.18** |
| | | | |
| 4 | **Trade payables** | | |
| | Trade payables | 0.57 | 0.54 |
| | | **0.57** | **0.54** |
| | | | |
| 5 | **Other current liabilities** | | |
| | Accrued employee costs | 0.02 | 0.01 |
| | Payable to related parties (Refer Note 15) | 0.02 | - |
| | Statutory liabilities | 0.18 | 0.16 |
| | | **0.22** | **0.17** |
| | | | |
| 6 | **Short-term provisions** | | |
| | Current tax (net of advance tax) | 0.03 | 0.09 |
| | Provision for BTB cost unbilled | 0.11 | - |
| | | **0.14** | **0.09** |
| | | | |
| 7 | **Trade receivables** | | |
| | (Unsecured, considered good unless otherwise stated) | | |
| | Outstanding for a period exceeding six months from the date they were due for payment | | |
| | - Considered good | - | 0.01 |
| | - Considered doubtful | - | - |
| | Less: Provision for doubtful trade receivables | - | - |
| | | - | 0.01 |
| | Others receivables | | |
| | - Considered good | 0.86 | 0.76 |
| | - Considered doubtful | - | - |
| | Less: Provision for doubtful trade receivables | - | - |
| | | 0.86 | 0.76 |
| | | **0.86** | **0.77** |
| | | | |
| 8 | **Cash and bank balances** | | |
| | Cash and cash equivalents | | |
| | Balances with banks | | |
| | - In current account | 0.83 | 0.59 |
| | | **0.83** | **0.59** |
| | | | |
| 9 | **Short-term loans and advances** | | |
| | (Unsecured, considered good unless otherwise stated) | | |
| | To parties other than related parties | | |
| | - employee advances | 0.01 | - |
| | | **0.01** | **-** |

(Amount in EUR Million)

| | | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| **10** | **Other current assets** | | |
| | (Unsecured, considered good unless otherwise stated) | | |
| | Unbilled revenue | 0.19 | 0.12 |
| | | **0.19** | **0.12** |
| **11** | **Revenue from operations** | | |
| | Income from software services | 3.08 | 2.46 |
| | | **3.08** | **2.46** |
| **12** | **Employee benefits expense** | | |
| | Salaries, wages and bonus | 0.57 | 0.52 |
| | | **0.57** | **0.52** |
| **13** | **Other expenses** | | |
| | Travel and overseas expenses (net of recovery) | 0.02 | 0.02 |
| | Cost of service delivery | 2.06 | 1.59 |
| | Cost of professional subcontracting | 0.03 | - |
| | Recruitment and training expenses | 0.02 | - |
| | Legal and professional fees | 0.06 | 0.04 |
| | Marketing expenses | - | 0.01 |
| | Provision for doubtful debts and advances (net) | - | (0.12) |
| | Miscellaneous expenses | 0.01 | - |
| | | **2.20** | **1.54** |

**Note**

Certain expenses are net of recoveries / reimbursements from customers.

**14 Contingent liabilities:**

The Company has no liabilities of contingent nature outstanding as at 31 March, 2016.

**15 Related party transactions:**

**A. Name of the related party and nature of relationship where control exists**

| Relationship | Name of related party |
|---|---|
| Holding Company | KPIT Technologies Limited, India |

**B. List of related parties with whom there are transactions in the current year**

| Relationship | Name of related party |
|---|---|
| Holding Company | KPIT Technologies Limited, India |
| Fellow Subsidiary Companies | KPIT Infosystems Incorporated, USA |
| | KPIT Technologies (UK) Ltd (erstwhile KPIT Infosystems Limited) |
| | SYSTIME Computer Corporation, USA |

**C. Transactions with related parties**

| Sr. No. | Name of the related party | Description of relationship | Nature of transaction | Amount of transaction 2015-16 (EUR Million) | Balance as at 31 March, 2016 (EUR Million) | Amount of transaction 2014-15 (EUR Million) | Balance as at 31 March, 2015 (EUR Million) |
|---|---|---|---|---|---|---|---|
| 1 | KPIT Technologies Limited, India | Holding company | Software service charges | 2.01 | (0.48) | 1.58 | (0.51) |
| | | | Advance received (net) | 0.03 | (0.02) | - | - |
| | | | Reimbursement of expenses | 0.00 | | 0.00 | |
| 2 | SYSTIME Computer Corporation, USA | Fellow subsidiary company | Software service charges | 0.04 | (0.02) | - | - |
| 3 | KPIT Infosystems Incorporated, USA | Fellow subsidiary company | Software service charges | 0.02 | (0.00) | 0.01 | (0.01) |
| 4 | KPIT Technologies (UK) Ltd. (erstwhile KPIT Infosystems Limited) | Fellow subsidiary company | Advance given (net) | 0.73 | - | - | - |
| | | | Reimbursement of expenses | - | | 0.00 | |
| | | | Software service charges | 0.00 | - | - | - |

**16 Prior year comparitives**

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with current year's classification / disclosure.

For and on behalf of the Board of Directors of
**KPIT Technologies Netherlands B.V.**

Director Director

Place : Pune
Date: 26 April 2016

# KPIT Technologies France

Registered Office: 10, Avenue Franklin D Roosevelt 75008 Paris France.

## Board's Report

Dear Shareholders,

Your Board of Directors is pleased to present their Tenth report on the operations of the Company together with the audited accounts for the financial year ended on March 31, 2016.

**Financial Results**

| Particulars | 2015-16 Euro | 2014-15 Euro |
|---|---|---|
| Net Turnover | 14,588,125 | 9,640,718 |
| Net Profit for the year | 706,246 | 551,653 |

**Operations**

During the year under review, the total revenues of the Company increased by 51 % resulting into rise in net profit by 28%.

**Audit**

The Company is required by the local laws to have an independent audit firm to audit the books of accounts of the Company and to issue a report to the shareholders. Therefore, the Company appointed KPMG SA as auditors to conduct the audit and the audit report issued by the auditors is attached with the accounts of the Company.

For and on behalf of the Board of Directors
**KPIT Technologies France**

Pune
April 22, 2016

**Kishor Patil**
Chairman

## Statutory auditor's report on the financial statements

Year ended 31 March 2016

Dear Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended 31 March 2016, on:

- the audit of the accompanying financial statements of KPIT Technologies France SAS;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the President. Our role is to express an opinion on these financial statements based on our audit.

**1 Opinion on the financial statements**

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 March 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

**2 Justification of our assessments**

In accordance with the requirements of article L.823-9 of the French Commercial Code ("Code de commerce") relating to the justification of our assessments, we inform you that the assessments made by us focused on the appropriateness of the accounting principles used and the overall presentation of the financial statements.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

**3 Specific verifications and information**

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the President, and in the documents addressed to shareholders with respect to the financial position and the financial statements.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Marcq en Baroeul, 22 April 2016

Patrick Lequint
Associé

## Balance Sheet - Assets

| ASSETS | | Current year 31/03/2016 (12 months) | | | Past year 31/03/2015 (12 months) |
|---|---|---|---|---|---|
| | | Brut | Depr. & prov. | Net | Net |
| **Fixed assets** | | | | | |
| Concessions, patents and similar rights | | 23 000,00 | 2 427,48 | 20 572,52 | |
| Other tangible fixed assets | | 55 390,27 | 32 923,44 | 22 466,83 | 17 276,90 |
| Loans | | 2 504 450,00 | | 2 504 450,00 | |
| Other fixed assets | | 16 352,02 | | 16 352,02 | 16 297,50 |
| | **TOTAL (I)** | **2 599 192,29** | **35 350,92** | **2 563 841,37** | **33 574,40** |
| **Current assets** | | | | | |
| Trade and related accounts | | 3 165 610,79 | | 3 165 610,79 | 2 667 964,14 |
| **Other receivables** | | | | | |
| • Debtors suppliers | | 5 385,78 | | 5 385,78 | 269,84 |
| • Staff | | | | | 31,71 |
| • State, profit tax | | | | | 175 726,40 |
| • State, turnover tax | | 503 829,79 | | 503 829,79 | 359 012,92 |
| • Other | | 1 146,00 | | 1 146,00 | 1 895,00 |
| Cash | | 947 271,79 | | 947 271,79 | 2 415 742,95 |
| Prepaid expenses | | 43 681,92 | | 43 681,92 | 432 653,03 |
| | **TOTAL (II)** | **4 666 926,07** | | **4 666 926,07** | **6 053 295,99** |
| Charges to be spread over several periods | (III) | | | | |
| Premium for redemption of bonds | (IV) | | | | |
| Unrealized exchange losses | (V) | | | | |
| | **TOTAL ASSETS (I - V)** | **7 266 118,36** | **35 350,92** | **7 230 767,44** | **6 086 870,39** |

## Balance Sheet - Equity and Liabilities

| Equity and Liabilities | Current year 31/03/2016 (12 months) | Past year 31/03/2015 (12 months) |
|---|---|---|
| **Shareholders' equity** | | |
| Share capital (paid-up capital : 100 000,00) | 100 000,00 | 100 000,00 |
| Legal reserve | 14 987,32 | 14 987,32 |
| Retained (profits / losses) brought forward merger | 1 918 767,09 | 1 367 113,19 |
| **Net income or loss of the tax year** | **706 246,00** | **551 653,90** |
| **TOTAL(I)** | **2 740 000,41** | **2 033 754,41** |
| **TOTAL(II)** | | |
| **Provisions for liabilities and charges** | | |
| **TOTAL (III)** | | |
| **Loans and debts** | | |
| **Other financial borrowing and debts** | | |
| Trade notes and related accounts payable | 2 687 163,82 | 1 915 090,06 |
| **Tax payable and social liabilities** | | |
| • Staff | 207 878,06 | 123 910,31 |
| • Payroll taxes | 131 665,29 | 169 867,34 |
| • State, profit tax | 57 864,40 | |
| • State, turnover tax | 1 316 689,02 | 1 208 067,95 |
| • Other taxes | 9 103,00 | 32 549,00 |
| Other debts | 50 243,44 | 6 671,52 |
| Prepaid income | 30 160,00 | 596 959,80 |
| **TOTAL(IV)** | **4 490 767,03** | **4 053 115,98** |
| **TOTAL LIABILITIES (I a V)** | **7230 767,44** | **6 086 870,39** |

## Income Statement

| INCOME STATEMENT | | | | Current year 31/03/2016 (12 months) | Past year 31/03/2015 (12 months) |
|---|---|---|---|---|---|
| | | France | Export | Total | Total |
| Sales of manufactured services | | 13 398 667,21 | 1 189 458,21 | 14 588 125,42 | 9 640 718,15 |
| | **Net turnover** | **13 398 667,21** | **1 189 458,21** | **14 588 125,42** | **9 640 718,15** |
| Recaptures on deprecations and reserves, expense transfer | | | | - | 66 649,05 |
| Other operating income | | | | 8,33 | 4,68 |
| | **Total operating income** | | | **14 588 133,75** | **9 707 371,88** |
| Other purchases and external expenses | | | | 12 246 469,47 | 7 501 018,91 |
| Taxes and assimilated payments | | | | 38 812,74 | 81 501,99 |
| Salaries and wages expenses | | | | 861 273,26 | 755 061,30 |
| Social security expenses | | | | 388 948,24 | 335 355,01 |
| Operating allowances on fixed assets : depreciation allowances | | | | 8 131,57 | 7 639,19 |
| Other expenses | | | | 152,40 | 66 654,99 |
| | **Total operating expenses** | | | **13 543 787,68** | **8 747 231,39** |
| | | | | | |
| | **OPERATING RESULT** | | | **1 044 346,07** | **960 140,49** |
| Other holdings and capitalized receivables | | | | 28 054,00 | |
| Profits on foreign exchange | | | | 37 496,18 | 12 821,85 |
| | **Total financial income** | | | **65 550,18** | **12 821,85** |
| Loss on foreign exchange | | | | 52 516,50 | 137 342,97 |
| | **Total financial expenses** | | | **52 516,50** | **137 342,97** |
| | **FINANCIAL RESULT** | | | **13 033,68** | **-124 521,12** |
| | **Ordinary result before tax** | | | **1 057 379,75** | **835 619,37** |
| | **Total extraordinary income** | | | | |
| Extraordinary operating losses | | | | **3 459,75** | **35,00** |
| Extraordinary capital losses | | | | | 12 597,47 |
| | **Total extraordinary expenses** | | | **3 459,75** | **12 632,47** |
| | **EXTRAORDINARY RESULT** | | | **-3 459,75** | **-12 632,47** |
| Income tax | | | | 347 674,00 | 271 333,00 |
| | **Total Income** | | | **14 653 683,93** | **9 720 193,73** |
| | **Total expenses** | | | **13 947 437,93** | **9 168 539,83** |
| | **NET RESULT** | | | **706 246,00** | **551 653,90** |
| | | | | Profit | Profit |
| Including leasing of furnitures | | | | 2 280,00 | 2 280,00 |

## Balance Sheet - Assets

| ASSETS | Current year 31/03/2016 (12 months) | | | Past year 31/03/2015 (12 months) |
|---|---|---|---|---|
| | Gross | Depr. & prov. | Net | Net |
| **Fixed assets** | | | | |
| Concessions, patents and similar rights | **23 000,00** | **2 427,48** | **20 572,52** | |
| 205000 CONCESS.BREVETS LICENCES | 23 000,00 | | 23 000,00 | |
| 280500 AMORT.CONC.BREVETS LICENCE | | 2 427,48 | -2 427,48 | |
| Other tangible fixed assets | **55 390,27** | **32 923,44** | **22 466,83** | **17 276,90** |
| 218100 Others installation and fitting | 11 872,91 | | 11 872,91 | 4 312,24 |
| 218300 Office and computer equipment | 27 717,86 | | 27 717,86 | 38 677,35 |
| 218400 Office equipment | 15 799,50 | | 15 799,50 | 15 799,50 |
| 281810 Amortisation of others instal | | 955,32 | -955,32 | -118,29 |
| 281830 Amortisation of office and computer | | 22 733,73 | -22 733,73 | -33 739,46 |
| 281840 AMORT. MOBILIER | | 9 234,39 | -9 234,39 | -7 654,44 |
| Loans | **2 504 450,00** | | **2 504 450,00** | |
| 274800 AUTRES PRETS | 2 500 000,00 | | 2 500 000,00 | |
| 276840 INT COUR/PRETS | 4 450,00 | | 4 450,00 | |
| Other fixed assets | **16 352,02** | | **16 352,02** | **16 297,50** |
| 275000 Deposit | 16 352,02 | | 16 352,02 | 16 297,50 |
| **TOTAL (I)** | **2 599 192,29** | **35 350,92** | **2 563 841,37** | **33 574,40** |
| **Current assets** | | | | |
| Trade and related accounts | **3 165 610,79** | | **3 165 610,79** | **2 667 964,14** |
| 411000 Customers and related accounts | 2 832 617,69 | | 2 832 617,69 | 2 273 409,69 |
| 418100 Customers - Invoices to be issued | 332 993,10 | | 332 993,10 | 394 554,45 |
| **Other receivables** | | | | |
| • Debtors suppliers | **5 385,78** | | **5 385,78** | **269,84** |
| 401001 Suppliers and related accounts - | 5 385,78 | | 5 385,78 | 269,84 |
| • Staff | | | | **31,71** |
| 421000 Staff remuneration payable | | | | 31,71 |
| •State, profit tax | | | | 175 726,40 |
| 444000 Income tax | | | | 175 726,40 |
| • State, turnover tax | 503 829,79 | | 503 829,79 | 359 012,92 |
| 445630 VAT - deductible | 491 464,66 | | 491 464,66 | 351 833,67 |
| 445661 VAT - deductible | 5 604,25 | | 5 604,25 | 1 012,91 |
| 445710 VAT - collected by the company | 4 100,41 | | 4 100,41 | 4 100,41 |
| 445779 TVA COLL INTRACOM | 300,47 | | 300,47 | |
| 445860 VAT acc on invoice to be received | 2 360,00 | | 2 360,00 | 2 065,93 |
| • Other | 1 146,00 | | 1 146,00 | 1 895,00 |
| 448700 ETAT PRODUITS A RECEVOIR | 1 146,00 | | 1 146,00 | 1 895,00 |
| Cash | 947 271,79 | | 947 271,79 | 2 415 742,95 |
| 512000 Bank SG | 5 026,65 | | 5 026,65 | 3 539,33 |
| 512100 Bank HSBC | **942 245,14** | | **942 245,14** | **2 412 203,62** |
| Prepaid expenses | 43 681,92 | | 43 681,92 | 432 653,03 |
| 486000 Prepaid expenses | 19 840,44 | | 19 840,44 | 2 313,09 |
| 486110 Prepaid expenses unbilled | 23 841,48 | | 23 841,48 | 430 339,94 |
| **TOTAL (II)** | **4 666 926,07** | | **4 666 926,07** | **6 053 295,99** |
| Charges to be spread over several periods (III) | | | | |
| Premium for redemption of bonds (IV) | | | | |
| Unrealized exchange losses (V) | | | | |
| **TOTAL ASSETS (I - V)** | **7 266 118,36** | **35 350,92** | **7230 767,44** | **6 086 870,39** |

## Balance Sheet - Equity And Liabilities

| EQUITY AND LIABILITIES | Current year 31/03/2016 (12 months) | Past year 31/03/2015 (12 months) |
|---|---|---|
| **Shareholders' equity** | | |
| Share capital (paid-up capital : 100 000,00) | 100 000,00 | 100 000,00 |
| 101300 Share capital | 100 000,00 | 100 000,00 |
| Legal reserve | **14 987,32** | **14 987,32** |
| 106110 Legal Reserves | 14 987,32 | 14 987,32 |
| Retained (profits / losses) brought forward merger | **1 918 767,09** | **1 367 113,19** |
| 110000 Profit or loss carried forward | 1 918 767,09 | 1 367 113,19 |
| **Net income or loss of the tax year** | **706 246,00** | **551 653,90** |
| **TOTAL(I)** | **2 740 000,41** | **2 033 754,41** |
| | | |
| **TOTAL(II)** | | |
| **Provisions for liabilities and charges** | | |
| **TOTAL (III)** | | |
| **Loans and debts** | | |
| **Other financial borrowing and debts** | | |
| Trade notes and related accounts payable | **2 687 163,82** | **1 915 090,06** |
| 401000 Suppliers and related accounts | 2 504 807,31 | 1 767 677,68 |
| 408100 Sup - invoices to be received | 14 160,00 | 12 395,63 |
| 408103 Credit note KPINDE UNBILLED | 168 196,51 | 135 016,75 |
| **Tax payable and social liabilities** | | |
| • Staff | **207 878,06** | **123 910,31** |
| 421000 Staff remuneration payable | 52 241,45 | |
| 428200 Accrued paid holidays | 69 965,53 | 45 203,11 |
| 428300 Accrued salary 13e mois | | 8 534,54 |
| 428500 Accrued salary | 78 726,00 | 65 027,00 |
| 428640 Accrued paid RTT | 6 945,08 | 5 145,66 |
| • Payroll taxes | **131 665,29** | **169 867,34** |
| 431000 Social security | 31 452,00 | 73 267,00 |
| 437100 Others social agencies (capimmec) | 11 986,00 | 25 602,00 |
| 437500 Others social agencies (prevoyanc) | 2 752,00 | 2 051,00 |
| 437600 Others social agencies (mutuelle) | 4 180,00 | 3 907,00 |
| 438200 Acc soc charge on paid holiday | 34 982,76 | 22 601,73 |
| 438300 Acc soc charge on salary 13e m | | 4 267,28 |
| 438500 Social agencies - Accrued amounts | 39 363,00 | 32 513,50 |
| 438600 Other accrued social agencies | 3 477,00 | 3 085,00 |
| 438650 Acc soc charge on paid RTT | 3 472,53 | 2 572,83 |
| • State, profit tax | **57 864,40** | |
| 444000 Income tax | 57 864,40 | |
| • State, turnover tax | **1 316 689,02** | **1 208 067,95** |
| 445510 Turnover tax VAT payable | 334 634,00 | 460 301,00 |
| 445669 TVA DED INTRACOM | 300,47 | |
| 445711 TVA coll 20% | 434 791,22 | 344 155,20 |
| 445721 TVA COLL / ACH PRESTIMM 2 | 486 285,11 | 350 726,09 |
| 445730 TVA COLL/ACH DE PREST IC | 5 179,37 | 1 107,10 |
| 445870 VAT Accrued on customers not yet | 55 498,85 | 51 778,56 |
| • Other taxes | **9 103,00** | **32 549,00** |
| 448600 Others taxes Accrued amount payable | 9 103,00 | 32 549,00 |
| Other debts | **50 243,44** | **6 671,52** |
| 411001 Customers and related accounts | 39 465,17 | |
| 467300 Others debtors and creditors | 10 778,27 | 6 671,52 |
| Prepaid income | **30 160,00** | **596 959,80** |
| 487000 Deferred income | 30 160,00 | 596 959,80 |
| **TOTAL(IV)** | **4 490 767,03** | **4 053 115,98** |
| **TOTAL LIABILITIES (I - V)** | **7 230 767,44** | **6 086 870,39** |

## Income Statement

| | France | Export | Current year 31/03/2016 (12 months) Total | Past year 31/03/2015 (12 months) Total |
|---|---|---|---|---|
| **Sales of manufactured services** | **13 398 667,21** | **1 189 458,21** | **14 588 125,42** | **9 640 718,15** |
| 706003 REVENUE ONSITE 20% | | | | 238 548,82 |
| 706103 Sales of services 20% | 12 616 451,01 | | 12 616 451,01 | 7 173 476,19 |
| 706307 PRESTATION LEGRAND 20% | 405 067,02 | | 405 067,02 | 461 134,13 |
| 706900 Sales 0 % | | 1 171 418,12 | 1 171 418,12 | 1 327 123,69 |
| 706903 REVENUE ADJ DEVISES | | | | 1 357,55 |
| 708503 Frais refacturation 20% | 377 149,18 | | 377 149,18 | 299 634,35 |
| 708900 Recharging cost 0 % | | 6 943,10 | 6 943,10 | 2 501,00 |
| 708902 Recharging cost inde | | 11 096,99 | 11 096,99 | 136 942,42 |
| Net turnover | **13 398 667,21** | **1 189 458,21** | **14 588 125,42** | **9 640 718,15** |
| **Recaptures on depreciations and reserves, expense transfer** | | | | 66 649,05 |
| 781740 Release Accrual debt clients | | | | 66 649,05 |
| **Other operating income** | | | 8.33 | 4.68 |
| 758000 Others current income | | | 8.33 | 4.68 |
| **Total operating income** | | | **14 588 133,75** | **9 707 371,88** |
| **Other purchases and external expenses** | | | 12 246 469,47 | 7 501 018,91 |
| 604900 Operationnal subcontracting - KP | | | 10 050 755,14 | 6 494 140,47 |
| 604901 ACHAT PREST KPIT GERMANY | | | 116 185,42 | 223 727,91 |
| 604909 PREST OTHERS | | | | 27 714,39 |
| 604913 Subcontractors HP | | | | 61 700,00 |
| 604920 EXPENSES KPIT INDE | | | 207 729,88 | 120 053,84 |
| 604923 EXPENSES KPUK | | | 9 087,23 | 713,39 |
| 604924 EXPENSES ADJ DEVISES | | | | 33 277,83 |
| 604925 EXPENSES SYSTIME USA | | | 991 732,46 | |
| 604926 EXPENSES KPIT USA | | | 250 192,22 | |
| 604927 EXPENSES CPG | | | 39 120,41 | |
| 604928 EXPENSES KPIT CANADA | | | 103 913,43 | |
| 606110 FOURN.NON STOCK.(ELECT) | | | 597,58 | 92,81 |
| 606300 Non inventory materials and supplier | | | 2 601,76 | 1 375,45 |
| 606310 Non inventory materials | | | 354,71 | 470,75 |
| 606400 Administrative furniture and material | | | 1 047,61 | 1 339,88 |
| 611200 SOUS TRAITANCE KPIT UK | | | 17 649,01 | 19 059,89 |
| 611300 G & A COSTS KPIT INDIA | | | 123 825,76 | 182 607,36 |
| 611400 PRESTATIONS FRAIS KPIT INC | | | 1 081,10 | |
| 612200 Rent office material | | | 2 280,00 | 2 280,00 |
| 613200 Rent and rental charges (offices) | | | 65 244,51 | 69 801,58 |
| 613201 Rent indians people | | | | 824,80 |
| 614100 Other rent costs | | | 13 276,13 | 1 750,93 |
| 615200 Maintenance and repairs | | | 3 960,00 | 765,00 |
| 616100 Insurance | | | 1 145,14 | 2 316,72 |
| 618501 Seminar, conferences | | | 3 150,00 | |
| 618502 Training | | | | 11 500,00 |
| 622600 Fees | | | 46 747,99 | 45 801,24 |
| 622602 Others fees | | | | 6 130,85 |
| 622605 Auditor Fees | | | 5 870,77 | 5 839,34 |
| 622610 Lawyer Fees | | | 15 453,70 | 19 153,08 |
| 622620 HONORAIRES DIVERS | | | | 2 047,66 |
| 622700 Other fees | | | 200,52 | 201,87 |
| 623100 Legal publications | | | | 249,71 |
| 623310 Advertising, publications, public | | | 12 148,00 | 10 000,00 |
| 623400 Advertising, publications, public | | | 478,32 | 750,01 |
| 624800 Other transports | | | 897,97 | 2 358,59 |

## Income Statement (Next)

| | Current year 31/03/2016 (12 months) | Past year 31/03/2015 (12 months) |
|---|---|---|
| 625100 Travel, external missions | 97 110,64 | 111 367,27 |
| 625500 remouvement costs | | 1 300,00 |
| 626000 Postal and telecommunications | 982,93 | 3 151,63 |
| 626100 Costs mobil SFR | 28 453,76 | 12 374,18 |
| 626200 Cost post | | 4 120,86 |
| 626300 Cost telecommunications | | 57,58 |
| 627500 Bank and similar services | 31 025,37 | 18 615,04 |
| 628100 Sundry | 1 320,00 | 1 987,00 |
| 628400 Recruitment fees | 850,00 | |
| **Taxes and assimilated payments** | 38 812,74 | 81 501,99 |
| 631200 Taxes on wages and salaries (tax) | 5 961,88 | 4 784,51 |
| 633300 Taxes on wages and salaries (form) | 7 899,86 | 8 801,24 |
| 635110 Others taxes (tax professionnell) | 29 679,00 | 40 029,00 |
| 637100 Others taxes (organic) | -4 728,00 | 9 246,00 |
| 637800 Others taxes (IFA) | | 18 641,24 |
| **Salaries and wages expenses** | 861 273,26 | 755 061,30 |
| 641100 Wages and salaries | 827 143,96 | 706 012,73 |
| 641200 Holiday pay - accruals | 24 762,42 | 15 063,42 |
| 641210 RTT pay accruals | 1 799,42 | 2 911,74 |
| 641300 13e mois accruals | -8 534,54 | 1 920,61 |
| 641401 Other advantages | 2 403,00 | 4 125,80 |
| 641510 Accrued bonus VPI | 13 699,00 | 25 027,00 |
| **Social security expenses** | 388 948,24 | 335 355,01 |
| 645100 Social security | 219 306,93 | 188 912,23 |
| 645320 Others social contributions (capital) | 89 472,56 | 69 034,93 |
| 645400 Others social contributions (asset) | 29 959,00 | 27 638,83 |
| 645500 Others social contributions (prev | 10 415,15 | 9 162,65 |
| 645510 Others social contributions (mutual) | 14 823,67 | 13 472,50 |
| 645880 Accrued soc contr / paid RTT | 899,70 | 1 455,86 |
| 647100 Accrued soc contr /paid holiday | 12 381,03 | 7 531,90 |
| 647500 Accrued soc contrib | 6 849,50 | 12 513,50 |
| 647510 Accrued soc contrib / 13e moi | -4 267,28 | 960,30 |
| 648000 Other benefits costs | 7 560,53 | 6 878,75 |
| 648010 Indemnity de repas | 2 121,45 | 4 228,56 |
| 648100 Other staff cost | 1 054,00 | 1 127,00 |
| 649000 CICE | -1 628,00 | -7 562,00 |
| **Operating allowances on fixed assets : depreciation allowances** | **8 131,57** | **7 639,19** |
| 681110 Depreciation of intangible off | 2 427,48 | |
| 681120 Depreciation of tangible assets | 5 704,09 | 7 639,19 |
| **Other expenses** | **152,40** | **66 654,99** |
| 654000 DOUBTFULL DEBTS WRITTEN OF | | 66 649,05 |
| 658000 Other current operating charges | 152,40 | 5,94 |
| **Total operating expenses** | **13 543 787,68** | **8 747 231,39** |
| **OPERATING RESULT** | **1 044 346,07** | **960 140,49** |
| **Other holdings and capitalized receivables** | **28 054,00** | |
| 762000 PROD.DES AUTRES IMMO FINAN | 28 054,00 | |
| **Profits on foreign exchange** | 37 496,18 | 12 821,85 |
| 766000 Exchange gains | **37 496,18** | **12 821,85** |
| **Total financial income** | **65 550,18** | **12 821,85** |
| **Loss on foreign exchange** | **52 516,50** | **137 342,97** |
| 666000 Foreing exchanges losses | **52 516,50** | **137 342,97** |
| **Total financial expenses** | **52 516,50** | **137 342,97** |
| **FINANCIAL RESULT** | **13 033,68** | **-124 521,12** |

## Income Statement (Next)

| | Current year 31/03/2016 (12 months) | Past year 31/03/2015 (12 months) |
|---|---|---|
| **Ordinary result before tax** | **1 057 379,75** | **835 619,37** |
| **Total extraordinary income** | | |
| **Extraordinary operating losses** | 3 459,75 | 35.00 |
| 671200 Penalties | 3 459,75 | 35.00 |
| **Extraordinary capital losses** | | 12 597,47 |
| 675000 VAL.NET.COMPT.ELEM.CEDES | | 12 597,47 |
| **Total extraordinary expenses** | **3 459,75** | **12 632,47** |
| **EXTRAORDINARY RESULT** | **-3 459,75** | **-12 632,47** |
| Income tax | 347 674,00 | 271 333,00 |
| 695000 Income tax | 347 674,00 | 271 333,00 |
| **Total Income** | **14 653 683,93** | **9 720 193,73** |
| **Total expenses** | **13 947 437,93** | **9 168 539,83** |
| **NET RESULT** | **706 246,00** | **551 653,90** |
| | Profit | Profit |
| Including leasing of furnitures | **2 280,00** | **2 280,00** |
| 612200 Rent office material | 2 280,00 | 2 280,00 |

# KPIT medini Technologies AG

Registered Office: Dessauer Starsse 28/29, 10963, Berlin, Germany.

**Management Report for the annual financial statement 2015/2016**

**I. Company's basic fundamentals**

**1. Business model**

The Company KPIT medini Technologies AG is a technology company with headquarters in Berlin. The KPIT medini Technologies AG offers solutions and tools for the system analysis and the system design as well as the development of embedded software-based systems.

The performance spectrum of KPIT medini Technologies AG comprises in particular of the analysis of the functional security as per ISO 26262, the configuration- and change management and the efficiency enhancement of system developments.

The KPIT medini Technologies AG has worldwide clients from Automotive, Railway, Avionics, Energy and Defence sectors. The KPIT medini Technologies AG is part of the KPIT group of companies.

The Company's management is carried out by the two directors. Project teams are formed for operative implementation of the projects, lead by a project manager.

**2. Research and Development**

The KPIT medini Technologies AG has successfully completed three European research projects in the past financial year and may acquire a follow-up project, which shall be implemented in the next 3 years and is expected to have significant technological impetus. The management board considers the participation in European research projects as an opportunity to identify trends and derivative requirements of future products.

**II. Economic report**

**1. Overall economic and sector-specific framework conditions**

In the year 2015, the Euro zone may resume the economic recovery. In the euro zone, economic output grew in the past year with a growth rate of gross domestic product (GDP) of 1.6%. Germany was able to take an important role in the European economy with 1.7%.

The monetary policy of the European Central Bank (ECB) have supportively contributed to this during the report period.

The automotive industry has also continued its growth in the previous year. The world car market, which is particularly important for KPIT medini Technologies AG, has increased overall; the major automotive markets in the US and Western Europe have developed positively. The German automotive manufacturers have produced more cars in the previous year even though there was noticeable break in demand in the important Chinese market. The entire supply industry has also developed favourably accordingly. Every year, the German manufacturers and suppliers alone invest over 30 billion Euros in the research and development worldwide. The biggest part of it is accounted for by Germany. The electro-mobility and the networked and automated vehicles are essential drivers for innovation. It is matter of political, economic and social challenge which securely and efficiently frames the transport sector of the future.

The KPIT medini Technologies has firmly established itself in the market with the help of its clearly focussed industry solution and extensive Knowhow prominence in the functional security sector. The medini analyze is its unique selling point, which ensures it a considerable competitive edge in the automotive industry.

**2. Business performance**

The Company may enhance its total output in the financial year as compared to the previous period. The increasing revenues from the renewal of leases of the software updation rights for the core product medini analyze were an extensive driver for the positive development.

The intensification of the marketing of the core products as well as further development of technology and sales partnerships are in priority for the Company. Software products and consultancy services as per ISO 26262 standard for the functional security of electrical and electronic systems in series vehicles are still the focus of KPIT medini Technologies AG. Furthermore, KPIT medini Technologies AG is involved as Development Member in AUTOSAR. AUTOSAR (AUTomotive Open System ARchitecture) is a development partnership of automotive manufacturers, ECU manufacturers as well as manufacturers of development tools, ECU basic software and microcontrollers.

The product "medini analyze" is the core product of KPIT medini Technologies AG. It is applied as standard tool for functional security in the automotive sector with the help of hazard and risk analysis, system modelling, FTA and FMEA processes.

The "medini unite" product is further maintained at reasonable cost and reached a share of approximately T€ 303 in total turnover. The Board assumes that "medini unite" is established as standard tool in the software companies, which rely on model-based development.

The intensive group-internal collaboration with other companies of KPIT group of companies is another driver for the positive business performance in the financial year 2015/2016. The collaboration is in particular in the AUTOSAR sector. The performances of KPIT medini Technologies AG are charged as per intra-group transfer pricing.

**3. Profit, Investment and Financial situation**

**Profit situation**

KPIT medini Technologies AG has generated an annual profit, before taxes, amounting to T€ 603 (previous year T€ 495) in the financial year.

The total output under consideration of the group-internal turnovers amounting to €2.4 millions could be increased by 7%. The planned total output was not achieved.

The profit, before taxes, of €0.6 million remained slightly below the planned profit of €0.7 million.

The turnovers for the core product "medini analyze" and for the product "medini unite" could be increased significantly. In the marketing year, revenues for "medini analyze" increased by 20% to T € 1,177 and for "medini unite" by 51% to T€ 303.

The total output amounts to T€ 2,022 and is composed as follows:

| | **2015/2016** | 2014/2015 |
|---|---|---|
| | **T€** | T€ |
| Turnovers "medini analyze" | 1,177 | 978 |
| Turnovers "medini unite" | 303 | 200 |
| Turnovers EU funding | 34 | 404 |
| Other turnovers | 371 | 321 |
| **Sales revenue** | 1,885 | 1,903 |
| Orders during work | 137 | 99 |
| **Total payment** | 2,022 | 2,002 |
| Group-internal payments | 356 | 212 |
| **Total** | 2,378 | 2,214 |

The revenues from EU subsidies have declined as compared to the previous year by the interim completion of three funded projects. Higher revenues will be achieved once more in the upcoming years due to the new funded AMASS research project.

The personnel expenses have increased to T€ 100 compared to the same period in 2014/2015 due to hiring of staff.

**Investment situation**

During the report period, the Company has not made any significant investments.

Due to a very positive business performance and a corresponding increase of the liquid assets, the floating assets have increased to T€ 1,757 (previous year T€ 1,042). The floating assets are offset by short-term liabilities amounting to T€ 410.

On date of the balance sheet, the equity capital may increase to T€ 1,052. KPIT medini Technologies AG during this accounts for an equity ratio of 59%.

**Financial situation**

The Company was able, at all times during the financial year, to meet its payment liabilities in due time.

The financial situation has developed as follows:

| | **2016/2017 T€** | 2015/2016 T€ |
|---|---|---|
| Cash-Flow from the operative department | 582 | 209 |
| Cash-Flow from the investment department | -4 | -11 |
| Cash-Flow from the financing department | 5 | -129 |
| **Total Cash Flow** | 583 | 69 |

On the deadline date, the portfolio of liquid assets amounts to 740 T€ (in the previous year 157 T€). In total, the current account credit limits amounts to T€ 120, which was not used on the balance sheet date. Furthermore, there is a loan from the parent company amounting to T€ 320.

The **profit, Investment and Financial situation** of KPIT medini Technologies AG can be described as very good.

**4. Financial performance indicators**

KPIT medini Technologies AG considers the return on sales measure for its internal management control. The return on sales is calculated as profit before taxes (PBT) in relation to the sales revenue plus the intra-group income.

A return on sales amounting to 27 % (previous year 23%) was achieved in the financial year 2015/2016. Thus, the high return on sales of the previous year could be increased.

The return on sales have exceeded the expectations of management and this is resulted from the fact that the third-party turnovers and intra-group turnovers have risen disproportionately to the costs.

Overall, the economic situation of KPIT medini Technologies AG can be described as very good.

**III. Supplementary report**

Events of particular significance have not occurred after the end of the financial year.

**IV. Forecast, Opportunities and Risk report**

**Forecast report**

The outlook of the Company has been very positive due to KPIT group, which as the owner, is a strong strategic technology partner and is also internationally well established in the automotive sector. Services will also be offered jointly so that neither KPIT group nor KPIT medini Technologies AG may be placed alone in the marketplace.

The Management Board expects further sales growth in licensing and consulting business in the financial year 2016/2017, which will lead to a more intensive market penetration. Additional positive impetus to the economic development of the company is also expected from the collaboration with KPIT group.

KPIT medini Technologies AG plans to confirm strong return on sales in the current financial year.

Overall, an increase in profit as compared to the financial year 2015/2016 is expected. It is expected that the annual profit shall increase in proportion to the sales growth.

A corresponding increase in personnel expenses due to additional hiring is to be expected, while considering the turnover. The additional expenses, associated with the job creation, e.g. for rent is more than compensated by the growth in sales.

The order situation on the Balance Sheet date is very good due to several long-term projects as well as a research project newly funded by the EU.

Overall, the total output amounts to €2.8 million and a profit is aimed at €0.7 million before taxes.

**Opportunities report**

The outlook of the Company is assessed as positive. Due to the high specialization of software products and consulting services, a stable or ever increasing demand can be expected. The additional use of KPIT group sales network offers a good marketing potential. In addition, excellent opportunities for product improvement and new development are offered by the intense research activities. Additionally, there are many pre-requisites to continue to achieve substantial increases in sales with "medini analyze" and accompanying consulting services.

Furthermore, it is expected that the continuation of medini analyze User Conference will have a positive effect on sales. The medini analyze User Conference is an annual gathering of interested parties and users of “medini analyze”. The medini analyze User Conference was in 2016 in the USA and in Berlin, since chances of growth are estimated to be quite great here by the Management Board.

**Risk report**

KPIT medini Technologies AG is offered across flat organizational structures. Through regular consultations with the Management Board, the project in-charges are permanently involved in the key decision-making processes.

The risks of significant credit losses are countered by the Company through strict management of receivables and a consistent arrears billing.

The main risks for KPIT medini Technologies AG are as follows:

- new competitive products, which leads to delays in job or contract losses
- the collaboration with KPIT group is designed differently than as desired
- the high turnover sales on the “medini analyze” main product.
- qualified engineering personnel could not be acquired
- labour piracy of key personnel

The risk of product dependency is countered by the ongoing development and diversification of the product. The objective of this strategy is, on one hand, to implement the product in other technology markets; and on other hand to integrate into other existing processes in order to position "medini anlalyze" as an indispensable standard tool.

The majority share of the customer base of KPIT medini Technologies AG is attributable to the automotive industry. However, there is no special dependence on the development of the automotive sector for the KPIT medini Technologies AG. With its top-selling product "medini analyze", the Company is independent of economic development in the automotive industry. Firstly, there are no comparable products in terms of quality and service and secondly, there is an integration environment for the implementation of security standards ISO 26262 for "medini analyze", which must be bindingly implemented in the automotive industry by suppliers and producers.

Through constant development of "medini analyze" and other software products and through a high service orientation, KPIT medini Technologies AG ensures a technological edge in the future.

**V. Risk reporting on the use of financial instruments**

The existing financial instruments in the Company include receivables, payables and bank balances.

Except for the above-mentioned receivables risk, there are no significant risks for KPIT medini Technologies AG from the use of financial instruments.

**VI. Report about subsidiaries**

Subsidiaries are not maintained by the Company.

**VII. Final statement on dependency report**

KPIT medini Technologies AG has prepared a dependency report for the financial year 2015/2016 in accordance with § 312 German Stock Corporation Act. The Company has noted legal transactions and other measures in the report about relations with affiliated companies, according to the circumstances that were known to the Board at the time, in the relevant legal transactions or has taken or refrained from the other measures; has given an appropriate consideration for each transaction and was thus not disadvantaged by the measures that were taken or omitted.

| | |
|---|---|
| **Dr. Olaf Kath** | **Dr. Marc Born** |
| Chairman | Managementboard |

Berlin, April 2016

**1. Audit assignment**

1 Our following debriefed report on the voluntary audit of annual financial statement of KPIT medini Technologies AG 31st March 2016 is addressed to the audited company.

In the General Meeting held on 20th November 2015 of the

KPIT medini Technologies AG,

Berlin

- here-in-after as referred as “Company” -

we were nominated by the Supervisory Board as the auditor for the financial year from 1st April 2015 to 31st March 2016. As a result, the Supervisory Board of the Company has commissioned us to Audit the financial statements including the accounting and the management report for the financial year from 1st April 2015 to 31st March 2016.

2 In addition, we are thus commissioned to include a business analysis of the **Investment, Financial and Profit situation of the Company in this Audit Report.** We have shown this analysis in section 4.3 of this report.

3 The audit mandate given to us was not excluded due to any reasons of exclusion as per §§ 319, 319a, 319b Commercial Code, §§ 49 and 53 WPO (German regulations for public accountants) and §§ 20 ff of our Professional Code.

4 We acknowledge as per § 321 para. 4a Commercial Code that we have complied with the applicable requirements for the autonomy in our audit.

5 We have created this Audit Report as per the audit standard IDW PS 450 “Principles of proper reporting for audits" of the Institute of Chartered Accountants e.V., Dusseldorf, Germany (IDW).

6 Our commission is based on the annexed VII General Conditions of Contract for accountants and accounting firms, as amended from 1st January 2002. The amount of our liability is determined in accordance § 323 para. 2 Commercial Code. No. 1, para. 2 and no. 9 of the General Terms and Conditions shall prevail in relation to third parties.

7 This report on the audit of the financial statements is not intended for disclosure to third parties. Unless it is submitted with our agreement to a third party or it is forwarded to third party with our consent notice, the Company is obliged in writing to agree with the third party that the agreed liability rules shall also apply to possible claims of third parties against us.

**2. Comment about assessment of the legal representatives**

8 The Management Report of the Company includes in our opinion the following key statements about the economic situation and the business development as well as for future development with its major opportunities and risks:

9 1. The KPIT medini Technologies AG was able to increase the total output by 1% to 2,022 thousand Euros over the previous year. Under the consideration of the intra-group outputs, the output was increased from TEuro 164 to TEuro 2,378. The reason for the increase were contract renewals for software update rights. More than half of sales have been achieved by the product "medini analyze". The planned output and the planned profit of EUR 0.7 million were not achieved.

2 In the financial year 2015/2016, an annual net profit before taxes of TEuro 603 (previous year: TEuro 495) was achieved. The return on sales, as a central financial performance indicator for Company management, has increased from 23% last year to 27%.

3. The operating cash flow was positive in the amount of TEuro 582. On the deadline date, the portfolio of liquid assets amounted to TEuro 740. There is a shareholder loan amounting to TEuro 320. The current account credit limits amounts in total to TEuro 120, which is not used on the balance sheet date.

4. The floating assets amounting to TEuro 1,757 are offset by short-term liabilities amounting to TEuro 410.

5. As an IT Company, KPIT medini Technologies AG is exposed to industry-specific risks. These, in particular, are new competitors and the know-how loss through personnel changes. The Management Board deals with these risks by a close cooperation with the project managers and the personal and permanent integration in the key decision-making processes. The default risk is countered by a strict receivables management and arrears billing. The risk of high sales share of "medini analyze" is countered by the further development and diversification of application possibilities, in order to establish the product as an indispensable standard tool.

6. For the upcoming financial year, the Management Board expects a total output of EUR 2.8 million and an annual net profit before taxes of EUR 0.7 million.

10 We note that the Management Report as a whole provides a suitable view of the Company's situation and accurately represents the future development with its significant opportunities and risks.

**3. Subject, nature and scope of audit**

**3.1 Subject of audit**

11 Within the scope of commission assigned to us, we have audited annual financial statement and the annual report according to German accounting regulations in compliance with the relevant statutory provisions and the supplementary articles of incorporation.

12 The legal representatives are responsible for the accounting and for the information provided to us as auditors. Our responsibility as auditors is to assess these documents including the bookkeeping and the statements created within the scope of our statutory audit.

13 The verification of compliance with other legal regulations belongs only to the extent of the tasks of the annual audit, as repercussions to the financial statements or the Management Report normally arise from these other regulations.

14 A separate test for detecting irregularities in provision of money and services (embezzlement check) was not part of the audit. In the course of our work there is also no indication that would have made special inquiries of this respect necessary.

### 3.2. Nature and scope of audit

15 We have conducted our audit in accordance with § 317 Commercial Code and under consideration of the generally accepted German standards for performing statutory audits by the Institute of Auditors (IDW).

16 The audit must be planned and performed such that with sufficient certainty in a manner, it can be assessed whether the bookkeeping, the annual financial statement and the annual report free of material misstatement. Within the scope of the audit, evidence supporting the disclosures in bookkeeping, the annual financial statement and management report are assessed on the basis of random sampling.

17 The audit includes the assessment of the accounting, valuation and classification principles used and essential estimates made by management well as the evaluation of the overall presentation of the financial statement and the Management Report. We believe that our audit forms a reasonable basis of our assessment.

18 We initially developed a test strategy within the scope of our risk-based audit approach. This was based on an assessment of the business environment and on information obtained from the executive Board about the Company's essential objectives and business risks.

19 The internal control system of the Company is adjusted within its scope for the number and complexity of the transactions. We have obtained sufficient knowledge about the settlement of the transactions and about the handling of the corporate management with the commercial risks.

20 The critical audit objectives identified in our audit strategy led to the following emphases of our audit:

- Audit of the process of financial statement creation
- Recoverability of unbilled services and receivables from supplies and services
- Completeness of accruals and liabilities
- Completeness of the annex
- Completeness of the Management Report

21 Our audit procedures include control-based audit procedures, analytical testing and individual audits of Balance Sheet items. Unless effective functioning controls were implemented as per our estimation and therefore sufficient personnel, computerized or mechanical controls ensured the accuracy of the annual accounts statement, we could largely limit our statement related audit procedures in respect of individual cases in particular in the scope of the routine transactions.

22 We have obtained confirmation from credit institutions operating for the Company, from related parties and in samples of the customers and suppliers.

23 We have conducted our audit in the months from April to June 2016 intermittently and ended it on 2nd June 2016.

24 All explanations and evidence, required by the legal representatives, which was requested by us after appropriate consideration for proper execution of the audit, has been provided. The Management Board has confirmed in writing about the integrity of the bookkeeping, the financial statements and Management Report in a letter of representation acquired by us on 2nd June 2016.

## 4. Findings and Notes for accounting

### 4.1 Correctness of accounting

#### 4.1.1 Bookkeeping and other audited documents

25 The accounts of the Company are maintained correctly. The document function is fulfilled. The bookkeeping and other examined documentation correspond to our findings of the legal regulations and the supplementary articles of incorporation.

26 The bookkeeping is supported by IT and maintained by using Lexware Financial Office plus. Within the scope of our audit, we have found that the measures taken by the Company are suited to ensure security of accounting-related processed data.

#### 4.1.2 Annual financial statement

27 All applicable accounting regulations, including generally accepted accounting principles and all size-related and legal form bound rules and the standards of the articles of incorporation have been adhered to in the annual financial statements presented to us for audit, created on 31st March 2016 as per German accounting regulations.

28 The Balance Sheet and Profit and Loss Statement of the KPIT medini Technologies AG for the financial year from 1st April 2015 to 31st March 2016 have been orderly derived, as per our assessments, from the bookkeeping and from the additional audited documents.

29 The relevant recognition, disclosure and valuation requirements have been fulfilled.

30 The appendix contains all the required information. Accounting provisions of § 288 Commercial Code related to the size were applied accurately.

#### 4.1.3 Management Report

31 Our audit has shown that the Management Report has complied with the financial statements and the information obtained during our audit and as a whole provides a suitable view of the Company's situation. The significant opportunities and risks of future development are described accurately and the Management Report contains the information required as per § 289 para. 2 Commercial Code.

### 4.2 Overall assessment of annual financial statement

#### 4.2.1 Findings concerning the overall assessment of annual financial statement

32 In terms of the overall assessment of the accounting and valuation methods, used by the Company, and grooming transactions, we believe that the financial statements as a whole present a true and fair view of the **Investment, Financial and Profit situation of the Company** in accordance with the generally accepted bookkeeping principles.

#### 4.2.2 Essential basis of valuation

33 The valuation methods applied to the previous financial statement were retained as per § 252 para. 1 No. 6 of the Commercial Code.

34 The option to approach from activated development costs for internally generated intangible fixed assets was not exercised in accordance with § 248 para. 2 Commercial Code.

35 The turnovers in the license sales of the Company include on one hand the indefinite license for the software and on the other hand the right of the license holder to have the updated versions of the software for a specified period. A commitment by the Company to update the software is not against the license holder. Since the Company has completely fulfilled its output at the time of conclusion of the contract, the turnover for the updation rights at the time of invoices will be considered.

36 The incomplete outputs amounting to TEuro 258 (previous year: TEUR 121) are evaluated with the manufacturing costs or for the lower fair value. An appropriate share of general administrative expenses were accordingly included in the calculation of the production costs as per the option under § 255 para. 2 clause 3 of the Commercial Code. Total overhead expenses of EUR 32 were considered. The surcharge rate used for this was calculated on the basis of past experience. For lossless assessment, the calculated production costs were compared to the performance level. Value adjustments were not necessary.

37 The receivables from trade and outputs and from affiliated companies amounting to TEuro 755 (previous year: TEUR 762) were evaluated with the nominal value or for the lower fair value. Value adjustments were not necessary.

#### 4.2.3 Five year comparison of summarized economically informative numbers

38

| | | 2015/2016 | 2014/2015 | 2013/2014 | I/2013 | 2012 |
|---|---|---|---|---|---|---|
| Sales revenue | TEuro | 1,885 | 1,903 | 1,795 | 304 | 1,165 |
| Total payment | TEuro | 2,022 | 2,002 | 1,753 | 199 | 1,434 |
| Material expenses/related payments | TEuro | 63 | 56 | 59 | 3 | 90 |
| of Total payment | % | 3 | 3 | 3 | 2 | 6 |
| Gross profit | TEuro | 1,959 | 1,946 | 1,694 | 196 | 1,344 |
| Personnel expenses | TEuro | 1,446 | 1,347 | 1,132 | 290 | 1,024 |
| of Total payment | % | 72 | 67 | 65 | 146 | 71 |
| Staff (incl. management board) | | 22 | 19 | 15 | 17 | 16 |
| Gross profit per employee | TEuro | 89 | 102 | 113 | 12 | 84 |
| EBIT | TEuro | 608 | 509 | 165 | -151 | 36 |
| of Total payment | % | 30 | 25 | 9 | -76 | 3 |
| Annual profit | TEuro | 568 | 485 | 111 | -157 | 14 |
| Return on sales | % | 27 | 23 | 8 | -51 | 0 |
| Cash-Flow from operational business activity | TEuro | 582 | 39 | 39 | -88 | -102 |
| of Sales | % | 31 | 2 | 2 | -29 | -9 |
| Net Working Capital | TEuro | 1,347 | 786 | -18 | 32 | 190 |
| Equity capital | TEuro | 1,052 | 995 | 0 | -214 | 704 |
| of total capital | % | 59 | 46 | 0 | -32 | 51 |

Profit before interest and taxes

Profit before taxes in relation to sales plus income

from Group services

Current assets minus current liabilities

During the preparation, it must be taken into consideration that the Company has changed its financial year and has formed a shortened financial year for the period from 1st January 2013 to 31st March 2013. The exceptional profit was not considered for the management ratios of this shortened financial year.

### 4.3 Analysis of the Investment, Financial and Profit situation

#### 4.3.1 Asset and Capital structure

39 Investment situation and capital structure as well as their changes compared to previous year were derived from the following compilations of the Balance Sheet figures in TEuro for both the Balance Sheet deadline dates 31st March 2016 and 31st March 2015:

| | 31.3.2016 | | 31.3.2015 | | Modified |
|---|---|---|---|---|---|
| **Asset** | TEuro | % | TEuro | % | TEuro |
| Fixed assets | | | | | |
| Tangible fixed assets | 10 | 0.6 | 12 | 1.1 | -2 |
| Current assets | | | | | |
| Stocks | 259 | 14.5 | 121 | 11.4 | 138 |
| Receivables from supplies and services | 618 | 34.7 | 663 | 62.4 | -45 |
| Receivables from affiliated companies | 137 | 7.7 | 100 | 9.4 | 37 |
| Other current assets and | | | | | |
| accrued income | 18 | 1.0 | 9 | 0.9 | 9 |
| Liquid assets | 740 | 41.5 | 157 | 14.8 | 583 |
| | 1,772 | 99.4 | 1,050 | 98.9 | 722 |
| **Total assets** | **1,782** | **100.0** | **1,062** | **100.0** | **720** |

| | 31.3.2016 | | 31.3.2015 | | Modified |
|---|---|---|---|---|---|
| **Liabilities** | TEuro | % | TEuro | % | TEuro |
| Equity capital | | | | | |
| Capital stock | 117 | 6.6 | 117 | 11.0 | 0 |
| Capital reserves | 834 | 46.8 | 834 | 78.5 | 0 |
| Revenue reserves | 73 | 4.1 | 43 | 4.0 | 30 |
| Balance sheet profit/loss | 28 | 1.6 | -510 | -48.0 | 538 |
| | 1,052 | 59.1 | 484 | 45.5 | 568 |
| Loan capital | | | | | |
| Accruals | 200 | 11.2 | 147 | 13.8 | 53 |
| Liabilities | | | | | |
| - from payments received | 121 | 6.8 | 26 | 2.4 | 95 |
| - from supply and services | 21 | 1.2 | 12 | 1.1 | 9 |
| - from affiliated companies | 327 | 18.4 | 322 | 30.3 | 5 |
| - Others | 61 | 3.3 | 71 | 6.9 | -10 |
| | 730 | 40.9 | 578 | 54.5 | 152 |
| Total capital | 1,782 | 100.0 | 1,062 | 100.0 | 720 |

40 The total assets increased over the previous year by TEuro 720 or 67.9% to TEuro 1,782. This increase resulted primarily from the increase in works in progress and the liquid assets.

41 The middle and short term assets increased by TEuro 722 or 68.8% to TEuro 1,772.

42 The value of the works in progress amounting to TEuro 258 (previous year: TEuro 121) has increased over the previous year by TEuro 137. The Balance Sheet position relates to a publicly-funded EU project and various consulting projects, which were not finally settled at Balance Sheet date. The assessment is under the premise of loss-free valuation. The manufacturing costs of the EU-funded project were assessed at the maximum funding rate. The option to open deduction of payments received from inventories was not used (see. Para. 53).

43 The receivables from supply and services amounting to TEuro 618 (previous year: TEuro 663) were reduced over the previous year by 45 or 6.8%. The reduction is due to the increase in advance payments received and the deadline date effect. The receivables derive almost solely from the past financial year. Value adjustments were not made.

44 In case of receivables from affiliated companies of TEuro 137 (previous year: TEuro 100), they relate exclusively to receivables from supply and services to other companies of the KPIT group. The increase in receivables is due to the increase in other operating income from intra-company reimbursements (see. Para. 60). Value adjustments were not made.

45 The liquid assets amounting to TEuro 740 (previous year: TEuro 157) have increased over the previous year by 583 or 371.3%. In the liquid assets, bank deposits in the amount of TEuro 50 (previous year: TEuro 11) are pledged as collateral for loans.

46 On the reporting date, the equity ratio of the Company is 59.1% of the total capital compared to 45.5% last year.

47 The equity capital amounting to TEuro 1,052 (previous year: TEuro 484) has increased over the previous year for the annual net profit 2015/2016 by TEuro 568. The net profit was calculated on one hand statutorily amounting to TEuro 511 with the loss carry-forwards and on the other hand amounting to TEuro 3 transferred to the legal reserve and amounting to TEuro 27 in the statutory reserves. The annual net profit last year was offset by statute in the full amount with the losses carried forward.

By order of the Supervisory Board dated 18th April 2016, the Supervisory Board has resolved to cede the approval of the financial statement to the Annual General Meeting.

48 The Company is aware on 31st March 2016 of a debt ratio amounting to 40.9% (previous year 54.5%).

49 The borrowed capital altogether consists of long-term debt in the amount of TEuro 320 and current liabilities amounting to TEuro 410. The long-term debt consists of a loan from the sole shareholder KPIT Technologies GmbH, which has to be repaid by 27th November 2017.

50 Tax provisions were formed taking into account the tax loss carry forwards.

51 The other accruals have increased over the previous year by TEuro 19 or 13.2%. The accruals relate to provisions for personnel expenses amounting to TEuro 149, for outstanding invoices amounting to TEuro 6, for audit fees amounting to TEuro 7 for archiving costs amounting to TEuro 3 and for guarantees amounting to TEuro 1.

52 The Company granted overdraft facilities from banks totalling TEuro 120 were not utilized on the reporting date.

53 The increase in advance payments received by TEuro 95 is related to the increase in work in progress by TEuro 137. All payments received relating to services already rendered but those not yet invoiced.

54 The liabilities to affiliated companies amounting to TEuro 327 are made up of a long-term interest bearing loans totalling EUR 320 and interest liabilities in the amount of Euro 7 altogether. The loan from the sole shareholder KPIT Technologies GmbH is interest-bearing at the rate of 6-month EURIBOR plus 1.5 basis points and repayable by 27th November 2017. The loan is unsecured.

#### 4.3.2 Financial situation

55 An overview of the origin and of the use of the financial resources of the audited entity provides the following cash flow statement which shows the cash flows using the indirect method and the adherence to the principles of the German Accounting Standard no. 2 (DRS 2) developed by the German Accounting Standards Board GASB.

| | | 2015/2016 | 2014/2015 |
|---|---|---|---|
| | | **TEuro** | TEuro |
| **1.** | **Operative department** | | |
| Annual profit | | 568 | 485 |
| + | Depreciations | 6 | 5 |
| + | Increase in provisions | 53 | 14 |
| - | Increase in works in progress | -137 | -99 |
| - | Increase stock in trade | -1 | 0 |
| + | Decrease of receivables from supplies and services | 45 | -130 |
| - | Increase in receivables from affiliated companies | -37 | -100 |
| + | Increase in customer advances | 95 | 9 |
| + | Increase in liabilities from supply and services | 9 | -14 |
| + | Decrease of other current assets | -2 | 2 |
| - | Decrease of other liabilities | -10 | 34 |
| + | Decrease of accrued income | -7 | 3 |
| | **Cash-flow from operational business activity** | **582** | **209** |
| | 2. Investment department | | |
| | - Payments for real investments and software | -4 | -11 |
| | **Cash-Flow from the investment department** | **-4** | **-11** |
| **3.** | **Finance department** | | |
| - | Decrease in the bank liabilities | 0 | -451 |
| + | Increase of the liabilities from | | |
| | affiliated companies | 5 | 322 |
| | **Cash-Flow from the finance department** | **5** | **-129** |
| | **Total Cash-flow** | **583** | **69** |

| Change of the liquid assets | |
|---|---|
| | TEuro |
| Status as on 1st April 2015 | 157 |
| Change in the financial year 2015/2016 | 583 |
| Status as on 31st March 2016 | 740 |

#### 4.3.3 Profit situation

56 The comparison, of income statements deduced from the income statement for the financial year from 1st April 2015 to 31st March 2016 and the financial year from 1st April 2014 to 31st March 2015, shows the following picture of the results and their changes:

| | 2015/2016 | | 2014/2015 | | Change |
|---|---|---|---|---|---|
| | **TEuro** | % | TEuro | % | TEuro |
| Sales revenue | 1,885 | 93.2 | 1,903 | 95.1 | -18 |
| Change in stock | 137 | 6.8 | 99 | 4.9 | 38 |
| Total payment | 2,022 | 100.0 | 2,002 | 100.0 | 20 |
| Material expense | 63 | 3.1 | 56 | 2.8 | -7 |
| Gross profit | 1,959 | 96.9 | 1,946 | 97.2 | 13 |
| Personnel expenses | 1,446 | 1,347 | -99 | | |
| Depreciations | 6 | 5 | -1 | | |
| other expenses minus | | | | | |
| other income* | -101 | 85 | 186 | | |
| operative profit | 608 | 509 | 99 | | |
| Financial result | -5 | -14 | 9 | | |
| Profit from ordinary | | | | | |
| business activity | 603 | 495 | 108 | | |
| Taxes on income | | | | | |
| and earnings | 35 | 10 | -25 | | |
| Annual profit | 568 | 485 | 83 | | |

* inclusive of other taxes

57 The total assets in the financial year 2015/2016 increased over the previous year by 1% to TEuro 2,022.

58 Revenues amounting to TEuro 1,885 (previous year: TEuro 1,903) consist, regionally divided, compared to the previous year, as follows:

| | **2016** | 2015 |
|---|---|---|
| | **TEuro** | TEuro |
| Germany | 859 | 1,024 |
| European Union | 159 | 152 |
| Outside European Union | 867 | 727 |
| **Total** | **1,885** | **1,903** |

The main changes in the composition of sales relate to turnover in connection with the product "medini analyze" (TEuro 1,177), which accounted for 62.4% of total sales and compared to the previous year have increased by TEuro 200 or 20.4% and revenue from project grants (TEuro 34), which has declined against the previous year by TEuro 370 or 91.5%.

59 Due to the increase in the average number of employees from 19 to 22 people (including 2 board members), personnel expenses rose by 7.4%. The average personnel expenses increased in relation to total revenues to 71.5% (previous year 67.3%).

60 The profit from operating expenses minus operating income is represented, compared to the previous year, as follows:

| | 2015/2016 | 2014/2015 | Change |
|---|---|---|---|
| | TEuro | TEuro | TEuro |
| Other operational expenses | | | |
| Premise expenses | 107 | 97 | 10 |
| Travelling expenses | 84 | 77 | 7 |
| Advertising and hospitality | 22 | 41 | -19 |
| Insurance, contributions, fees and charges | 16 | 30 | -14 |
| Vehicle costs | 22 | 26 | -4 |
| Maintenance and equipment rental | 4 | 6 | -2 |
| Legal and consulting costs | 8 | 7 | 1 |
| Accounting and auditing costs | 7 | 8 | -1 |
| Other administrative expenses | 21 | 21 | 0 |
| Currency differences | 8 | 4 | 4 |
| other taxes | 1 | 1 | 0 |
| residual | 1 | 10 | -9 |
| | 301 | 328 | -27 |
| Other operational income | | | |
| Group services | 356 | 212 | 144 |
| Release of provisions | 24 | 1 | 23 |
| Payments in kind | 16 | 16 | 0 |
| Currency differences | 5 | 12 | -7 |
| residual | 1 | 1 | 0 |
| | 402 | 242 | 160 |
| | -101 | 85 | -186 |

61 The other operating expenses were reduced by 8%. The reduction is mainly due to lower advertising expenses for meetings.

62 The other operating incomes increased by TEuro 160. The reasons for the increase are the services-company services in the form of cost transfers of personnel costs.

63 Taxes on income and earnings amounting to TEuro 35 relate to the current result. The increase was due to the complete consumption of tax loss carry forwards in the year 2015/2016.

## 5. Reproduction of the audit report and final remark

64 The complete audit certificate given by us is attached as Annex V to the company's financial statement in signed form dated 31st March 2016, is reproduced here:

65 "Audit certificate by the auditor

To KPIT medini Technologies AG:

We have audited the financial statement - composed of balance sheet, profit and loss statement as well as attachment including the accounting and the management report for the financial year of the KPIT medini Technologies AG for the financial year from 1st April 2015 to 31st March 2016. The accounting and the preparation of financial statements and management report in accordance with German commercial law and supplementary provisions of the bylaws are the responsibility of the company. It is our responsibility is to express an opinion, on the basis of our audit, about the financial statements, including the accounting and the management report.

We have conducted our audit in accordance with § 317 Commercial Code and under consideration of the generally accepted German standards for statutory audits by the Institute of Auditors (IDW). Then the audit is planned and conducted such that misstatements that materially affect the results of operations in the financial statements can be recognized with reasonable assurance in compliance with the principles of proper accounting and in the management report of the assets, financial position and results. While determining the audit procedures, the knowledge of the business activities and the economic and legal environment of the company and expectations of possible errors are taken into account. Within the scope of the audit, the effectiveness of the internal control system and evidence supporting the disclosures in bookkeeping, the annual financial statement and management report are predominantly assessed on the basis of random sampling. The audit includes the assessment of the accounting principles used and essential estimates made by legal representative as well as the evaluation of the overall presentation of the financial statement and the management report. We believe that our audit forms a reasonable basis of our assessment.

Our audit has not led to any reservations.

In our opinion based on the findings from the audit, the financial statements comply with the legal requirements and the articles of incorporation and give a true and fair view of the financial condition and results of operations in compliance with generally accepted accounting principles. The management report is in accordance with the financial statement, provides as a whole a suitable view of the company's situation and accurately represents the future development with its significant opportunities and risks."

66 We will report the above audit report in accordance with the legal requirements and the principles of proper reporting for audits (IDW PS 450).

67 The use of the above reproduced audit report outside this audit report requires our prior consent.

68 The publication or dissemination of the financial statements in a form which deviates from the certified version (including translation into other languages) requires our renewed comment, insofar as it cites our opinion or reference is made to our audit. We refer in this respect to § 328 Commercial Code.

Berlin, 2nd June 2016

**HECHT & KOLLEGEN GMBH**
ACCOUNTING FIRM
TAX CONSULTANCY FIRM

**Petra Wierzchowski** Auditor

**Robert Zwirn** Auditor

# Balance sheet as of 31st March 2016

**for KPIT medini Technologies AG**

**Berlin**

| | March 31st 2016 | March 31st 2015 |
|---|---|---|
| | € | € |
| **ASSETS** | | |
| **A. FIXED ASSETS** | | |
| I. Intangible assets | | |
| By purchase acquired concessions, industrial property and similar | | |
| rights and assets, and licenses in such rights and assets | 1.00 | 1.00 |
| II. Tangible assets | | |
| Other equipment, factory and office equipment | 10,183.00 | 12,006.00 |
| | 10,184.00 | 12,007.00 |
| **B. CURRENT ASSETS** | | |
| I. Inventories | | |
| 1. Work in process | 258,329.21 | 121,300.00 |
| 2. Merchandise | 967.76 | 0.00 |
| II. Receivables and other assets | | |
| 1. Trade receivables | 618,222.04 | 662,629.28 |
| 2. Receivables from affiliated companies | 136,987.57 | 99,823.21 |
| 3. Other assets | 2,196.44 | 587.03 |
| III. Cash on hand, bank balances | 740,462.53 | 157,414.80 |
| | 1,757,165.55 | 1,041,754.32 |
| **C. PREPAID EXPENSES AND DEFERRED CHARGES** | 15,244.19 | 7,836.92 |
| | 1,782,593.74 | 1,061,598.24 |

| | March 31st 2016 | March 31st 2015 |
|---|---|---|
| | € | € |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | |
| **A. Shareholders´equity** | | |
| I. Subscribed capital | 117,050.00 | 117,050.00 |
| II. Capital rerserves | 834,343.15 | 834,343.15 |
| III. Earnings reserves | | |
| 1. Statutory reserve | 11,705.00 | 8,980.00 |
| 2. Reserves provided for by the company by-laws | 61,783.64 | 34,204.82 |
| IV. Profit / loss shown on the balance sheet after appropiation to or transfer from reserves | 27,578.82 | -510,532.24 |
| | 1,052,460.61 | 484,045.73 |
| **B. ACCRUALS** | | |
| 1. Tax accruals | 34,000.00 | 0.00 |
| 2. Other accruals | 166,012.93 | 146,676.68 |
| | 200,012.93 | 146,676.68 |
| **C. ACCOUNTS PAYABLE** | | |
| 1. Customer advances | 121,189.75 | 26,437.13 |
| 2. Trade payables | 20,964.34 | 12,089.87 |
| 3. Payables to affiliated companies | 327,251.00 | 321,857.00 |
| 4. Other liabilities | 60,313.78 | 70,491.83 |
| - of which taxes: € 59.938,17 (year before: € 70.522,83) | 529,718.87 | 430,875.83 |
| - of which social security payables: € 375,61 (year before: € 0,00) | | |
| | 1,782,593.74 | 1,061,598.24 |

# Profit and Loss Statement as of April 1st, 2015 to March 31st, 2016 / as of January 1st, 2014 to March 31st, 2015

**for KPIT medini Technologies AG**

**Berlin**

| | April 1st, 2015 - March 31st, 2016 | | | April 1st, 2014 - March 31st, 2015 | | |
|---|---|---|---|---|---|---|
| | € | € | € | € | € | € |
| 1. Sales | | 1,885,128.00 | | | 1,902,519.67 | |
| 2. Increase / Decrease in work in process | | 137,029.21 | | | 99,270.94 | |
| 3. Other operating income | | 401,661.10 | 2,423,818.31 | | 242,105.07 | 2,243,895.68 |
| - of which income from foreign currency translation: € 5.004,39 (year before: € 11.869,06) | | | | | | |
| 4. Cost of materials | | | | | | |
| Cost of raw materials, supplies and merchandise | 1,429.88 | | | 1,013.67 | | |
| Cost of purchased services | 61,707.40 | 63,137.28 | | 54,959.69 | 55,973.36 | |
| 5. Personnel expenses | | | | | | |
| a) Wages and salaries | 1,258,844.86 | | | 1,172,641.97 | | |
| b) Social security | 187,280.12 | 1,446,124.98 | | 173,914.73 | 1,346,556.70 | |
| 6. Depreciation of fixed intangible and tangible assets | | 6,150.42 | | | 5,187.00 | |
| 7. Other operating expenses | | 299,226.95 | 1,814,639.63 | | 326,697.75 | 1,734,414.81 |
| - of which expenses from foreign currency translation: € 8.412,38 (year before: € 3.592,49) | | | 609,178.68 | | | 509,480.87 |
| 8. Other interest and similar income | | 179.22 | | | 70.90 | |
| 9. Interest and similar expenses | | 5,394.00 | -5,214.78 | | 14,531.12 | -14,460.22 |
| - of which to affiliated companies: € 5.394,00 (year before: € 1.857,00) | | | | | | |
| 10. Net operating income | | | 603,963.90 | | | 495,020.65 |
| 11. Taxes on income | | 34,977.01 | | | 9,903.58 | |
| 12. Other taxes | | 572.00 | 35,549.01 | | 602.00 | 10,505.58 |
| 13. Net income for the year | | | 568,414.89 | | | 484,515.07 |
| 14. Cumulative losses brought forward | | | -510,532.24 | | | -995,047.31 |
| 15. Transfer to earnings reserves | | | | | | |
| to statutory reserve | | | 2,725.00 | | | 0.00 |
| to reserves provided for by the company by-laws | | | 27,578.83 | | | 0.00 |
| 16. Profit shown on the balance sheet after appropriation to or transfer from reserves | | | 27,578.82 | | | -510,532.24 |

# Development of fixed assets as of April 1st, 2015 to March 31st, 2016

**for KPIT medini Technologies AG**

**Berlin**

| | Costs of acquisition or manufacturing | | | | Accumulated depreciation | | | | Book values | |
|---|---|---|---|---|---|---|---|---|---|---|
| | April 1st, 2015 | Additions | Retirements | March 31st, 2016 | April 1st, 2015 | Additions | Retirements | **March 31st, 2016** | **March 31st, 2016** | March 31st, 2015 |
| | € | € | € | € | € | € | € | € | € | € |
| **I. Intangible assets** | | | | | | | | | | |
| By purchase acquired concessions, industrial property | | | | | | | | | | |
| and similar rights and assets, and licenses in such | | | | | | | | | | |
| rights and assets | 38,840.23 | 0.00 | 0.00 | 38,840.23 | 38,839.23 | 0.00 | 0.00 | 38,839.23 | 1.00 | 1.00 |
| | | | | | | | | | | |
| **II. Tangible assets** | | | | | | | | | | |
| Other equipment, factory and office equipment | 188,134.59 | 4,328.42 | 200.00 | 192,263.01 | 176,128.59 | 6,150.42 | 199.00 | 182,080.01 | 10,183.00 | 12,006.00 |
| | 226,974.82 | 4,328.42 | 200.00 | 231,103.24 | 214,967.82 | 6,150.42 | 199.00 | 220,919.24 | 10,184.00 | 12,007.00 |

## STATEMENT FOR THE FINANCIAL YEAR 2015/2016

The KPIT medini Technologies AG as of the reporting date has fulfilled the characteristics of a small corporation in accordance with § 267 para. 1 Commercial Code.

I. **Accounting and valuation methods**

The current financial statement are in accordance with §§ 242 ff. and §§ 264 ff. Commercial Code assuming that the company continues its activities.

The acquired intangible fixed assets are stated at cost. The tangible assets are valued at the acquisition or production costs. To the extent these assets are depreciable, the approaches can be reduced by the estimated useful life depreciation.

Internally generated intangible assets are not recognized.

The stocks are evaluated with the manufacturing costs or for the lower fair value.

Receivables and other assets are stated at nominal value or the lower fair value.

Cash and cash equivalents are stated at their nominal value.

The provisions cover all identifiable risks and contingent liabilities; they are carried at the settlement amount, which is required by prudent business judgment.

The liabilities are stated at their settlement amount.

Foreign currency denominated assets and liabilities were translated at the average spot exchange rate on the closing date.

II. **Balance Sheet Information**

The development of fixed assets is in accordance with § 268 para. 2 Commercial Code in the gross view shown in the assets.

The receivables from affiliated companies are exclusively receivables from goods and services (liability certificate).

Cash € 50,000.00 reported on the reporting date has been pledged as collateral for credit lines.

The amount of the share capital corresponds to the requirements of § 7 German Stock Corporation Act. The share capital as on the balance sheet date is 117,050 shares. The shares are in the name.

The statutory reserves have developed as follows:

| | |
|---|---|
| Legal reserve on 1st April 2015 | 8,980.00 € |
| Adjustment from the annual net profit 2015/2016 | 2,725.00 € |
| Legal reserve for 31st March 2016 | 11,705.00 € |

The legal reserves have developed as follows:

| | |
|---|---|
| Statutory reserve on 1st April 2015 | 34,204.82 € |
| Adjustment from the annual net profit 2015/2016 | 27,578.83 € |
| Statutory reserve for 31st March 2016 | 61,783.65 € |

The Supervisory Board has resolved on 18th April 2016 that the financial statements should be determined for the financial year 2015/2016 by the General Meeting. For this reason, the statute was in the preparation of financial statements in accordance with § 17 para. 3 of the articles of association, to adjust half of the net profit, adjusted after offsetting the losses carried forward and allocated to the legal reserve, in the statutory retained earnings.

A loss carryforward of € 510,532.24 (previous year: 995,047.31) is included in the balance sheet profit 31st March 2016.

The other accruals relate to provisions for personnel expenses amounting to 148,777.93 €, for outstanding invoices amounting to 5,900.00 €, for audit fees amounting to 7,452.00 €, for archiving costs amounting to 2,700.00 € and for guarantees amounting to 1,183.00 €.

The liabilities have the following maturities:

| | Total | with a remaining term of | | |
|---|---|---|---|---|
| | 1 year | 1 to 5 years | over 5 years | |
| | Euro | Euro | Euro | Euro |
| Liabilities | | | | |
| from / against | | | | |
| - Payments received | 121,189.75 | 121,189.75 | 0.00 | 0.00 |
| - Supplies and services | 20,964.34 | 20,964.34 | 0.00 | 0.00 |
| - affiliated companies | 327,251.00 | 7,251.00 | 320,000.00 | 0.00 |
| - others | 60,313.78 | 60,313.78 | 0.00 | 0.00 |
| | 529,718.87 | 209,718.87 | 320,000.00 | 0.00 |

There are usual proprietary rights for trade payables.

The contractual overdraft and money market credit lines are secured by a pledge of bank deposits in the amount of € 50,000.00.

III. **Details of the profit and loss account**

The income statement has been prepared using the total cost method.

The write-downs of € 6,150.42 relate exclusively to depreciation.

## Significant period income or expenses are not recognized.

| | Acquisition or production costs | | | | Accumulated depreciation | | | | Asset value | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1.4.2015 | Accruals | Waste accrual | 31.3.2016 | 1.4.2015 | Accruals | Waste accrual | 31.3.2016 | 31.3.2016 | 31.3.2015 |
| | Euro | Euro | Euro | Euro | Euro | Euro | Euro | Euro | Euro | Euro |
| **I. Intangible assets** | | | | | | | | | | |
| Purchased concessions, industrial | | | | | | | | | | |
| security rights and similar rights and assets and | | | | | | | | | | |
| licences to such rights and values | 38,840.23 | 0.00 | 0.00 | 38,840.23 | 38,839.23 | 0.00 | 0.00 | 38,839.23 | 1.00 | 1.00 |
| | | | | | | | | | | |
| **II. Tangible assets** | | | | | | | | | | |
| Other equipment, factory and office equipment | 188,134.59 | 4,328.42 | 200.00 | 192,263.01 | 176,128.59 | 6,150.42 | 199.00 | 182,080.01 | 10,183.00 | 12,006.00 |
| **Total** | 226,974.82 | 4,328.42 | 200.00 | 231,103.24 | 214,967.82 | 6,150.42 | 199.00 | 220,919.24 | 10,184.00 | 12,007.00 |

## IV. Other information

The financial statements of KPIT medini Technologies AG are included in the consolidated financial statements 31st March 2016 KPIT Technologies Ltd., Pune / India. The consolidated financial statements is disclosed in the Indian business registers.

On the balance sheet date, other financial obligations from rental and leasing contracts amounting to approximately € 140,000.00, were incurred in the amount of € 120,000.00 in the following year and in the amount of € 20,000.00 in subsequent years.

The board members of KPIT medini Technologies AG are computer scientist Dr. Olaf Kath, Berlin and the computer scientist Dr. Marc Born, Berlin. The company is represented by two board members or by one member together with an authorized signatory.

The supervisory board of KPIT medini Technologies AG on the reporting date is as follows:

- Mr. Pankaj Sathe, Earley (England) - CEO (Chairman) (since 1st May 2015)
- Mr. Anil Patwardhan, Pune (India) - Manager (subst. Chairman)
- Mr. Anup Sable, Pune (India) - Manager
- Mr. Kishor Patil, Pune (India) - Manager
- Mr. Sanjay Mandal, Gräfelfing - Manager (till 1st April 2015)

The disclosure of the remuneration of the Executive and Supervisory Boards will be omitted in accordance with § 286 para. 4 Commercial Code.

The Board has appointed Dipl.-Ing. Olaf Irmscher, Berlin general commercial power of attorney. The authorized signatory represents the company jointly with a chairman.

Berlin, 29th April 2016

| | |
|---|---|
| **Dr. Olaf Kath** | **Dr. Marc Born** |
| Chairman | Management board |

# KPIT Solutions GmbH

Registered Office: Detmolder Straße 235 33605 Bielefeld, Germany.

## Board's Report

Dear Shareholders,

Your Board of Directors is pleased to present herewith the report of the Directors on the operations of the Company together with the accounts for the financial year ended on March 31, 2016.

**Financial Results**

| Particulars | From April 1, 2015 to March 31, 2016 Euro |
|---|---|
| Total Revenues | 7,197,174 |
| Net Profit/(Loss) for the period | 320,659 |

**Audit**

The Company is not required by the local laws to have an independent audit firm to issue a report to the shareholders on the financial statements. No audit opinion has been sought in respect of these financial statements. The accounts are prepared from the internally prepared management accounts of the Company. The same management accounts are audited in order for the Group Auditors to give an audit opinion in relation to the group accounts i.e. consolidated accounts of KPIT Technologies Limited, the parent company. Hence, no separate audit report is given in respect of the Company.

For and on behalf of the Board of Directors

**KPIT Solutions GmbH**

**Ulrich Heinzel**
Managing Director

**Sabine Schmidtke**
Managing Director

April 21, 2016

## Business information

1. **Business fundamentals**

KPIT Solutions GmbH does business in hardware and software distribution and in software development and implementation.

It had the following employees on the balance sheet date:

| | 31.03.2016 | 31.03.2015 |
|---|---|---|
| Managing directors | 2 | 2 |
| Commercial employees | 39 | 35 |
| | **41** | **37** |

2. **Development of net assets, financial position and results of operations**

To analyse net assets, financial position and results of operations, we organised the items in the balance sheet and income statement according to sound business practices and compared the most recent financial years.

This section is organised on the basis of the structure and sequence set out in HGB § 264 (2) sentence 1.

Rounding may result in differences between the arithmetically exact numbers and the numbers given in tables and references.

2.1 **Development of net assets**

a. **Standardised balance sheet**

The following table groups individual balance sheet items based on financial and economic criteria and compares them to the corresponding items from previous years.

The asset structure is presented by classifying items on the asset side of the balance sheet as fixed or current assets.

The capital structure is presented by classifying the items on the liabilities side of the balance sheet as shareholders' equity or liabilities, with liabilities sub-classified into long-term and current liabilities.

| ASSETS | 31.03.2016 | 31.03.2015 |
|---|---|---|
| | € '000 | € '000 |
| **Fixed assets** | | |
| Intangible assets | 16 | 7 |
| Tangible assets | 30 | 42 |
| | **46** | **49** |
| **Current assets, readily convertible to cash** | | |
| Trade debtors | 1,340 | 1,085 |
| Other assets | 58 | 126 |
| Cash and cash equivalents/securities | 940 | 699 |
| | **2,338** | **1,910** |
| **Current assets, other** | | |
| Stocks | 17 | 18 |
| Deferred income | 162 | 23 |
| | **179** | **41** |
| **Total assets** | **2,563** | **2,000** |

| EQUITY AND LIABILITIES | 31.03.2016 | 31.03.2015 |
|---|---|---|
| | € '000 | € '000 |
| **Shareholders' equity** | | |
| Share capital | 25 | 25 |
| Retained earnings brought forward | 410 | 357 |
| Profit or loss for the financial year | 321 | 53 |
| | **756** | **435** |
| **Liabilities, current** | | |
| Provisions for taxations including deferred taxation | 88 | 5 |
| Other provisions | 375 | 365 |
| Payment received on account | 109 | 26 |
| Trade creditors | 498 | 189 |
| Other creditors including taxation and social security | 142 | 133 |
| Deferred income | 595 | 847 |
| | **1,807** | **1,565** |
| **Total equity and liabilities** | **2,563** | **2,000** |

b. **Capital structure**

Definition: Shareholders' equity as a % of total liabilities and equity (equity ratio) Debt as a % of total liabilities and equity (debt ratio) Liabilities as a % of shareholders' equity (debt/equity ratio)

Purpose: To assess the Company's capital structure

| Financial year | | 31.03.2016 | 31.03.2015 |
|---|---|---|---|
| Equity ratio | % | 29.5 | 21.8 |
| Debt ratio | % | 70.5 | 78.2 |
| Debt/equity ratio | % | 239.0 | 358.7 |

c. **Asset structure**

Definition: Fixed assets as a % of total assets (fixed to total asset ratio) Current assets as a % of total assets (current to total asset ratio)

Purpose: To assess the Company's asset structure

| Financial year | | 31.03.2016 | 31.03.2015 |
|---|---|---|---|
| Fixed to total asset ratio | % | 1.8 | 2.5 |
| Current to total asset ratio | % | 98.2 | 97.5 |

d. **Debtors turnover (in days)**

Definition: $\frac{\text{Average trade debtors x 360 days}}{\text{Turnover}}$

Purpose: To determine the average time to collect from customers

| Financial year | 2015/2016 | 2015 |
|---|---|---|
| Days | 60.7 | 69.1 |

e. **Creditors turnover (in days)**

Definition: $\frac{\text{Average trade creditors x 360 days}}{\text{Total purchases}}$

Purpose: To determine the average time to pay suppliers

| Financial year | 2015/2016 | 2015 |
|---|---|---|
| Days | 55.0 | 25.8 |

### 2.2 Development of financial position

**a. Cash flow statement**

The following cash flow statement shows the investing and financing activities of past financial years on the basis of "current cash and cash equivalents":

| | | 2015/2016 | 2015 |
|---|---|---|---|
| | | € '000 | € '000 |
| 1. | **Profit or loss for the financial year** | 321 | 53 |
| 2. | Depreciation, amortization and write-downs of fixed assets/ reversals of write-downs of fixed assets | 24 | 9 |
| 3. | Increase/decrease in non-current provisions | 0 | 0 |
| 4. | Other non-cash income/expenses | 0 | 0 |
| | **Cash flow for the year** | **345** | **62** |
| 5. | Increase/decrease in current provisions | 93 | 12 |
| 6. | Loss/gain on disposal of tangible assets | 0 | 0 |
| 7. | Increase/decrease in stocks, debtors and other assets | -324 | 402 |
| 8. | Increase/decrease in creditors and other liabilities | 149 | 87 |
| | **Cash inflow/outflow from operating activities** | **263** | **563** |
| 9. | Proceeds from disposal of intangible assets | 0 | 0 |
| 10. | Purchase of intangible assets | -14 | 0 |
| 11. | Proceeds from disposal of tangible assets | 0 | 0 |
| 12. | Purchase of tangible assets | -8 | -1 |
| 13. | Proceeds from disposal of financial assets | 0 | 0 |
| 14. | Purchase of financial assets | 0 | 0 |
| | **Cash inflow/outflow from investing activities** | **-22** | **-1** |
| 15. | Cash receipts from shareholders | 0 | 0 |
| 16. | Cash payments to shareholders | 0 | 0 |
| 17. | Cash proceeds from bank loans | 0 | 0 |
| 18. | Cash repayments of bank loans | 0 | 0 |
| | **Cash inflow/outflow from financing activities** | **0** | **0** |
| 19. | **Net change in cash funds** | **241** | **562** |
| 20. | Cash funds at beginning of period | 699 | 137 |
| 21. | **Cash funds at end of period** | **940** | **699** |

| **Composition of cash funds:** | 31.03.2016 | 31.03.2015 |
|---|---|---|
| | € '000 | € '000 |
| Cash at bank and in hand | 940 | 699 |
| Current liabilities to banks | 0 | 0 |
| | **940** | **699** |

The cash funds at the beginning (No. 20) and end of the period (No. 21) are equal to the item "Cash at bank and in hand" and the current "Liabilities to banks". These cash and cash equivalents items rose € 241 thousand in the year under review.

**b. Quick ratio**

Definition: Cash and cash equivalents + current debtors / Current liabilities

Purpose: To determine the degree to which current liabilities are covered by current assets that are readily convertible to cash

| Financial year | 31.03.2016 | 31.03.2015 |
|---|---|---|
| % | 129.4 | 122.0 |

### 2.3 Development of results of operations

**a. Income overview**

The following comparison of income items, obtained from the income statement, compares the results of operations over several years.

| | 2015/2016 | 2015 |
|---|---|---|
| | € '000 | € '000 |
| Turnover | 7,197 | 1,691 |
| Change in stock | -1 | 0 |
| **Gross revenue for the period** | **7,196** | **1,691** |
| Total purchases | -2,248 | -501 |
| **Gross profit** | **4,948** | **1,190** |
| Other operating income | 226 | 56 |
| Staff costs | -3,334 | -799 |
| Depreciation written off tangible fixed assets | -24 | -9 |
| Other operating charges | -1,371 | -347 |
| **Operating result** | **445** | **64** |
| Interest receivable | 1 | 0 |
| Interest payable | -1 | 0 |
| **Financial result** | **0** | **0** |
| **Profit or loss on ordinary activities** | **445** | **64** |
| Taxes on profit | -116 | -10 |
| Other taxes | -8 | -1 |
| **Profit or loss for the financial year** | **321** | **53** |

**b. Return on equity**

Definition: Profit or loss for the financial year + taxes on profit / Shareholders' equity

Purpose: To assess the return on capital provided by the shareholders

| Financial year | 2015/2016 | 2015 |
|---|---|---|
| % | 57.8 | 14.5 |

**c. Return on assets**

Definition: Profit or loss for the financial year + taxes on profit + interest payable / Total liabilities and equity

Purpose: To assess the return on all the capital employed by the Company

| Financial year | 2015/2016 | 2015 |
|---|---|---|
| % | 17.1 | 3.2 |

**d. Return on turnover**

Definition: Operating result / Turnover

Purpose: To determine the return on operating turnover

| Financial year | 2015/2016 | 2015 |
|---|---|---|
| % | 6.2 | 3.8 |

**e. Staff to revenue ratio**

Definition: Staff costs / Gross revenue for the period

Purpose: To analyse the use of employees

| Financial year | 2015/2016 | 2015 |
|---|---|---|
| % | 46.3 | 47.3 |

### D. Accounting/annual financial statements

The Company's accounts are kept electronically using the DATEV system "Kanzlei-Rechnungswesen pro".

The accounting and record-keeping conform to statutory regulations and German generally accepted accounting principles.

The Company's annual financial statements were prepared in accordance with the accounting principles for corporations under commercial law. Please see the notes for further information.

### E. Financial statement report

We issue the following financial statement report on the annual financial statements for the financial year 2015/2016 of KPIT Solutions GmbH, showing a profit for the financial year of € 320,659.73:

**German tax adviser's report regarding the preparation**

"As per our engagement, we have prepared these annual financial statements - consisting of the balance sheet, income statement and notes – of KPIT Solutions GmbH for the financial year from 1 April 2015 to 31 March 2016 in compliance with the requirements of German commercial law and the supplemental provisions of the articles of association. The statements were prepared on the basis of the books maintained by us and other records, books and inventory records additionally submitted to us – which we did not audit as per our engagement – and the information provided to us. The Company's legal representatives are responsible for the bookkeeping and for drawing up the inventory list and annual financial statements in compliance with the requirements of German commercial law and the supplemental provisions of the articles of association.

We executed our engagement in compliance with IDW Standard: Principles for the Preparation of Annual Financial Statements (IDW S 7) and the pronouncement of the German Federal Chamber of Tax Advisers (Bundessteuerberaterkammer) on the principles for the preparation of annual financial statements. These principles cover the development of the balance sheet, income statement and notes on the basis of the accounts and inventory list as well as requirements regarding applicable accounting policies."

Bielefeld, 28 April 2016

44/fr

BPP Becker Patzelt Pollmann

**(Steffen Stötzel)** German tax adviser

**(Jörg Behrendt)** Germantaxadviser

# Appendices to the report

## Balance sheet as of 31 March 2016

| ASSETS | | | 31.03.2016 | 31.03.2015 |
|---|---|---|---|---|
| | | | € | € |
| A. | **Fixed assets** | | | |
| | I. | Intangible assets | | |
| | | 1. EDP Software | 16,116.00 | 7,201.00 |
| | II. | Tangible assets | | |
| | | 1. Fixtures, fittings, tools and equipment | 30,092.00 | 41,571.00 |
| B. | **Current assets** | | | |
| | I. | Stocks | | |
| | | 1. Work-in-progress | 17,250.00 | 18,000.00 |
| | II. | Debtors and other assets | | |
| | | 1. Trade debtors | 1,339,562.31 | 1,085,495.11 |
| | | 2. Other assets | 56,941.53 | 125,190.14 |
| | | | 1,396,503.84 | 1,210,685.25 |
| | III. | Cheques, cash at bank and in hand, postal giro and central | | |
| | | Bank balances | 940,389.60 | 699,305.91 |
| C. | **Deferred income** | | 162,240.64 | 23,398.91 |
| | | | 2,562,592.08 | 2,000,162.07 |

| EQUITY AND LIABILITIES | | | 31.03.2016 | 31.03.2015 |
|---|---|---|---|---|
| | | | € | € |
| A. | **Shareholders' equity** | | | |
| | I. | Share capital | 25,000.00 | 25,000.00 |
| | II. | Retained earnings brought forward | 410,046.93 | 357,115.56 |
| | III. | Profit or loss for the financial year | 320,659.73 | 52,931.37 |
| B. | **Provisions** | | | |
| | 1. | Provisions for taxations including deferred taxation | 87,671.52 | 4,587.90 |
| | 2. | Other provisions | 374,677.18 | 364,679.85 |
| | | | 462,348.70 | 369,267.75 |
| C. | **Creditors** | | | |
| | 1. | Payment received on account | 109,180.00 | 26,428.58 |
| | | - of which due in one year or less € 109,180.00 (prior year: € 26,428.58) | | |
| | 2. | Trade creditors | 498,146.75 | 189,074.50 |
| | | - of which due in one year or less € 498,146.75 (prior year: € 189,074.50) | | |
| | 3. | Other creditors including taxation and social security | 142,172.10 | 133,580.73 |
| | | | 749,498.85 | 349,083.81 |
| | | of which for taxes € 134,453.06 (prior year: € 124,613.27) | | |
| | | - of which for social security € 6,841.60 (prior year: € 8,090.02) | | |
| | | - of which due in one year or less € 142,172.10 (prior year: € 133,580.73) | | |
| D. | **Deferred income** | | 595,037.87 | 846,763.58 |
| | | | 2,562,592.08 | 2,000,162.07 |

## Profit and Loss Account for the business year from 1 April 2015 to 31 March 2016

| | | | 2015/2016 | 2015 |
|---|---|---|---|---|
| | | | € | € |
| 1. | Turnover | | 7,197,174.98 | 1,690,809.26 |
| 2. | Increase in stock of finished goods and work-in-progress | | -750.00 | 0.00 |
| 3. | Other operating income | | 225,227.76 | 55,768.95 |
| 4. | Cost of materials | | | |
| | a) | Cost of raw materials, consumables and of purchased merchandise | -2,105,655.71 | -492,728.37 |
| | b) | Cost of purchased services | -142,643.51 | -8,068.75 |
| | | | -2,248,299.22 | -500,797.12 |
| 5. | Staff costs | | | |
| | a) | Wages and salaries | -2,884,602.47 | -690,392.42 |
| | b) | Social security, pensions and other benefit costs | -449,353.76 | -108,326.38 |
| | | | -3,333,956.23 | -798,718.80 |
| | - | of which for pensions € 9,334.55 (prior year: € 2,501.01) | | |
| 6. | Depreciation | | | |
| | a) | Written off tangible and intangible fixed assets | -24,167.13 | -8,959.83 |
| 7. | Other operating charges | | -1,370,637.00 | -374,222.33 |
| 8. | Other interest receivable and similar income | | 905.98 | 0.00 |
| 9. | Interest payable and similar charges | | -741.66 | 0.00 |
| 10. | Profit or loss on ordinary activities | | 444,757.48 | 63,880.13 |
| 11. | Taxes on profit | | -116,000.25 | -9,950.76 |
| 12. | Other taxes | | -8,097.50 | -998.00 |
| | | | -124,097.75 | -10,948.76 |
| 13. | **Profit or loss for the financial year** | | **320,659.73** | **52,931.37** |

# Notes for the financial year 2015/2016

**I. General disclosures**

The Company is a small corporation as defined by HGB § 267. It took advantage of the size-related exemptions provided for small corporations in HGB § 264, § 274a and § 288 when preparing its annual financial statements.

A short financial year was established for the period from 1 January 2015 to 31 March 2015. The financial year was changed to a period other than the calendar year as of 31 March 2015 through the commercial register application made on 27 February 2015.

The balance sheet as of 31 March 2016 and the income statement for the period from 1 April 2015 to 31 March 2016 were prepared using the classification system for large corporations and the supplementary provisions set out in the articles of association.

The annual financial statements were prepared in accordance with the provisions of the German Accounting Law Modernisation Act (BilMoG).

**II. Disclosures on accounting policies**

1. These annual financial statements were prepared in general accordance with the classification and accounting policies set out in the German Commercial Code and followed in the prior year's financial statements.
2. Intangible assets and tangible fixed assets are carried at amortised or depreciated cost. The commercial annual financial statements follow the tax rules for low-value assets due to the relative unimportance of this item.
3. Services in progress are carried at the lower of cost or market. For the purposes of this item, "cost" refers to direct costs based on time sheets plus capitalisable indirect costs other than administrative overhead.
4. Debtors, other assets and cash and cash equivalents are carried at their nominal value.

   Risks inherent in trade debtors were duly accounted for, when necessary, by recognising bad debt allowances.
5. Shareholders' equity is recognised at par value.
6. The other provisions cover all identifiable risks and uncertain obligations and are carried at the settlement amount dictated by prudent business judgment (HGB § 253 (1)).
7. Liabilities are carried at their settlement amount.

**III. Explanation of the balance sheet**

1. The following statement of changes in fixed assets was prepared with regard to the fixed assets.
2. Debtors and other assets are due within one year.
3. In contrast to the prior year financial statements the creditors with debit accounts are shown under "Other assets"; the statements for the previous year were adjusted accordingly.

**Statement of changes in fixed assets**

| | Cost | | | | | Depreciation | | | | | Write-ups | Carrying amounts | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As of 01.04.2015 | Additions | Disposals | Reclassifications | As of 31.03.2016 | As of 01.04.2015 | Additions | Disposals | Reclassifications | As of 31.03.2016 | Financial year | As of 31.03.2016 | As of 31.03.2015 |
| | € | € | € | € | € | € | € | € | € | € | € | € | € |
| A. Fixed assets | | | | | | | | | | | | | |
| I. Intangible assets | | | | | | | | | | | | | |
| 1. EDP Software | 11,732.25 | 13,353.00 | 0.00 | 0.00 | 25,085.25 | 4,531.25 | 4,438.00 | 0.00 | 0.00 | 8,969.25 | 0.00 | 16,116.00 | 7,201.00 |
| **Total intangible assets** | **11,732.25** | **13,353.00** | **0.00** | **0.00** | **25,085.25** | **4,531.25** | **4,438.00** | **0.00** | **0.00** | **8,969.25** | **0.00** | **16,116.00** | **7,201.00** |
| II. Tangible assets | | | | | | | | | | | | | |
| 1. Fixtures, fittings, tools and equipment | 103,669.03 | 8,250.13 | 0.00 | 0.00 | 111,919.16 | 62,098.03 | 19,729.13 | 0.00 | 0.00 | 81,827.16 | 0.00 | 30,092.00 | 41,571.00 |
| **Total tangible assets** | **103,669.03** | **8,250.13** | **0.00** | **0.00** | **111,919.16** | **62,098.03** | **19,729.13** | **0.00** | **0.00** | **81,827.16** | **0.00** | **30,092.00** | **41,571.00** |
| **Total fixed assets** | **115,401.28** | **21,603.13** | **0.00** | **0.00** | **137,004.41** | **66,629.28** | **24,167.13** | **0.00** | **0.00** | **90,796.41** | **0.00** | **46,208.00** | **48,772.00** |

4. The following statement of changes in liabilities lists the maturities and collateral provided for liabilities as of 31 March 2016:

| Balance sheet item as of 31.03.2016 | Total amount | Within 1 year | Of which due | | Collateral |
|---|---|---|---|---|---|
| | | | 1 to 5 years | Over 5 years | |
| | € '000 | € '000 | € '000 | € '000 | |
| Payment received on account | 109 | 109 | 0 | 0 | 0 |
| Trade creditors | 498 | 498 | 0 | 0 | 0 |
| Other creditors including taxation and social security | 142 | 142 | 0 | 0 | 0 |
| **Total** | **749** | **749** | **0** | **0** | **0** |

**IV. Explanation of income statement**

1. The income statement is classified using the total cost (nature of expense) method (HGB § 275 (2)).

**V. Other disclosures**

1. Managing directors Ulrich Heinzel and Sabine Schmidtke managed the Company in the financial year 2015/2016.

Bielefeld, 29 April 2016

| | |
|---|---|
| **Ulrich Heinzel** | **Sabine Schmidtke** |
| (Managing Director) | (Managing Director) |

# Analysis and explanation of the items in the annual financial statements for the period ended 31 March 2016

## I. Explanation of the balance sheet as of 31 March 2016

The following section only explains items wherever necessary for their understanding.

**Assets**

**A. Fixed assets**

| | | |
|---|---|---|
| **I. Intangible assets** | | |
| **1. EDP Software** | € | **16,116.00** |
| 31.03.2015 | € | 7,201.00 |
| Changes disclosed in statement of changes in fixed assets | | |
| Composition of item: | **31.03.2016 €** | **31.03.2015 €** |
| EDP Software | 16,116.00 | 7,201.00 |
| | **16,116.00** | 7,201.00 |

| | | |
|---|---|---|
| **II. Tangible assets** | | |
| **1. Fixtures, fittings, tools and equipment** | € | **30,092.00** |
| 31.03.2015 | € | 41,571.00 |
| Changes disclosed in statement of changes in fixed assets | | |
| Composition of item: | **31.03.2016 €** | **31.03.2015 €** |
| Other means of transport | 1.00 | 1.00 |
| Factory equipment | 4,649.00 | 8,167.00 |
| Office equipment | 12,487.00 | 14,658.00 |
| Office furniture | 3,717.00 | 3,677.00 |
| Trade fixtures | 7,332.00 | 9,904.00 |
| Low-value assets | 0.00 | 0.00 |
| Low-value assets (pooled item) | 1,906.00 | 5,164.00 |
| | **30.092.00** | 41,571.00 |

**B. Current assets**

| | | |
|---|---|---|
| **I. Stocks** | | |
| 1. Work-in-progress | € | **17,250.00** |
| 31.03.2015 | € | 18,000.00 |
| Composition of item: | **31.03.2016 €** | **31.03.2015 €** |
| Services in progress | 17,250.00 | 18,000.00 |
| | **17,250.00** | 18,000.00 |
| **II. Debtors and other assets** | | |
| 1. Trade debtors | € | **1,339,562.31** |
| 31.03.2015 | € | 1,085,495.11 |
| 2. Other assets | € | **56,941.53** |
| 31.03.2015 | € | 125,190.14 |
| Composition of item: | **31.03.2016 €** | **31.03.2015 €** |
| Receivables from health insurance companies | 2,468.76 | 2,083.97 |
| Security deposits | 23,878.00 | 22,891.84 |
| Advances to employees | 1,600.45 | 1,428.20 |
| Trade tax overpayments | 2,252.00 | 2,252.00 |
| Corporate income tax refund | 0.00 | 73,036.00 |
| Creditors with debit accounts | 10,132.04 | 19,217.13 |
| Other assets | 16,610.28 | 4,281.00 |
| | **56,941.53** | 125,190.14 |
| **III. Cheques, cash at bank and in hand, postal giro and central bank balances** | € | **940,389.60** |
| 31.03.2015 | € | 699,305.91 |
| Composition of item: | **31.03.2016 €** | **31.03.2015 €** |
| Cash on hand Bielefeld | 54.95 | 214.88 |
| Cash on hand Nuremberg | 100.00 | 0.00 |
| HypoVereinsbank # 15433962 | 940,234.65 | 699,091.03 |
| | **940,389.60** | 699,305.91 |

| | | |
|---|---|---|
| **C. Deferred income** | € | **162,240.64** |
| 31.03.2015 | € | 23,398.91 |
| Composition of item: | **31.03.2016 €** | **31.03.2015 €** |
| Prepaid expenses | 162,240.64 | 23,398.91 |
| | **162,240.64** | 23,398.91 |

**Equity and liabilities**

**A. Shareholders' equity**

| | | |
|---|---|---|
| **I. Share capital** | € | **25,000.00** |
| 31.03.2015 | € | 25,000.00 |
| **II. Retained earnings brought forward** | € | **410,046.93** |
| 31.03.2015 | € | 357,115.56 |
| Changes in item: | **31.03.2016 €** | **31.03.2015 €** |
| As of 01.04./01.01. | 357,115.56 | 177,897.98 |
| Net income for the prior year | 52,931.37 | 179,217.58 |
| As of 31.03. | **410,046.93** | 357,115.56 |
| **III. Profit or loss for the financial year** | € | **320,659.73** |
| 31.03.2015 | € | 52,931.37 |

**B. Provisions**

| | | |
|---|---|---|
| **1. Provisions for taxations** | € | **87,671.52** |
| 31.03.2015 | € | 4,587.90 |
| Composition of item: | **31.03.2016 €** | **31.03.2015 €** |
| Provision for trade tax | 44,498.00 | 0.00 |
| Provision for corporate tax | 43,173.52 | 4,587.90 |
| | **87,671.52** | 4,587.90 |
| **2. Other provisions** | € | **374,677.18** |
| 31.03.2015 | € | 364,679.85 |
| Composition of item: | **31.03.2016 €** | **31.03.2015 €** |
| Provisions for staff costs | 193,633.50 | 146,628.99 |
| Other provisions | 78,513.03 | 99,086.13 |
| Provisions for holiday (salaries) | 60,030.65 | 75,764.73 |
| Provisions for warranties | 31,200.00 | 29,300.00 |
| Provisions for the retention of records | 3,300.00 | 3,300.00 |
| Provisions for period-end closing and audit | 8,000.00 | 10,600.00 |
| | **374,677.18** | 364,679.85 |

**C. Creditors**

| | | |
|---|---|---|
| **1. Payment received on account** | € | **109,180.00** |
| 31.03.2015 | € | 26,428.58 |
| Composition of item: | **31.03.2016 €** | **31.03.2015 €** |
| Payment received on account | 109,180.00 | 26,428.58 |
| | **109,180.00** | 26,428.58 |
| **2. Trade creditors** | € | **498,146.75** |
| 31.03.2015 | € | 189,074.50 |
| Per trade creditor balance list | | |
| **3. Other creditors including taxation and social security** | € | **142,172.10** |
| 31.03.2015 | € | 133,580.73 |
| Composition of item: | **31.03.2016 €** | **31.03.2015 €** |
| Wage and church tax | 44,701.92 | 39,004.28 |
| Capital accumulation | 27.44 | 27.44 |
| Social security | 6,841.60 | 8,090.02 |
| Security deposits received | 850.00 | 850.00 |
| Tax office/value-added tax | 89,751.14 | 85,608.99 |
| | **142,172.10** | 133,580.73 |

| | | |
|---|---|---|
| **D. Deferred income** | € | **595,037.87** |
| 31.03.2015 | € | 846,763.58 |
| Composition of item: | **31.03.2016 €** | **31.03.2015 €** |
| Deferred income | 595,037.87 | 846.763,58 |
| | **595.037,87** | 846.763,58 |

**II. Explanation of income statement from 1 April 2015 to 31 March 2016**

| | | | |
|---|---|---|---|
| **1.** | **Turnover** | € | **7,197,174.98** |
| | 01.01.2015 - 31.03.2015 | € | 1,690,809.26 |
| | Composition of item: | **2015/2016 €** | **2015 €** |
| | Turnover from reversal of deferred income | 261,224.15 | 0.00 |
| | Intercompany Revenue Offshore | 105,204.70 | 19,643.27 |
| | Turnover from services under UStG § 13b | 32,499.22 | 6,000.00 |
| | Non-taxable turnover in third countries | 123,775.95 | 0.00 |
| | Turnover - maintenance | 1,747,133.80 | 512,708.24 |
| | Turnover - service | 4,009,485.36 | 972,025.53 |
| | Turnover - licences | 923,395.11 | 181,328.61 |
| | Cash discounts granted | -5,543.31 | -896.39 |
| | | **7,197,174.98** | 1,690,809.26 |

| | | | |
|---|---|---|---|
| **2.** | **Decrease in stock of finished goods and work-in-progress** | € | **750.00** |
| | 01.01.2015 - 31.03.2015 | € | 0.00 |
| | Composition of item: | **2015/2016 €** | **2015 €** |
| | Change in stock of services in progress | 750,00 | 0,00 |
| | | **750,00** | 0,00 |

| | | | |
|---|---|---|---|
| **3.** | **Other operating income** | € | **225,227.76** |
| | 01.01.2015 - 31.03.2015 | € | 55,768.95 |
| | Composition of item: | **2015/2016 €** | **2015 €** |
| | Other income | 3,192.45 | 0.00 |
| | Income from reversal of provisions | 2,096.82 | 4,277.00 |
| | Insurance recoveries | 11,766.95 | 806.68 |
| | Real estate income | 41,247.00 | 10,041.50 |
| | Payments in kind | 166,924.54 | 40,018.77 |
| | Income from sale of tangible assets | 0.00 | 625.00 |
| | | **225,227.76** | 55,768.95 |

| | | | |
|---|---|---|---|
| **4.** | **Cost of materials** | | |
| a) | Cost of raw materials, consumables and of purchased merchandise | € | **2,105,655.71** |
| | 01.01.2015 - 31.03.2015 | € | 492,728.37 |
| | Composition of item: | **2015/2016 €** | **2015 €** |
| | Maintenance/licences | 2,105,657.66 | 492,728.37 |
| | Cash discounts received | -1.95 | 0.00 |
| | | **2,105,655.71** | 492,728.37 |
| b) | Cost of purchased services | € | **142,643.51** |
| | 01.01.2015 - 31.03.2015 | € | 8,068.75 |
| | Composition of item: | **2015/2016 €** | **2015 €** |
| | Outsourced services | 142,643.51 | 8,068.75 |
| | | **142,643.51** | 8,068.75 |

| | | | |
|---|---|---|---|
| **5.** | **Staff costs** | | |
| a) | **Wages and salaries** | € | **2,884,602.47** |
| | 01.01.2015 - 31.03.2015 | € | 690,392.42 |
| | Composition of item: | **2015/2016 €** | **2015 €** |
| | Salaries | 1,847,830.24 | 473,836.71 |
| | Intercompany Personnel Costs | 259,573.80 | 0.00 |
| | Bonuses/commissions paid | 255,953.19 | 123,516.09 |
| | Sales Bonus | 120,965.72 | 0.00 |
| | Managing director salaries | 210,408.00 | 52,602.00 |
| | Fringe benefits | 190,207.00 | 45,188.00 |
| | Employer expense reimbursement | -13,146.87 | -8,000.70 |
| | Capital accumulation benefits | 3,774.00 | 816.00 |
| | Commuter expense reimbursement | 8,433.18 | 2,434.32 |
| | Other staff costs | 604.21 | 0.00 |
| | | **2,884,602. 47** | 690,392.42 |
| b) | **Social security, pensions and other benefit costs** | € | **449,353.76** |
| | 01.01.2015 - 31.03.2015 | € | 108,326.38 |
| | Composition of item: | **2015/2016 €** | **2015 €** |
| | Statutory social security costs | 414,959.35 | 100,556.47 |
| | Contributions to statutory accident insurance scheme | 12,000.00 | 3,000.00 |
| | Fringe benefits | 12,223.86 | 1,747.18 |
| | Pensions | 9,334.55 | 2,501.01 |
| | Flat rate tax on insurances | 836.00 | 521.72 |
| | | **449,353.76** | 108,326.38 |

| | | | |
|---|---|---|---|
| **6.** | **Depreciation** | | |
| a) | **Written down tangible and intangible fixed assets** | € | **24,167.13** |
| | 01.01.2015 - 31.03.2015 | € | 8,959.83 |
| | Composition and changes disclosed in statement of changes in fixed assets | | |

| | | | |
|---|---|---|---|
| **7.** | **Other operating charges** | € | **1,370,637.00** |
| | 01.01.2015 - 31.03.2015 | € | 374,222.33 |
| | Composition of item: | **2015/2016 €** | **2015 €** |
| | Costs of premises | 175,390.52 | 43,119.01 |
| | Repairs and maintenance | 6,872.89 | 1,746.39 |
| | Insurance, contributions and levies | 13,278.09 | 4,544.10 |
| | Vehicle costs | 486,393.00 | 112,260.75 |
| | Advertising and travel costs | 429,932.72 | 116,332.99 |
| | Incidental distribution expenses | 35,735.97 | 36,503.60 |
| | Miscellaneous operating charges | 220,493.81 | 58,667.49 |
| | Impairment losses or losses on disposal of current assets | 0,00 | 68.00 |
| | Other expenses incurred during ordinary activities | 2,540.00 | 980.00 |
| | | **1,370,637.00** | 374,222.33 |

| Costs of premises | **2015/2016 €** | **2015 €** |
|---|---|---|
| Costs of premises | 925.12 | 0.00 |
| Rent | 154,423.39 | 37,847.85 |
| Gas, power, water | 8,994.47 | 2,999.66 |
| Maintenance of operating premises | 10,415.37 | 2,271.50 |
| Cleaning | 632.17 | 0.00 |
| | **175,390.52** | 43,119.01 |

| Repairs and maintenance | **2015/2016 €** | **2015 €** |
|---|---|---|
| Maintenance of company premises | 251.26 | 0.00 |
| Maintenance costs for hardware and software | 6,621.63 | 1,746.39 |
| | **6,872.89** | 1,746.39 |

| Insurance, contributions and levies | **2015/2016 €** | **2015 €** |
|---|---|---|
| Disabled persons equalisation levy | 1,380.00 | 0.00 |
| Insurance | 7,894.12 | 1,479.92 |
| Contributions | 4,003.97 | 3,064.18 |
| | **13,278.09** | 4,544.10 |

| Vehicle costs | **2015/2016 €** | **2015 €** |
|---|---|---|
| Vehicle costs | 486,393.00 | 112,260.75 |
| | **486,393,00** | 112,260.75 |

| Advertising and travel costs | **2015/2016 €** | **2015 €** |
|---|---|---|
| Advertising costs | 52,604.85 | 18,052.05 |
| Entertainment costs | 8,864.46 | 3,972.32 |
| Entertainment, in-house | 1,507.67 | 18.69 |
| Conference costs | 681.50 | 0.00 |
| Non-deductible entertainment costs | 3,799.06 | 0.00 |
| Employee travel cost | 362,475.18 | 94,289.93 |
| | **429,932.72** | 116,332.99 |

| Incidental distribution expenses | **2015/2016 €** | **2015 €** |
|---|---|---|
| Sales commissions | 33,835.97 | 36,503.60 |
| Warranty expenses | 1,900.00 | 0.00 |
| | **35,735.97** | 36,503.60 |

| Miscellaneous operating charges | 2015/2016 € | 2015 € |
|---|---|---|
| Deductible charges accessory to taxes | 18.00 | 1,814.50 |
| Leasing expenses for chattel | 73,057.04 | 17,620.43 |
| Other operating charges | 630.95 | 0.00 |
| Postage | 3,964.03 | 619.31 |
| Telephone | 76,618.32 | 15,023.12 |
| Fax and internet costs | 4,187.84 | 2,581.37 |
| Office supplies | 14,943.10 | 1,842.06 |
| Magazines, books | 2,148.37 | 322.88 |
| Training costs | 3,462.80 | 1,084.00 |
| Legal consulting expenses | 19,742.39 | 8,302.22 |
| Bookkeeping expenses | 10,180.60 | 778.75 |
| Period-end closing costs | 8,000.00 | 8,000.00 |
| Incidental costs of monetary transactions | 3,540.37 | 696.85 |
| | **220,493.81** | 58,667.49 |

| Impairment losses or losses on disposal of current assets and transfers to bad debt allowances | 2015/2016 € | 2015 € |
|---|---|---|
| Disposal of property, plant and equipment at book value | 0.00 | 60.00 |
| Disposal of intangible assets at book value | 0.00 | 8.00 |
| | **0.00** | 68.00 |

| Other expenses incurred during ordinary activities | 2015/2016 € | 2015 € |
|---|---|---|
| Donations | 2,540.00 | 980.00 |
| | **2,540.00** | 980.00 |

| | | |
|---|---|---|
| **8. Other interest receivable and similar income** | € | **905.98** |
| 01.01.2015 - 31.03.2015 | € | 0.00 |
| Composition of item: | **2015/2016 €** | **2015 €** |
| Other interest and similar income | 622.98 | 0.00 |
| Interest receivable for AO § 233a, EStG § 4 (5b) | 283.00 | 0.00 |
| | 905.98 | 0.00 |

| | | |
|---|---|---|
| **9. Interest payable and similar charges** | € | **741.66** |
| 01.01.2015 - 31.03.2015 | € | 0.00 |
| Interest expense on short-term debt | | |

| | | |
|---|---|---|
| **10. Profit or loss on ordinary activities** | € | **444,757.48** |
| 01.01.2015 - 31.03.2015 | € | 63,880.13 |

| | | |
|---|---|---|
| **11. Taxes on profit** | € | **116,000.25** |
| 01.01.2015 - 31.03.2015 | € | 9,950.76 |
| Composition of item: | **2015/2016 €** | **2015 €** |
| Trade tax | 46,298.00 | 0.00 |
| Corporate income tax | 66,068.00 | 9,432.00 |
| Corporate income tax for previous years | 0.51 | 0.00 |
| Solidarity surcharge | 3,633.74 | 518.76 |
| | **116,000.25** | 9,950.76 |

| | | |
|---|---|---|
| **12. Other taxes** | € | **8,097.50** |
| 01.01.2015 - 31.03.2015 | € | 998.00 |
| Composition of item: | **2015/2016 €** | **2015 €** |
| Value-added tax for previous years | 36.00 | 0.00 |
| Vehicle tax | 8,061.50 | 998.00 |
| | **8,097.50** | 998.00 |

| | | |
|---|---|---|
| **13. Profit or loss for the financial year** | € | **320,659.73** |
| 01.01.2015 - 31.03.2015 | € | 52,931.37 |

# KPIT Infosystems Incorporated

Registered Office: 379, Thornall Street, Edison, NJ 08837, USA.

## Board's Report

Dear Shareholders,

Your Board of Directors is pleased to present herewith the Fifteenth report of the Directors on the operations of the Company together with the accounts for the financial year ended on March 31, 2016.

**Financial Results**

| Particulars | 2015-16 USD (Million) | 2014-15 USD (Million) |
|---|---|---|
| Total Revenues | 182.35 | 139.41 |
| Net Profit/(Loss) for the year | 5.52 | 6.66 |

**Operations**

During the year under review, revenues of the Company increased by 30%. However, profits of the Company have declined by 17%.

**Merger**

During the year under review, CPG Solutions, LLC and Integrated Industrial Information, Inc. D/B/A I-Cubed, wholly owned subsidiaries, have been merged with the Company. The effective date of both the mergers is January 1, 2016.

**Audit**

The Company is not required by the local laws to have an independent audit firm to issue a report to the shareholders on the financial statements. No audit opinion has been sought in respect of these financial statements. The accounts are prepared from the internally prepared management accounts of the Company. The same management accounts are audited in order for the Group Auditors to give an audit opinion in relation to the group accounts i.e. consolidated accounts of KPIT Technologies Limited, the parent company. Hence, no separate audit report is given in respect of the Company.

For and on behalf of the Board of Directors
**KPIT Infosystems Incorporated**

**Kishor Patil**
Chairman

Pune
April 26, 2016

## Balance Sheet

(Currency - USD Million)

| | Note | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' funds** | | | |
| Share capital | 2 | 55.71 | 55.71 |
| Reserves and surplus | 3 | (7.43) | 17.62 |
| | | **48.28** | **73.33** |
| **Non-current liabilities** | | | |
| Long-term borrowings | 4 | 0.06 | 12.15 |
| Long-term provisions | 5 | 1.69 | 0.88 |
| | | **1.75** | **13.03** |
| **Current liabilities** | | | |
| Trade payables | 6 | 28.87 | 29.06 |
| Other current liabilities | 7 | 22.44 | 16.71 |
| Short-term provisions | 8 | 5.13 | 0.85 |
| | | **56.44** | **46.62** |
| **TOTAL** | | **106.47** | **132.98** |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| **Fixed assets** | | | |
| Tangible fixed assets | 9A | 1.03 | 0.45 |
| Intangible fixed assets | 9B | 0.13 | - |
| Non-current investments | 10 | 38.67 | 68.20 |
| Deferred tax assets (net) | 11 | 1.99 | 1.41 |
| Long-term loans and advances | 12 | 2.87 | 17.12 |
| | | **44.69** | **87.18** |
| **Current assets** | | | |
| Trade receivables | 13 | 33.15 | 26.08 |
| Cash and bank balances | 14 | 7.96 | 4.96 |
| Short-term loans and advances | 15 | 17.61 | 8.48 |
| Other current assets | 16 | 3.06 | 6.28 |
| | | **61.78** | **45.80** |
| TOTAL | | **106.47** | **132.98** |
| Significant accounting policies | 1 | | |
| Notes referred to above form an integral part of the financial statements | 2-26 | | |

For and on behalf of the Board of Directors of
**KPIT Infosystems Incorporated**

Director Director
Place : Pune
Date: 26 April, 2016

## Statement of Profit and Loss

(Currency - USD Million)

| | Note | For the year ended 31 March, 2016 | For the year ended 31 March, 2015 |
|---|---|---|---|
| **Revenue from operations** | | | |
| Sale of services | 17 | 181.65 | 138.89 |
| | | 181.65 | 138.89 |
| Other income | 18 | 0.70 | 0.52 |
| **Total revenue** | | **182.35** | **139.41** |
| **Expenses** | | | |
| Employee benefit expense | 19 | 61.35 | 45.96 |
| Finance costs | 20 | 0.63 | 0.93 |
| Depreciation and amortization expense | 9 | 0.21 | 0.04 |
| Other expenses | 21 | 109.82 | 79.31 |
| **Total expenses** | | **172.01** | **126.24** |
| | | | |
| **Profit before tax and exceptional items** | | 10.34 | 13.17 |
| Exceptional Items (Refer note 25) | | (1.72) | - |
| **Profit before tax** | | 8.62 | 13.17 |
| **Tax expense** | | | |
| Current tax | | 3.68 | 3.63 |
| Deferred tax (benefit) / charge | | (0.58) | 2.88 |
| **Total tax expense** | | **3.10** | **6.51** |
| **Profit for the year** | | **5.52** | **6.66** |
| Significant accounting policies | 1 | | |
| Notes referred to above form an integral part of the financial statements | 2-26 | | |

For and on behalf of the Board of Directors of
**KPIT Infosystems Incorporated**

Director Director
Place : Pune
Date: 26 April, 2016

## Cash Flow Statement

(Currency - USD Million)

| PARTICULARS | For the year ended 31 March, 2016 | For the year ended 31 March, 2015 |
|---|---|---|
| **A] CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Net profit / (loss) before tax | 8.62 | 13.17 |
| **Adjustments for** | | |
| (Profit) / loss on sale of fixed assets (net) | 0.01 | - |
| Depreciation / Amortization | 0.21 | 0.04 |
| Interest income | (0.45) | (0.49) |
| Interest expense | 0.63 | 0.93 |
| Diminution in the value of investment | 1.72 | - |
| | 2.12 | 0.48 |
| Operating Profit before working capital changes | 10.74 | 13.65 |
| **Adjustments for changes in working capital:** | | |
| Increase / (Decrease) in Long-term provisions | 0.53 | 0.88 |
| Increase / (Decrease) in Trade payables | (1.80) | (1.52) |
| Increase / (Decrease) in Other current liabilities | (1.46) | 2.65 |
| Increase / (Decrease) in Short-term provisions | 0.05 | (0.20) |
| (Increase) / Decrease in Trade receivables | (3.76) | 8.47 |
| (Increase) / Decrease in Short-term loans and advances | (8.98) | (2.18) |
| (Increase) / Decrease in Other current assets | 3.00 | (5.86) |
| | (12.42) | 2.24 |
| Cash generated from operations | (1.68) | 15.89 |
| Taxes paid | (0.21) | (3.65) |
| **Net cash from operating activities** | **(1.89)** | **12.24** |
| **B] CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Purchase of Fixed assets | (0.40) | (0.41) |
| Investment in the shares of subsidiaries | (1.60) | (14.62) |
| Loan (given to) / taken from related parties | 14.97 | (1.40) |
| Repayment of loan by related parties | - | 1.24 |
| Loans and advances given to other than related parties | (0.08) | - |
| Interest received | 0.83 | 0.96 |
| **Net Cash from/(used in) investing activities** | **13.72** | **(14.23)** |
| **C] CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Proceeds from issue of share capital | - | 12.00 |
| Repayment of working capital loan | (0.05) | - |
| Loan taken from banks | 4.54 | - |
| Repayment of loan taken from banks | (8.80) | - |
| Repayment of loan taken from related parties | (3.90) | (8.00) |
| Interest and finance charges | (0.70) | (0.75) |
| **Net cash from/(used in) financing activities** | **(8.91)** | **3.25** |
| **Net Increase / (decrease) in cash and cash equivalents (A + B + C)** | **2.92** | **1.26** |
| Cash and cash equivalents at close of the year (refer note 1 below) | 7.96 | 4.96 |
| Cash and cash equivalents at beginning of the year (refer note 1 below) | 4.96 | 3.70 |
| Cash and bank balances of CPG Solutions LLC as on the date of merger | 0.02 | - |
| Cash and bank balances of Integrated Industrial Information Inc. as on the date of merger | 0.06 | - |
| **Cash surplus / (deficit) for the year** | **2.92** | **1.26** |
| **Note 1:** | | |
| **Cash and cash equivalents include:** | | |
| Balance with banks | | |
| - In current accounts | 7.96 | 4.96 |
| **Total Cash and cash equivalents (also refer note 14)** | **7.96** | **4.96** |

**Note 2:**

Figures in brackets represent outflows of cash and cash equivalents.

**Note 3:**

The above cash flow statement has been prepared under the indirect method as set out in Accounting Standard 3 on cash flow statements.

For and on behalf of the Board of Directors of

**KPIT Infosystems Incorporated**

Director Director

Place : Pune

Date: 26 April, 2016

## Notes forming part of the financial statements for the year ended 31 March, 2016

**Company Overview:**

KPIT Infosystems Incorporated is a company incorporated in the state of New Jersey, USA. The Company is a wholly owned subsidiary of KPIT Technologies Limited, India.

The Company provides Software Development, Global IT Consulting and Product Engineering Solutions to its clients, predominantly in Automotive & Transportation, Manufacturing and Energy & Utilities verticals.

**1. Significant Accounting Policies:**

**1.1 Basis for preparation of financial statements:**

The financial statements have been prepared under the historical cost convention, on the accrual basis of accounting, in accordance with the generally accepted accounting principles (GAAP) in India and comply with the Accounting Standards ("AS") specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

The financial statements are presented in US Dollars ("USD") and are rounded off to nearest USD Million.

**Use of Estimates:**

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results may differ from those estimates. Any difference between the actual results and estimates are recognised in the period in which the results are known/materialize. Any revision to accounting estimates is recognised prospectively in the current and future periods.

**1.2 Revenue recognition:**

Revenue from software development and services on time and material basis is recognized based on software development, services rendered and billed to clients as per the contractual terms. Revenue from fixed price contracts, where there is no uncertainty as to measurement or collectability of consideration, is recognized based upon the proportionate completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Revenue from the sale of software products is recognized when the sale is completed with the passing of the ownership.

Customer reimbursable expenses are recorded as a reduction from associated costs.

Interest income is recognized on time proportion basis.

Dividend income is recognized when the Company's right to receive dividend is established.

**1.3 Borrowing Costs:**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of cost of that asset. All other borrowing costs are charged to the Statement of Profit and Loss.

**1.4 Current non-current classification**

All assets and liabilities are classified into current and non-current.

**Assets**

An asset is classified as current when it satisfies any of the following criteria:

a. it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b. it is held primarily for the purpose of being traded;

c. it is expected to be realised within 12 months after the reporting date; or

d. it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for atleast 12 months after the reporting date.

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

**Liabilities**

A liability is classified as current when it satisfies any of the following criteria:

a. it is expected to be settled in the Company's normal operating cycle;

b. it is held primarily for the purpose of being traded;

c. it is due to be settled within 12 months after the reporting date; or

d. the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

**Operating cycle**

Operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. The operating cycle of the Company is less than twelve months.

**1.5 Fixed Assets:**

**Tangible fixed assets:**

Tangible fixed assets are carried at cost of acquisition or construction less accumulated depreciation and/or accumulated impairment loss, if any. The cost of an item of tangible fixed asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost 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. Tangible fixed assets under construction are disclosed as capital work-in-progress.

**Intangible fixed assets:**

Goodwill that arises on an amalgamation or on the acquisition of a business is presented as an intangible asset. Goodwill arising from amalgamation is measured at cost less accumulated amortisation and any accumulated impairment loss. Such goodwill is amortised over its estimated useful life or five years whichever is shorter. Goodwill is tested for impairment annually.

Acquired intangible assets, which comprise expenditure incurred on acquisition of user licences for computer software are recorded at its acquisition price. The useful life of intangible assets is reviewed by management at each balance sheet date.

**1.6 Depreciation / Amortisation:**

Depreciation on tangible fixed assets is provided based on useful life in the manner specified below:

| Type of asset | Useful life Number of years |
|---|---|
| Plant and equipment | 4 |
| Office Equipment | 10 |
| Furniture and fixtures | 8 |

Leasehold improvements are amortized over the period of the lease.

Perpetual software licenses are amortized over 4 years. However, time-based software licenses are amortized over the license period. Capitalised development costs are amortized over a period of 4 to 5 years.

**1.7 Accounting for taxes on income:**

**Income tax**

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income-tax expense is recognised in the Statement of Profit and Loss. Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws.

Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws for the tax consolidation group, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available to the tax consolidation group against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

**1.8 Impairment of Assets:**

The management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. Impairment loss is recognized when the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use. For the purpose of impairment testing, assets are grouped together into the smallest group of assets (cash generating unit or CGU) that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Intangible assets which are not yet available for use are tested for impairment annually. Other fixed assets (tangible and intangible) are reviewed at each reporting date to determine if there is any indication of impairment. For assets in respect of which any such indication exists and for intangible assets mandatorily tested annually for impairment, the asset's recoverable amount is estimated.

If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists or has decreased, the assets or CGU's recoverable amount is estimated. For assets other than goodwill, the impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such a reversal is recognised in the Statement of Profit and Loss.

During the year under consideration, there was no indication, either internal or external as to the impairment of any of the assets.

**1.9 Investments:**

Long-term investments are stated at cost less provision for diminution, other than temporary, in value of such investments.

**1.10 Leases**

Assets acquired under finance leases are recognized at the lower of the fair value of the leased assets at inception of the lease and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.

Lease arrangements where the risks and rewards incidental to the ownership of an asset substantially vest with the lessor, are classified as Operating Leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on straight line basis over the term of the lease.

**1.11 Foreign currency transactions**

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Monetary items are translated at the year-end rates and the exchange differences so determined as also the realised exchange differences are recognised in the Statement of Profit and Loss.

**1.12 Employee benefits**

**Compensated absences**

The employees can carry-forward a portion of the unutilised accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of the period in which the employees render the related service and are also not expected to be utilized wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement.

**1.13 Provisions, Contingent Liabilities and Contingent Assets:**

As per Accounting Standard (AS) 29, 'Provisions, Contingent Liabilities and Contingent Assets', the Company recognizes provisions only when it has a present obligation 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 when a reliable estimate of the amount of the obligation can be made.

No provision is recognized for -

(a) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

(b) Present obligations that arise from past events but are not recognized because-

  i. It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  ii. A reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed periodically and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

(Currency - USD Million)

| | | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| **2** | **Share capital** | | |
| | **Authorised:** | | |
| | 100,000 shares common stock without par value | | |
| | **Issued, subscribed and paid-up:** | | |
| | 12,467 (Previous year: 12,467) shares of common stock without par value fully paid up | 55.71 | 55.71 |
| | | **55.71** | **55.71** |
| | | | |
| **3** | **Reserves and surplus** | | |
| | **Surplus in Statement of Profit and Loss** | | |
| | At the commencement of the year | 21.72 | 15.06 |
| | Add : Profit/(loss) on account of merger | (0.73) | - |
| | Add : Profit for the year | 5.52 | 6.66 |
| | | **26.51** | **21.72** |
| | **General Reserve** | | |
| | At the commencement of the year | (4.13) | (4.13) |
| | Add : Transferred during the year | (29.84) | - |
| | | **(33.97)** | **(4.13)** |
| | **Capital Reserve** | | |
| | At the commencement of the year | 0.03 | 0.03 |
| | Add : Transferred during the year | - | - |
| | | **0.03** | **0.03** |
| | **Total** | **(7.43)** | **17.62** |
| | | | |
| **4** | **Long term borrowings** | | |
| | **Term loans** | | |
| | - From banks (Secured) | - | 2.25 |
| | **Loans and advances from related parties (Unsecured) (Refer Note 23)** | | |
| | Loan from KPIT Technologies Limited, India | - | 8.50 |
| | Loan from KPIT Technologies Corporation, Canada | - | 1.40 |
| | Finance lease obligations | 0.06 | - |
| | | **0.06** | **12.15** |

(Currency - USD Million)

| | | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| **5** | **Long term provisions** | | |
| | Provision for employee benefits | | |
| | - compensated absences | 1.69 | 0.88 |
| | | **1.69** | **0.88** |
| | | | |
| **6** | **Trade payables** | | |
| | Trade payables | 28.87 | 29.06 |
| | | **28.87** | **29.06** |
| | | | |
| **7** | **Other current liabilities** | | |
| | Current maturities of long term debt | | |
| | - From banks (Unsecured) | 4.20 | 4.25 |
| | - From KPIT Technologies Limited, India (Refer Note 23) | 7.30 | 1.30 |
| | - Finance lease obligations | 0.10 | - |
| | Interest accrued but not due on borrowings | 0.45 | 0.52 |
| | Unearned revenue | 0.86 | 1.60 |
| | Accrued employee costs | 5.38 | 3.20 |
| | Payable to related parties (Refer note 23) | 3.29 | 5.19 |
| | Statutory liabilities | 0.85 | 0.65 |
| | Security deposit received | 0.01 | - |
| | | **22.44** | **16.71** |
| | | | |
| **8** | **Short term provisions** | | |
| | Provision for employee benefit | | |
| | - Provision for compensated absences | 0.41 | 0.22 |
| | Provision for taxes | | |
| | - Current tax (net of advance tax) | 4.72 | 0.63 |
| | | **5.13** | **0.85** |

(Currency - USD Million)

**9 Fixed Assets**

| Particulars | Gross Block | | | | | Depreciation / Amortization / Diminution | | | | | Net Block | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at 1 April, 2015 | Assets transferred on amalgamation (Refer Note 24) | Additions during the year 2015-16 | Disposals during the year 2015-16 | As at 31 March, 2016 | Up to 1 April, 2015 | On Assets transferred on amalgamation (Refer Note 24) | For the year 2015-16 | On Disposals | Up to 31 March, 2016 | As on 31 March, 2016 | As on 31 March, 2015 |
| **A. TANGIBLE ASSETS** | | | | | | | | | | | | |
| Leasehold Improvements | - | 0.20 | - | - | 0.20 | - | 0.09 | 0.01 | - | 0.10 | 0.10 | - |
| Plant and equipment | 0.48 | 0.39 | 0.28 | 0.01 | 1.14 | 0.08 | 0.29 | 0.15 | 0.01 | 0.51 | 0.63 | 0.40 |
| Office Equipment | 0.07 | 0.02 | 0.01 | - | 0.10 | 0.02 | 0.01 | 0.01 | - | 0.04 | 0.06 | 0.05 |
| Furniture and Fixtures | 0.02 | 0.45 | 0.04 | 0.05 | 0.46 | 0.02 | 0.22 | 0.02 | 0.04 | 0.22 | 0.24 | - |
| **TOTAL TANGIBLE ASSETS** | **0.57** | **1.06** | **0.33** | **0.06** | **1.90** | **0.12** | **0.61** | **0.19** | **0.05** | **0.87** | **1.03** | **0.45** |
| **B. INTANGIBLE ASSETS** | | | | | | | | | | | | |
| Goodwill | 0.31 | - | - | - | 0.31 | 0.31 | - | - | - | 0.31 | - | - |
| Software | - | 0.57 | 0.07 | - | 0.64 | - | 0.49 | 0.02 | - | 0.51 | 0.13 | - |
| **TOTAL INTANGIBLE ASSETS** | **0.31** | **0.57** | **0.07** | **-** | **0.95** | **0.31** | **0.49** | **0.02** | **-** | **0.82** | **0.13** | **-** |
| **TOTAL ASSETS** | **0.88** | **1.63** | **0.40** | **0.06** | **2.85** | **0.43** | **1.10** | **0.21** | **0.05** | **1.69** | **1.16** | **0.45** |
| **PREVIOUS YEAR** | **0.47** | **-** | **0.41** | **-** | **0.88** | **0.39** | **-** | **0.04** | **-** | **0.43** | **0.45** | |

(Currency - USD Million)

| | | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| **10** | **Non-current investments** | | |
| | **Trade investments (unquoted)** | | |
| | Investment in shares of Findant Inc. | 0.34 | 0.34 |
| | Less : Provision for diminution in value of investment | (0.34) | (0.34) |
| | | - | - |
| | **Investments in equity instruments of subsidiaries (at cost)** | | |
| | Investment in shares of KPIT Technologies Soluções EM Informática Ltda. | 0.57 | 0.57 |
| | Investment in shares of Sparta Consulting Inc., USA | 38.10 | 38.10 |
| | Investment in shares of CPG Solutions LLC. USA ( Refer note 24) | - | 15.16 |
| | Investment in shares of Integrated Industrial Information Inc., USA ( Refer note 24) | - | 12.65 |
| | Investment in shares of GAIA Systems Solutions Inc., Japan ( Refer note 25) | - | 1.72 |
| | | **38.67** | **68.20** |
| **11** | **Deferred tax asset (net)** | | |
| | **Break up of deferred tax liabilities at the year end** | | |
| | Arising on account of timing differences in | | |
| | Provision for depreciation | 0.16 | (0.23) |
| | **Total** | **0.16** | **(0.23)** |
| | **Break up of deferred tax assets at the year end** | | |
| | Arising on account of timing differences in | | |
| | Provision for depreciation | 0.21 | - |
| | Provision for doubtful debts and advances | 1.11 | 0.31 |
| | Provision for leave encashment | 0.75 | 0.53 |
| | Accrued Commissions and Bonus | 0.02 | - |
| | Accrued Marketing Cost | 0.19 | - |
| | Subcontractor payable | 0.07 | - |
| | Accrued Expenses | (0.19) | 0.03 |
| | Prepaid Expenses | (0.22) | - |
| | Business loss | - | 0.77 |
| | Interest on loan - Intercompany | 0.21 | - |
| | **Total** | **2.15** | **1.64** |
| | **Net deferred tax asset** | **1.99** | **1.41** |
| **12** | **Long-term loans and advances** | | |
| | (Unsecured, considered good unless otherwise stated) | | |
| | Loans to related parties (Refer note 23) | | |
| | - Loan to Sparta Consulting Inc., USA | 0.50 | 14.55 |
| | - Loan to Integrated Information Inc., USA | - | 0.90 |
| | Loans and advances to other than related parties | | |
| | Security deposits | 0.06 | - |
| | Other loans and advances | | |
| | - Advance taxes and tax deducted at source (net of provisions) | 2.29 | 1.67 |
| | Prepaid expenses | 0.02 | - |
| | | **2.87** | **17.12** |

(Currency - USD Million)

| | | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| **13** | **Trade receivables** | | |
| | (Unsecured, considered good unless otherwise stated) | | |
| | Outstanding for a period exceeding six months from the date they were due for payment | | |
| | - Considered good | 0.30 | 4.37 |
| | - Considered doubtful | 1.32 | 0.15 |
| | Less: Provision for doubtful trade receivables | 1.32 | 0.15 |
| | | **0.30** | **4.37** |
| | Other receivables | | |
| | - Considered good | **32.85** | **21.71** |
| | - Considered doubtful | - | 0.02 |
| | Less: Provision for doubtful trade receivables | - | 0.02 |
| | | 32.85 | 21.71 |
| | | **33.15** | **26.08** |
| **14** | **Cash and bank balances** | | |
| | Cash and cash equivalents | | |
| | Balances with banks | | |
| | - In current account | 7.96 | 4.96 |
| | | **7.96** | **4.96** |
| **15** | **Short term loans and advances** | | |
| | (Unsecured, considered good unless otherwise stated) | | |
| | Short term loans to related parties (Refer note 23) | | |
| | -Loan to Sparta Consulting Inc., USA | 16.75 | 3.70 |
| | Other loans and advances | | |
| | To related parties (Refer note 23) | | |
| | - Receivables from subsidiary companies | 0.01 | 2.27 |
| | To parties other than related parties | | |
| | - employee advances | 0.25 | 0.69 |
| | - security deposits | 0.01 | 0.07 |
| | - prepaid expenses | 0.45 | 0.40 |
| | - advance to suppliers | 0.14 | 1.35 |
| | | **0.85** | **2.51** |
| | | **0.85** | **2.51** |
| | | **17.61** | **8.48** |
| **16** | **Other current assets** | | |
| | (Unsecured, considered good unless otherwise stated) | | |
| | Unbilled revenue | 2.62 | 5.46 |
| | Interest accrued on loan | 0.44 | 0.82 |
| | | **3.06** | **6.28** |
| **17** | **Revenue from operations** | | |
| | Income from software services | 181.65 | 138.89 |
| | | **181.65** | **138.89** |
| **18** | **Other income** | | |
| | Interest income | 0.45 | 0.49 |
| | Foreign exchange gain (net) | - | 0.02 |
| | Other non operating income (including miscellaneous income) | 0.25 | 0.01 |
| | | **0.70** | **0.52** |
| **19** | **Employee benefits expense** | | |
| | Salaries, wages and bonus | 61.18 | 45.80 |
| | Staff welfare expenses | 0.17 | 0.16 |
| | | **61.35** | **45.96** |

(Currency - USD Million)

| | | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| **20** | **Finance costs** | | |
| | Interest expense | 0.63 | 0.93 |
| | | **0.63** | **0.93** |
| | | | |
| **21** | **Other expenses** | | |
| | Travel and overseas expenses (net of recovery) | 2.82 | 4.21 |
| | Travelling and conveyance (net of recovery) | 0.75 | 0.53 |
| | Cost of service delivery | 84.84 | 56.84 |
| | Cost of professional subcontracting | 11.40 | 11.41 |
| | Recruitment and training expenses | 0.72 | 0.74 |
| | Power and fuel | 0.39 | 0.25 |
| | Rent including lease rentals | 1.23 | 0.72 |
| | Repairs & maintenance - | | |
| | - Plant and equipment | 0.07 | - |
| | - Others | 0.36 | 0.19 |
| | Insurance | 0.39 | 0.33 |
| | Rates and taxes | 0.15 | 0.12 |
| | Communication expenses | 0.67 | 0.50 |
| | Legal and professional fees | 0.72 | 0.73 |
| | Marketing expenses | 2.90 | 1.41 |
| | Foreign exchange loss (net) | 0.06 | - |
| | Printing and stationery | 0.05 | 0.03 |
| | Provision for doubtful debts and advances (net) | 0.35 | 0.13 |
| | Loss on sale of fixed assets (net) | 0.01 | - |
| | Miscellaneous expenses | 1.94 | 1.17 |
| | | **109.82** | **79.31** |

**22 Contingent liabilities:**

The Company has no liabilities of contingent nature outstanding as at 31 March 2016.

**23 Related party transactions:**

**A. Name of the related party and nature of relationship where control exists**

| Relationship | Name of related party |
|---|---|
| Holding Company | KPIT Technologies Limited, India |
| Subsidiary Companies (Direct Holding) | Sparta Consulting Inc., USA |
| | CPG Solutions LLC, USA (Refer note 24) |
| | Integrated Industrial Information Inc., USA (Refer note 24) |
| | KPIT Technologies Soluções Em Informática Ltda. (Formerly KPIT Infosystem (Brasil) Servicos De Technologia e Participacoes Ltda) |

**B. List of other related parties with whom there are transactions in the current year**

| Relationship | Name of related party |
|---|---|
| Holding Company | KPIT Technologies Limited, India |
| Subsidiary Companies | CPG Solutions LLC, USA (Refer Note 24) |
| | Integrated Industrial Information Inc., USA (Refer Note 24) |
| | Sparta Consulting Inc., USA |
| | KPIT Technologies Soluções Em Informática Ltda. (Formerly KPIT Infosystem (Brasil) Servicos De Technologia e Participacoes Ltda) |
| Fellow Subsidiary Companies | KPIT Technologies Corporation (Formerly SYSTIME Global Solutions Inc., Canada) |
| | KPIT Technologies France (Formerly KPIT Infosystems France) |
| | SYSTIME Computer Corporation, USA |
| | KPIT (Shanghai) Software Technology Co. Limited, China |
| | KPIT Infosystems ME FZE, Dubai |
| | KPIT Technologies Netherlands B.V. |
| | KPIT Technologies (UK) Ltd (Formerly KPIT Infosystems Limited) |
| | KPIT Infosystems Limited Filial UK, Sweden |
| | KPIT Solutions GmbH (erstwhile HD Solutions GmbH, Germany) |
| | KPIT medini Technologies AG (erstwhile IKV++ Technologies AG, Germany) |
| | KPIT Technologies GmbH, Germany |

**23 Related party transactions (continued)**

**C. Transactions with related parties**

| Sr. no. | Name of the related party | Description of relationship | Nature of transaction | Amount of transaction 2015-16 (USD Million) | Balance as at 31 March 2016 (USD Million) | Amount of transaction 2014-15 (USD Million) | Balance as at 31 March 2015 (USD Million) |
|---|---|---|---|---|---|---|---|
| 1 | KPIT Technologies Limited, India | Holding company | Advance received (net) | 0.39 | (3.07) | 0.28 | (1.01) |
| | | | Reimbursement of expenses | 5.60 | | 3.48 | |
| | | | Software service charges | 63.16 | (17.15) | 50.58 | (23.85) |
| | | | Sale of software services | 0.09 | 0.11 | 0.03 | 0.03 |
| | | | Repayment of loan (including interest) | 2.97 | (7.74) | 2.52 | (10.27) |
| | | | Interest expenses | 0.52 | | 0.55 | |
| 2 | Sparta Consulting Inc. USA | Subsidiary company | Sale of software services | 2.11 | 0.88 | 1.46 | 4.13 |
| | | | Software service charges | 0.28 | | 0.28 | |
| | | | Loan given | - | 17.69 | 0.50 | 19.07 |
| | | | Repayment of loan (including interest) | 1.82 | | - | |
| | | | Interest income | 0.45 | | 0.46 | |
| | | | Advance received (net) | 0.28 | (0.15) | - | (3.40) |
| | | | Reimbursement of expenses | 1.34 | | 4.32 | |
| 3 | CPG Solutions LLC, USA (Refer note 24) | Subsidiary company | Sale of software services | 0.34 | - | 3.62 | 0.47 |
| | | | Software service charges | 2.58 | - | 1.04 | (0.16) |
| | | | Advance received (net) | 0.06 | - | - | 0.04 |
| | | | Reimbursement of expenses | 0.02 | | 0.11 | |
| | | | Loan given | - | - | 1.75 | - |
| | | | Repayment of loan (including interest) | - | | 3.02 | |
| | | | Interest income on loan | - | | 0.02 | |
| 4 | Integrated Industrial Information Inc., USA (Refer note 24) | Subsidiary company | Interest income on loan | 0.04 | - | 0.01 | 0.91 |
| | | | Loan given | 1.14 | | 0.90 | |
| | | | Reimbursement of expenses | 0.00 | - | 0.77 | (0.77) |
| | | | Software service charges | 0.27 | - | 0.21 | (0.07) |
| 5 | KPIT Technologies Corporation (erstwhile SYSTIME Global Solutions Inc., Canada) | Fellow subsidiary company | Software service charges | 0.25 | (0.17) | 0.11 | (0.11) |
| | | | Sale of software services | 0.10 | 0.10 | 0.02 | - |
| | | | Reimbursement of expenses | 0.02 | (0.03) | - | - |
| | | | Repayment of loan (including interest) | 1.47 | - | - | - |
| | | | Interest expenses | 0.02 | | 0.04 | |
| 6 | KPIT Technologies France (erstwhile KPIT Infosystems France) | Fellow subsidiary company | Sale of software services | 0.28 | 0.06 | 0.18 | 0.05 |
| | | | Reimbursement of expenses | 0.00 | 0.00 | - | - |
| 7 | SYSTIME Computer Corporation, USA | Fellow subsidiary company | Sale of software services | 1.81 | 0.44 | 0.79 | 0.29 |
| | | | Loan taken | - | - | 1.00 | - |
| | | | Interest expenses | - | | 0.09 | |
| | | | Repayment of loan (including interest) | - | | 3.40 | |
| | | | Reimbursement of expenses | 0.06 | (0.04) | 3.61 | 2.23 |
| | | | Advance received (net) | 3.00 | | - | |
| | | | Software service charges | 15.29 | (7.52) | 3.13 | (1.25) |
| 8 | KPIT (Shanghai) Software Technology Co. Limited, China | Fellow subsidiary company | Software service charges | 0.19 | (0.03) | 0.28 | (0.05) |
| 9 | KPIT Infosystems ME FZE, Dubai | Fellow subsidiary company | Software service charges | - | (0.00) | 0.00 | (0.00) |
| 10 | KPIT Infosystems ME FZE, Dubai (Australia Branch) | Fellow subsidiary company | Software service charges | 0.00 | (0.00) | - | - |
| 11 | KPIT Technologies Netherlands B.V. | Fellow subsidiary company | Sale of software services | 0.02 | 0.00 | 0.01 | 0.01 |
| 12 | KPIT Technologies (UK) Ltd (erstwhile KPIT Infosystems Limited) | Fellow subsidiary company | Software service charges | 1.74 | (0.29) | 1.36 | (0.68) |
| | | | Reimbursement of expenses | 0.00 | 0.00 | 0.01 | 0.00 |
| | | | Advance given (net) | - | | 0.00 | |
| | | | Sale of software services | 0.13 | 0.07 | 0.11 | 0.04 |
| 13 | KPIT Infosystems Limited Filial UK, Sweden | Fellow subsidiary company | Sale of software services | 0.01 | 0.00 | 0.01 | - |
| | | | Software service charges | 0.00 | (0.00) | - | - |
| 14 | KPIT Technologies Soluções em Informática Ltda. (erstwhile KPIT Infosystem (Brasil) Servicos De Technologia e Participacoes Ltda) | Subsidiary company | Software service charges | 0.79 | (0.06) | 1.07 | (0.08) |
| 15 | KPIT Technologies GmbH, Germany | Fellow subsidiary company | Software service charges | 0.59 | (0.09) | 0.39 | (0.06) |
| | | | Reimbursement of expenses | 0.00 | (0.00) | 0.00 | - |
| | | | Sale of software services | 0.01 | 0.01 | 0.04 | 0.01 |
| 16 | KPIT Solutions GmbH (erstwhile HD Solutions GmbH, Germany) | Fellow subsidiary company | Software service charges | - | (0.06) | - | - |
| 17 | KPIT medini Technologies AG (erstwhile IKV++ Technologies AG, Germany) | Fellow subsidiary company | Software service charges | 0.06 | (0.06) | - | - |

**24** During the year, CPG Solutions, LLC (CPG) has been merged with KPIT Infosystems Incorporated (KPIT USA), its holding company, in terms of Articles of Merger filed with the State of Florida. CPG was engaged in the business of providing software consultancy services in the areas of ERP, Supply Chain Management and Business Intelligence. Consolidation of operations of CPG and KPIT USA was undertaken with the aim of improving operational efficiencies.

The effective date in accordance with Agreement and Plan of Merger is 1 January, 2016.

The accounting of merger has been done by using pooling of interest method. Further, as per Article 1.3 of the Agreement and Plan of Merger :

i. the assets of the transferor company have been recorded by transferee company at their existing carrying amounts

ii. the liabilities of the transferor company have been recorded by transferee company at their existing carrying amounts

iii. the reserves of the transferor company have been recorded by transferee company at their existing carrying amounts

During the year, Integrated Industrial Information, Inc. (I-Cubed) has been merged with KPIT Infosystems Incorporated (KPIT USA), its holding company, in terms of Articles of Merger filed with the State of North Carolina. I-Cubed was involved in the areas of Product Lifecycle Management consulting, specializing in data migration, PLM technical services and customization and managed services.

The effective date in accordance with Agreement and Plan of Merger is 1 January, 2016.

The accounting of merger has been done by using pooling of interest method. Further, as per Article 1.4 of the Agreement and Plan of merger, the same treatment is given in the books of transferee company as is mentioned above in case of CPG.

Details of assets, liabilities and reserves acquired on amalgamation and treatment of the difference between the value of net identifiable assets acquired and the cost of investment.

| **Assets** | **CPG Amount (USD Million)** | **I-cubed Amount (USD Million)** |
|---|---|---|
| Fixed assets | 0.08 | 0.45 |
| Long-term loans and advances | - | 0.02 |
| Trade receivables | 1.05 | 2.26 |
| Cash and bank balances | 0.02 | 0.06 |
| Short-term loans and advances | 0.06 | 0.09 |
| Other current assets | 0.15 | 0.01 |
| **Total** | **1.36** | **2.89** |

| **Liabilities** | **CPG Amount (USD Million)** | **I-cubed Amount (USD Million)** |
|---|---|---|
| Long-term borrowings | - | 2.12 |
| Long-term provisions | 0.28 | - |
| Short-term borrowings | - | 0.05 |
| Trade payables | 0.20 | 0.11 |
| Other current liabilities | 0.78 | 0.43 |
| Short-term provisions | 0.07 | 0.07 |
| **Total** | **1.33** | **2.78** |

| **Reserves** | **CPG Amount (USD Million)** | **I-cubed Amount (USD Million)** |
|---|---|---|
| Surplus in Statement of Profit and Loss | (0.75) | 0.02 |

| **Difference between the cost of investment and the value of net identifiable assets acquired as adjusted in Reserves :** | **CPG Amount (USD Million)** | **I-cubed Amount (USD Million)** |
|---|---|---|
| Cost of investment | 15.16 | 15.55 |
| Less : value of net identifiable assets acquired | 0.03 | 0.11 |
| Adjusted in Reserves | 15.13 | 15.44 |

**25** During the year, the Company has provided for the decline, other than temporary, in the carrying amount of an investment for USD 1.72 million, in accordance with AS-13 "Accounting for Investments".

**26** **Prior year comparatives**

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with current year's classification / disclosure.

For and on behalf of the Board of Directors of

**KPIT Infosystems Incorporated**

Director Director

Place : Pune

Date: 26 April, 2016

# Sparta Consulting Inc.

Registered Office: 111 Woodmere Road, Suite 200, Folsom, California 95630, USA.

## Board's Report

Dear Shareholders,

Your Board of Directors is pleased to present herewith the report of the Directors on the operations of the Company together with the accounts for the financial year ended on March 31, 2016.

**Financial Results**

| Particulars | 2015-16 USD (Million) | 2014-15 USD (Million) |
|---|---|---|
| Total Revenues | 79.73 | 67.78 |
| Net Profit /(Loss) for the year | 2.91 | 4.25 |

**Operations**

During the year under review, there was 17% increase in the total revenues. However, net profit declined by 31%.

**Audit**

The Company is not required by the local laws to have an independent audit firm to issue a report to the shareholders on the financial statements. No audit opinion has been sought in respect of these financial statements. The accounts are prepared from the internally prepared management accounts of the Company. The same management accounts are audited in order for the Group Auditors to give an audit opinion in relation to the group accounts i.e. consolidated accounts of KPIT Technologies Limited, the parent company. Hence, no separate audit report is given in respect of the Company.

For and on behalf of the Board of Directors

**Sparta Consulting Inc.**

**Kishor Patil**
Chairman

Pune

April 26, 2016

## Balance Sheet

(Currency - USD Million)

| | Note | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' funds** | | | |
| Share capital | 2 | 5.11 | 5.11 |
| Reserves and surplus | 3 | (3.86) | (6.77) |
| | | **1.25** | **(1.66)** |
| **Non-current liabilities** | | | |
| Long-term borrowings | 4 | 1.25 | 18.25 |
| Long-term provisions | 5 | 1.36 | 1.54 |
| | | **2.61** | **19.79** |
| **Current liabilities** | | | |
| Short-term borrowings | 6 | - | 2.50 |
| Trade payables | 7 | 9.27 | 13.12 |
| Other current liabilities | 8 | 23.61 | 5.53 |
| Short-term provisions | 9 | 0.56 | 0.80 |
| | | **33.44** | **21.95** |
| **TOTAL** | | **37.30** | **40.08** |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Fixed assets | | | |
| Tangible fixed assets | 10A | 0.30 | 0.42 |
| Intangible fixed assets | 10B | 0.64 | 1.28 |
| Deferred tax assets (net) | 11 | 4.54 | 4.54 |
| Long-term loans and advances | 12 | 4.88 | 4.77 |
| | | **10.36** | **11.01** |
| **Current assets** | | | |
| Trade receivables | 13 | 21.76 | 20.81 |
| Cash and bank balances | 14 | 1.88 | 3.04 |
| Short-term loans and advances | 15 | 0.51 | 4.00 |
| Other current assets | 16 | 2.79 | 1.22 |
| | | **26.94** | **29.07** |
| **TOTAL** | | **37.30** | **40.08** |
| Significant accounting policies | 1 | | |
| Notes referred to above form an integral part of the financial statements | 2-25 | | |

For and on behalf of the Board of Directors of

**Sparta Consulting Inc.**

Director Director

Place : Pune

Date: 26 April, 2016

## Statement of Profit and Loss

(Currency - USD Million)

| | Note | For the year ended 31 March, 2016 | For the year ended 31 March, 2015 |
|---|---|---|---|
| **Revenue from operations** | | | |
| Sale of services | 17 | 79.48 | 67.68 |
| Other income | 18 | 0.25 | 0.10 |
| **Total revenue** | | **79.73** | **67.78** |
| | | | |
| **Expenses** | | | |
| Employee benefit expense | 19 | 37.66 | 40.52 |
| Finance costs | 20 | 0.46 | 0.57 |
| Depreciation and amortization expense | 10 | 0.76 | 1.86 |
| Other expenses | 21 | 37.95 | 31.70 |
| **Total expenses** | | **76.83** | **74.65** |
| **Profit before tax** | | 2.90 | (6.87) |
| **Tax expense** | | | |
| Current tax | 24 | (0.01) | (6.58) |
| Deferred tax benefit | | - | (4.54) |
| **Total tax expense** | | **(0.01)** | **(11.12)** |
| **Profit / (Loss) for the year** | | **2.91** | **4.25** |
| Significant accounting policies | 1 | | |
| Notes referred to above form an integral part of the financial statements | 2-25 | | |

For and on behalf of the Board of Directors of

**Sparta Consulting Inc.**

Director Director

Place : Pune

Date: 26 April, 2016

## Cash Flow Statement

(Currency - USD Million)

| PARTICULARS | For the year ended 31 March, 2016 | For the year ended 31 March, 2015 |
|---|---|---|
| **A] CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Net profit / (loss) before tax | 2.90 | (6.87) |
| **Adjustments for** | | |
| (Profit) / loss on sale of fixed assets (net) | 0.09 | - |
| Depreciation / Amortization | 0.76 | 1.86 |
| Interest income | 0.00 | 0.00 |
| Interest expense | 0.46 | 0.57 |
| **Operating Profit before working capital changes** | **4.21** | **(4.44)** |
| **Adjustments for changes in working capital:** | | |
| Increase / (Decrease) in Long Term Provisions | (0.18) | 0.35 |
| Increase / (Decrease) in Trade Payables | (3.85) | 5.09 |
| Increase / (Decrease) in Other Current Liabilities | 18.46 | 0.02 |
| Increase / (Decrease) in Short Term Provisions | (0.25) | (5.07) |
| (Increase) / Decrease in Trade Recievables | (0.95) | (3.68) |
| (Increase) / Decrease in Short term Loans and Advances | 3.49 | (1.28) |
| (Increase) / Decrease in Other Current Assets | (1.57) | 9.35 |
| Cash generated from operations | 19.32 | 0.34 |
| Taxes Paid | (0.05) | 0.02 |
| **Net cash from operating activities (A)** | **19.27** | **0.36** |
| **B] CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Purchase of Fixed Assets | (0.09) | (0.10) |
| Interest received | 0.00 | 0.00 |
| **Net Cash from /(used in) investing activities (B)** | **(0.09)** | **(0.10)** |
| **C] CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Proceeds from long term loan (other than bank) | (0.25) | 0.50 |
| Interest and finance charges | (0.84) | (0.10) |
| Proceeds from Working Capital loan (Net) | (19.25) | - |
| **Net cash from /(used in) financing activities (C)** | **(20.34)** | **0.40** |
| **Net Increase / (decrease) in cash and cash equivalents (A + B+ C)** | (1.16) | 0.66 |
| Cash and cash equivalents at close of the year (refer note 1 below) | 1.88 | 3.04 |
| Cash and cash equivalents at beginning of the year (refer note 1 below) | 3.04 | 2.38 |
| **Cash surplus / (deficit) for the year** | (1.16) | 0.66 |
| **Note 1:** | | |
| Cash and cash equivalents include: | | |
| Cash in Hand | - | - |
| Balance with banks | | |
| - In current accounts | 1.88 | 3.04 |
| **Total Cash and cash equivalents** | 1.88 | 3.04 |

**Note 2:**

Figures in brackets represent outflows of cash and cash equivalents.

**Note 3:**

The above cash flow statement has been prepared under the indirect method as set out in Accounting Standard 3 on cash flow statements.

For and on behalf of the Board of Directors of

**Sparta Consulting Inc.**

Director Director

Place : Pune

Date: 26 April, 2016

## Notes forming part of the financial statements for the year ended 31 March 2016

**Company Overview:**

Sparta Consulting Inc. is a company incorporated in the state of California, USA. The Company is a wholly owned subsidiary of KPIT Infosystems Incorporated, USA and ultimate holding company is KPIT Technologies Limited.

The Company is engaged in the business of providing pre-packaged, industry-specific SAP software solutions and IT services.

**1. Significant Accounting Policies:**

**1.1 Basis for preparation of financial statements:**

The financial statements have been prepared under the historical cost convention, on the accrual basis of accounting, in accordance with the generally accepted accounting principles (GAAP) in India and comply with the Accounting Standards ("AS") specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

The financial statements are presented in US Dollars ("USD") and are rounded off to nearest USD Million.

**Use of Estimates:**

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results may differ from those estimates. Any difference between the actual results and estimates are recognised in the period in which the results are known/ materialize. Any revision to accounting estimates is recognised prospectively in the current and future periods.

**1.2 Revenue recognition:**

Revenue from software development and services on time and material basis is recognized based on software development, services rendered and related costs incurred based on timesheets and are billed to clients as per the contractual terms. Revenue from fixed price contracts, where there is no uncertainty as to measurement or collectability of consideration, is recognized based upon the proportionate completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Revenue from the sale of software products is recognized when the sale is completed with the passing of the ownership.

Customer reimbursable expenses are recorded as a reduction from associated costs.

Interest income is recognized on time proportion basis.

**1.3 Borrowing Costs:**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of cost of that asset. All other borrowing costs are charged to the Statement of Profit and Loss.

**1.4 Current-non Current classification**

All assets and liabilities are classified into current and non-current.

**Assets**

An asset is classified as current when it satisfies any of the following criteria:

a. it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b. it is held primarily for the purpose of being traded;

c. it is expected to be realised within 12 months after the reporting date; or

d. it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for atleast 12 months after the reporting date.

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

**Liabilities**

A liability is classified as current when it satisfies any of the following criteria:

a. it is expected to be settled in the Company's normal operating cycle;

b. it is held primarily for the purpose of being traded;

c. it is due to be settled within 12 months after the reporting date; or

d. the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counter party, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

**Operating cycle**

Operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. The operating cycle of the Company is less than twelve months.

**1.5 Fixed Assets:**

**Tangible fixed assets:**

Tangible fixed assets are carried at cost of acquisition or construction less accumulated depreciation and/or accumulated impairment loss, if any. The cost of an item of tangible fixed asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost 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. Tangible fixed assets under construction are disclosed as capital work-in-progress.

**Intangible fixed assets:**

Goodwill that arises on an amalgamation or on the acquisition of a business is presented as an intangible asset. Goodwill arising from amalgamation is measured at cost less accumulated amortisation and any accumulated impairment loss. Such goodwill is amortised over its estimated useful life or five years whichever is shorter. Goodwill is tested for impairment annually.

Development activities involve a plan or design for the production of new or substantially improved products or processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and directly attributable borrowing costs (in the same manner as in the case of tangible fixed assets). Other development expenditure is recognized in the Statement of Profit and Loss as incurred.

Acquired intangible assets, which comprise expenditure incurred on acquisition of user licenses for computer software are recorded at its acquisition price. The useful life of intangible assets is reviewed by management at each balance sheet date.

**1.6 Depreciation:**

Depreciation on tangible fixed assets is provided based on useful life in the manner specified below:

| Type of asset | Useful life<br>Number of years |
|---|---|
| Plant and equipment | 4 |
| Office Equipment | 10 |
| Furniture and fixtures | 8 |

Leasehold improvements are amortized over the period of the lease.

Perpetual software licenses are amortized over 4 years. However, time-based software licenses are amortized over the license period. Capitalised development costs are amortized over a period of 4 to 5 years.

**1.7 Accounting for taxes on income**

**Current Tax / Deferred Tax**

The Company is a part of a tax consolidation group consisting of KPIT Infosystems Incorporated (the holding company or the parent entity), the Company. The tax-consolidated group prepares a single consolidated annual tax return, and the parent entity records the ultimate tax obligations. Based on the contractual arrangements between Company and the holding company, receivables/payables on account of current tax are settled between the companies.

Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws for the tax consolidation group, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available to the tax consolidation group against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

**1.8 Impairment of Assets:**

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. Impairment loss is recognized when the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use. For the purpose of impairment testing, assets are grouped together into the smallest group of assets (cash generating unit or CGU) that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Intangible assets which are not yet available for use are tested for impairment annually. Other fixed assets (tangible and intangible) are reviewed at each reporting date to determine if there is any indication of impairment. For assets in respect of which any such indication exists and for intangible assets mandatorily tested annually for impairment, the asset's recoverable amount is estimated.

If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists or has decreased, the assets or CGU's recoverable amount is estimated. For assets other than goodwill, the impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such a reversal is recognised in the Statement of Profit and Loss.

During the year under consideration, there was no indication, either internal or external as to the impairment of any of the assets.

**1.9 Leases**

Lease arrangements where the risks and rewards incidental to the ownership of an asset substantially vest with the lessor, are classified as Operating Leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on straight line basis over the term of the lease.

**1.10 Foreign currency transactions**

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Monetary items are translated at the year-end rates and the exchange differences so determined as also the realised exchange differences are recognised in the Statement of Profit and Loss.

**1.11 Employee benefits**

**Compensated absences**

The employees of certain locations can carry-forward a portion of the unutilised accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of the period in which the employees render the related service and are also not expected to be utilized wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation carried out at each Balance Sheet date using the Projected Unit Credit Method.

**1.12 Provisions, Contingent Liabilities and Contingent Assets:**

As per Accounting Standard (AS) 29, 'Provisions, Contingent Liabilities and Contingent Assets', the Company recognizes provisions only when it has a present obligation 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 when a reliable estimate of the amount of the obligation can be made.

**No provision is recognized for -**

(a) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

(b) Present obligations that arise from past events but are not recognized because-

  i. It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  ii. A reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed periodically and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

(Currency - USD Million)

| | | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| **2** | **Share capital** | | |
| | **Authorised** | | |
| | 1,000 shares common stock without par value | | |
| | **Issued, subscribed and paid-up:** | | |
| | 1,000 (2014 : 1,000) shares of the common stock without par value fully paid | 5.11 | 5.11 |
| | | **5.11** | **5.11** |
| **3** | **Reserves and surplus** | | |
| | **Surplus/(Deficit) in Statement of Profit and Loss** | | |
| | At the commencement of the year | (6.77) | (11.03) |
| | Add : Profit/(Loss) for the year | 2.91 | 4.26 |
| | | (3.86) | (6.77) |
| | | **(3.86)** | **(6.77)** |
| **4** | **Long term borrowings** | | |
| | **Loans and advances from related parties (Unsecured)(Refer note 23)** | | |
| | Loan from KPIT Infosystems Incorporated, USA | 0.50 | 18.25 |
| | Loan from KPIT Technologies Corporation, Canada | 0.75 | - |
| | | **1.25** | **18.25** |
| **5** | **Long term provisions** | | |
| | Provision for employee benefits | | |
| | - compensated absences | 1.36 | 1.54 |
| | | **1.36** | **1.54** |

(Currency - USD Million)

| | | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| **6** | **Short-term borrowings** | | |
| | **Loans repayable on demand from banks (secured):** | | |
| | Working capital loan | - | 2.50 |
| | | **-** | **2.50** |
| **7** | **Trade payables** | | |
| | Trade payables | 9.27 | 13.12 |
| | | **9.27** | **13.12** |
| **8** | **Other current liabilities** | | |
| | Current maturities of long-term debt | | |
| | - From KPIT Infosystems Incorporated, USA (Refer note 23) | 16.75 | - |
| | - From KPIT Technologies Corporation, Canada (Refer note 23) | - | - |
| | Interest accrued but not due on borrowings | 0.44 | 0.47 |
| | Unearned revenue | 1.20 | - |
| | Interest accrued and due on borrowings | - | 0.35 |
| | Accrued employee costs | 4.03 | 3.43 |
| | Payable to related parties (Refer note 23) | 0.44 | 0.03 |
| | Statutory liabilities | 0.75 | 1.25 |
| | | **23.61** | **5.53** |
| **9** | **Short term provisions** | | |
| | Provision for employee benefit | | |
| | - Provision for compensated absences | 0.55 | 0.80 |
| | Current tax (net of advance tax) | 0.01 | - |
| | | **0.56** | **0.80** |

(Currency - USD Million)

**10 Fixed Assets**

| | Gross Block | | | | Depreciation / Amortization | | | | Net Block | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Particulars** | **As at 1 April, 2015** | **Additions during the year 2015-16** | **Disposals during the year 2015-16** | **As at 31 March, 2016** | **Up to 1 April, 2015** | **For the year 2015-16** | **On Disposals/ Adjustments** | **Up to 31 March, 2016** | **As on 31 March, 2016** | **As on 31 March, 2015** |
| **A. TANGIBLE ASSETS** | | | | | | | | | | |
| Leasehold Improvements | 0.03 | - | - | 0.03 | 0.03 | - | - | 0.03 | - | - |
| Office Equipments | 0.89 | 0.01 | 0.14 | 0.76 | 0.73 | 0.02 | 0.09 | 0.66 | 0.10 | 0.16 |
| Furniture and Fixtures | 0.21 | - | 0.06 | 0.15 | 0.10 | 0.02 | 0.02 | 0.10 | 0.05 | 0.11 |
| Plant and Equipment | 0.34 | 0.08 | 0.05 | 0.37 | 0.19 | 0.08 | 0.05 | 0.22 | 0.15 | 0.15 |
| **TOTAL TANGIBLE ASSETS** | **1.47** | **0.09** | **0.25** | **1.31** | **1.05** | **0.12** | **0.16** | **1.01** | **0.30** | **0.42** |
| **B. INTANGIBLE ASSETS** | | | | | | | | | | |
| i. Internally Generated Intangible | 2.14 | - | - | 2.14 | 2.14 | - | - | 2.14 | - | - |
| ii. Other than internally generated | | | | | | | | | | |
| Goodwill | 3.09 | - | - | 3.09 | 1.90 | 0.59 | - | 2.49 | 0.60 | 1.19 |
| Softwares | 0.22 | - | - | 0.22 | 0.13 | 0.05 | - | 0.18 | 0.04 | 0.09 |
| **TOTAL INTANGIBLE ASSETS** | **5.45** | **-** | **-** | **5.45** | **4.17** | **0.64** | **-** | **4.81** | **0.64** | **1.28** |
| **TOTAL ASSETS** | **6.92** | **0.09** | **0.25** | **6.76** | **5.22** | **0.76** | **0.16** | **5.82** | **0.94** | **1.70** |
| PREVIOUS YEAR | 6.82 | 0.10 | - | 6.92 | 3.36 | 1.86 | - | 5.22 | 1.70 | |

(Currency - USD Million)

| | | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| **11** | **Deferred tax asset (net)** | | |
| | **Break up of deferred tax assets at the year end** | | |
| | Arising on account of timing differences in | | |
| | Provision for depreciation | 0.39 | 0.39 |
| | Provision for doubtful debts and advances | 3.10 | 3.10 |
| | Provision for leave encashment | 0.86 | 0.86 |
| | Accrued Expenses | 0.19 | 0.19 |
| | **Deferred tax asset** | **4.54** | **4.54** |
| | | | |
| **12** | **Long term loans and advances** | | |
| | (Unsecured, considered good unless otherwise stated) | | |
| | Loans and advances to other than related parties | | |
| | Security deposits | 0.04 | - |
| | Other loans and advances | | |
| | - Advance taxes and tax deducted at source (net of provisions) | 4.84 | 4.77 |
| | | **4.88** | **4.77** |
| **13** | **Trade receivables** | | |
| | (Unsecured, considered good unless otherwise stated) | | |
| | Outstanding for a period exceeding six months from the date they were due for payment | | |
| | - Considered good | 1.89 | 4.93 |
| | - Considered doubtful | 9.82 | 7.76 |
| | Less: Provision for doubtful trade receivables | 9.82 | 7.76 |
| | | **1.89** | **4.93** |
| | Others receivables | | |
| | - Considered good | 19.87 | 15.88 |
| | - Considered doubtful | - | - |
| | Less: Provision for doubtful trade receivables | - | - |
| | | **19.87** | **15.88** |
| | | **21.76** | **20.81** |
| | | | |
| **14** | **Cash and bank balances** | | |
| | Cash and cash equivalents | | |
| | Cash on hand | 0.00 | 0.00 |
| | Balances with banks | | |
| | - In current account | 1.88 | 3.04 |
| | | **1.88** | **3.04** |
| | | | |
| **15** | **Short term loans and advances** | | |
| | (Unsecured, considered good unless otherwise stated) | | |
| | To related parties (Refer note 23) | | |
| | - Receivables | 0.15 | 3.77 |
| | To parties other than related parties | | |
| | -employee advances | 0.04 | 0.01 |
| | -security deposits | 0.01 | 0.04 |
| | -claims receivable | 0.00 | 0.01 |
| | -prepaid expenses | 0.01 | 0.14 |
| | -advance to suppliers | 0.30 | 0.03 |
| | | **0.36** | **0.23** |
| | | **0.51** | **4.00** |
| | | | |
| **16** | **Other current assets** | | |
| | (Unsecured, considered good unless otherwise stated) | | |
| | Unbilled revenue | 2.76 | 1.22 |
| | Others | 0.03 | 0.00 |
| | | **2.79** | **1.22** |

(Currency - USD Million)

| | | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| **17** | **Revenue from operations** | | |
| | Income from software services | 79.48 | 67.68 |
| | | **79.48** | **67.68** |
| | | | |
| **18** | **Other income** | | |
| | Interest income | 0.00 | 0.00 |
| | Foreign exchange gain (net) | 0.00 | 0.00 |
| | Other non operating income (including miscellaneous income) | 0.25 | 0.10 |
| | | **0.25** | **0.10** |
| | | | |
| **19** | **Employee benefits expense** | | |
| | Salaries, wages and bonus | 37.56 | 40.44 |
| | Staff welfare expenses | 0.10 | 0.08 |
| | | **37.66** | **40.52** |
| | | | |
| **20** | **Finance costs** | | |
| | Interest expense | 0.46 | 0.57 |
| | | **0.46** | **0.57** |
| | | | |
| **21** | **Other expenses** | | |
| | Travel and overseas expenses (net of recovery) | 2.52 | 2.71 |
| | Travelling and conveyance (net of recovery) | 0.64 | 0.43 |
| | Cost of service delivery | 10.71 | 8.42 |
| | Cost of professional subcontracting | 17.51 | 16.26 |
| | Recruitment and training expenses | 0.28 | 0.17 |
| | Rent including lease rentals | 0.43 | 0.54 |
| | Repairs & maintenance - | | |
| | - plant and equipment | 0.00 | 0.00 |
| | - others | 0.00 | 0.00 |
| | Insurance | 0.63 | 0.25 |
| | Rates and taxes | 0.12 | 0.07 |
| | Communication expenses | 0.18 | 0.20 |
| | Legal and professional fees | 1.82 | 0.58 |
| | Marketing expenses | 0.25 | 0.29 |
| | Printing and stationery | 0.02 | 0.06 |
| | Bad debts written off | 0.17 | 0.57 |
| | Provision for doubtful debts and advances (net) | 2.06 | 0.50 |
| | Loss on sale of fixed assets (net) | 0.09 | - |
| | Miscellaneous expenses | 0.52 | 0.65 |
| | | **37.95** | **31.70** |

**Note:**

Certain expenses are net of recoveries/reimbursements from customers.

**22 Contingent liabilities:**

The Company has no liabilities of contingent nature outstanding as at 31 March 2016.

**23 Related party transactions:**

**A. Name of the related party and nature of relationship where control exists**

| Relationship | Name of related party |
|---|---|
| Ultimate Holding Company | KPIT Technologies Limited, India |
| Holding Company | KPIT Infosystems Incorporated, USA |

**B. List of related parties with whom there are transactions in the current year**

| Relationship | Name of related party |
|---|---|
| **Ultimate Holding Company** | KPIT Technologies Limited, India |
| **Holding Company** | KPIT Infosystems Incorporated, USA |
| **Fellow Subsidiary Companies** | KPIT Technologies Corporation (erstwhile SYSTIME Global Solutions Inc., Canada) |
| | SYSTIME Computer Corporation, USA |
| | KPIT (Shanghai) Software Technology Co. Limited, China |
| | CPG Solutions LLC, USA (merged with KPIT Infosystems Incorporated, USA w.e.f 1 January 2016) |
| | KPIT Technologies (UK) Ltd (erstwhile KPIT Infosystems Limited) |
| | KPIT Technologies Soluções EM Informática Ltda. (erstwhile KPIT Infosystem (Brasil) Servicos De Technologia e Participacoes Ltda) |
| | KPIT Technologies GmbH, Germany |

**C. Transactions with related parties**

| Sr. no. | Name of the related party | Description of relationship | Nature of transaction | Amount of transaction 2015-16 (USD Million) | Balance as at 31 March 2016 (USD Million) | Amount of transaction 2014-15 (USD Million) | Balance as at 31 March 2015 (USD Million) |
|---|---|---|---|---|---|---|---|
| 1 | KPIT Technologies Limited, India | Ultimate holding company | Software service charges | 7.27 | (5.08) | 7.67 | (5.86) |
| | | | Sale of software services | 0.00 | 0.00 | - | - |
| | | | Advance received (net) | 0.02 | (0.04) | - | (0.02) |
| 2 | KPIT Technologies Corporation (erstwhile SYSTIME Global Solutions Inc., Canada) | Fellow subsidiary company | Software service charges | 0.04 | (0.05) | 0.01 | (0.01) |
| | | | Loan taken | 0.75 | (0.75) | - | - |
| | | | Interest expense | 0.00 | | - | |
| 3 | KPIT Infosystems Incorporated, USA | Holding company | Sale of software services | 0.28 | (8.84) | 0.28 | (4.49) |
| | | | Software service charges | 2.11 | | 1.46 | |
| | | | Advance given (net) | 0.28 | 0.15 | - | 3.77 |
| | | | Reimbursement of expenses | 1.34 | | 4.32 | |
| | | | Loan taken | - | (17.69) | 0.50 | (19.07) |
| | | | Repayment of loan (including interest) | 1.82 | | - | |
| | | | Interest expense | 0.45 | | 0.46 | |
| 4 | SYSTIME Computer Corporation, USA | Fellow subsidiary company | Reimbursement of expenses | 0.21 | (0.40) | 0.01 | (0.01) |
| | | | Advance received (net) | 0.21 | | - | |
| | | | Sale of software services | 0.72 | 0.15 | 0.10 | 0.04 |
| | | | Software service charges | 0.11 | (0.11) | 0.03 | (0.03) |
| 5 | KPIT (Shanghai) Software Technology Co. Limited, China | Fellow subsidiary company | Software service charges | 1.21 | (0.53) | 0.71 | (0.32) |
| 6 | KPIT Technologies (UK) Ltd (erstwhile KPIT Infosystems Limited) | Fellow subsidiary company | Software service charges | 0.16 | (0.14) | 0.02 | (0.02) |
| | | | Sale of software services | 0.01 | 0.01 | - | - |
| | | | Reimbursement of expenses | - | - | 0.01 | 0.01 |
| 7 | KPIT Infosystems Limited Filial UK, Sweden | Fellow subsidiary company | Software service charges | (0.00) | 0.00 | - | - |
| 8 | KPIT Technologies Soluções em Informática Ltda. (erstwhile KPIT Infosystem (Brasil) Servicos De Technologia e Participacoes Ltda ) | Fellow subsidiary company | Software service charges | 0.16 | - | 0.22 | (0.22) |
| 9 | KPIT Technologies GmbH, Germany | Fellow subsidiary company | Software service charges | 0.00 | 0.00 | 0.02 | (0.02) |
| 10 | CPG Solutions LLC, USA | Fellow subsidiary company | Reimbursement of expenses | 0.00 | - | - | - |

**24** The tax expense for the previous year includes credit of USD 4.02 million pertaining to earlier years, arising on account of revised tax return filed in USA jurisdiction following completion of extensive documentation requirements.

**25 Prior year comparitives**

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with current year's classification / disclosure.

For and on behalf of the Board of Directors of

**Sparta Consulting Inc.**

Director Director

Place : Pune

Date: 26 April, 2016

# SYSTIME Computer Corporation

Registered Office: 379, Thornall Street, Edison, NJ 08837, USA.

## Board's Report

Dear Shareholders,

Your Board of Directors is pleased to present herewith the report of the Directors on the operations of the Company together with the accounts for the financial year ended on March 31, 2016.

**Financial Results**

| Particulars | 2015-16 USD (Million) | 2014-15 USD (Million) |
|---|---|---|
| Total Revenues | 74.67 | 94.12 |
| Net Profit /(Loss) for the year | 1.30 | 3.05 |

**Operations**

During the year under review, total revenues of the Company have declined by 20% and net profit has significantly reduced by 57%.

**Audit**

The Company is not required by the local laws to have an independent audit firm to issue a report to the shareholders on the financial statements. No audit opinion has been sought in respect of these financial statements. The accounts are prepared from the internally prepared management accounts of the Company. The same management accounts are audited in order for the Group Auditors to give an audit opinion in relation to the group accounts i.e. consolidated accounts of KPIT Technologies Limited, the parent company. Hence, no separate audit report is given in respect of the Company.

For and on behalf of the Board of Directors

**SYSTIME Computer Corporation**

**Kishor Patil**
Chairman

Pune
April 26, 2016

## Balance Sheet

(Currency - USD Million)

| | Note | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' funds** | | | |
| Share capital | 2 | 0.11 | 0.11 |
| Reserves and surplus | 3 | 11.89 | 10.59 |
| | | **12.00** | **10.70** |
| **Non-current liabilities** | | | |
| Long-term provisions | 4 | 0.95 | 0.81 |
| | | **0.95** | **0.81** |
| **Current liabilities** | | | |
| Trade payables | 5 | 5.53 | 20.82 |
| Other current liabilities | 6 | 6.94 | 7.03 |
| Short-term provisions | 7 | 0.78 | 0.95 |
| | | **13.25** | **28.80** |
| **TOTAL** | | **26.20** | **40.31** |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| **Fixed assets** | | | |
| Tangible fixed assets | 8 | 0.06 | 0.07 |
| Non-current investments | 9 | 0.00 | 0.00 |
| Deferred tax assets (net) | 10 | 1.16 | 0.81 |
| Long-term loans and advances | 11 | 3.61 | 6.11 |
| | | **4.83** | **6.99** |
| **Current assets** | | | |
| Trade receivables | 12 | 18.84 | 21.63 |
| Cash and bank balances | 13 | 1.08 | 9.30 |
| Short-term loans and advances | 14 | 0.60 | 0.66 |
| Other current assets | 15 | 0.85 | 1.73 |
| | | **21.37** | **33.32** |
| **TOTAL** | | **26.20** | **40.31** |
| Significant accounting policies | 1 | | |
| Notes referred to above form an integral part of the financial statements | 2 - 22 | | |

For and on behalf of the Board of Directors of
**SYSTIME Computer Corporation**

Director Director

Place: Pune
Date: 26 April, 2016

## Statement of Profit and Loss

(Currency - USD Million)

| | Note | For the year ended 31 March, 2016 | For the year ended 31 March, 2015 |
|---|---|---|---|
| **Revenue from operations** | | | |
| Sale of services | 16 | 74.00 | 91.30 |
| | | 74.00 | 91.30 |
| Other income | 17 | 0.67 | 2.82 |
| **Total revenue** | | **74.67** | **94.12** |
| **Expenses** | | | |
| Employee benefit expense | 18 | 31.07 | 32.44 |
| Depreciation and amortization expense | 8 | 0.03 | 0.03 |
| Other expenses | 19 | 40.95 | 56.84 |
| **Total expenses** | | **72.05** | **89.31** |
| **Profit before tax** | | 2.62 | 4.81 |
| **Tax expense** | | | |
| Current tax | | 1.67 | 1.91 |
| Deferred tax benefit | | (0.35) | (0.15) |
| **Total tax expense** | | **1.32** | **1.76** |
| **Profit for the year** | | **1.30** | **3.05** |
| Significant accounting policies | 1 | | |
| Notes referred to above form an integral part of the financial statements | 2 - 22 | | |

For and on behalf of the Board of Directors of
**SYSTIME Computer Corporation**

Director Director

Place: Pune
Date: 26 April, 2016

## Cash Flow Statement

(Currency - USD Million)

| PARTICULARS | For the year ended 31 March, 2016 | For the year ended 31 March, 2015 |
|---|---|---|
| **A] CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Net profit / (loss) before tax | 2.62 | 4.81 |
| **Adjustments for** | | |
| Depreciation / Amortization | 0.03 | 0.03 |
| Interest income | (0.13) | (0.21) |
| Dividend income | - | (0.38) |
| | **(0.10)** | **(0.56)** |
| Operating Profit before working capital changes | 2.52 | 4.25 |
| **Adjustments for changes in working capital:** | | |
| Increase / (Decrease) in Long Term Provisions | 0.14 | 0.33 |
| Increase / (Decrease) in Trade Payables | (15.29) | (0.19) |
| Increase / (Decrease) in Other Current Liabilities | (0.09) | 3.29 |
| Increase / (Decrease) in Short-term Provisions | 0.04 | 0.05 |
| (Increase) / Decrease in Trade Receivables | 2.79 | (1.42) |
| (Increase) / Decrease in Short-term Loans and Advances | 0.06 | 0.30 |
| (Increase) / Decrease in Other Current Assets | 0.88 | (0.47) |
| | (11.47) | 1.89 |
| Cash generated from operations | (8.95) | 6.14 |
| Taxes Paid | (1.52) | (2.05) |
| **Net cash from operating activities** | **(10.47)** | **4.09** |
| **B] CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Purchase of Fixed Assets | (0.02) | (0.03) |
| Loans (granted) to / taken from related parties | 2.14 | (3.40) |
| Loans repaid by related parties | - | 2.31 |
| Interest received | 0.13 | 0.20 |
| Dividend received on non-current investment | - | 0.38 |
| Net Cash from / (used in) investing activities | **2.25** | **(0.54)** |
| **Net Increase / (decrease) in cash and cash equivalents (A + B)** | **(8.22)** | **3.55** |
| Cash and cash equivalents at close of the year (Refer note 1 below) | 1.08 | 9.30 |
| Cash and cash equivalents at beginning of the year (Refer note 1 below) | 9.30 | 5.75 |
| **Cash surplus / (deficit) for the year** | **(8.22)** | **3.55** |
| **Note 1:** | | |
| **Cash and cash equivalents include:** | | |
| Balance with banks | | |
| - In current accounts | 1.08 | 9.30 |
| **Total Cash and cash equivalents** | **1.08** | **9.30** |

**Note 2:**

Figures in brackets represent outflows of cash and cash equivalents.

**Note 3:**

The above cash flow statement has been prepared under the indirect method as set out in Accounting Standard 3 on cash flow statements.

For and on behalf of the Board of Directors of
**SYSTIME Computer Corporation**

Director Director

Place: Pune
Date: 26 April, 2016

## Notes forming part of the financial statements for the year ended 31 March, 2016

**Company Overview:**

SYSTIME Computer Corporation is a company incorporated in California on January 21, 1997. The Company is a wholly owned subsidiary of KPIT Technologies Limited, India.

The Company is engaged in the business of providing software consultancy services in the areas of Enterprise Resource Planning, Customer Relationship Management, Supply Chain Management, Business Intelligence, Business Integration, Human Resource Management, Infrastructure Management Services and Strategic Sourcing.

**1. Significant Accounting Policies:**

**1.1 Basis for preparation of financial statements:**

The financial statements have been prepared under the historical cost convention, on the accrual basis of accounting, in accordance with the generally accepted accounting principles (GAAP) in India and comply with the Accounting Standards ("AS") specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

The financial statements are presented in US Dollar ("USD") and are rounded off to the nearest USD Million.

**Use of Estimates:**

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results may differ from those estimates. Any difference between the actual results and estimates are recognised in the period in which the results are known/ materialize. Any revision to accounting estimates is recognised prospectively in the current and future periods.

**1.2 Revenue recognition:**

Revenue from software development and services on time and material basis is recognized based on software development, services rendered and related costs incurred based on timesheets and are billed to clients as per the contractual terms. Revenue from fixed price contracts, where there is no uncertainty as to measurement or collectability of consideration, is recognized based upon the proportionate completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Revenue from the sale of software products is recognized when the sale is completed with the passing of the ownership.

Customer reimbursable expenses are recorded as a reduction from associated costs.

Interest income is recognized on time proportion basis.

Dividend income is recognized when the Company's right to receive dividend is established.

**1.3 Borrowing Costs:**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of cost of that asset. All other borrowing costs are charged to the Statement of Profit and Loss.

**1.4 Current non-current classification**

All assets and liabilities are classified into current and non-current.

**Assets**

An asset is classified as current when it satisfies any of the following criteria:

a. it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b. it is held primarily for the purpose of being traded;

c. it is expected to be realised within 12 months after the reporting date; or

d. it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for atleast 12 months after the reporting date.

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

**Liabilities**

A liability is classified as current when it satisfies any of the following criteria:

a. it is expected to be settled in the Company's normal operating cycle;

b. it is held primarily for the purpose of being traded;

c. it is due to be settled within 12 months after the reporting date; or

d. the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

**Operating cycle**

Operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. The operating cycle of the Company is less than twelve months.

**1.5 Fixed Assets:**

**Tangible fixed assets:**

Tangible fixed assets are carried at cost of acquisition or construction less accumulated depreciation and/or accumulated impairment loss, if any. The cost of an item of tangible fixed asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost 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. Tangible fixed assets under construction are disclosed as capital work-in-progress.

**1.6 Depreciation:**

Depreciation on tangible fixed assets is provided based on useful life in the manner specified below:

| Type of asset | Useful life Number of years |
|---|---|
| Plant and equipment | 4 |
| Office Equipment | 10 |
| Furniture and fixtures | 8 |

**1.7 Accounting for taxes on income:**

**Income tax**

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income-tax expense is recognised in the Statement of Profit and Loss. Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws.

**Deferred tax**

Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

**1.8 Impairment of Assets:**

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. Impairment loss is recognized when the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use. For the purpose of impairment testing, assets are grouped together into the smallest group of assets (cash generating unit or CGU) that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists or has decreased, the assets or CGU's recoverable amount is estimated. For assets other than goodwill, the impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such a reversal is recognised in the Statement of Profit and Loss.

During the year under consideration, there was no indication, either internal or external as to the impairment of any of the assets.

**1.9 Investments:**

Long Term investments are stated at cost less provision for diminution, other than temporary, in value of such investments.

**1.10 Leases:**

Lease arrangements where the risks and rewards incidental to the ownership of an asset substantially vest with the lessor, are classified as Operating Leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on straight line basis over the term of the lease.

**1.11 Foreign currency transactions:**

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Monetary items are translated at the year-end rates and the exchange differences so determined as also the realised exchange differences are recognised in the Statement of Profit and Loss.

**1.12 Employee benefits:**

**Compensated absences**

The employees can carry-forward a portion of the unutilised accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of the period in which the employees render the related service and are also not expected to be utilized wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement.

**1.13 Provisions, Contingent Liabilities and Contingent Assets:**

As per Accounting Standard (AS) 29, 'Provisions, Contingent Liabilities and Contingent Assets', the Company recognizes provisions only when it has a present obligation 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 when a reliable estimate of the amount of the obligation can be made.

**No provision is recognized for -**

(a) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

(b) Present obligations that arise from past events but are not recognized because-

i. It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

ii. A reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed periodically and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

(Currency - USD Million)

| | | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| 2 | **Share capital** | | |
| | **Authorised:** | | |
| | 1,000,000 shares common stock | | |
| | **Issued, subscribed and paid-up:** | | |
| | 204,082 (Previous year : 204,082) shares of common stock fully paid up | 0.11 | 0.11 |
| | | **0.11** | **0.11** |
| 3 | **Reserves and surplus** | | |
| | **Surplus in Statement of Profit and Loss** | | |
| | At the commencement of the year | 10.59 | 7.54 |
| | Add : Profit for the year | 1.30 | 3.05 |
| | | **11.89** | **10.59** |
| 4 | **Long-term provisions** | | |
| | Provision for employee benefits | | |
| | - Compensated absences | 0.95 | 0.81 |
| | | **0.95** | **0.81** |

(Currency - USD Million)

| | | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| 5 | **Trade payables** | | |
| | Trade payables | 5.53 | 20.82 |
| | | **5.53** | **20.82** |
| 6 | **Other current liabilities** | | |
| | Unearned revenue | 0.61 | 0.70 |
| | Accrued employee costs | 3.36 | 2.68 |
| | Payable to related parties (Refer note 21) | 2.44 | 3.22 |
| | Statutory liabilities | 0.53 | 0.43 |
| | | **6.94** | **7.03** |
| 7 | **Short term provisions** | | |
| | Provision for employee benefit | | |
| | - Provision for compensated absences | 0.24 | 0.20 |
| | Current tax (net of advance tax) | 0.54 | 0.75 |
| | | **0.78** | **0.95** |

(Currency - USD Million)

**8 Fixed Assets**

| Particulars | Gross Block | | | | Depreciation / Amortization / Diminution | | | | Net Block | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 1 April, 2015 | Additions during the year 2015-16 | Disposals during the year 2015-16 | As at 31 March, 2016 | Up to 1 April, 2015 | For the year 2015-16 | On Disposals | Up to 31 March, 2016 | As on 31 March, 2016 | As on 31 March, 2015 |
| **TANGIBLE ASSETS** | | | | | | | | | | |
| Furniture and Fixtures | 0.05 | - | - | 0.05 | 0.05 | - | - | 0.05 | - | - |
| Office equipments | 0.01 | - | - | 0.01 | 0.01 | - | - | 0.01 | - | - |
| Plant and Equipment | 0.21 | 0.02 | 0.05 | 0.18 | 0.14 | 0.03 | 0.05 | 0.12 | 0.06 | 0.07 |
| **TOTAL TANGIBLE ASSETS** | **0.27** | **0.02** | **0.05** | **0.24** | **0.20** | **0.03** | **0.05** | **0.18** | **0.06** | **0.07** |
| PREVIOUS YEAR | 0.23 | 0.03 | - | 0.26 | 0.16 | 0.03 | - | 0.20 | 0.07 | |

(Currency - USD Million)

| | | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| **9** | **Non-current investments** | | |
| | **Trade investments (unquoted)** | | |
| | **Investments in equity instruments of subsidiaries (at cost)** | | |
| | SYSTIME Global Solutions LtdA, Brazil | 0.00 | 0.00 |
| | 1,000 (Previous year 1,000) shares of BRL 1 each | | |
| | KPIT Technologies Corporation | 0.00 | 0.00 |
| | (erstwhile SYSTIME Global Solutions Inc., Canada) | | |
| | 1 (Previous year 1) common share of CAD 1 each | | |
| | | **0.00** | **0.00** |
| **10** | **Deferred tax asset (net)** | | |
| | **Break up of deferred tax liabilities at the year end** | | |
| | Arising due to timing differences in | | |
| | - Provision for depreciation | 0.03 | 0.02 |
| | **Total** | **0.03** | **0.02** |
| | **Break up of deferred tax assets at the year end** | | |
| | Nature of timing difference | | |
| | - Provision for bad and doubtful debts | 0.66 | 0.47 |
| | - Provision for leave encashment | 0.46 | 0.36 |
| | - Others | 0.07 | - |
| | **Total** | **1.19** | **0.83** |
| | **Net deferred tax asset** | **1.16** | **0.81** |
| **11** | **Long-term loans and advances** | | |
| | **(Unsecured, considered good unless otherwise stated)** | | |
| | Loans to related parties (Refer note 21) | | |
| | - Loan to KPIT Infosystems ME FZE, UAE | 2.97 | 5.11 |
| | Other loan and advances | | |
| | - Advance taxes and tax deducted at source (net of provisions) | 0.64 | 1.00 |
| | | **3.61** | **6.11** |
| **12** | **Trade receivables** | | |
| | **(Unsecured, considered good unless otherwise stated)** | | |
| | Outstanding for a period exceeding six months from the date they were due for payment | | |
| | - Considered good | 0.43 | 0.31 |
| | - Considered doubtful | 1.41 | 0.72 |
| | Less: Provision for doubtful trade receivables | 1.41 | 0.72 |
| | | **0.43** | **0.31** |
| | Others receivables | | |
| | - Considered good | 18.41 | 21.32 |
| | - Considered doubtful | - | 0.32 |
| | Less: Provision for doubtful trade receivables | - | 0.32 |
| | | 18.41 | 21.32 |
| | | **18.84** | **21.63** |

(Currency - USD Million)

| | | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| **13** | **Cash and bank balances** | | |
| | **Cash and cash equivalents** | | |
| | Balances with banks | | |
| | - In current account | 1.08 | 9.30 |
| | | **1.08** | **9.30** |
| **14** | **Short term loans and advances** | | |
| | **(Unsecured, considered good unless otherwise stated)** | | |
| | To related parties (Refer note 21) | | |
| | - Receivables from subsidiary company | 0.52 | 0.02 |
| | To parties other than related parties | | |
| | - Employee advances | 0.04 | 0.08 |
| | - Prepaid expenses | - | 0.01 |
| | - Advance to customer | 0.14 | 0.14 |
| | Less : Provision for advances | (0.14) | (0.14) |
| | - Advance to suppliers | 0.04 | 0.55 |
| | | 0.08 | 0.64 |
| | | **0.60** | **0.66** |
| **15** | **Other current assets** | | |
| | **(Unsecured, considered good unless otherwise stated)** | | |
| | Unbilled revenue | 0.85 | 1.73 |
| | | **0.85** | **1.73** |
| **16** | **Revenue from operations** | | |
| | Income from software services | 74.00 | 91.30 |
| | | **74.00** | **91.30** |
| **17** | **Other income** | | |
| | Interest income | 0.13 | 0.21 |
| | Dividend income from non-current investments | - | 0.38 |
| | Foreign exchange gain (net) | - | 0.11 |
| | Liabilities written back to the extent no longer required | - | 1.98 |
| | Other non operating income (including miscellaneous income) | 0.54 | 0.14 |
| | | **0.67** | **2.82** |
| **18** | **Employee benefits expense** | | |
| | Salaries, wages and bonus | 31.00 | 32.33 |
| | Staff welfare expenses | 0.07 | 0.11 |
| | | **31.07** | **32.44** |

(Currency - USD Million)

| | | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| 19 | **Other expenses** | | |
| | Travel and overseas expenses (net) | 3.39 | 3.39 |
| | Travelling and conveyance (net of recovery) | 0.62 | 0.54 |
| | Cost of service delivery | 20.45 | 29.83 |
| | Cost of professional subcontracting | 13.59 | 18.08 |
| | Recruitment and training expenses | 0.21 | 0.61 |
| | Power and fuel | 0.13 | 0.17 |
| | Rent including lease rentals | 0.25 | 0.26 |
| | Repairs & maintenance: | | |
| | - others | 0.09 | 0.25 |
| | Insurance | 0.09 | 0.15 |
| | Rates and taxes | 0.03 | 0.02 |
| | Communication expenses | 0.22 | 0.27 |
| | Legal and professional fees | 0.77 | 0.95 |
| | Marketing expenses | 0.50 | 0.80 |
| | Foreign exchange loss (net) | 0.07 | - |
| | Printing and stationery | 0.02 | 0.02 |
| | Bad debts written off | - | 0.75 |
| | Cost of professional subcontracting | 0.01 | - |
| | Miscellaneous expenses | 0.51 | 0.75 |
| | | **40.95** | **56.84** |

**Note:**

Certain expenses are net of recoveries/reimbursements from customers.

**20 Contingent liabilities:**

The Company has no liabilities of contingent nature outstanding as at 31 March 2016.

**21 Related party transactions:**

**A. Name of the related party and nature of relationship where control exists**

| Relationship | Name of related party |
|---|---|
| **Holding Company** | KPIT Technologies Limited, India |
| **Subsidiary Companies (Direct Holding)** | KPIT Technologies Corporation (erstwhile SYSTIME Global Solutions Inc., Canada) |
| | SYSTIME Global Solutions LtdA, Brazil |

**B. List of other related parties with whom there are transactions in the current year**

| Relationship | Name of related party |
|---|---|
| **Holding Company** | KPIT Technologies Limited, India |
| **Fellow Subsidiary Companies** | KPIT Infosystems Incorporated, USA |
| | KPIT Technologies France (erstwhile KPIT Infosystems France) |
| | KPIT Infosystems ME FZE (Australia Branch) |
| | KPIT Infosystems ME FZE, (Korea Branch) |
| | KPIT Infosystems ME FZE, Dubai |
| | CPG Solutions LLC, USA (merged with KPIT Infosystems Incorporated, USA w.e.f. 1 January, 2016) |
| | KPIT Technologies (UK) Ltd |
| | KPIT Infosystems Limited Filial UK, Sweden |
| | KPIT Technologies Soluções em Informática Ltda. (erstwhile KPIT Infosystem (Brasil) Servicos De Technologia e Participacoes Ltda) |
| | KPIT Technologies Netherlands B.V. |
| | KPIT Technologies Corporation (erstwhile SYSTIME Global Solutions Inc., Canada) |
| | KPIT Technologies GmbH, Germany |
| | Sparta Consulting Inc. USA |
| | SYSTIME Global Solutions LtdA, Brazil |

**21 Related party transactions (continued)**

**C. Transactions with related parties**

| Sr. no. | Name of the related party | Description of relationship | Nature of transaction | Amount of transaction 2015-16 (USD Million) | Balance as at 31 March, 2016 (USD Million) | Amount of transaction 2014-15 (USD Million) | Balance as at 31 March, 2015 (USD Million) |
|---|---|---|---|---|---|---|---|
| 1 | KPIT Technologies Limited, India | Holding company | Advance received (net) | 0.07 | (1.53) | 0.02 | (0.63) |
| | | | Reimbursement of expenses | 2.08 | | 2.79 | |
| | | | Software service charges | 15.90 | (3.40) | 25.26 | (17.82) |
| 2 | KPIT Technologies Corporation (erstwhile SYSTIME Global Solutions Inc., Canada) | Subsidiary company | Software service charges | 0.09 | (0.21) | 0.21 | (0.13) |
| | | | Sale of software services | 0.38 | 0.43 | 0.33 | 0.33 |
| | | | Reimbursement of expenses | 0.00 | (0.91) | 0.12 | (0.19) |
| | | | Advance received (net) | 0.72 | | - | |
| | | | Advance given (net) | - | | 0.01 | |
| 3 | KPIT Infosystems Incorporated, USA | Fellow subsidiary company | Repayment of loan (including interest) | - | - | 3.40 | - |
| | | | Sale of software services | 15.29 | 7.52 | 3.13 | 1.25 |
| | | | Software service charges | 1.81 | (0.44) | 0.79 | (0.29) |
| | | | Advance given (net) | 3.00 | 0.04 | - | (2.23) |
| | | | Reimbursement of expenses | 0.06 | | 3.61 | |
| | | | Interest income on loan | - | - | 0.09 | - |
| | | | Loan given | - | | 1.00 | |
| 4 | KPIT Technologies France (erstwhile KPIT Infosystems France) | Fellow subsidiary company | Sale of software services | 1.10 | 0.16 | 2.02 | 0.37 |
| | | | Software service charges | 0.01 | (0.01) | 0.09 | (0.02) |
| | | | Reimbursement of expenses | 0.00 | 0.00 | 0.07 | - |
| 5 | KPIT Infosystems ME FZE (Korea Branch) | Fellow subsidiary company | Sale of software services | 0.00 | 0.00 | - | - |
| 6 | KPIT Infosystems ME FZE (Australia Branch) | Fellow subsidiary company | Sale of software services | 0.01 | 0.02 | 0.02 | 0.02 |
| 7 | KPIT Infosystems ME FZE, Dubai | Fellow subsidiary company | Loan given | 0.75 | 2.97 | 3.30 | 5.11 |
| | | | Repayment of Loan | 3.02 | | - | |
| | | | Interest income on loan | 0.13 | | 0.10 | |
| 8 | CPG Solutions LLC, USA | Fellow subsidiary company | Sale of software services | 0.35 | - | 0.62 | 0.12 |
| | | | Software service charges | 1.56 | - | 3.20 | (0.40) |
| | | | Reimbursement of expenses | - | - | 0.96 | (0.18) |

| Sr. no. | Name of the related party | Description of relationship | Nature of transaction | Amount of transaction 2015-16 (USD Million) | Balance as at 31 March, 2016 (USD Million) | Amount of transaction 2014-15 (USD Million) | Balance as at 31 March, 2015 (USD Million) |
|---|---|---|---|---|---|---|---|
| 9 | KPIT Technologies (UK) Ltd (erstwhile KPIT Infosystems Limited) | Fellow subsidiary company | Software service charges | 0.28 | (0.19) | 0.56 | (0.19) |
| | | | Reimbursement of expenses | 0.00 | 0.08 | 0.41 | 0.01 |
| | | | Advance given (net) | 0.07 | | - | |
| | | | Sale of software services | 0.07 | 0.03 | 0.04 | 0.01 |
| 10 | KPIT Technologies Soluções em Informática Ltda. (erstwhile KPIT Infosystem (Brasil) Servicos De Technologia e Participacoes Ltda) | Fellow subsidiary company | Software service charges | 0.12 | (0.00) | 0.28 | (0.10) |
| 11 | KPIT Technologies GmbH, Germany | Fellow subsidiary company | Sale of software services | 0.00 | 0.00 | - | - |
| | | | Software service charges | - | - | 0.01 | - |
| 12 | Sparta Consulting Inc. USA | Fellow subsidiary company | Sale of software services | 0.11 | 0.11 | 0.03 | 0.03 |
| | | | Software service charges | 0.72 | (0.15) | 0.10 | (0.04) |
| | | | Advance given (net) | 0.21 | 0.40 | | 0.01 |
| | | | Reimbursement of expenses | 0.21 | | 0.01 | |
| 13 | KPIT Technologies Netherlands B.V. | Fellow subsidiary company | Sale of software services | 0.04 | 0.03 | - | - |
| 14 | KPIT Infosystems Limited Filial UK, Sweden | Fellow subsidiary company | Software service charges | 0.00 | (0.00) | - | - |
| 15 | SYSTIME Global Solutions LtdA, Brazil | Subsidiary company | Dividend received | - | - | 0.38 | - |

**22 Prior year comparatives**

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with current year's classification / disclosure.

For and on behalf of the Board of Directors of
**SYSTIME Computer Corporation**

Director Director

Place: Pune
Date: 26 April, 2016

# KPIT Technologies Corporation

Registered Office: 8120-128 Street, Surrey BC V3W 1R1, Canada.

## Board's Report

Dear Shareholders,

Your Board of Directors is pleased to present herewith the report of the Directors on the operations of the Company together with the accounts for the financial year ended on March 31, 2016.

**Financial Results**

| Particulars | 2015-16 CAD (Million) | 2014-15 CAD (Million) |
|---|---|---|
| Total Revenues | 11.71 | 9.73 |
| Net Profit /(Loss) for the period | 1.71 | 1.66 |

**Operations**

During the year under review, total revenues of the Company increased by 20% resulting in to increase in net profit by 3%.

**Audit**

The Company is required by the local laws to have an independent audit firm to audit the books of account of the Company and to issue a report to the shareholders. However, such requirement is waived by shareholders by passing a resolution. Therefore, no audit opinion has been sought in respect of these financial statements. The accounts are prepared from the internally prepared management accounts of the Company. The same management accounts are audited in order for the Group Auditors to give an audit opinion in relation to the group accounts i.e. consolidated accounts of KPIT Technologies Limited, the parent company. Hence, no separate audit report is given in respect of the Company.

For and on behalf of the Board of Directors

**KPIT Technologies Corporation**

**Kishor Patil**

Chairman

Pune

April 26, 2016

## Balance Sheet

(Currency - CAD Million)

| | Note | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' funds** | | | |
| Share capital | 2 | - | - |
| Reserves and surplus | 3 | 6.62 | 4.91 |
| | | 6.62 | 4.91 |
| **Current liabilities** | | | |
| Trade payables | 4 | 2.55 | 1.44 |
| Other current liabilities | 5 | 0.77 | 0.80 |
| Short-term provisions | 6 | 0.19 | 0.56 |
| | | 3.51 | 2.80 |
| **TOTAL** | | **10.13** | **7.71** |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Long-term loans and advances | 7 | 0.98 | 1.90 |
| | | 0.98 | 1.90 |
| **Current assets** | | | |
| Trade receivables | 8 | 4.71 | 4.20 |
| Cash and bank balances | 9 | 2.71 | 0.92 |
| Short-term loans and advances | 10 | 1.25 | 0.40 |
| Other current assets | 11 | 0.48 | 0.29 |
| | | 9.15 | 5.81 |
| **TOTAL** | | **10.13** | **7.71** |
| Significant accounting policies | 1 | | |
| Notes referred to above form an integral part of the financial statements | 2 - 19 | | |

For and on behalf of the Board of Directors of
**KPIT Technologies Corporation**

Director Director

Place : Pune

Date: 26 April, 2016

## Statement of Profit and Loss

(Currency - CAD Million)

| | Note | For the year ended 31 March, 2016 | For the year ended 31 March, 2015 |
|---|---|---|---|
| **Revenue from operations** | | | |
| Sale of services | 12 | 11.69 | 9.20 |
| Other income | 13 | 0.02 | 0.53 |
| **Total revenue** | | **11.71** | **9.73** |
| **Expenses** | | | |
| Employee benefit expense | 14 | 4.03 | 2.61 |
| Finance costs | 15 | 0.04 | - |
| Other expenses | 16 | 5.55 | 4.60 |
| **Total expenses** | | **9.62** | **7.21** |
| **Profit before tax** | | 2.09 | 2.52 |
| Exceptional items | | - | - |
| **Profit before tax** | | 2.09 | 2.52 |
| **Tax expense** | | | |
| Current tax | | 0.38 | 0.86 |
| **Total tax expense** | | **0.38** | **0.86** |
| **Profit for the year** | | **1.71** | **1.66** |
| Significant accounting policies | 1 | | |
| Notes referred to above form an integral part of the financial statements | 2 - 19 | | |

For and on behalf of the Board of Directors of
**KPIT Technologies Corporation**

Director Director

Place : Pune

Date: 26 April, 2016

## Cash Flow Statement

(Currency - CAD Million)

| PARTICULARS | For the year ended 31 March, 2016 | For the year ended 31 March, 2015 |
|---|---|---|
| | | |
| **A] CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Net profit / (loss) before tax | 2.09 | 2.52 |
| **Adjustments for** | | |
| Interest income | (0.02) | (0.05) |
| Operating Profit before working capital changes | 2.07 | 2.47 |
| **Adjustments for changes in working capital:** | | |
| Increase / (Decrease) in Trade Payables | 1.11 | 0.86 |
| Increase / (Decrease) in Other Current Liabilities | (0.03) | 0.18 |
| Increase / (Decrease) in Short Term Provisions | 0.04 | 0.04 |
| (Increase) / Decrease in Trade Recievables | (0.51) | (1.17) |
| (Increase) / Decrease in Short-term Loans and Advances | (0.85) | (0.38) |
| (Increase) / Decrease in Other Current Assets | (0.19) | (0.24) |
| Cash generated from operations | 1.64 | 1.76 |
| Taxes Paid | (0.73) | (1.08) |
| **Net Cash from operating activities (A)** | **0.91** | **0.68** |
| **B] CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Loan given to related parties | 0.86 | (0.28) |
| Interest received | 0.02 | 0.05 |
| **Net Cash from /( used in ) investing activities (B)** | 0.88 | (0.23) |
| **C] CASH FLOW FROM FINANCING ACTIVITIES** | - | - |
| **D] Exchange differences on translation of foreign currency cash and cash equivalents** | - | - |
| **Net Increase / (decrease) in cash and cash equivalents (A + B)** | 1.79 | 0.45 |
| Cash and cash equivalents at close of the year (refer Note 1 below) | 2.71 | 0.92 |
| Cash and cash equivalents at beginning of the year (refer Note 1 below) | 0.92 | 0.47 |
| **Cash surplus / (deficit) for the year** | **1.79** | **0.45** |
| **Note 1:** | | |
| **Cash and cash equivalents include:** | | |
| Balance with banks | | |
| - In current accounts | 2.71 | 0.92 |
| **Total Cash and cash equivalents** | **2.71** | **0.92** |
| **Note 2:** | | |
| Figures in brackets represent outflows of cash and cash equivalents. | | |
| **Note 3:** | | |
| The above cash flow statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statements. | | |

For and on behalf of the Board of Directors of
**KPIT Technologies Corporation**

Director Director

Place : Pune
Date: 26 April, 2016

## Notes forming part of the financial statements for the year ended 31 March, 2016

**Company Overview:**

KPIT Technologies Corporation is a company incorporated in British Columbia, Canada on January 21, 1997. The Company is a wholly owned subsidiary of SYSTIME Computer Corporation, USA. The ultimate holding company is KPIT Technologies Limited, India.

The Company is engaged in the business of providing software consultancy services in the areas of Enterprise Resource Planning, Customer Relationship Management, Supply Chain Management, Business Intelligence, Business Integration, Human Resource Management, Infrastructure Management Services and Strategic Sourcing.

**1. Significant Accounting Policies:**

**1.1 Basis for preparation of financial statements:**

The financial statements have been prepared under the historical cost convention, on the accrual basis of accounting, in accordance with the generally accepted accounting principles (GAAP) in India and comply with the Accounting Standards ("AS") specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

The financial statements are presented in Canadian Dollars ("CAD") and are rounded off to the nearest CAD million.

**Use of Estimates:**

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results may differ from those estimates. Any difference between the actual results and estimates are recognised in the period in which the results are known/ materialize. Any revision to accounting estimates is recognised prospectively in the current and future periods.

**1.2 Revenue recognition:**

Revenue from software development and services on time and material basis is recognized based on software development, services rendered and related costs incurred based on timesheets and are billed to clients as per the contractual terms. Revenue from fixed price contracts, where there is no uncertainty as to measurement or collectability of consideration, is recognized based upon the proportionate completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Revenue from the sale of software products is recognized when the sale is completed with the passing of the ownership.

Customer reimbursable expenses are recorded as a reduction from associated costs.

Interest income is recognized on time proportion basis.

**1.3 Borrowing Costs:**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of cost of that asset. All other borrowing costs are charged to the Statement of Profit and Loss.

**1.4 Current non-current classification**

All assets and liabilities are classified into current and non-current.

**Assets**

An asset is classified as current when it satisfies any of the following criteria:

a. It is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
b. It is held primarily for the purpose of being traded;
c. It is expected to be realised within 12 months after the reporting date; or
d. It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for atleast 12 months after the reporting date.

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

**Liabilities**

A liability is classified as current when it satisfies any of the following criteria:

a. It is expected to be settled in the Company's normal operating cycle;
b. It is held primarily for the purpose of being traded;
c. It is due to be settled within 12 months after the reporting date; or
d. The Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

**Operating cycle**

Operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. The operating cycle of the Company is less than twelve months.

1.5 **Accounting for taxes on income**

**Income tax**

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income-tax expense is recognised in the Statement of Profit and Loss. Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws.

**Deferred tax**

Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

1.6 **Leases**

Assets acquired under finance leases are recognized at the lower of the fair value of the leased assets at inception of the lease and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.

Lease arrangements where the risks and rewards incidental to the ownership of an asset substantially vest with the lessor, are classified as Operating Leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on straight line basis over the term of the lease.

1.7 **Foreign currency transactions**

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Monetary items are translated at the year-end rates and the exchange differences so determined as also the realised exchange differences are recognised in the Statement of Profit and Loss.

1.8 **Employee benefits**

**Compensated absences**

The employees can carry-forward a portion of the unutilised accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of the period in which the employees render the related service and are also not expected to be utilized wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement.

1.9 **Provisions, Contingent Liabilities and Contingent Assets:**

As per Accounting Standard (AS) 29, 'Provisions, Contingent Liabilities and Contingent Assets', the Company recognizes provisions only when it has a present obligation 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 when a reliable estimate of the amount of the obligation can be made.

No Provision is recognized for -

(a) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

(b) Present obligations that arise from past events but are not recognized because-

i. It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

ii. A reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed periodically and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

(Currency - CAD Million)

| | | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| **2** | **Share capital** | | |
| | **Issued, subscribed and paid-up:** | | |
| | 100 (2015 : 100) Class A voting common shares with no par value fully paid-up | - | - |
| | | **-** | **-** |
| | | | |
| **3** | **Reserves and surplus** | | |
| | **Surplus in Statement of Profit and Loss** | | |
| | At the commencement of the year | 4.91 | 3.25 |
| | Add : Profit for the year | 1.71 | 1.66 |
| | | **6.62** | **4.91** |
| | | | |
| **4** | **Trade payables** | | |
| | Trade payables | 2.55 | 1.44 |
| | | **2.55** | **1.44** |
| | | | |
| **5** | **Other current liabilities** | | |
| | Unearned revenue | 0.21 | 0.45 |
| | Accrued employee costs | 0.29 | 0.19 |
| | Payable to related parties (Refer note 18) | 0.03 | 0.02 |
| | Statutory liabilities | 0.24 | 0.14 |
| | | **0.77** | **0.80** |
| | | | |
| **6** | **Short-term provisions** | | |
| | Provision for employee benefit | | |
| | - Provision for compensated absences | 0.12 | 0.08 |
| | Provision for taxes | | |
| | - Current tax (net of advance tax) | 0.07 | 0.48 |
| | | **0.19** | **0.56** |
| | | | |
| **7** | **Long-term loans and advances** | | |
| | (Unsecured, considered good unless otherwise stated) | | |
| | Loans to related parties (Refer Note 18) | | |
| | - Loan to KPIT Infosystems Inc., USA | - | 1.84 |
| | - Loan to Sparta Consulting Inc., USA | 0.98 | |
| | Loans and advances to other than related parties | | |
| | - Advance taxes and tax deducted at source (net of provisions) | - | 0.06 |
| | | **0.98** | **1.90** |
| | | | |
| **8** | **Trade receivables** | | |
| | (Unsecured, considered good unless otherwise stated) | | |
| | Outstanding for a period exceeding six months from the date they were due for payment | | |
| | - Considered good | 0.84 | 0.03 |
| | - Considered doubtful | 0.22 | 0.19 |
| | Less: Provision for doubtful trade receivables | 0.22 | 0.19 |
| | | 0.84 | 0.03 |
| | Others receivables | | |
| | - Considered good | 3.87 | 4.17 |
| | - Considered doubtful | - | - |
| | Less: Provision for doubtful trade receivables | - | - |
| | | 3.87 | 4.17 |
| | | 4.71 | 4.20 |

(Currency - CAD Million)

| | | As at 31 March, 2016 | As at 31 March, 2015 |
|---|---|---|---|
| **9** | **Cash and bank balances** | | |
| | Balances with banks - In current account | 2.71 | 0.92 |
| | | **2.71** | **0.92** |
| | **Details of bank balances/deposits** | | |
| | Bank balances available on demand/deposits with original maturity of 3 months or less included under 'Cash and cash equivalents' | 2.71 | 0.92 |
| | | **2.71** | **0.92** |
| **10** | **Short-term loans and advances** | | |
| | (Unsecured, considered good unless otherwise stated) | | |
| | To related parties (Refer note 18) | | |
| | - Receivables from related parties | 1.23 | 0.24 |
| | To parties other than related parties | | |
| | - employee advances | 0.02 | 0.03 |
| | - prepaid expenses | - | 0.13 |
| | | 0.02 | 0.16 |
| | Less : Provision for advances | - | - |
| | | 0.02 | 0.16 |
| | | **1.25** | **0.40** |
| **11** | **Other current assets** | | |
| | (Unsecured, considered good unless otherwise stated) | | |
| | Unbilled revenue | 0.48 | 0.29 |
| | | **0.48** | **0.29** |
| **12** | **Revenue from operations** | | |
| | Income from software services | 11.69 | 9.20 |
| | | **11.69** | **9.20** |
| **13** | **Other income** | | |
| | Interest income | 0.02 | 0.05 |
| | Foreign exchange gain (net) | - | 0.48 |
| | | **0.02** | **0.53** |
| **14** | **Employee benefits expense** | | |
| | Salaries, wages and bonus | 4.02 | 2.61 |
| | Staff welfare expenses | 0.01 | - |
| | | **4.03** | **2.61** |
| **15** | **Finance costs** | | |
| | Interest expense | 0.04 | - |
| | | **0.04** | **-** |
| **16** | **Other expenses** | | |
| | Travel and overseas expenses (net of recovery) | 0.03 | 0.02 |
| | Travelling and conveyance (net of recovery) | 0.04 | 0.03 |
| | Cost of service delivery | 4.05 | 3.19 |
| | Cost of professional subcontracting | 1.15 | 0.99 |
| | Recruitment and training expenses | 0.01 | 0.07 |
| | Rent | 0.01 | 0.02 |
| | Rates and taxes | 0.06 | 0.03 |
| | Legal and professional fees | 0.07 | 0.05 |
| | Marketing expenses | 0.02 | 0.01 |
| | Foreign exchange loss (net) | 0.16 | - |
| | Provision for doubtful debts and advances (net) | (0.05) | 0.16 |
| | Miscellaneous expenses | - | 0.03 |
| | | **5.55** | **4.60** |
| | **Note :** | | |
| | Certain expenses are net of recoveries/reimbursements from customers | | |

**17 Contingent liabilities:**

The Company has no liabilities of contingent nature outstanding as at 31 March, 2016.

**18 Related party transactions:**

**A. Name of the related party and nature of relationship where control exists**

| Relationship | Name of related party |
|---|---|
| Ultimate holding company | KPIT Technologies Limited, India |
| Holding Company | SYSTIME Computer Corporation, USA |

**B. List of related parties with whom there are transactions in the current year**

| Relationship | Name of related party |
|---|---|
| Ultimate holding company | KPIT Technologies Limited, India |
| Holding Company | SYSTIME Computer Corporation, USA |
| Fellow Subsidiary Companies | KPIT Infosystems Incorporated, USA |
| | KPIT Infosystems ME FZE Australia Branch |
| | KPIT Technologies (UK) Ltd. (erstwhile KPIT Infosystems Limited) |
| | CPG Solutions LLC, USA (merged with KPIT Infosystems Incorporated, USA w.e.f. 1 January 2016) |
| | KPIT Technologies GmbH, Germany |
| | Sparta Consulting Inc. USA |
| | KPIT Technologies France (erstwhile KPIT Infosystems France) |
| | KPIT Infosystems Limited Filial UK, Sweden |

**C. Transactions with related parties**

| Sr. No. | Name of the related party | Description of relationship | Nature of transaction | Amount of transaction 2015-16 (CAD miilion) | Balance Receivable/ (payable)as at 31 March, 2016 (CAD miilion) | Amount of transaction 2014-15 (CAD miilion) | Balance Receivable/ (payable)as at 31 March, 2015 (CAD miilion) |
|---|---|---|---|---|---|---|---|
| 1 | KPIT Technologies Limited, India | Ultimate holding company | Advance received (net) | - | | 0.08 | |
| | | | Advance given (net) | 0.01 | (0.01) | - | (0.02) |
| | | | Reimbursement of expenses | 0.00 | | - | |
| | | | Software service charges | 2.72 | (1.27) | 1.96 | (0.63) |
| 2 | SYSTIME Computer Corporation, USA | Holding Company | Software service charges | 0.51 | (0.56) | 0.36 | (0.42) |
| | | | Advance received (net) | - | | 0.01 | |
| | | | Advance given (net) | 0.95 | 1.18 | - | - |
| | | | Reimbursement of expenses | 0.00 | | 0.13 | |
| | | | Sale of software services | 0.12 | 0.28 | 0.25 | 0.16 |
| 3 | KPIT Infosystems Incorporated, USA | Fellow subsidiary company | Sale of software services | 0.32 | 0.22 | 0.13 | 0.14 |
| | | | Reimbursement of expenses | 0.03 | 0.03 | - | - |
| | | | Loan given (including interest) | - | - | - | 1.84 |
| | | | Repayment of loan (including interest) | 1.90 | - | - | - |
| | | | Interest income | 0.02 | - | 0.05 | - |
| | | | Software service charges | 0.14 | (0.13) | 0.02 | - |
| 4 | KPIT Infosystems ME FZE Australia Branch | Fellow subsidiary company | Sale of software services | 0.00 | 0.01 | 0.01 | 0.01 |
| 5 | KPIT Technologies (UK) Ltd. (erstwhile KPIT Infosystems Limited) | Fellow subsidiary company | Sale of software services | 0.42 | 0.17 | 0.13 | 0.06 |
| | | | Software service charges | 0.13 | (0.13) | - | - |
| 6 | CPG Solutions LLC, USA | Fellow subsidiary company | Software service charges | 0.09 | - | 0.14 | (0.00) |
| | | | Reimbursement of expenses | 0.00 | - | - | - |
| 7 | KPIT Technologies GmbH, Germany | Fellow subsidiary company | Software service charges | 0.31 | (0.09) | 0.56 | (0.28) |
| 8 | Sparta Consulting Inc. USA | Fellow subsidiary company | Sale of software services | 0.05 | 0.07 | 0.02 | 0.02 |
| | | | Loan given (including interest) | 1.00 | 0.98 | - | - |
| | | | Interest income | 0.00 | - | - | - |
| 9 | KPIT Technologies France (erstwhile KPIT Infosystems France) | Fellow subsidiary company | Sale of software services | 0.17 | 0.02 | 0.09 | 0.07 |
| | | | Software service charges | 0.00 | (0.00) | - | - |
| 10 | KPIT Infosystems Limited Filial UK, Sweden | Fellow subsidiary company | Software service charges | 0.00 | (0.00) | - | - |

**19 Prior year comparitives**

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with current year's classification / disclosure.

For and on behalf of the Board of Directors of
**KPIT Technologies Corporation**

Director Director

Place : Pune
Date: 26 April, 2016

# KPIT Technologies Soluções em Informática Ltda

Registered Office: Rua James Watt, 84 – 8º andar – Jardim Edith, CEP 04576-050 – São Paulo / SP – Brasil.

## Board's Report

Dear Shareholders,

Your Directors are pleased to present herewith the Fourth report on the operations of the Company together with the audited accounts for the financial year ended on March 31, 2016.

**Financial Results**

| Particulars | 2015-16 BRL | 2014-15 BRL |
|---|---|---|
| Net Revenues | 20,964,112 | 22,393,813 |
| (Loss) / income for the year | (2,708,972) | 2,029,345 |

**Operations**

During the year under review, total revenues of the Company decreased by 6% resulting in losses.

**Audit**

The Company appointed Actual Pericias Ltda. as auditors to conduct the audit and the audit report issued by the auditors is attached with the accounts of the Company.

For and on behalf of the Board of Directors
**KPIT Technologies Soluções em Informática Ltda.**

**Kishor Patil**
Chairman

Pune
April 19, 2016

## Review Report Of Financial Statements

To
The Management of
KPIT Technologies Soluções em Informática Ltda.
São Paulo - SP

We reviewed the financial statements of KPIT Technologies Soluções em Informática Ltda. comprising the balance sheet on March 31st, 2016 and respective income statements, changes in shareholders' equity, cash flow for the year ended in such date, as well as the summary of the main accounting practices and other explanatory notes.

**Responsibility of Administration on Financial Statements**

Company's management board is liable for preparing and submitting the separate financial statements according to the accounting practices adopted in Brazil, and the internal control determined as necessary to allow preparing such financial statements free from relevant distortion irrespective when caused by fraud or error.

**Responsibility of Independent Auditors**

Our liability is to express an opinion on such financial statements based on our review. We conducted our revision according to the Brazilian and international audit standards. A review of financial statements consists of making inquiries, mainly to responsible people for financial and accounting matters, and applying analytical and other review procedures. The scope of a review is substantially less than an audit scope conducted in accordance with auditing standards and consequently does not enable the reaching of the same security level for all significant matters that would be identified in an audit.

**Base for conclusion for qualified opinion**

The Company has continued to adopt, under human resources policy, hiring legal entities as services providers to develop technical activities without any formal employment under Brazilian labor laws. Due to fact of these activities being directly linked with Company's core business, and due to the services performance by certain individuals related to such services providers possibly having characteristics that occasionally may result in potential labor contingency.

**Qualified opinion**

Based on our review, except for the matter described in the previous paragraph, we are not aware of any fact that let us to believe that the financial statements do not present accordingly, in all material matters, the financial position of KPIT Technologies Soluções em Informática Ltda., on March 31, 2016, the results of its operations and its cash flows for the year ended in such date in accordance with accounting practices adopted in Brazil.

São Paulo, April 19, 2016

Actual Perícias Ltda.
CRC-SP - 2SP023780/O-1

Luiz Alexandre Tumolo
Accountant CRC - 1SP175079/O-5

## Balance Sheets

As of March 31, 2016 and 2015

(In Brazilian reais without cents)

| Assets | 2016 | 2015 | Liabilities | 2016 | 2015 |
|---|---|---|---|---|---|
| **Current assets:** | | | **Current liabilities:** | | |
| Cash and cash equivalents | 619,961 | 1,364,446 | Suppliers | 83,762 | 95,321 |
| Accounts receivable | 2,722,002 | 4,614,768 | Taxes and contributions payable | 155,245 | 135,504 |
| Advances to suppliers | 97,298 | 6,290 | Payroll and related charges | 207,498 | 205,279 |
| Advances to employees | 97,985 | 22,761 | Accrued vacations and related charges | 884,231 | 653,297 |
| Recoverable taxes | 1,058,665 | 440,160 | Accounts payable | | - |
| | | | Accrued consulting fees | 682,712 | 148,629 |
| | 4,595,911 | 6,448,425 | Accrued bonus | 335,667 | 304,667 |
| | | | Other accruals | 102,228 | 118,555 |
| | | | | 2,451,343 | 1,661,252 |
| **Non-Current assets:** | | | | | |
| Long Term Debt: | | | **Non-Current liabilities:** | | |
| Guarantee deposit - rent | - | 10,750 | Accrued for labor claims | 45,966 | - |
| Property, plant and equipment | 93,801 | 103,452 | Intercompany Loan Agreement | 800,000 | 800,000 |
| | 93,801 | 114,202 | | 845,966 | 800,000 |
| | | | **Shareholders' equity:** | | |
| | | | Capital stock | 1,122,145 | 1,122,145 |
| | | | Accumulated profits | 270,258 | 2,979,230 |
| | | | | 1,392,403 | 4,101,375 |
| | 4,689,712 | 6,562,627 | | 4,689,712 | 6,562,627 |

The accompanying notes are an integral part of these financial statements.

## Income Statements

For the Years Ended March 31, 2016 and 2015

(In Brazilian reais without cents, except (loss) income per sharequota)

| | 2016 | 2015 |
|---|---|---|
| **Gross revenue:** | | |
| Services revenue - domestic market | 18,203,774 | 12,452,691 |
| Services revenue - foreign market | 4,582,534 | 11,593,701 |
| | 22,786,308 | 24,046,392 |
| **Deductions:** | | |
| Sales Taxes | (1,822,196) | (1,652,579) |
| Operational net revenue | 20,964,112 | 22,393,813 |
| Cost of services rendered | (10,789,993) | (10,739,348) |
| Gross profit | 10,174,119 | 11,654,465 |
| Operational expenses | | |
| Selling expenses | (608,136) | (79,002) |
| Administrative and general expenses | (12,587,571) | (9,237,461) |
| Tax expenses | (44,859) | (54,908) |
| Finance revenues (expenses), net | 173,840 | 982,808 |
| | (13,066,726) | (8,388,563) |
| Net (loss) income before financial result | (2,892,607) | 3,265,902 |
| Income and Social contributions tax | 183,635 | (1,236,557) |
| (Loss) income for the year | (2,708,972) | 2,029,345 |
| (Loss) income per sharequota | (2.41) | 1.81 |

The accompanying notes are an integral part of these financial statements.

## Statements of Changes in Shareholders' Equity

For the Years Ended March 31, 2016 and 2015

(In Brazilian reais without cents)

| | Capital Stock | | | Accumulated | |
|---|---|---|---|---|---|
| | Subscribed | To pay | Total | profits | Total |
| Balances at April 1st, 2014 | 5,000,000 | (3,877,855) | 1,122,145 | 949,885 | 2,072,030 |
| Reduction of Subscribed Capital with quotas cancellation | (3,877,855) | 3,877,855 | - | - | - |
| Net income for the year | - | - | - | 2,029,345 | 2,029,345 |
| Balances at March 31, 2015 | 1,122,145 | - | 1,122,145 | 2,979,230 | 4,101,375 |
| Loss for the year | - | - | - | (2,708,972) | (2,708,972) |
| Balances at March 31, 2016 | 1,122,145 | - | 1,122,145 | 270,258 | 1,392,403 |

The accompanying notes are an integral part of these financial statements.

## Cash Flow Statements

For the Years Ended March 31 2016, and 2015

(In Brazilian reais without cents)

| | 2016 | 2015 |
|---|---|---|
| **CASH FLOW OF OPERATIONAL ACTIVITIES** | | |
| (Loss) income for the year | (2,708,972) | 2,029,345 |
| Adjustments to reconcile the fiscal year net profit with Cash | | |
| generated by operational activities: | | |
| Depreciation and amortization | 24,663 | 11,705 |
| Decrease (Increase) in the operational assets: | | |
| Accounts receivable from clients | 1,892,766 | (1,090,378) |
| Advances to suppliers | (91,008) | 32,521 |
| Advances to employees | (75,224) | (4,933) |
| Recoverable taxes | (618,505) | 308,317 |
| Prepaid expenses | - | 9,240 |
| Increase (decrease) in the operational liabilities: | | |
| Suppliers | (11,559) | 95,321 |
| Taxes and contributions payable | 19,741 | (662,315) |
| Salaries and Labor Taxes payable | 2,219 | 89,738 |
| Accrued vacations and related charges | 230,934 | 279,021 |
| Accounts payable | 534,083 | (154,279) |
| Accrued consulting fees | 31,000 | (251,492) |
| Accrued bonus | 29,639 | 12,041 |
| Other accruals | | (238,485) |
| **Cash invested in operational activities** | **(740,223)** | **465,367** |
| **CASH FLOW OF INVESTMENTS ACTIVITIES** | | |
| Guarantee deposit - rent | 10,750 | - |
| Fixed assets acquisition | (15,012) | (92,695) |
| **Cash invested on activities of investments** | **(4,262)** | **(92,695)** |
| **(DECREASE) INCREASE OF AVAILABLE FUNDS BALANCE** | **(744,485)** | **372,672** |
| **CASH AND CASH EQUIVALENTS** | | |
| Opening Balance | 1,364,446 | 991,774 |
| Ending Balance | 619,961 | 1,364,446 |
| **(DECREASE) INCREASE OF AVAILABLE FUNDS BALANCE** | **(744,485)** | **372,672** |

The accompanying notes are an integral part of these financial statements.

# Notes to the Financial Statements

Years Ended March 31, 2016 and 2015

(In Brazilian reais without cents)

**1. Operational context**

The Company's activities include basically the sale of computer programs, software and applications, the consulting and advisory services in types and configurations, as well as installation project developments related to the products sold, the consulting services in the information technology area and participation in other companies.

**2. Presentation of the Financial Statements**

**a. Statement of compliance with IFRS and BRGAAP standards**

Financial Statements have been prepared according to the accounting practices adopted in Brazil which encompasses the Business Corporations Laws, and Pronouncing, Guidance And Interpretation issued by Accounting Pronouncing Committee -CPC.

The showed amounts take into account the adoption of the Tax Transitional System - RTT as provided for in law nº 11.941 /09, which purpose is to maintain the tax neutrality of changes in Brazilian corporate law, introduced by laws 11.638 /07 and 11.941 /09 and by other changes in accounting standards arising from the IFRS.

On November 12th, 2013 the Provisional Measure – MP nº 627 was published and converted in Law nº 12.973 in May 13, 2014 which among other provisions, revokes the Tax Transitional Regime - RTT. The provisions of such Provisional Measure shall apply as from the year 2015 or as from the year 2014 for the taxpayers who perform the anticipated adoption. The Administration of Company is evaluating the impacts thereon and which is the period more convenient for the adoption. On March 31st, 2016, the company considers there will be no effects to be taken into account in the Financial Statements.

On April 19th, 2016, The Administration of Company authorized the conclusion of such financial statements.

**b. Measurement base**

The financial statements have been prepared based on the historic cost except the following material items recognized in the balance sheet:

- Non-derivative financial Instruments designated at fair value by means of the results are measured at fair value.
- The financial assets available for sale are measured by the fair value.

**c. Functional Currency and presentation currency**

The items included in the financial statements have been measured by adopting the currency of the economic environment in which the Company operates (functional currency). The financial statements are showed in Brazilian Reais, which is the Company's functional currency.

**d. Estimates use and judgment**

The preparation of the financial statements according to the accounting practices adopted in Brazil requires the use of the judgments, estimates, and suppositions by The Administration of Company affecting the accounting policies use and reported values of the assets, liabilities, incomes and expenses. The actual results might differ from the estimates.

The estimates and assumptions are reviewed annually by The Administration of Company. The changes are recognized in the financial year in which such estimates are reviewed and in future years affected.

**3. Main Accounting Practices**

**a. Financial instruments**

The Company's non-derivative financial assets and liability are classified under the following categories:

***i. Non-Derivative financial assets***

Company recognizes the loans and receivables and deposits firstly on the origin date. All other financial assets (including assets designated by fair value through the results) are recognized firstly on the negotiation date when the Company becomes a party in the contractual provisions of the instrument.

The Company classifies the non-derivative financial assets in the following categories: financial assets measured at fair value through the income and receivables.

***ii. Receivables***

Receivables are financial assets with fixed or determined payments, which are not offered in the active market. Such assets are recognized firstly at the fair value added from any attributed cost of the transactions. After the initial recognition, the loans and receivables are measured by the amortized cost using the actual interest method, reduced from the loss due to the reduction on the recoverable amount.

Receivables encompass the cash and cash equivalent, accounts receivables from customers and other receivables.

***iii. Cash and cash equivalents***

Include cash, bank sight deposits and temporary short term investments up to 90 days from the date of investment or deemed of immediate liquidity or convertible into known amount of cash, which are subject to an insignificant risk of change in value and are recorded by the cost values added by the income earned up to the balance sheets dates and do not exceed its market or performance value.

***iv. Non-derivative financial liabilities***

Firstly, Company recognizes the debt instruments issued on the date they are originated. All other financial liabilities are recognized firstly on the negotiation date when Company becomes a party in the contractual provisions of the instrument. Company writes off the financial liability when the contractual obligations are withdrew, canceled or overdue.

Such financial liabilities are recognized first by fair value deducted by any cost of the related transactions. After the initial recognition, such financial liabilities are measured by the amortized cost using the actual interest method, as applicable, in order to reflect the costs incurred up to the balance sheet date.

The Non-derivative financial liabilities of the Company refer basically to imports payable to holding added by exchange rate variation incurred up to the balance sheet date, suppliers and other accounts payable showed by known values or to be determined, updated by monetary adjustment index and interest, as applicable, to reflect the costs incurred up to the balance sheet date.

**b. Fixed Assets**

***Acknowledgement and measurement:*** Fixed assets are measured by acquisition historic cost, deducting the accrued depreciation/ amortizations and losses from the reduction to recoverable amount (impairment) as required. The fixed assets costs include the expenses directly attributable to the assets acquisition. Other expenses are capitalized only when there is an increase in the economic benefits of the fixed assets item. Any other expense, when incurred, is recognized in results as expense. Gains and losses in the fixed assets disposal determined by comparing the resources from disposal and fixed assets accounting value are recognized as net in other incomes in the results.

***Depreciation:*** The depreciation/amortization is computed by the straight-line method, at rates deemed compatible with the useful life.

**c. Reduction on the assets recoverable amount**

***Non-derivative Financial Assets (including receivables)***

The financial assets are evaluated at each submission date if it is not measured by fair value in order to determine any objective evidence of loss in the recoverable value. The assets has the loss in recoverable value if there is objective evidence of loss resulting from one or more events taking place after the assets initial recognition, and such loss event had a negative effect on the future cash flows forecast which should be estimated reliably.

The objective evidence of the financial assets lost value should include the debtor default or delay in payment, the renegotiation of the amount payable to the Company under conditions that The Company should not accept on other transactions, indications the debtor or issuer should be bankrupted or the end of the active market for the securities.

**d. Provisions**

A provision is recognized in respect to the past event, if the Company legal or constructive obligation could be estimated reliably and is likely to be an economic resource required to settle the obligation. The provisions are determined by means of deduction to cash flow expected at a rate before taxes reflecting the evaluations by current market regarding the value of money in time and the specific risks to the liability.

Company supported by legal opinion by its legal advisors and Management represents to have no knowledge of tax, civil and labor proceedings affecting materially its business, in addition to those already reflected in the financial statements on March 31st, 2016.

**e. Operating Income**

The operating income from sale in the regular course of the activities is measured by the fair value of the consideration received or to be received, net of returns, commercial discounts and bonuses. The operating income is recognized according to the service invoice is issuance, based on the technical working hours approved by customers.

**f. Operational costs**

The cost of services in the markets in which the Company operates is mainly represented by the cost of productive hours worked at the rate paid to the technicians, billable and non-billable to customers, the cost of hours spent in any rework (guarantees).

**g. Financial income and financial expenses**

The financial income comprises interest income on investments, discounts obtained and yields from instruments classified as cash equivalents. The interest income is recognized in the results, by means of the effective interest method.

The financial expenses comprise interest expense on contractual expenses, bank charges, losses in fair value of financial assets measured at fair value by means of results and contingent consideration, etc.

**h. Income Tax And Social Contribution**

The income tax and social contribution of the current year are calculated based on 15% rate added from 10% additional on taxable profit exceeding R$ 240,000 for income tax and 9% on the taxable profit for social contribution on net profit, which take into account the tax loss offset and the loss of Social Contribution limited to 30% the taxable profit.

The income tax and social contributions expenses comprise the current taxes.

The tax charges and contributions calculated and collected by the Company, as well as their income statements and fiscal and accounting records are subject to review by the tax authorities in variable prescription deadlines.

**Current tax**

Current tax is the tax payable and receivable estimated on taxable profit or losses of the year, based on the tax rates published or materially published on the date the financial statements are prepared and any adjustments on taxes payable in respect to the previous years.

**4. Cash and Cash Equivalents**

| | 2016 | 2015 |
|---|---|---|
| Cash and Cash Equivalents | 45,064 | 721,211 |
| Investments | 574,897 | 643,235 |
| | 619,961 | 1,364,446 |

**5. Accounts Receivable**

| | 2016 | 2015 |
|---|---|---|
| Domestic sales | 1,633,614 | 1,092,647 |
| Foreign Sales – related parties | 779,969 | 1,803,027 |
| Foreign Sales – non related parties | 161,432 | 1,526,637 |
| Reimbursable expenses | 146,987 | 192,457 |
| | 2,722,002 | 4,614,768 |

**6. Transactions with Related Parties**

The transactions with related parties consist basically of information technologies services to enterprises abroad as showed below:

| | 2016 | 2015 |
|---|---|---|
| **Current Assets – Accounts receivable:** | | |
| KPIT Technologies Índia | 120,060 | - |
| KPIT US Cummins | 201,956 | 227,998 |
| Systime US | 16,762 | 350,251 |
| KPIT Sweden | 93,042 | 56,998 |
| KPIT Technologies Ltd | - | 460,319 |
| KPIT Technologies US | 22,604 | 25,780 |
| KPIT Infosystems Limited | 325,545 | - |
| KPIT US (Sparta Formerly) | - | 681,681 |
| | 779,969 | 1.803,027 |

The transactions performed during the year were the following:

| | 2016 | 2015 |
|---|---|---|
| **Current Liabilities** | | |
| KPIT Technologies US Cummins | 2.544,827 | 2.465,023 |
| KPIT Technologies US (Sparta Formerly) | - | 550,415 |
| KPIT Technologies Sweden | 643,064 | 294,093 |
| KPIT Technologies US (Praxair) | 70,341 | 23,898 |
| KPIT Technologies India | 46,610 | 360,874 |
| KPIT US Epson | 498,272 | - |
| KPIT Technologies WFS | 24,466 | - |
| KPIT Infosystems Limited | 507,363 | - |
| KPIT Technologies Oshkosh | 133,847 | - |
| Systime US | 245,210 | 438,746 |
| | 4,714,000 | 4,133,049 |

**7. Capital Stock**

The capital, totally paid up, is of R$ 1,122,145, divided in 1,122,145 quotas at the nominal amount of R$ 1.00 each, distributed to quota holders in the following proportion:

Number of

| Shareholder | Sharequotas |
|---|---|
| KPIT Cummins Infosystems Limited | 1,000 |
| KPIT Infosystems Incorporated | 1,121,145 |
| | 1,122,145 |

# SYSTIME Global Solutions Ltda.

Registered Office: Rua James Watt, 84 – 8º andar – Jardim Edith, CEP 04576-050 – São Paulo / SP – Brasil.

## Board's Report

Dear Shareholders,

Your Board of Directors is pleased to present herewith the report of the Directors on the operations of the Company together with the accounts for the financial year ended on March 31, 2016.

**Financial Results**

| Particulars | 2015-16 BRL | 2014-15 BRL |
|---|---|---|
| Total Revenues | 18,510 | 39,668 |
| Net Profit/(Loss) for the period | 13,363 | (165,867) |

**Operations**

During the year under review, total revenues of the Company have significantly decreased by 53% however, the Company has earned net profit of BRL 13,363.

**Audit**

The Company appointed Actual Pericias Ltda. as auditors to conduct the audit and the audit report issued by the auditors is attached with the accounts of the Company.

For and on behalf of the Board of Directors

**SYSTIME Global Solutions Ltda**

Pune
April 19, 2016

**Kishor Patil**
Chairman

## Review Report Of Financial Statements

To,
The Management of
Systime Global Solutions Ltda.
São Paulo - SP

We reviewed the financial statements of Systime Global Solutions Ltda. comprising the balance sheet on March 31st, 2016 and respective income statements, changes in shareholders' equity, cash flow for the year ended in such date, as well as the summary of the main accounting practices and other explanatory notes.

**Responsibility of Administration on Financial Statements**

Company's management board is liable for preparing and submitting the separate financial statements according to the accounting practices adopted in Brazil, and the internal control determined as necessary to allow preparing such financial statements free from relevant distortion irrespective when caused by fraud or error.

**Responsibility of Independent Auditors**

Our liability is to express an opinion on such financial statements based on our review. We conducted our revision according to the Brazilian and international audit standards. A review of financial statements consists of making inquiries, mainly to responsible people for financial and accounting matters, and applying analytical and other review procedures. The scope of a review is substantially less than an audit scope conducted in accordance with auditing standards and consequently does not enable the reaching of the same security level for all significant matters that would be identified in an audit.

**Unqualified opinion**

Based on our review, we are not aware of any fact that let us to believe that the financial statements do not present accordingly, in all material matters, the financial position of Systime Global Solutions Ltda., on March 31, 2016, the results of its operations and its cash flows for the year ended in such date in accordance with accounting practices adopted in Brazil.

São Paulo, April 19, 2016

Actual Perícias Ltda.
CRC-SP - 2SP023780/O-1

Luiz Alexandre Tumolo
Accountant CRC - 1SP175079/O-5

## Balance Sheets

As of March 31, 2016 and 2015

(In Brazilian reais without cents)

| Assets | 2016 | 2015 | Liabilities | 2016 | 2015 |
|---|---|---|---|---|---|
| **Current assets:** | | | **Current liabilities:** | | |
| Cash and cash equivalents | 137,495 | 91,737 | Taxes and contributions payable | 221 | 60 |
| Accounts receivable | 26,970 | 34,833 | Accounts payable | 7,187 | 15,051 |
| Recoverable taxes | 165,987 | 210,222 | Other accruals | - | 12,000 |
| | 330,452 | 336,792 | | 7,408 | 27,111 |
| **Non-Current assets:** | | | | | |
| Long-Term Debt: | | | **Shareholders' equity:** | | |
| Intercompany loan agreement | 800,000 | 800,000 | Capital stock | 1,000 | 1,000 |
| | | | Accumulated profits | 1,122,044 | 1,108,681 |
| | | | | 1,123,044 | 1,109,681 |
| | 1,130,452 | 1,136,792 | | 1,130,452 | 1,136,792 |

The accompanying notes are an integral part of these financial statements.

## Income Statements

For the Years Ended March 31, 2016 and 2015

(In Brazilian reais without cents, except income (loss) per sharequota)

| | 2016 | 2015 |
|---|---|---|
| **Operational expenses:** | | |
| Administrative and general expenses | (2,955) | (205,154) |
| Tax expenses | (2,192) | (381) |
| Finance revenues, net | 18,510 | 36,233 |
| Others revenues | - | 3,435 |
| Income (loss) for the year | 13,363 | (165,867) |
| Income (loss) per sharequota | 13.36 | (165.87) |

The accompanying notes are an integral part of these financial statements.

## Statements of Changes in Shareholders' Equity

For the Years Ended March 31, 2016 and 2015

(In Brazilian reais without cents)

| | Capital Stock | Accumulated profits | Total |
|---|---|---|---|
| Balances at April 1, 2014 | 1,000 | 2,134,548 | 2,135,548 |
| Profit distribution | - | (860,000) | (860,000) |
| Losses for the year | - | (165,867) | (165,867) |
| Balances at March 31, 2015 | 1,000 | 1,108,681 | 1,109,681 |
| Income for the year | - | 13,363 | 13,363 |
| Balances at March 31, 2016 | 1,000 | 1,122,044 | 1,123,044 |

The accompanying notes are an integral part of these financial statements.

## Cash Flow Statements

For the Years Ended March 31, 2016 and 2015

(In Brazilian reais without cents)

| | 2016 | 2015 |
|---|---|---|
| **CASH FLOW OF OPERATIONAL ACTIVITIES** | | |
| Income (loss) for the year | 13,363 | (165,867) |
| Adjustments to reconcile the fiscal year net profit with Cash | | |
| generated by operational activities: | | |
| Depreciation and amortization | - | 6,918 |
| Property, plant and equipment write-off | - | 32,981 |
| Decrease (Increase) in the operational assets: | | |
| Accounts receivable from clients | 7,863 | 291,648 |
| Recoverable taxes | 44,235 | (14,028) |
| Increase (decrease) in the operational liabilities: | | |
| Taxes and contributions payable | 151 | 60 |
| Accounts payable | (7,864) | 15,051 |
| Other accruals | (12,000) | 12,000 |
| **Cash generated by operational activities** | **45,748** | **178,763** |
| **CASH FLOW OF FINANCING ACTIVITIES** | | |
| Profit distribution | - | (860,000) |
| **Cash invested in financing activities** | - | (860,000) |
| **INCREASE (DECREASE) OF AVAILABLE FUNDS BALANCE** | **45,748** | **(681,237)** |
| CASH AND CASH EQUIVALENTS | | |
| Opening Balance | 91,737 | 772,974 |
| Ending Balance | 137,495 | 91,737 |
| **INCREASE (DECREASE) OF AVAILABLE FUNDS BALANCE** | **45,758** | **(681,237)** |

The accompanying notes are an integral part of these financial statements.

## Notes to the Financial Statements

Years Ended March 31, 2016 and 2015

(In Brazilian reais without cents)

**1. Operational context**

The Company's activities include basically: (i) the computer customized programs development, including the systems development to attend the customers' needs and the programming using tools, languages and technical documentation of computer programs, developed upon customization; (ii) the consulting services in the information technology area; (iii) the development and license of customized and non-customized computer programs; (iv) participation in other companies.

Currently, the Board of the Company is developing researches aiming to discontinue the Company's operations thru the transfer of its activities to another company group which operates in the same economic segment. Considering the accounting presupposed of operation continuity, the Company's financial statements do not reflect any potential adjustments resulting from the closure of its business.

**2. Presentation of the Financial Statements**

**a. Statement of compliance with IFRS and BRGAAP standards**

Financial Statements have been prepared according to the accounting practices adopted in Brazil which encompasses the Business Corporations Laws, and Pronouncing, Guidance And Interpretation issued by Accounting Pronouncing Committee -CPC.

The showed amounts take into account the adoption of the Tax Transitional System - RTT as provided for in law nº 11.941 /09, which purpose is to maintain the tax neutrality of changes in Brazilian corporate law, introduced by laws 11.638 /07 and 11.941 /09 and by other changes in accounting standards arising from the IFRS.

On November 12, 2013 the Provisional Measure – MP nº 627 was published and converted in Law nº 12.973 in May 13, 2014 which among other provisions, revokes the Tax Transitional Regime - RTT. The provisions of such Provisional Measure shall apply as from the year 2015 or as from the year 2014 for the taxpayers who perform the anticipated adoption. The Administration of Company is evaluating the impacts thereon and which is the period more convenient for the adoption. On March 31, 2016, the company considers there will be no effects to be taken into account in the Financial Statements.

On April 19, 2016, The Administration of Company authorized the conclusion of such financial statements.

**b. Measurement base**

The financial statements have been prepared based on the historic cost except the following material items recognized in the balance sheet:

- Non-derivative financial Instruments designated at fair value by means of the results are measured at fair value.
- The financial assets available for sale are measured by the fair value.

**c. Functional Currency and presentation currency**

The items included in the financial statements have been measured by adopting the currency of the economic environment in which the Company operates (functional currency). The financial statements are showed in Brazilian *Reais*, which is the Company's functional currency.

**d. Estimates use and judgement**

The preparation of the financial statements according to the accounting practices adopted in Brazil requires the use of the judgements, estimates, and suppositions by The Administration of Company affecting the accounting policies use and reported values of the assets, liabilities, incomes and expenses. The actual results might differ from the estimates.

The estimates and assumptions are reviewed annually by The Administration of Company. The changes are recognized in the financial year in which such estimates are reviewed and in future years affected.

**3 Main Accounting Practices**

**a. Financial instruments**

The Company's non-derivative financial assets and liability are classified under the following categories:

***i. Non-Derivative financial assets***

Company recognizes the loans and receivables and deposits firstly on the origin date. All other financial assets (including assets designated by fair value through the results) are recognized firstly on the negotiation date when the Company becomes a party in the contractual provisions of the instrument.

The Company classifies the non-derivative financial assets in the following categories: financial assets measured at fair value through the income and receivables.

***ii. Receivables***

Receivables are financial assets with fixed or determined payments, which are not offered in the active market. Such assets are recognized firstly at the fair value added from any attributed cost of the transactions. After the initial recognition, the loans and receivables are measured by the amortized cost using the actual interest method, reduced from the loss due to the reduction on the recoverable amount.

Receivables encompass the cash and cash equivalent, accounts receivables from customers and other receivables.

***iii. Cash and cash equivalents***

Include cash, bank sight deposits and temporary short-term investments up to 90 days from the date of investment or deemed of immediate liquidity or convertible into known amount of cash, which are subject to an insignificant risk of change in value and are recorded by the cost values added by the income earned up to the balance sheets dates and do not exceed its market or performance value.

***iv. Non-derivative financial liabilities***

Firstly, Company recognizes the debt instruments issued on the date they are originated. All other financial liabilities are recognized firstly on the negotiation date when Company becomes a party in the contractual provisions of the instrument. Company writes off the financial liability when the contractual obligations are withdrew, canceled or overdue.

Such financial liabilities are recognized first by fair value deducted by any cost of the related transactions. After the initial recognition, such financial liabilities are measured by the amortized cost using the actual interest method, as applicable, in order to reflect the costs incurred up to the balance sheet date.

The Non-derivative financial liabilities of the Company refer basically to imports payable to holding added by exchange rate variation incurred up to the balance sheet date, suppliers and other accounts payable showed by known values or to be determined, updated by monetary adjustment index and interest, as applicable, to reflect the costs incurred up to the balance sheet date.

**b. Fixed Assets**

***Acknowledgement and measurement:*** Fixed assets are measured by acquisition historic cost, deducting the accrued depreciation/amortizations and losses from the reduction to recoverable amount (impairment) as required. The fixed assets costs include the expenses directly attributable to the assets acquisition. Other expenses are capitalized only when there is an increase in the economic benefits of the fixed assets item. Any other expense, when incurred, is recognized in results as expense. Gains and losses in the fixed assets disposal determined by comparing the resources from disposal and fixed assets accounting value are recognized as net in other incomes in the results.

***Depreciation:*** The depreciation/amortization is computed by the straight-line method, at rates deemed compatible with the useful life.

**c. Reduction on the assets recoverable amount**

***Non-derivative Financial Assets (including receivables)***

The financial assets are evaluated at each submission date if it is not measured by fair value in order to determine any objective evidence of loss in the recoverable value. The assets has the loss in recoverable value if there is objective evidence of loss resulting from one or more events taking place after the assets initial recognition, and such loss event had a negative effect on the future cash flows forecast which should be estimated reliably.

The objective evidence of the financial assets lost value should include the debtor default or delay in payment, the renegotiation of the amount payable to the Company under conditions that The Company should not accept on other transactions, indications the debtor or issuer should be bankrupted or the end of the active market for the securities.

**d. Provisions**

A provision is recognized in respect to the past event, if the Company legal or constructive obligation could be estimated reliably and is likely to be an economic resource required to settle the obligation. The provisions are determined by means of deduction to cash flow expected at a rate before taxes reflecting the evaluations by current market regarding the value of money in time and the specific risks to the liability.

Company supported by legal opinion by its legal advisors and Management represents to have no knowledge of tax, civil and labor proceedings affecting materially its business, in addition to those already reflected in the financial statements on March 31, 2016.

**e. Financial income and financial expenses.**

The financial income comprises interest income on investments, discounts obtained and yields from instruments classified as cash equivalents. The interest income is recognized in the results, by means of the effective interest method.

The financial expenses comprise interest expense on contractual expenses, bank charges, losses in fair value of financial assets measured at fair value by means of results and contingent consideration, etc.

## 4. Capital Stock

The capital, totally paid-up, is of R$ 1,000, divided in 1,000 quotas at the nominal amount of R$ 1.00 each, distributed to quota holders in the following proportion:

| Shareholder | Number of Sharequotas |
|---|---:|
| Systime Computer Corporation | 999 |
| KPIT Technologies Corporation | 1 |
| | 1,000 |

# KPIT (Shanghai) Software Technology Co., Ltd.

Registered Office: 17A, Zhao Feng World Trade Building, No. 369, Jiangsu Road, Shanghai 200050, PRC.

## Board's Report

Dear Shareholders,

Your Board of Directors is pleased to present the Fifth report on the operations of the Company together with the audited accounts for the financial year ended on March 31, 2016.

**Financial Results**

| Particulars | 2015-16 RMB | 2014-15 RMB |
|---|---|---|
| Total Revenues | 29,321,460 | 13,697,792 |
| Net Profit /(Loss) for the year | 4,974,646 | (377,618) |

**Operations**

During the year under review, revenues of the Company have significantly increased by 114% resulting in overcoming of last year's losses and the Company has earned profit of RMB 4,974,646.

**Share Capital**

During the year under review, the share capital of the Company increased to RMB 14,074,702.40.

**Change in business scope**

During the year under review, the Company has changed its business scope to include hardware related activities and accordingly, business license of the Company is amended.

**Audit**

The Company is required by the local laws to have an independent audit firm to audit the books of accounts of the Company and to issue a report to the shareholders. Therefore, the Company appointed ShineWing CPAs as auditors to conduct the audit and the audit report issued by the auditors is attached with the accounts of the Company.

For and on behalf of the Board of Directors

**KPIT (Shanghai) Software Technology Co., Ltd.**

**Kishor Patil**
Chairman

Pune

April 19, 2016

## Auditors' Report

The Board of Directors of KPIT (Shanghai) Software Technology Co., Ltd.:

We have audited the accompanying financial statements of KPIT (Shanghai) Software Technology Co., Ltd. ("KPIT Shanghai"), which comprises the balance sheet as at March 31st, 2016, the income statement, the statement of changes in equity, the cash flow statement, and the notes to the financial statements for the year ended March 31st, 2016

1. **Management's Responsibility for the Financial Statements**

   The management of KPIT Shanghai is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing financial statements in accordance with the Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

2. **Auditors' Responsibility**

   Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Audit Standards of China's Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

3. **Opinion**

   In our opinion, the financial statements comply with the requirements of the Accounting Standards for Business Enterprises and present fairly, in all material respects, the financial position of KPIT Shanghai as at March 31st, 2016, and the results of operations and cash flows of KPIT Shanghai for the year then ended.

ShineWing CPAs

Shanghai, the People's Republic of China

April 19, 2016

## Balance sheet

As at March 31st, 2016

Prepared by : KPIT (SHANGHAI) SOFTWARE TECHNOLOGY CO., LTD.

Currency: RMB

| Item | Line No. | March 31st, 2016 | March 31st, 2015 |
|---|---|---|---|
| **Current Assets:** | 1 | — | — |
| Cash and bank balance | 2 | 9,357,061.02 | 1,375,998.11 |
| Deposit Reservation for Balance | 3 | | |
| Lendings to Banks and Other Financial Institutions | 4 | | |
| Tradable financial assets | 5 | | |
| Note receivable | 6 | | |
| Accounts receivable | 7 | 11,892,460.05 | 9,653,695.57 |
| Prepayments | 8 | 93,681.02 | 147,836.44 |
| Premiums receivable | 9 | | |
| Reinsurance receivable | 10 | | |
| Reserve receivable of reinsurance contracts | 11 | | |
| Interest receivable | 12 | | |
| Dividends receivable | 13 | | |
| Other receivable | 14 | 127,930.54 | 141,606.62 |
| Financial assets purchased under resale | 15 | | |
| Inventory | 16 | | |
| Including: Raw material | 17 | | |
| Finished goods | 18 | | |
| Non-current assets maturing within 1 year | 19 | | |
| Other current assets | 20 | | |
| **Total Current Assets** | 21 | 21,471,132.63 | 11,319,136.74 |
| **Non-current Assets:** | 22 | | |
| Loans and advances | 23 | | |
| Available-for-sale financial assets | 24 | | |
| Held-to-maturity investment | 25 | | |
| Long-term receivable | 26 | | |
| Long-term equity investment | 27 | | |
| Investment real estate | 28 | | |
| Fixed assets - cost | 29 | 199,432.59 | 185,159.09 |
| Less: Accumulated depreciation | 30 | 171,160.28 | 127,519.71 |
| Fixed assets - net value | 31 | 28,272.31 | 57,639.38 |
| Less: Provision for impairment of fixed assets | 32 | | |
| Fixed assets - net book value | 33 | 28,272.31 | 57,639.38 |
| Construction in process | 34 | | |
| Construction material | 35 | | |
| Liquidation(Disposal) of fixed assets | 36 | | |
| Productive biological assets | 37 | | |
| Oil gas assets | 38 | | |
| Intangible assets | 39 | 55,448.68 | |
| Research and development cost | 40 | | |
| Goodwill | 41 | | |
| Long-term prepaid expense | 42 | | |
| Deferred tax assets | 43 | 700,366.50 | |
| Other non-current assets | 44 | | |
| Including: Specially approved reserving materials | 45 | | |
| **Total Non-current Assets** | 46 | 784,087.49 | 57,639.38 |
| | 47 | | |
| | 48 | | |
| | 49 | | |
| | 50 | | |
| | 51 | | |
| | 52 | | |
| | 53 | | |
| | 54 | | |
| | 55 | | |
| | 56 | | |
| | 57 | | |
| | 58 | | |
| | 59 | | |
| | 60 | | |
| | 61 | | |
| | 62 | | |
| | 63 | | |
| **Total Assets** | 64 | 22,255,220.12 | 11,376,776.12 |

| Item | Line No. | March 31st, 2016 | March 31st, 2015 |
|---|---|---|---|
| **Current Liabilities:** | 65 | — | — |
| Short-term loans | 66 | | |
| Borrowing from the central bank | 67 | | |
| Absorb deposit and storage | 68 | | |
| Borrowings from Banks and Other Financial Institutions | 69 | | |
| Tradable financial liabilities | 70 | | |
| Notes payable | 71 | | |
| Accounts payable | 72 | 7,627,122.00 | 1,574,234.05 |
| Advance from customers | 73 | | 109,638.27 |
| Financial assets sold under repurchase | 74 | | |
| Fee and commission payable | 75 | | |
| Accrued payroll and welfare | 76 | 670,527.64 | 553,696.40 |
| Including: Accrued payroll | 77 | 670,527.64 | 553,696.40 |
| Accrued welfare | 78 | | |
| Including: employee award and welfare fund | 79 | | |
| Tax payable | 80 | 497,755.81 | 303,252.42 |
| Including: Tax payable | 81 | 497,755.81 | 303,252.42 |
| Interest payable | 82 | | |
| Dividends payable | 83 | | |
| Other payable | 84 | 612,541.30 | 1,059,719.59 |
| Reinsurance payable | 85 | | |
| Reserve of insurance contract | 86 | | |
| Agents sale of security | 87 | | |
| Agents underwriting of security | 88 | | |
| Non-current liabilities maturing within 1 year | 89 | | |
| Other current liabilities | 90 | | 2,963,446.84 |
| **Total Current Liabilities** | 91 | 9,407,946.75 | 6,563,987.57 |
| **Non-current Liabilities** | 92 | | |
| Long-term loans | 93 | | |
| Bonds payable | 94 | | |
| Long-term payable | 95 | | |
| Grants(special) payable | 96 | | |
| Estimated liabilities | 97 | | |
| Deferred tax liability | 98 | | |
| Other non-current liabilities | 99 | | |
| Including: special reserve fund | 100 | | |
| **Total Non-current Liabilities** | 101 | | |
| **Total Liabilities** | 102 | 9,407,946.75 | 6,563,987.57 |
| Owners' Equity(or shareholders' equity): | 103 | | |
| Paid-in capital (or share) | 104 | 14,074,702.40 | 11,014,863.60 |
| State capital | 105 | | |
| Including: state-owned legal person's capital | 106 | | |
| Collective capital | 107 | | |
| Private capital | 108 | | |
| Including: Personal capital | 109 | | |
| Foreign businessmen's capital | 110 | 14,074,702.40 | 11,014,863.60 |
| Less: Treasury share | 111 | | |
| Net paid-in capital (or share) | 112 | 14,074,702.40 | 11,014,863.60 |
| Capital surplus | 113 | 21,916.98 | 21,916.98 |
| Less: reasury share | 114 | | |
| Special reserve | 115 | | |
| Surplus reserve | 116 | | |
| Including: Statutory reserve | 117 | | |
| Voluntary reserve | 118 | | |
| Reserve fund | 119 | | |
| Development fund | 120 | | |
| Profit for returning investment | 121 | | |
| General risk reserve | 122 | | |
| Undistributed profits | 123 | -1,249,346.01 | -6,223,992.03 |
| Converted difference in Foreign Currency Statements | 124 | | |
| Total Equity attributable to the Parent Company | 125 | 12,847,273.37 | 4,812,788.55 |
| Minority shareholders' equity | 126 | | |
| **Total Owner's Equity** | 127 | 12,847,273.37 | 4,812,788.55 |
| **Total Liabilities & Owners' Equity** | 128 | 22,255,220.12 | 11,376,776.12 |

Note: The accompanying notes to accounting statement as an integral part of financial statements.

# Income Statement

For the Year Ended March 31st, 2016

Prepared by: KPIT (SHANGHAI) SOFTWARE TECHNOLOGY CO., LTD.

Currency:RMB

| Items | Line No. | Year ended March 31st, 2016 | Year ended March 31st, 2015 |
|---|---|---|---|
| **1. Gross Operating Income** | 1 | 29,321,460.24 | 13,697,791.67 |
| Operating income | 2 | 29,321,460.24 | 13,697,791.67 |
| Including : main operations | 3 | 29,321,460.24 | 13,697,791.67 |
| other operations | 4 | | |
| Interest income | 5 | | |
| Earned premiums | 6 | | |
| Fees and commission income | 7 | | |
| **2. Gross Operating cost** | 8 | 24,722,354.30 | 14,417,371.21 |
| Operating cost | 9 | 14,800,634.15 | 5,752,683.82 |
| Including: main operations | 10 | 14,800,634.15 | 5,752,683.82 |
| other operations | 11 | | |
| Interest expense | 12 | | |
| Fees and commission expense | 13 | | |
| Surrender payment | 14 | | |
| Net compensate | 15 | | |
| Net extraction of the insurance contract reserve | 16 | | |
| Policy dividend payment | 17 | | |
| Reinsurance costs | 18 | | |
| Business tax and surcharge | 19 | 129,372.71 | 96,056.60 |
| Selling and distribution expenses | 20 | | |
| General and administrative expenses | 21 | 10,218,993.21 | 8,522,358.68 |
| Including: research and development expense | 22 | | |
| Finance expenses | 23 | -426,645.77 | 46,272.11 |
| Including: Interest expenses | 24 | | |
| Interest income | 25 | 7,768.05 | 4,104.21 |
| Net foreign exchange loss ("-" means "gain") | 26 | -429,790.76 | 41,049.00 |
| Assets impairment losses | 27 | | |
| Others | 28 | | |
| Add: gain on the changes in fair value ("-" means "Loss") | 29 | | |
| Investment income ("-" means "Loss") | 30 | | |
| Including: Income from investments in associated enterprises and joint ventures | 31 | | |
| Net foreign exchange gain ("-" means "loss") | 32 | | |
| **3. Operating profit ("-" means "Loss")** | 33 | 4,599,105.94 | -719,579.54 |
| Add: Non-operating income | 34 | 27,531.01 | 341,962.03 |
| Including: gain from diposal of non-current assets | 35 | | |
| gain from exchange of non-monetary assets | 36 | | |
| subsidy income from government | 37 | | |
| Profits from debt restructuring | 38 | | |
| Less: Non-operating expenses | 39 | | |
| Including: Losses from diposal of non-current assets | 40 | | |
| Non-cash deal losses | 41 | | |
| Losses from debt restructuring | 42 | | |
| **4. Total profit ("-" means "Loss")** | 43 | 4,626,636.95 | -377,617.51 |
| Less: Income tax | 44 | -348,009.07 | |
| **5. Net Profit ("-" means "Loss")** | 45 | 4,974,646.02 | -377,617.51 |
| Net profit attributable to the Parent Company | 46 | 4,974,646.02 | -377,617.51 |
| Minority shareholders' equity | 47 | | |
| **6. Earnings per share:** | 48 | | |
| Basic earnings per share | 49 | | |
| Diluted earnings per share | 50 | | |
| **7. Other comprehensive income** | 51 | | |
| **8. Total comprehensive income** | 52 | 4,974,646.02 | -377,617.51 |
| Total comprehensive income attributable to the Parent Company | 53 | 4,974,646.02 | -377,617.51 |
| Total comprehensive income attributable to the minority shareholder | 54 | | |

Note: The accompanying notes to accounting statement as an integral part of financial statements.

## Statement of Changes in Owners' Equity

For the year Ended March 31st, 2016

Prepared by: KPIT (SHANGHAI) SOFTWARE TECHNOLOGY CO., LTD. Currency: RMB

| Item | As at March 31st, 2016 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Owner's Equity Attributable to the Parent Company | | | | | | | | | Minority shareholders' equity | Total Owner's Equity |
| | Paid-in Capital (or Stock) | Capital Surplus | Less: Treasury Share | Special reserve | Surplus reserve | General risk reserve | Undistributed profits | Other | Subtotal | | |
| Column No. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| **1. Ending balance of last year** | 11,014,863.60 | 21,916.98 | | | | | -6,223,992.03 | | 4,812,788.55 | | 4,812,788.55 |
| Add: Changes in Accounting Policies | | | | | | | | | - | | - |
| Correction of error from previous period | | | | | | | | | - | | - |
| **2. Opening balance of this year** | 11,014,863.60 | 21,916.98 | | | | | -6,223,992.03 | | 4,812,788.55 | | 4,812,788.55 |
| **3. Increase or decrease of Current Period (for decrease filled in "-")** | 3,059,838.80 | - | | | | | 4,974,646.02 | | 8,034,484.82 | | 8,034,484.82 |
| (1) Net Profit | | | | | | | 4,974,646.02 | | 4,974,646.02 | | 4,974,646.02 |
| (2) Other comprehensive income | | | | | | | | | - | | - |
| Subtotal of comprehensive income | | | | | | | 4,974,646.02 | | 4,974,646.02 | | 4,974,646.02 |
| (3) Capital invested or reduced by the owners | 3,059,838.80 | - | | | | | | | 3,059,838.80 | | 3,059,838.80 |
| 1. Capital invested by the owner | 3,059,838.80 | | | | | | | | 3,059,838.80 | | 3,059,838.80 |
| 2. Payment for shares attributed into owner's equity | | | | | | | | | | | |
| 3. Others | | | | | | | | | | | |
| (4) Extraction and use of special reserves | | | | | | | | | | | |
| 1. Extraction of special reserves | | | | | | | | | | | |
| 2. Use of special reserves | | | | | | | | | | | |
| (5) Profit Distribution | | | | | | | | | | | |
| 1. Withdrawal surplus reserve | | | | | | | | | | | |
| Including: Statutory fund | | | | | | | | | | | |
| Voluntary reserve | | | | | | | | | | | |
| Reserve fund | | | | | | | | | | | |
| Development fund | | | | | | | | | | | |
| Profit for returning investment | | | | | | | | | | | |
| 2. Extraction of general risk reserve | | | | | | | | | | | |
| 3. Profits distributed to owners (or shareholders) | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | |
| (6) Internal transfer of owner's equity | | | | | | | | | | | |
| 1. Capital surplus transfer to share capital | | | | | | | | | | | |
| 2. Surplus reserves transfer to share capital | | | | | | | | | | | |
| 3. Surplus reserves covering losses | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | |
| **4. Closing balance of this year** | 14,074,702.40 | 21,916.98 | | | | | -1,249,346.01 | | 12,847,273.37 | | 12,847,273.37 |

Note: The accompanying notes to accounting statement as an integral part of financial statements.

# Statement of Changes in Owners' Equity (continued)

For the year ended March 31st, 2016

Prepared by: KPIT (SHANGHAI) SOFTWARE TECHNOLOGY CO., LTD. Currency:RMB

| Item | As at March 31st, 2015 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Owner's Equity Attributable to the Parent Company | | | | | | | | | Minority shareholders' equity | Total Owner's Equity |
| | Paid-in Capital (or Stock) | Capital Surplus | Less: Treasury Share | Special reserve | Surplus reserve | General risk reserve | Undistributed profits | Other | Subtotal | | |
| Column No. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| **1. Ending balance of last year** | 8,222,487.15 | 11,684.97 | | | | | -5,846,374.52 | | 2,387,797.60 | | 2,387,797.60 |
| Add: Changes in Accounting Policies | | | | | | | | | - | | - |
| Correction of error from previous period | | | | | | | | | - | | - |
| **2. Opening balance of this year** | 8,222,487.15 | 11,684.97 | | | | | -5,846,374.52 | | 2,387,797.60 | | 2,387,797.60 |
| **3. Increase or decrease of Current Period ( for decrease filled in "-")** | 2,792,376.45 | 10,232.01 | | | | | -377,617.51 | | 2,424,990.95 | | 2,424,990.95 |
| (1) Net Profit | | | | | | | -377,617.51 | | -377,617.51 | | -377,617.51 |
| (2) Other comprehensive income | | | | | | | | | - | | - |
| Subtotal of comprehensive income | | | | | | | -377,617.51 | | -377,617.51 | | -377,617.51 |
| (3) Capital invested or reduced by the owners | 2,792,376.45 | 10,232.01 | | | | | | | 2,802,608.46 | | 2,802,608.46 |
| 1. Capital invested by the owner | 2,792,376.45 | 10,232.01 | | | | | | | 2,802,608.46 | | 2,802,608.46 |
| 2. Payment for shares attributed into owner's equity | | | | | | | | | | | |
| 3. Others | | | | | | | | | | | |
| (4) Extraction and use of special reserves | | | | | | | | | | | |
| 1. Extraction of special reserves | | | | | | | | | | | |
| 2. Use of special reserves | | | | | | | | | | | |
| (5) Profit Distribution | | | | | | | | | | | |
| 1. Withdrawal surplus reserve | | | | | | | | | | | |
| Including: Statutory fund | | | | | | | | | | | |
| Voluntary reserve | | | | | | | | | | | |
| Reserve fund | | | | | | | | | | | |
| Development fund | | | | | | | | | | | |
| Profit for returning investment | | | | | | | | | | | |
| 2. Extraction of general risk reserve | | | | | | | | | | | |
| 3. Profits distributed to owners (or shareholders) | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | |
| (6) Internal transfer of owner's equity | | | | | | | | | | | |
| 1. Capital surplus transfer to share capital | | | | | | | | | | | |
| 2. Surplus reserves transfer to share capital | | | | | | | | | | | |
| 3. Surplus reserves covering losses | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | |
| **4. Closing balance of this year** | 11,014,863.60 | 21,916.98 | | | | | -6,223,992.03 | | 4,812,788.55 | | 4,812,788.55 |

Note: The accompanying notes to accounting statement as an integral part of financial statements.

# Cash Flow Statement

For the year ended March 31st, 2016

Prepared by: KPIT (SHANGHAI) SOFTWARE TECHNOLOGY CO., LTD.

Currency:RMB

| Items | Line No. | **Year ended March 31st, 2016** | Year ended March 31st, 2015 |
|---|---|---|---|
| **1. Cash Flows from Operating Activities:** | 1 | — | — |
| Cash received from sales of goods or rendering of services | 2 | 25,278,886.11 | 9,726,751.69 |
| Net increase of customer deposits and storage | 3 | | |
| Net increase of borrowing from central bank | 4 | | |
| Net increase of borrowing from other financial institutions | 5 | | |
| Cash received from original insurance contract premiums | 6 | | |
| Net cash received from reinsurance | 7 | | |
| Net increase of insurance deposit and investment | 8 | | |
| Net increase of disposal trading financial assets | 9 | | |
| Cash received from interest expense, fees and commission | 10 | | |
| Net increase in borrowings from banks and other financial institutions | 11 | | |
| Net cash received from repurchase | 12 | | |
| Refunds of taxes and levies | 13 | 27,531.01 | 341,962.03 |
| Cash received relating to other operating activities | 14 | 7,768.05 | 4,104.21 |
| **Sub-total of cash inflows** | 15 | 25,314,185.17 | 10,072,817.93 |
| Cash paid for goods and services | 16 | 9,021,847.17 | 4,899,047.20 |
| Net increase of loans and advance to customers | 17 | | |
| Net increase in due from central bank and other financial institutions | 18 | | |
| Cash payment for original insurance contract | 19 | | |
| Cash payment for interest expense, fees and commission | 20 | | |
| Cash payment for policy dividend | 21 | | |
| Cash paid to and on behalf of employees | 22 | 7,947,899.13 | 6,663,145.56 |
| Payments of taxes and levies | 23 | 1,282,401.24 | 542,605.06 |
| Cash paid relating to other operating activities | 24 | 2,482,399.16 | 872,651.47 |
| **Sub-total of cash outflows** | 25 | 20,734,546.70 | 12,977,449.29 |
| **Net Cash Flow from Operating Activities** | 26 | 4,579,638.47 | -2,904,631.36 |
| **2. Cash Flow from Investing Activities:** | 27 | | |
| Cash received from disposal of investments | 28 | | |
| Cash received from returns on investments | 29 | | |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | 30 | | |
| Net Cash received from disposal of subsidiary or other operating business units | 31 | | |
| Cash received relating to other investing activities | 32 | | |
| **Sub-total of cash inflows** | 33 | | |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | 34 | 88,205.12 | |
| Cash paid to acquire investments | 35 | | |
| Net increase of mortgage Loan | 36 | | |
| Net cash received from subsidiary and other operating business units | 37 | | |
| Cash paid relating to other investing activities | 38 | | |
| **Sub-total of cash outflows** | 39 | 88,205.12 | 0.00 |
| **Net Cash Flow from Investing Activities** | 40 | -88,205.12 | 0.00 |
| **3. Cash Flow from Financing Activities** | 41 | | |
| Cash received from capital contributions | 42 | 3,059,838.80 | 2,802,608.46 |
| Including: subsidiary received cash from minority interest's investments | 43 | | |
| Cash received from borrowings | 44 | | |
| Cash received from bonds issued | 45 | | |
| Cash received relating to other financing activities | 46 | | |
| **Sub-total of cash inflows** | 47 | 3,059,838.80 | 2,802,608.46 |
| Cash repayments of amounts borrowed | 48 | | |
| Cash payments for interest expenses and distribution of dividends or profits | 49 | | |
| Including: subsidiary paid dividends and profit to minority interests | 50 | | |
| Cash payments relating to other financing activities | 51 | | |
| **Sub-total of cash outflows** | 52 | | |
| **Net Cash Flow from Financing Activities** | 53 | 3,059,838.80 | 2,802,608.46 |
| **4. Effect of Foreign exchange rate changes on cash and cash equivalents** | 54 | 429,790.76 | -41,049.00 |
| **5. Net Increase in Cash and Cash Equivalents** | 55 | 7,981,062.91 | -143,071.90 |
| Add: Opening balance of cash and cash equivalents | 56 | 1,375,998.11 | 1,519,070.01 |
| **6. Ending balance of cash and cash equivalents** | 57 | 9,357,061.02 | 1,375,998.11 |

Note: The accompanying notes to accounting statement as an integral part of financial statements.

# Notes to the financial statements

for the period from April 1st, 2015 to March 31st, 2016

(All amounts are stated in RMB Yuan unless otherwise stated)

1. **COMPANY BACKGROUND AND PRINCIPAL ACTIVITIES**

KPIT (Shanghai) Software Technology Co., Ltd. (the "Company") is a wholly foreign owned enterprise incorporated in Shanghai, People's Republic of China ("PRC) on January 5th, 2011 by KPIT Cummins Infosystems Limited. The Company has a certificate of approval for establishment of enterprises with foreign investment in the People's Republic of China, approval number [2011]0035, issued by the Shanghai Municipal People's Government, and a business licence, license number 310115400266251 (Pudong), approved by Shanghai Administration Bureau for Industry and Commerce, Pudong New District Sub-Bureau on January 12th, 2011. The legal representative of the Company is Kishor Patil.

On December 1st, 2012, the Company approved a resolution of the board of directors on increasing the registered capital by an amount of RMB 4,400,000.00; the investors of the Company are required to pay a minimum of 20% of the increased amount before the new business licence can be issued. The remaining balance shall be paid within 2 years upon the issuance of the new business licence. The Company's registered capital has increased from RMB 5,080,000.00 to RMB 9,480,000.00. As at January 29th, 2013, the Company has received a capital injection of RMB 3,142,487.15 from KPIT Cummins Infosystems Limited.

On January 15th, 2013, the Company approved a resolution of the board of directors on the change of the Company's legal address from Room G10, 3rd Floor, No. 2123 of Pudong Avenue, Pu Dong District, Shanghai, PRC to Room A, 17th Floor, No. 369 of Jiang Su Road, Chang Ning District, Shanghai, PRC.

On July 25th, 2013, the Company approved a resolution of the board of directors on the name change of the investor from KPIT Cummins Infosystems Limited to KPIT Technologies Limited.

On December 10th, 2013, the Company obtained a new business licence with the license number 310115400266251 (Chang Ning), approved by Shanghai Administration Bureau for Industry and Commerce.

On December 26th, 2013, the Company approved a resolution of the board of directors on increasing the registered capital from RMB 9,480,000.00 to RMB 21,786,400.00, and the Company obtained the updated business license on December 19th 2014. On July 22nd, 2014 and November 19th, 2014, the Company has received capital injections of RMB 1,257,512.85 and RMB 1,534,863.60 respectively from the investor KPIT Technologies Limited. As at December 31st, 2014, the paid-in capital of the Company was RMB 11,014,863.60.

On May 20th, 2015, the Company approved a resolution of the board of directors on the change of the Company's business scope from research & development, design, and production of computer software, and sale of self-produced products; development of network technique and technical support; design, testing, and maintaining of system integration; providing relevant technical consulting and service. (Relating to administrative license, it shall be based on the operating permit.) to research & development and design of computer software, and transfer of research achievement; development of network technique and technical support; designing, testing, and maintaining of system integration; providing relevant technical consulting and service. Computer hardware and software (except for the electronic publications) wholesale, commission agency (excluding auction) and provide related services (Do not involve the state-owned trading managed goods. For the quota and license managed goods, apply upon the relevant regulation of the state.)

On May 27th, 2015, the Company has received capital injections of USD 499,990.00 (equivalent to RMB 3,059,838.80) from the investor KPIT Technologies Limited. As at December 31st, 2015, the paid-in capital of the Company was RMB 14,074,702.41.

On October 19th, 2015, the Company obtained a new integrated business licence (business license, organization code certificate, and certificate of taxation registration into one document) with the license number 05000002201510190001, approved by Shanghai Administration Bureau for Industry and Commerce.

The Company's approved business scope includes: research & development and design of computer software, and transfer of research achievement; development of network technique and technical support; designing, testing, and maintaining of system integration; providing relevant technical consulting and service. Computer hardware and software (except for the electronic publications) wholesale, commission agency (excluding auction) and provide related services (Do not involve the state-owned trading managed goods. For the quota and license managed goods, apply upon the relevant regulation of the state.) The Company's operating period is 30 years.

2. **BASIS OF PREPARATION**

The Company's financial statements are based on going concern and actual basis, and are prepared in accordance with the PRC Accounting Standards for Business Enterprises promulgated in accordance with the Ministry of Finance and the relevant provisions, and are prepared as described in this note 4: the significant accounting policies and accounting estimates.

3. **ANNOUNCEMENT**

The Company's financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises and were presented truly and integrally, in all material respects, the financial position of the Company as at March 31st, 2016, and the results of operations and cash flows of the Company for the year ended 2016.

4. **SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

1. Accounting period

The Company adopts the calendar year as its accounting year.

2. Recording currency

The recording currency of the Company is in Renminbi (RMB).

3. Basis of accounting and measurement bases

The Company applies the accrual basis of accounting, and uses the historical cost as the principle of measurement unless otherwise specified.

4. Cash and cash equivalents

For the purposes of preparing the cash flow statement, cash refers to all cash in hands and call deposits. Cash equivalents refer to short-term and highly-liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

5. Foreign Currency Transactions and Conversion Method

The Company's foreign currency transactions are recorded in RMB, based on the spot exchange rate of that day. All foreign currency monetary items shall be translated to RMB at the spot exchange rate at the balance sheet date. Aside from the translation differences arising from specific foreign currency loans to meet the conditions of capitalization that are procurement-related or production-related, all translation differences shall be recorded in current profit and loss.

6. Provision for bad debts of receivable

Provision for bad debt of receivable that may occur are accounted for based on the allowance method, of which the aging analysis and specific identification methods are utilized to calculate the bad debt provision, which will be included in the profit and loss statement. For recievables that are evidently uncollectible, in accordance with the Company's guideline procedures, shall be treated as bad debts, and provision shall be written off and treated as losses.

7. Fixed assets

The Company's fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, which have useful lives of more than one year and have relatively high unit price.

The Company's fixed assets include electronic and office equipments, and are recorded at actual cost upon acquisition.

Fixed assets are stated in the balance sheet at acquisition cost less accumulated depreciation and impairment. Impairment is calculated based on the difference between the expected recoverable amount and the book value, only if the recoverable amount is lower than the book value.

Fixed assets are depreciated using the straight-line method over their estimated useful lives. The estimated useful life and the estimated residual value of fixed assets are as follows:

| | Item | Estimated useful life | Estimated residual value | Annual depreciation rate |
|---|---|---|---|---|
| 1 | Electronic & Office equipment | 4 years | 0% | 25% |

At the end of each year, the estimated useful life, estimated residual value, and depreciation method of fixed assets are reviewed. If there are any changes to the above, it shall be treated changes of accounting estimates.

When fixed assets are disposed, or if they are no longer of any future economic benefits, they shall no longer be recognized as fixed assets. The amount received from fixed assets being sold, transferred, scrapped or destroyed, minus the book value, minus related tax, shall be recorded in profit and loss.

8. Payroll and welfare

During the extent of employment, the employee payroll and welfare should be recorded as liability and debited to related costs or expenses in accordance with the beneficiaries of services provided. The severance package for the dissolution of labor relationships should be recognized in current profit and loss.

Payroll and welfare includes wages, bonuses, allowances and subsidies, employee benefits, social insurance and housing funds, union funds and workers education funding and other expenditures related to the services rendered by employees.

Termination benefits are employee benefits payable as a result of either: an entity's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits. The event which gives rise to an obligation is the termination rather than employee service. Therefore, an entity should recognise termination benefits when, and only when, the entity is demonstrably committed to either:

- Terminate the employment of an employee or group of employees before the normal retirement date; or
- Provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

9. Revenue recognition

The Company's operating income is mainly service income. The revenue recognition principle is as follows:

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be reognised only to the extent of the expenses recognized that are recoverable.

10. Leases

Lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit. Lease income from operating leases shall be recognized in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

11. Related party

If the Company has direct or indirect control of another entity, or has significant influence over another entity; or another entity has direct or indirect control of the Company, or has significant influence over the Company; or the Company and another entity or entities are all controlled by the same party, then the Company and the other entities are all considered as related parties. A related party can be a person or an entity.

12. Income taxes

The accounting treatment on income tax utilizes the balance sheet liability method.

The income tax comprises current tax expense (current tax income) and deferred tax expense (deferred tax income). Apart from the transactions and related matters of current tax and deferred tax that recognized directly in equity, the rest of current tax expense (current tax income) and deferred tax expense (deferred tax income) should be recorded in current profit and loss.

Current tax is the a amount of the income taxes payable (recoverable), in accordance with the taxation requirement, in respect of the taxable profit (tax loss) for a period; deferred tax assets are the amounts of income taxes payable (recoverable) in future period in respect of taxable termporary differences.

5. TAXATION

The tax categories and applicable tax rates to the Company are as follows:

1. Enterprise income tax

The Company's applicable enterprise income tax rate is 25%.

2. Value added tax

The Company's products sales income and services rendered income are subjected to the value added tax (VAT). The applicable tax rates for domestic sales and rendering of services are 17% and 6% respectively. Input VAT on purchases of raw materials can be deducted from output VAT. VAT payable is the net difference between output and deductible input VAT.

3. Surcharges

The surcharges are inclusive of city construction tax, education surcharge, local education surcharge and river management fee, which the taxes are levied at 7%, 3%, 2% and 1%, respectively, of the business tax.

6. SIGNIFCANT ITEMS IN FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31st, 2015

1. Cash and Cash at banks

| Item | March 31st, 2016 | | | March 31st, 2015 | | |
|---|---|---|---|---|---|---|
| | Original currency | Exchange rate | Amount (RMB) | Original currency | Exchange rate | Amount (RMB) |
| Bank | | | | | | |
| RMB | 2,449,811.69 | 1.0000 | 2,449,811.69 | 650,505.98 | 1.0000 | 650,505.98 |
| USD | 1,069,035.06 | 6.4612 | 6,907,249.33 | 117,790.39 | 6.1592 | 725,492.13 |
| Total | | | 9,357,061.02 | - | - | 1,375,998.11 |

2. Accounts receivable

(1) Aging analysis

| Item | March 31st, 2016 | | | March 31st, 2015 | | |
|---|---|---|---|---|---|---|
| | Amount | % | Bad debt | Amount | % | Bad debt |
| Within 1 year | 11,892,460.05 | 100.00 | - | 9,653,695.57 | 100.00 | - |
| Total | 11,892,460.05 | 100.00 | - | 9,653,695.57 | 100.00 | - |

(2) The policy of bad debt provision can be referred to this note 4.6.

(3) The balance of accounts receivable due from related parties as of March 31st, 2016 was RMB 3,713,021.30, which is 31.22% of the total ending balance.

(4) The balance of foreign currency.

| Currency | March 31st, 2016 | | | March 31st, 2015 | | |
|---|---|---|---|---|---|---|
| | Original Amount | Exchange rate | Amount (RMB) | Original Amount | Exchange rate | Amount (RMB) |
| USD | 267,025.07 | 6.4612 | 1,725,302.38 | 732,297.55 | 6.1422 | 4,497,918.00 |
| Total | | | 1,725,302.38 | | | 4,497,918.00 |

3. Prepayments

(1) Aging analysis

| Item | March 31st, 2016 | | March 31st, 2015 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Within 6 months | 44,262.76 | 47.25 | 147,836.44 | 100.00 |
| 7 - 12 months | 49,418.26 | 52.75 | - | - |
| Total | 93,681.02 | 100.00 | 147,836.44 | 100.00 |

(2) The balance of prepayments to related parties as of March 31st, 2016 was nil.

4. Other receivable

(1) Aging analysis

| Item | March 31st, 2016 | | | March 31st, 2015 | | |
|---|---|---|---|---|---|---|
| | Amount | % | Bad debt | Amount | % | Bad debt |
| Within 6 months | 18,323.91 | 14.32 | - | 31,999.99 | 22.60 | - |
| 7 - 12 months | - | - | - | - | - | - |
| 1 - 2 years | - | - | - | - | - | - |
| 2 - 3 years | 109,606.63 | 85.68 | - | 109,606.63 | 77.40 | - |
| Total | 127,930.54 | 100.00 | - | 141,606.62 | 100.00 | - |

(2) The balance as at March 31st, 2016 is mainly the deposit for office rental and staff cash advance.

5. Fixed Assets

| Item | March 31st, 2015 | Additions | Deductions | March 31st, 2016 |
|---|---|---|---|---|
| Cost | 185,159.09 | 14,273.50 | - | 199,432.59 |
| Electronic & Office equipment | 185,159.09 | 14,273.50 | - | 199,432.59 |
| Accumulated depreciation | 127,519.71 | 43,640.57 | - | 171,160.54 |
| Electronic & Office equipment | 127,519.71 | 43,640.57 | - | 171,160.54 |
| Net book value | 57,639.38 | | | 28,272.05 |
| Electronic & Office equipment | 57,639.38 | | | 28,272.05 |

6. Intangible assets

| Item | March 31st, 2015 | Additions | Deductions | March 31st, 2016 |
|---|---|---|---|---|
| Cost | - | 73,931.62 | - | 73,931.62 |
| Software | - | 73,931.62 | - | 73,931.62 |
| Accumulated amortisation | - | 18,482.94 | - | 18,482.94 |
| Software | - | 18,482.94 | - | 18,482.94 |
| Net book value | - | | | 55,448.68 |
| Software | - | | | 55,448.68 |

7. Deferred tax assets

| Item | March 31st, 2016 | March 31st, 2015 |
|---|---|---|
| Accrued expenses | 700,366.50 | - |
| Total | 700,366.50 | - |

8. Accounts payable

(1) Aging analysis

| Item | March 31st, 2016 | March 31st, 2015 |
|---|---|---|
| Total | 7,627,122.00 | 1,574,234.05 |
| Including: Over 1 year | - | - |

(2) The balance of related-party's accounts payable was RMB 5,588,317.91, accounting for 73.27% of total balance.

9. Advance from customers

| Item | March 31st, 2016 | March 31st, 2015 |
|---|---|---|
| Total | - | 109,638.27 |
| Including: Over 1 year | - | - |

10. Accrued Payroll

| Item | March 31st, 2015 | Additions | Deductions | March 31st, 2016 |
|---|---|---|---|---|
| Payroll (including bonus, subsidy and allowance) | 553,696.40 | 8,064,730.37 | 7,947,899.13 | 670,527.64 |
| Total | 553,696.40 | 8,064,730.37 | 7,947,899.13 | 670,527.64 |

11. Tax Payable

| Item | March 31st, 2015 | Additions | Deductions | March 31st, 2016 |
|---|---|---|---|---|
| Value added tax | 268,364.97 | 995,174.49 | 1,134,868.32 | 128,671.14 |
| Enterprise income tax | - | 352,357.43 | - | 352,357.43 |
| City construction tax | 18,785.55 | 69,662.22 | 79,440.79 | 9,006.98 |
| Education surcharge | 8,050.95 | 29,855.24 | 34,046.06 | 3,860.13 |
| Local education surcharge | 5,367.30 | 19,903.48 | 22,697.36 | 2,573.42 |
| River management fee | 2,683.65 | 9,951.77 | 11,348.71 | 1,286.71 |
| Total | 303,252.42 | 1,476,904.63 | 1,282,401.24 | 497,755.81 |

12. **Other Payable**

(1) Other payable

| Item | March 31st, 2016 | March 31st, 2015 |
|---|---|---|
| **Total** | **612,541.30** | **1,059,719.59** |
| Including: over 1 year | 450.00 | 450.00 |

(2) The balance of other payable due to related parties as at March 31st, 2016 was RMB 122,850.83, which is 20.06% of the total ending balance.

13. **Paid–in Capital**

| Investor | March 31st, 2015 | | Additions | Deductions | March 31st, 2016 | |
|---|---|---|---|---|---|---|
| | Amount | % | | | Amount | % |
| KPIT Technologies Limited | 11,014,863.60 | 100.00 | 3,059,838.80 | - | 14,074,702.40 | 100.00 |
| **Total** | **11,014,863.60** | **100.00** | **3,059,838.80** | **-** | **14,074,702.40** | **100.00** |

14. **Capital Surplus**

| Item | March 31st, 2015 | Additions | Deductions | March 31st, 2016 |
|---|---|---|---|---|
| Capital (Share) premium | 21,916.98 | - | - | 21,916.98 |
| **Total** | **21,916.98** | **-** | **-** | **21,916.98** |

15. **Undistributed Profits**

| Item | March 31st, 2016 | March 31st, 2015 |
|---|---|---|
| Opening balance | -6,223,992.03 | -5,846,374.52 |
| Additions: Net profit | 4,974,646.02 | -377,617.51 |
| Deductions: Statutory surplus reserve | - | - |
| Closing balance | -1,249,346.01 | -6,223,992.03 |
| Including: cash dividend to be distributed | | - |

16. **Operating income and operating cost**

| Item | 2016 | | 2015 | |
|---|---|---|---|---|
| | Operating income | Operating cost | Operating income | Operating cost |
| Gross operating | 29,321,460.24 | 14,800,634.15 | 13,697,791.67 | 5,752,683.82 |
| Service income | 29,321,460.24 | 14,800,634.15 | 13,697,791.67 | 5,752,683.82 |
| **Total** | **29,321,460.24** | **14,800,634.15** | **13,697,791.67** | **5,752,683.82** |

17. **Finance Expenses**

| Item | 2016 | 2015 |
|---|---|---|
| Interest expense | - | - |
| Deductions: interest income | 7,768.05 | 4,104.21 |
| Additions: foreign exchange loss ("-" means gain) | -429,790.76 | 41,049.00 |
| Additions: bank service charge | 10,913.04 | 9,327.32 |
| **Total** | **-426,645.77** | **46,272.11** |

18. **Non-operating Income**

| Item | 2016 | 2015 |
|---|---|---|
| Individual income tax refund | 27,531.01 | 341,962.03 |
| **Total** | **27,531.01** | **341,962.03** |

19. **Income tax**

| Item | 2016 | 2015 |
|---|---|---|
| Current year income tax | 352,357.43 | - |
| Deferred tax | -700,366.50 | - |
| **Total** | **-348,009.07** | **-** |

20. **Lease Commitment**

As at March 31st, 2016, the future aggregate minimum lease payments of office rents under an uncancellable lease agreement are as follows:

| Period | Lease commitment |
|---|---|
| 2016 | 221,689.96 |
| **Total** | **221,689.96** |

21. **Cash Flow Statement**

(1) Supplementary information of cash flow statement

| Item | 2016 | 2015 |
|---|---|---|
| **1. Reconciliation of net loss to cash flows used in operating activities:** | | |
| Net profit | 4,974,646.02 | -377,617.51 |
| Additions: Asset impairment | - | - |
| Depreciation of fixed assets, oil and gas assets, and productive biological assets | 43,640.57 | 46,289.52 |
| Amortization of intangible assets | 18,482.94 | - |
| Amortization of long-term prepaid expense | - | - |
| Losses on disposal of fixed assets, intangible assets, and other long-term assets ("-" means "Gain") | - | - |
| Losses on scrap of fixed assets ("-" means "Gain") | - | - |
| Losses on changes in fair value ("-" means "Gain") | - | - |
| Finance expenses ("-" means "Income") | -429,790.76 | 41,049.00 |
| Losses on investment ("-" means "Gain") | - | - |
| Decrease in deferred tax assets ("-" means "Increase") | - | - |
| Increase in deferred tax liabilities ("-" means "Decrease") | - | - |
| Decrease in inventory ("-" means "Increase") | - | - |
| Decrease in operating receivables ("-" means "Increase") | -2,871,299.48 | -8,095,952.95 |
| Increase in operating payables ("-" means "Decrease") | 2,843,959.18 | 5,481,600.58 |
| Other | - | - |
| Net cash flows from operating activities | 4,579,638.47 | -2,904,631.36 |
| **2. Net increase in cash and cash equivalents:** | | |
| Ending balance of cash | 9,357,061.02 | 1,375,998.11 |
| Less: Opening balance of cash | 1,375,998.11 | 1,519,070.01 |
| Net increase in cash and cash equivalents | 7,981,062.91 | -143,071.90 |

7. **RELATED PARTY RELATIONSHIP AND TRANSACTIONS**

A. **Related party relationship**

1 Parent company

(1) Parent company background information

| Parent Company | Nature | Registered address |
|---|---|---|
| KPIT Technologies Limited | Investing | India |

(2) Equity shares and changes in equity shares held by the parent company

| Parent company | Equity shares | | Equity shares percentage (%) | | Voting right percentage (%) | |
|---|---|---|---|---|---|---|
| | March 31st, 2016 | March 31st, 2015 | March 31st, 2016 | March 31st, 2015 | March 31st, 2016 | March 31st, 2015 |
| KPIT Technologies Limited | 14,074,702.40 | 11,014,863.60 | 100.00 | 100.00 | 100.00 | 100.00 |

2. Other related parties

| Relationship with the Company | Name of related parties | Main transactions address |
|---|---|---|
| Controlled by the same ultimate holding company | Sparta Consulting Inc. | Rendering of services |
| Controlled by the same ultimate holding company | KPIT Infosystems Inc. | Rendering of services |
| Controlled by the same ultimate holding company | KPIT Technologies (UK) Limited | Rendering of services |
| Controlled by the same ultimate holding company | SYSTIME Global Solutions Pvt. Ltd. | Expenses paid on the Company's behalf |
| Controlled by the same ultimate holding company | KPIT Infosystems ME FZE Korea | Rendering of services |

B. **Due to/from related parties**

1. Accounts receivable

| Name of related parties | March 31st, 2016 | March 31st, 2015 |
|---|---|---|
| Sparta Consulting Inc. | 3,389,851.96 | 2,058,836.92 |
| KPIT Infosystems Inc. | 178,062.80 | 286,877.59 |
| KPIT Technologies (UK) Limited | 84,229.68 | 33,802.56 |
| KPIT Infosystems ME FZE Korea | 60,876.86 | 96,103.98 |
| **Total** | **3,713,021.30** | **2,475,621.05** |

2. Accounts payable

| Name of related parties | March 31st, 2016 | March 31st, 2015 |
|---|---|---|
| KPIT Infosystems Inc. | 5,588,317.91 | 1,574,234.05 |
| **Total** | **5,588,317.91** | 1,574,234.05 |

3. Other payable

| Name of related parties | March 31st, 2016 | March 31st, 2015 |
|---|---|---|
| KPIT Technologies Limited | 122,850.83 | 94,354.59 |
| **Total** | **122,850.83** | 94,354.59 |

**C. Related party transactions**

1. Sales of goods and rendering of services

| Name of related parties | 2016 | 2015 |
|---|---|---|
| Sparta Consulting Inc. | 7,693,066.85 | 4,636,279.47 |
| KPIT Infosystems Inc. | 1,205,446.00 | 1,704,150.79 |
| KPIT Technologies (UK) Limited | 143,001.00 | 33,802.56 |
| KPIT Infosystems ME FZE Korea | 340,696.92 | 96,103.98 |
| **Total** | **9,384,226.82** | **6,470,336.8** |

2. Expenses paid by related parties

| Name of related parties | 2016 | 2015 |
|---|---|---|
| KPIT Technologies Limited | 8,148,244.48 | 1,664,436.73 |
| **Total** | **8,148,244.48** | **1,664,436.73** |

## 8. CONTINGENCIES

As at March 31st, 2016, the Company does not have any significant contingencies to be disclosed.

## 9. COMMITMENTS

As at March 31st, 2016, the Company does not have any significant commitments to be disclosed.

## 10. SUBSEQUENT EVENTS

As the financial statements of the Company are approved to issue, the Company does not have any significant subsequent events to be disclosed.

## 11. Approval of Financial Reports

The Company's financial statements as at March 31st, 2016 have been approved by the board of the Company.

# KPIT Infosystems ME FZE

Registered Office: Dubai Airport Free Zone Area, West Wing 2, Office 2W113, P.O.Box: 54931, Dubai, UAE.

## Managers' report

The manager has pleasure in presenting this report and the audited consolidated financial statements for the year ended 31 March 2016.

**Principal activities**

The establishment is engaged in the business of providing software and IT infrastructure services.

**Financial results**

The establishment has achieved revenue of AED 26,291,284 for the year ended 31 March 2016 (31 March 2015 Revenue: AED 21,592,467). The net profit for the year is AED 5,700,484 at 21.68% of revenue (31 March 2015 net loss AED 7,894,682).

The establishment has accumulated losses aggregating to AED 4,512,681 which exceeds the share capital of the establishment. The management is aware of the accumulated loss as shown in the consolidated financial statements. However, these consolidated financial statements have been prepared on a going concern basis as management intends to continue operations and the shareholder and related parties have agreed to provide adequate funds to the establishment to meet its obligations as and when they fall due.

**Management responsibilities**

The company law requires the management to prepare the financial statements for each financial year, which provide a true and fair view of the state of the affairs of the establishment and the net profit or loss for the year. The management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the establishment and to enable them to ensure that the financial statements comply with the International Financial Reporting Standards and applicable laws of United Arab Emirates.

**Events after the reporting period**

There are no significant events after the reporting period, which is effecting the consolidated financial statements or disclosures.

**Shareholder and its interests**

The shareholder and its interests in the establishment were disclosed in the note 1 of the consolidated financial statements. There were no changes to the shareholding structure during the year.

**Management**

Myles Patrick O'Connor is appointed as the manager of the establishment.

**Auditors**

Koya Chartered Accountants were the auditors of the establishment for the year ended 31 March 2016, express their willingness to continue as auditors for the year ending 31 March 2017.

**Acknowledgements**

The managers' wish to place on record their sincere gratitude for the continuous support extended by various governments, banks, customers, suppliers, employees and all well-wishers.

Manager

**KPIT Infosystems ME FZE**

19 April 2016

## Independent auditor's report to shareholders of KPIT Infosystems ME FZE, Dubai - U.A.E.

**Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of **KPIT Infosystems ME FZE, Dubai** Airport Free Zone, Dubai, U.A.E ("the Establishment") which comprise the consolidated statement of financial position as at 31 March 2016, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **KPIT Infosystems ME FZE, Dubai Airport Free Zone, Dubai, U.A.E** as at 31 March 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

**Emphasis of matter**

Without further qualifying our audit opinion, we draw attention to the note number 3, which states that these consolidated financial statements have been prepared on a going concern basis, the validity of which assume that the shareholder and the related parties will continue its financial support to the establishment in order that it can meet its liabilities as they fall due. These consolidated financial statements do not include any adjustments that would arise from a failure to obtain financial support or generate positive cash flow in the foreseeable future.

Koya Chartered Accountants

**P. P. Kunhamad Koya**
Reg. No. 623

19 April 2016

## Consolidated statement of financial position as at 31 March 2016

| | Notes | 31.03.2016 AED | 31.03.2015 AED |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | 227,541 | 270,982 |
| **Total non-current assets** | | 227,541 | 270,982 |
| **Current assets** | | | |
| Due from related parties | 7 | 128,273 | 31,196 |
| Accounts and other receivables | 8 | 7,819,584 | 15,016,166 |
| Cash and bank balances | 9 | 7,597,665 | 9,538,452 |
| **Total current assets** | | 15,545,522 | 24,585,814 |
| **Total assets** | | **15,773,063** | **24,856,796** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 1 | 1,000,000 | 1,000,000 |
| Accumulated losses | | (4,512,681) | (10,213,165) |
| Shareholder's current account | 10 | 185,661 | 185,661 |
| **Total equity** | | (3,327,020) | (9,027,504) |
| **Non-current liabilities** | | | |
| Loan from related party | 11 | 10,923,415 | 8,262,708 |
| Bank overdraft | | - | 1,851,941 |
| Provision for employees' end of service benefits | 12 | 233,316 | 390,610 |
| **Total non-current liabilities** | | 11,156,731 | 10,505,259 |
| **Current liabilities** | | | |
| Loan from related party | 11 | 2,747 | 10,633,388 |
| Accounts and other payables | 13 | 3,232,988 | 8,654,559 |
| Due to related parties | 7 | 4,707,617 | 4,091,094 |
| **Total current liabilities** | | 7,943,352 | 23,379,041 |
| **Total liabilities** | | 19,100,083 | 33,884,300 |
| **Total equity and liabilities** | | **15,773,063** | **24,856,796** |

**For KPIT Infosystems ME FZE**

Manager

The notes on pages 10 to 20 form an integral part of these consolidated financial statements.

## Consolidated statement of comprehensive income

For the year ended 31 March 2016

| | Notes | 31.03.2016 AED | 31.03.2015 AED |
|---|---|---|---|
| Revenue | 14 | 26,291,284 | 21,592,467 |
| Consultancy Cost | 15 | (5,868,205) | (13,480,040) |
| Salaries and benefits | 16 | (10,197,693) | (14,057,287) |
| Administration, selling & general expenses | 17 | (5,397,896) | (4,524,627) |
| Finance cost | 18 | (539,276) | (422,463) |
| **Profit/(loss) from operation** | | 4,288,214 | (10,891,950) |
| Other income | 19 | 1,473,967 | 2,997,268 |
| **Profit/(loss) Before Tax** | | **5,762,181** | **(7,894,682)** |
| Taxation | | (61,697) | - |
| **Profit/(loss) for the year** | | **5,700,484** | **(7,894,682)** |
| Other comprehensive income | | - | - |
| **Total comprehensive income/(loss) for the year** | | **5,700,484** | **(7,894,682)** |

The notes on pages 10 to 20 form an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

For the year ended 31 March 2016

| | Share capital | Accumulated losses | Shareholder's current account | Total |
|---|---|---|---|---|
| | AED | AED | AED | AED |
| **Balance as at 1 April 2014** | 1,000,000 | (2,318,483) | 2,011 | (1,316,472) |
| Total comprehensive loss for the year | - | (7,894,682) | 183,650 | (7,711,032) |
| **Balance as at 31 March 2015** | 1,000,000 | (10,213,165) | 185,661 | (9,027,504) |
| Total comprehensive income for the year | - | 5,700,484 | - | 5,700,484 |
| **Balance as at 31 March 2016** | 1,000,000 | (4,512,681) | 185,661 | (3,327,020) |

The notes on pages 10 to 20 form an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

For the year ended 31 March 2016

| | 31.03.2016 AED | 31.03.2015 AED |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net loss for the year | 5,700,484 | (7,894,682) |
| Adjustments for: | | |
| Depreciation | 60,912 | 45,524 |
| Allowance for doubtful debts | (1,324,420) | (306,550) |
| Finance cost | 539,276 | 422,463 |
| Provision for employees' end of service benefits | (157,294) | 83,426 |
| **Cash flows before working capital changes** | 4,818,958 | (7,649,819) |
| | | |
| Changes in: | | |
| Due from related parties | (97,077) | (31,196) |
| Accounts and other receivables | 8,521,002 | (11,142,748) |
| Accounts and other payables | (5,421,571) | 6,717,977 |
| Due to related parties | 616,523 | 1,364,990 |
| Margin money deposits | 4,455,000 | (444,560) |
| **Net cash from/(used in) operating activities** | 12,892,835 | (11,185,356) |
| | | |
| **Cash flows from investing activities** | | |
| Additions to property, plant & equipment | (17,471) | (141,378) |
| **Net cash used in investing activities** | (17,471) | (141,378) |
| | | |
| **Cash flows from financing activities** | | |
| Loan from related party | (7,969,934) | 12,592,572 |
| Finance cost | (539,276) | (422,463) |
| Net movement in shareholder's current account | - | 183,650 |
| **Net cash (used in)/from financing activities** | (8,509,210) | 12,353,759 |
| | | |
| Net increase in cash and cash equivalents | 4,366,154 | 1,027,025 |
| Cash and cash equivalents at the beginning of the year | 1,901,729 | 874,704 |
| **Cash and cash equivalents at the end of the year** | **6,267,883** | **1,901,729** |
| | | |
| **Cash and cash equivalents comprise of:** | | |
| Cash at bank | 6,267,883 | 3,753,670 |
| Bank overdraft | - | (1,851,941) |
| | **6,267,883** | **1,901,729** |

The notes on pages 10 to 20 form an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements

For the year ended 31 March 2016

**1 Legal status and business activities**

These are consolidated financial statements comprising of:

i. KPIT Infosystems ME FZE, Dubai, U.A.E ("parent company"), registered with Dubai Airport Free Zone Authority as a Free Zone Establishment under the service license no: 756 issued on 17 July 2005.

ii. KPIT Infosystems ME FZE, branch registered with Australian Securities and Investments Commission, Australia, under the Australian Registered Body Number – 164 424 364 issued on 12th July 2013.

iii. KPIT Infosystems ME FZE, branch registered with Dubai Silicon Oasis Authority, Dubai, U.A.E, under the service license no: 1087 issued on 25 December 2014. The branch has not started its commercial operations.

iv. KPIT Infosystems ME FZE, branch registered is South Korea, as per registration No: 131181-0057655. The establishment opened the branch to expand its operations in Korea and Asia Pacific region.

**Activity**

The establishment is engaged in the business of providing software and IT infrastructure services.

**Management**

Myles Patrick O'Connor is appointed as the manager of the establishment.

**Accounting period**

These consolidated financial statements relate to the accounts for the period from 01 April 2015 to 31 March 2016.

**2 Application of new and revised International Financial Reporting Standards (IFRS)**

**2.1 New standards, interpretations and amendments effective from April 1, 2015**

The following new and revised IFRSs have been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IAS 19 'Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)'
- Annual Improvements to IFRSs 2010-2012 Cycle
- IFRS 2 Share Based Payments
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IFRS 13 Fair Value Measurements
- IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets'
- IAS 24 Related Party Disclosures
- Annual Improvements to IFRSs 2011-2013 Cycle
  - IFRS 1 First-time Adoption of International Financial Reporting Standards
  - IFRS 3 Business Combinations
  - IFRS 13 Fair Value Measurements
  - IAS 40 Investment Properties

**2.2 New standards, interpretations and amendments not yet effective**

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective for annual periods beginning on or after January 1, 2015. It is anticipated that their adoption in the relevant accounting periods will have impact only on disclosures with in the financial statements.

- IFRS 9 'Financial instruments (2009)'
- IFRS 9 'Financial instruments (2010)'
- IFRS 9 'Financial instruments (2013)' (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)
- IFRS 9 'Financial instruments (2014)'
- IFRS 10, IFRS 12 and IAS 28 Investment Entities: applying the consolidation exception (Amendments to IFRS 10, IFRS 12 and IAS 28)' (Effective for annual periods beginning on or after January 1, 2016)
- IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)' (Effective for annual periods beginning on or after January 1, 2016)
- IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)' (Effective for annual periods beginning on or after January 1, 2016):
- IFRS 14 'Regulatory Deferral Accounts' (Effective for annual periods beginning on or after January 1, 2016):
- IFRS 15 'Revenue from Contracts with Customers' (Effective for annual periods beginning on or after January 1, 2018):
- IAS 1 'Presentation of Financial Statements' (Effective for annual periods beginning on or after January 1, 2016):
- IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)' (Effective for annual periods beginning on or after January 1, 2016):
- IAS 16 and IAS 41 'Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)' (Effective for annual periods beginning on or after January 1, 2016):
  - IAS 27 'Equity Method in Separate Financial Statements (Amendments to IAS 27)' (Effective for annual periods beginning on or after January 1, 2016):
  - IFRS 16 'Leases' (Effective for annual periods beginning on or after January 1, 2019):

**2.3 Annual Improvements to IFRSs 2012-2014 Cycle (Effective for annual periods beginning on or after July 1, 2016):**

The Company has not applied the following annual improvements to IFRSs that have been issued but are not yet effective for annual periods beginning on or after January 1, 2015. It is anticipated that their adoption in the relevant accounting periods will have impact only on disclosures with in the financial statements.

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits
- IAS 34 Interim Financial Reporting

**3 Fundamental accounting concept**

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of all liabilities in the normal course of business. The establishment has accumulated losses as at 31 March 2016 aggregating to AED 4,512,681 which exceeds the share capital and the net equity of the establishment is negative. The shareholder is aware of the accumulated losses as shown in the consolidated financial statements.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the establishment be unable to continue as a going concern. The shareholder and the related parties have agreed to provide such financial support as may be required to enable the establishment to meet its debts and obligations as they fall due.

**4 Basis of preparation and significant accounting policies**

**4.1 Statement of compliance**

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to the operations of the establishment.

All significant intercompany balances, transactions, income and expenses have been eliminated on consolidation.

The accounting policies adopted have been consistently applied in dealing with items considered material to the establishment's financial statements.

**4.2 Basis of preparation**

The consolidated financial statements are prepared under the historical cost convention, modified to incorporate changes to the carrying values of assets and liabilities as necessary.

**4.3 Foreign currencies**

**4.3.1 Functional and presentation currency**

The consolidated financial statements are presented in Arab Emirates Dirham (AED), which is the establishment's functional and presentation currency.

**4.3.2 Transactions and balances**

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the reporting date are translated at rates of exchange ruling at that date. Exchange differences arising in these cases are dealt with in the consolidated statement of profit or loss and other comprehensive income.

**4.4 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment loss, if any. The cost comprises of purchase price, together with any incidental expense of acquisition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the establishment and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation is spread over its useful lives so as to write off the cost of property, plant and equipment using the straight – line method over its useful lives as follows:

| | Years |
|---|---|
| Air conditioning machine | 5 |
| Furniture, fixtures & fittings | 1-2 |
| Motor vehicle | 5 |
| Office equipment | 1 |
| Computer systems & peripherals | 1-3 |

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of comprehensive income.

**4.5 Revenue recognition**

Revenue is recognized in the consolidated statement of comprehensive income at the fair value of the consideration received and receivable, provided it is probable that the economic benefits will flow to the establishment and the revenue and costs, if applicable, can be measured reliably:

**4.5.1 Rendering of services**

Revenue represents the net invoiced value of services rendered during the year.

**4.6 Employees' terminal benefits**

Provision is made for employees' terminal benefits on the basis prescribed under the U.A.E Labour Law based on employees' salaries and number of years of service. The terminal benefits are paid to employees on termination or completion of their term of employment. Accordingly, the establishment has no expectation of settling its employees' terminal benefits obligation in the near future.

**4.7 Impairment**

**Financial assets**

At each reporting date, the establishment assesses if there is any objective evidence indicating impairment of financial assets or non-collectability of receivables.

An impairment loss, if any, arrived at as difference between the carrying amount and the recoverable amount, is recognized in the consolidated statement of comprehensive income. The recoverable amount represents the present value of expected future cash flows discounted at original effective interest rate. Cash flows relating to short term receivables are not discounted.

**Non-financial assets**

At each reporting date, the establishment assesses if there is any indication of impairment of non-financial assets. If an indication exists, the establishment estimates the recoverable amount of the asset and recognizes an impairment loss in the consolidated statement of comprehensive income. The establishment also assesses if there is any indication that an impairment loss recognized in prior years no longer exists or has reduced. The resultant impairment loss or reversals are recognized immediately in the consolidated statement of comprehensive income.

**4.8 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposit and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**4.9 Accounts receivables**

Accounts receivables originated by the establishment are measured at cost. An allowance for credit losses of accounts receivable is established when there is objective evidence that the establishment will not be able to collect the amounts due. Indicators that the accounts receivable are impaired include consistent default in the payments when due, financial difficulties of the customer and other indicators. When an accounts receivable is considered uncollectible, it is written off against the allowance account for credit losses. Subsequent recoveries of amounts previously written off are credited in the statement of profit or loss and other comprehensive income. The carrying value of accounts receivable approximates to their fair value due to the short term nature of those receivables.

**4.10 Accounts and other payables**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether or not billed to the establishment.

**4.11 Operating leases**

Leases under which the substantial risk and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

**5 Significant accounting estimates**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

**5.1 Allowance for doubtful debts**

Management has estimated the recoverability of accounts receivable balances and has considered the allowance required for doubtful debts on the current economic environment and past default history.

**5.2 Property, plant and equipment**

Property, plant and equipment are depreciated over its estimated useful life, which is based on expected usage of the asset and expected physical wear and tear which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

**6 Property, plant and equipment**

| | Air conditioning machine | Furniture, fixtures & fittings | Motor Vehicle | Office equipment | Computer Systems & peripherals | Total |
|---|---|---|---|---|---|---|
| | AED | AED | AED | AED | AED | AED |
| Cost | | | | | | |
| Balance at 01 April 2014 | 3,240 | 182,875 | 37,000 | 20,574 | 115,511 | 359,200 |
| Additions | - | - | - | - | 141,378 | 141,378 |
| Balance at 31 March 2015 | **3,240** | **182,875** | **37,000** | **20,574** | **256,889** | **500,578** |
| Additions | - | 16,735 | - | - | 736 | 17,471 |
| Disposal | | (19,685) | | | - | (19,685) |
| **Balance at 31 March 2016** | **3,240** | **179,925** | **37,000** | **20,574** | **257,625** | **498,364** |
| **Accumulated depreciation** | | | | | | |
| Balance at 01 April 2014 | 3,240 | 24,785 | 37,000 | 20,574 | 98,473 | 184,072 |
| Depreciation expense | - | 20,399 | - | - | 25,125 | 45,524 |
| Balance at 31 March 2015 | **3,240** | **45,184** | **37,000** | **20,574** | **123,598** | **229,596** |
| Depreciation expense | - | 21,330 | - | - | 39,582 | 60,912 |
| Depreciation elemination | | (19,685) | | | - | (19,685) |
| **Balance at 31 March 2016** | **3,240** | **46,829** | **37,000** | **20,574** | **163,180** | **270,823** |
| **Carrying amounts** | | | | | | |
| **As at 31 March 2016** | **-** | **133,096** | **-** | **-** | **94,445** | **227,541** |
| As at 31 March 2015 | - | 137,691 | - | - | 133,291 | 270,982 |

| | | 31.03.2016 AED | 31.03.2015 AED |
|---|---|---|---|
| 7 | **Related party transactions** | | |
| | **Due from related parties** | | |
| | KPIT Technologies (UK) Limited | 84,980 | 29,372 |
| | KPIT Technologies Japan Branch | 30,508 | - |
| | KPIT Infosystems Inc. | 12,785 | 1,824 |
| | | **128,273** | **31,196** |
| | **Due to related parties** | | |
| | SYSTIME Computer Corporation | 97,104 | 60,680 |
| | KPIT Technologies (UK) Limited | - | 6,230 |
| | KPIT Technologies Ltd Singapore | 51,292 | - |
| | KPIT (Shanghai) Software Technology | 33,797 | 56,660 |
| | SYSTIME Global Solutions Canada | 18,212 | 18,059 |
| | KPIT Technologies Limited, India | 4,507,212 | 3,949,465 |
| | | **4,707,617** | **4,091,094** |

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 operating decisions. Related party transactions represent transactions with shareholder, director and senior management of the establishment and entities in which they have significant influence or control or are similarly influenced or controlled. The establishment enters into transactions with related parties in the normal course of business at prices determined by the management.

During the year, the company entered into the following transactions with related parties:

| | 31.03.2016 AED | 31.03.2015 AED |
|---|---|---|
| Interest on loan from related party | 486,442 | 375,382 |
| Other Income | - | 2,657,321 |

| | | 31.03.2016 AED | 31.03.2015 AED |
|---|---|---|---|
| 8 | **Accounts and other receivables** | | |
| | Accounts receivables | 7,370,730 | 11,369,029 |
| | Less: Allowance for doubtful debts | (1,038,144) | (567,779) |
| | | 6,332,586 | 10,801,250 |
| | Staff advances | 27,074 | 140,843 |
| | Deposits | 143,984 | 79,890 |
| | Prepayments | 366,593 | 331,940 |
| | Accrued revenue | 794,709 | 3,291,238 |
| | Other receivables | 151,335 | 371,005 |
| | Deferred Tax Assets | 3,303 | - |
| | | **7,819,584** | **15,016,166** |
| | Age wise analysis of accounts receivables | | |
| | 0-90 Days | 5,681,213 | 7,033,831 |
| | 91-180 | 668,500 | 3,572,661 |
| | More than 180 | 1,021,017 | 762,537 |
| | | **7,370,730** | **11,369,029** |

a) The fair value of accounts receivables is not materially different from their net balances shown in the consolidated statement of financial position.

b) As at 31 March 2016, establishment 9 customers comprised approximately 57% of gross trade receivables (2015: 65.94% was due from 6 customers).

c) The credit risk on accounts receivable is limited as the establishment evaluates its customers and limits the credit risks by ensuring that collections are in line with the agreed terms and conditions.

c) Provision is made against accounts receivables as soon as they are estimated as doubtful.

| | | 31.03.2016 AED | 31.03.2015 AED |
|---|---|---|---|
| | **Movement in the allowance for doubtful debts** | | |
| | Balance at the beginning of the year | 567,779 | 874,329 |
| | Additional allowance during the year | 1,324,420 | - |
| | Amounts written off during the year as uncollectible | 50,909 | - |
| | Amounts recovered during the year | **(904,964)** | **(306,550)** |
| | | **1,038,144** | **567,779** |
| 9 | **Cash and bank balances** | | |
| | Cash at bank | 6,267,883 | 3,753,670 |
| | Margin money deposits | 1,329,782 | 5,784,782 |
| | | **7,597,665** | **9,538,452** |

**10 Shareholder's current account**

There are no defined repayment arrangements for the shareholder's current accounts, which are interest free and unsecured.

| | | 31.03.2016 AED | 31.03.2015 AED |
|---|---|---|---|
| 11 | **Loan from related party** | | |
| | SYSTIME Computer Corporation, USA | **10,926,162** | **18,896,096** |
| | Due within 1 year | 2,747 | 10,633,388 |
| | Due between 2-3 years | 10,923,415 | 8,262,708 |
| | | **10,926,162** | **18,896,096** |
| 12 | **Provision for employees' end of service benefits** | | |
| | Opening balance | 390,610 | 307,184 |
| | Charges for the year | 287,195 | 83,426 |
| | Excess provision written back | - | - |
| | Less: Payments during the year | (444,489) | - |
| | | **233,316** | **390,610** |
| 13 | **Accounts and other payables** | | |
| | Accounts payable | 272,872 | 1,172,125 |
| | Deferred revenue | 671,989 | 690,306 |
| | Provisions and accrued expenses | 823,662 | 2,216,127 |
| | Provisions for software consultancy charges | 1,464,465 | 4,341,463 |
| | Other payable | - | 234,538 |
| | | **3,232,988** | **8,654,559** |

**14 Revenue**

Revenue represents income generated from providing software and IT infrastructure services.

**15 Consultancy Cost**

Cost of consultancy cost include consultancy fee paid to consultant and subcontractors.

**16 Salaries and benefits**

Staff costs comprises of salary and other benefits paid to the employees of the establishment.

| | | 31.03.2016 AED | 31.03.2015 AED |
|---|---|---|---|
| 17 | **Administration, selling & general expenses** | | |
| | Travelling and conveyance | 842,666 | 1,034,287 |
| | Legal, visa, professional and other charges | 1,337,848 | 938,353 |
| | Bad debts | 50,909 | 660,950 |
| | Provision for doubtful debts | 1,324,420 | - |
| | Business promotion | 261,492 | 660,472 |
| | Rent | 479,561 | 490,558 |
| | Insurance | 380,002 | 256,556 |
| | Communication | 194,123 | 173,703 |
| | Bank charges | 128,586 | 116,821 |
| | Depreciation | 61,006 | 45,524 |
| | Printing & stationery | 26,430 | 22,040 |
| | Maintenance | 7,699 | 21,261 |
| | Miscellaneous | 303,154 | 104,102 |
| | | **5,397,896** | **4,524,627** |

**18 Finance cost**

Finance cost include interest on loan from related party and interest on bank overdraft.

| | | 31.03.2016 AED | 31.03.2015 AED |
|---|---|---|---|
| 19 | **Other income** | | |
| | Write off of related party balances no more payable | - | 2,657,321 |
| | Recovery of debts earlier provided | 904,964 | 306,550 |
| | Write off of trade payables no more payable | 567,144 | - |
| | Other miscellaneous income | 1,859 | 33,397 |
| | | **1,473,967** | **2,997,268** |

## 20 Financial instruments

### Assets & liabilities

Financial assets of the establishment include cash and bank balances, due from related parties and accounts and other receivables and financial liabilities include accounts and other payables, due to related parties, loan from related part, bank borrowings and long term liabilities.

### Credit risk

Financial assets, which potentially expose the establishment to concentration of credit risk, comprise principally of bank accounts and accounts receivables. The establishment's bank accounts are placed with banks with good credit ratings. The credit risk on accounts receivables is limited as the establishment evaluates its customers and limits the credit risk by ensuring that collections are in line with agreed terms and conditions. A review of the recoverability of accounts receivables has been carried out as at the consolidated statement of financial position date and adequate provisions have been raised.

### Exchange risk

Currency risk related to change in exchange rate which affect payment flows in foreign currencies and valuation of liabilities in foreign currencies. The establishment regularly monitors exchange fluctuations and take such steps as may be required to cover itself.

### Liquidity risk

The establishment manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due. The establishment maintains good working relations with its banks and ensures compliance with the covenants as stipulated in facility agreements.

### Interest rate risk

The establishment is not exposed to any interest rate risk as they do not have any variable interest rate financial assets/liabilities at the reporting date.

### Fair value

The management believes that the fair values of the financial assets and liabilities are not materially different from their carrying amounts at the consolidated statement of financial position date.

## 21 Contingent liabilities and capital commitments

| | **31.03.2016 AED** | 31.03.2015 AED |
|---|---|---|
| Letters of guarantee | **1,329,782** | **5,784,782** |

Except the above and ongoing business obligations in the normal course of business against which no loss is expected, there has been no other known contingent liability or capital commitments on the establishment's account.

## 22 Comparative amounts

Certain amounts of the prior year have been regrouped and reclassified wherever necessary to make them comparable to those of the current year.

# Impact Automotive Solutions Limited

Registered Office: 35 & 36, Rajiv Gandhi Infotech Park, Phase - I, MIDC, Hinjawadi, Pune - 411 057, India.

## BOARD'S REPORT

Dear Members,

Your Directors present the Sixth Annual Report together with the Audited Accounts of the Company for the Financial Year ended March 31, 2016.

**Performance of the Company**

The financial results are as under:-

(₹ in million)

| Particulars | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|---|---|
| Profit/(Loss) before Tax | (98.10) | (68.01) |
| Profit/(Loss) after Tax | (98.10) | (68.01) |

**Project implementation**

The government's focus is on public transport, hence, the Company is also focusing on buses. Further, during the year under review the Revolo EV bus system activities commenced and the same was showcased at the Indian Parliament to the Prime Minister of India. The engineering closure for this product is in progress and there is healthy interest in the market for the same.

For the Intelligent Transportation Systems business the Company maintains the market share. The Company is also exploring other market segments such as school buses and corporates. We are also in the process of developing low cost versions of the product.

There is no change in the nature of the business of the Company during the year under review.

**Dividend**

In view of loss incurred during the year under review, your Directors do not recommend any dividend for the year.

**Material changes and commitments affecting the financial position of the Company**

There are no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this Report.

**Significant and material orders**

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and the Company's operations in future.

**Internal control systems and their adequacy**

The internal control systems of the Company are commensurate with the nature, size, scale and complexity of its operations.

**Fixed Deposits**

The Company has not accepted any deposits and as such, no amount of principal or interest was outstanding on the date of the Balance Sheet.

**Auditors**

Pursuant to the provisions of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014, Harish K. Lalwani & Associates (Firm Registration No. 103507W), Chartered Accountants, Pune, were appointed as the Statutory Auditors of the Company in the Annual General Meeting held on September 29, 2014, for a period of 5 (five) years, subject to ratification by the members in every Annual General Meeting. Based on the recommendation of the Audit Committee, the Board recommends ratification of the appointment of Harish K. Lalwani & Associates, Chartered Accountants, Pune, as the Statutory Auditors of the Company, at the ensuing Annual General Meeting.

The Notes on financial statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification, reservation or adverse remark.

**Share Capital**

During the year under review, the Company issued and allotted 18,180,000 Equity Shares of ₹ 10/- (Rupees Ten only) each, fully paid, aggregating to ₹ 181.80 million to the existing member of the Company, thereby increasing the paid-up share capital.

**Information on conservation of energy, technology absorption, foreign exchange earnings and outgo**

As stipulated under Section 134(3)(m) of the Companies Act, 2013, read with Rule 8 of the Companies (Accounts) Rules, 2014, the information on conservation of energy, technology absorption, foreign exchange earnings and outgo is annexed as "Annexure I" to this Report.

**Extract of Annual Return**

In accordance with Section 134(3)(a) of the Companies Act, 2013, an extract of the Annual Return in Form MGT-9 is annexed as "Annexure II" to this Report.

**Directors**

Pursuant to Article 108 of the Articles of Association of the Company read with Section 152 of the Companies Act, 2013, Mr. Anup Sable retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. The Board recommends his re-appointment.

Pursuant to Article 104 of the Articles of Association of the Company read with Sections 149, 152 and 161(1) and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014, the Board of Directors had appointed Dr. Satishchandra Ogale as an Additional Director of the Company in the category of Independent Directors with effect from November 6, 2015.

Dr. Ogale holds the said office till the date of the ensuing Annual General Meeting. A notice has been received from a member proposing his candidature for his re-appointment as a Director of the Company.

Further, a proposal is being put up for the approval of the members of the Company at the ensuing Annual General Meeting for the appointment of Dr. Ogale as an Independent Director.

**Independence of the Board**

Our definition of "Independence" of Directors is derived from Section 149(6) of the Companies Act, 2013. The Board of Directors of the Company comprises of optimum number of Independent Directors. Based on the confirmations/disclosures received from the Directors and on evaluation of the relationships disclosed, the following Non-Executive Directors are Independent in terms of Section 149(6) of the Companies Act, 2013:-

a) Ms. Lila Poonawalla;

b) Mr. Adi Engineer; and

c) Dr. Satishchandra Ogale.

**Key Managerial Personnel**

Pursuant to the provisions of Sections 2(51) and 203 of the Companies Act, 2013 and Rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the following individuals have been appointed/noted as the Key Managerial Personnel of the Company as below:-

a) Mr. Sunil Gandhi – Manager;

b) Mr. Anil Patwardhan – Chief Financial Officer; and

c) Ms. Jaimeetkaur Sial – Company Secretary.

**Board Meetings**

Five meetings of the Board of Directors were held during the year under review i.e. on April 27, 2015, July 14, 2015, November 6, 2015, January 19, 2016 and March 11, 2016. The intervening gap between the meetings was within the period prescribed under Section 173(1) of the Companies Act, 2013. The details of the meetings and attendance thereat are given below:-

| Sr. No. | Name of the Director | No. of Board meetings held during the tenure of each Director | No. of Board meetings attended* |
|---|---|---|---|
| 1 | Mr. Kishor Patil | 5 | 5 |
| 2 | Ms. Lila Poonawalla | 5 | 5 |
| 3 | Mr. Adi Engineer | 5 | 5 |
| 4 | Dr. Satishchandra Ogale | 2 | 2 |
| 5 | Mr. Anup Sable | 5 | 3 |
| 6 | Mr. Chinmay Pandit | 5 | 5 |

* including attendance by audioconference.

**Committees of the Board**

Currently, the Board of the Company has 2 (two) duly constituted Committees, as follows:-

1. Audit Committee

Composition

The composition of the Audit Committee is as follows:-

| Sr. No. | Name of the Committee Member | Designation |
|---|---|---|
| 1 | Ms. Lila Poonawalla | Chairperson |
| 2 | Mr. Adi Engineer | Member |
| 3 | Mr. Kishor Patil | Member |

Meetings

The Committee met twice during the year i.e. on April 27, 2015 and January 19, 2016. The details of the meetings and attendance thereat are given below:-

| Sr. No. | Name of the Committee Member | No. of meetings held during the tenure | No. of meetings attended |
|---|---|---|---|
| 1 | Ms. Lila Poonawalla | 2 | 2 |
| 2 | Mr. Adi Engineer | 2 | 2 |
| 3 | Mr. Kishor Patil | 2 | 2 |

During the year, all the recommendations of the Audit Committee were accepted by the Board.

2. Nomination & Remuneration Committee

Composition

The composition of the Nomination & Remuneration Committee is as follows:-

| Sr. No. | Name of the Committee Member | Designation |
|---|---|---|
| 1 | Mr. Adi Engineer | Chairman |
| 2 | Ms. Lila Poonawalla | Member |
| 3 | Mr. Kishor Patil | Member |

**Meetings**

The Committee met twice during the year i.e. on April 27, 2015 and November 6, 2015. The details of the meetings and attendance thereat are given below:-

| Sr. No. | Name of the Committee Member | No. of meetings held during the tenure | No. of meetings attended |
|---|---|---|---|
| 1 | Mr. Adi Engineer | 2 | 2 |
| 2 | Ms. Lila Poonawalla | 2 | 2 |
| 3 | Mr. Kishor Patil | 2 | 2 |

**Formal Annual Evaluation by the Board**

A separate meeting of the Independent Directors of the Company was held in which a formal evaluation of performance of the Board, Committees and the individual Directors was carried out. The performance evaluation was conducted based on the criteria specified in the Companies Act, 2013.

The feedback based on evaluation was discussed with the Chairman of the Board and given to the Directors.

**Particulars of loans, guarantees or investments**

During the year under review, the Company has neither given any loan nor guarantee nor made any investments, pursuant to the provisions of Section 186 of the Companies Act, 2013.

**Particulars of Employees**

A statement containing the names of every employee employed throughout the financial year and in receipt of remuneration of ₹ 60 lakh or more, or employed for part of the year and in receipt of ₹ 5 lakh or more a month, under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is annexed as "Annexure III" to this Report.

**Risk Management Policy**

A mechanism to identify, assess, monitor and mitigate various risks to key business objectives of the Company is in place considering nature, size, scale and complexity of its business operations.

**Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

The Company has in place a policy on prevention of sexual harassment and has put in place a redressal mechanism for resolving complaints received with respect to sexual harassment and discriminatory employment practices. No case of sexual harassment and discriminatory employment was reported during the financial year under review.

**Company's Policy on Directors' appointment and remuneration**

Pursuant to the provisions of Section 134(3)(e) of the Companies Act, 2013, the policy of the Company on the appointment and remuneration of Directors including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under Section 178(3), is annexed as "Annexure IV" to this Report.

**Particulars of contracts or arrangements with related parties referred to in Section 188(1)**

Pursuant to the provisions of Section 134(3)(h) of the Companies Act, 2013, the particulars of contracts or arrangements with related parties referred to in Section 188(1) of the Companies Act, 2013 and prescribed in Form AOC-2 of the Companies (Accounts) Rules, 2014, is annexed as "Annexure V" to this Report.

**Directors' Responsibility Statement**

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors state that:-

a) in the preparation of the annual accounts for the year ended March 31, 2016, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016 and of the loss of the Company for the year ended on that date;

c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) the annual financial statements have been prepared on a going concern basis; and

e) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

**Acknowledgements**

Your Directors place on record their sincere thanks to the bankers, business associates, consultants and various Government authorities for their continued support extended to your Company's activities and the employees for their valuable contribution during the year under review. Your Directors also acknowledges gratefully the members for their support and confidence reposed in your Company.

For and on behalf of the Board of Directors

Pune
April 26, 2016

**Kishor Patil**
Chairman

## Annexure I

## Information on conservation of energy, technology absorption, foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013, read with Rule 8 of the Companies (Accounts) Rules, 2014

**(A) Conservation of Energy**

**(a) Steps taken or impact on conservation of energy**

The Company always endeavors to reduce energy consumption and achieve conservation of resources. There is a project team working within the Company to optimize energy consumption. The Company has been constantly rewarded by the Maharashtra State Electricity Distribution Company Limited for maintaining power factor to "1". The employees are adequately trained to conserve energy. Further, commercial production of the "Intelligent Transportation Systems – ITS" and "Vehicle Tracking Systems – VTS" commenced during the year. These devices help in conservation of energy, indirectly.

**(b) Steps taken by the Company for utilizing alternate sources of energy**

The Company is in an advanced stage of developing electric buses, which uses alternate source of energy, that is, electricity and not diesel.

**(c) Capital investment on energy conservation equipment**

During the year under review, there has been no capital investment on energy conservation equipment.

**(B) Technology absorption, adaptation and innovation**

**(a) Efforts made towards technology absorption**

Technology required for the project is being absorbed satisfactorily. The Company has not imported any technology.

**(b) Benefits derived as a result of above efforts**

The project is under implementation and the benefits shall be ascertained after the complete commercial operation of the project.

**(c) The Company has not imported any technology.**

**(d) Expenditure incurred on Research and Development**

During the year under review, there has been no expenditure on Research and Development.

**(C) Foreign Exchange Earnings and Outgo**

**Total foreign exchange earnings and outgo are as follows:**

| | (₹ in million) |
|---|---|
| Foreign Exchange earned | 27.10 |
| Foreign Exchange outgo | 27.36 |

For and on behalf of the Board of Directors

Pune
April 26, 2016

**Kishor Patil**
Chairman

# Annexure II

# Form MGT-9

# Extract of Annual Return

**as on the financial year ended on March 31, 2016**

**[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]**

**I. REGISTRATION AND OTHER DETAILS**

| | | |
|---|---|---|
| i) | CIN:- | U35923PN2010PLC137191 |
| ii) | Registration Date:- | August 25, 2010 |
| iii) | Name of the Company:- | Impact Automotive Solutions Limited |
| iv) | Category/Sub-Category of the Company:- | Public Company/Limited by shares |
| v) | Address of the Registered office and contact details:- | 35 & 36, Rajiv Gandhi Infotech Park, Phase – I, MIDC, Hinjawadi, Pune – 411057.<br>Telephone:- +91-20-6652 5000<br>Fax:- +91-20-6652 5001 |
| vi) | Whether listed company:- | No |
| vii) | Name, Address and Contact details of Registrar and Transfer Agent, if any:- | N.A. |

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

| Sr. No. | Name and Description of main products/services | NIC Code of the product/service | % to total turnover of the company |
|---|---|---|---|
| 1 | Manufacture of electronic components | 2610 | 100 |

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

| Sr. No. | Name and address of the company | CIN/GLN | Holding/Subsidiary/Associate | % of the shares held | Applicable Section |
|---|---|---|---|---|---|
| 1 | KPIT Technologies Limited<br>35 & 36, Rajiv Gandhi Infotech Park, Phase - I, MIDC, Hinjawadi, Pune - 411057. | L72200PN1990PLC059594 | Holding | 100 | 2(87)(ii) |

**IV. SHARE HOLDING PATTERN**

**i) Category-wise Share Holding**

| Sr. No. | Category of Shareholders | No. of shares held at the beginning of the year | | | | No. of shares held at the end of the year | | | | % change during the year |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Demat | Physical | Total | % of total shares | Demat | Physical | Total | % of total shares | |
| A | **PROMOTERS** | | | | | | | | | |
| (1) | **INDIAN** | | | | | | | | | |
| a | Individual / HUF | - | - | - | - | - | - | - | - | - |
| b | Central Government | - | - | - | - | - | - | - | - | - |
| c | State Government(s) | - | - | - | - | - | - | - | - | - |
| d | Bodies Corporate | - | 31,809,994 | 31,809,994 | 100 | - | 49,989,994 | 49,989,994 | 100 | - |
| e | Bank & FII | - | - | - | - | - | - | - | - | - |
| f | Any other | | | | | | | | | |
| | Individuals holding shares as registered owners for the beneficial interest of Body Corporate | - | 6 | 6 | - | - | 6 | 6 | - | - |
| | **Sub-Total (A)(1)** | **-** | **31,810,000** | **31,810,000** | **100** | **-** | **49,990,000** | **49,990,000** | **100** | **-** |
| (2) | **FOREIGN** | | | | | | | | | |
| a | NRIs - Individuals | - | - | - | - | - | - | - | - | - |
| b | Other - Individuals | - | - | - | - | - | - | - | - | - |
| c | Bodies Corporate | - | - | - | - | - | - | - | - | - |
| d | Banks & FII | - | - | - | - | - | - | - | - | - |
| e | Any other | - | - | - | - | - | - | - | - | - |
| | **Sub-Total (A)(2)** | - | - | - | - | - | - | - | - | - |
| | **TOTAL SHAREHOLDING OF PROMOTERS (A) = (A)(1) + (A)(2)** | **-** | **31,810,000** | **31,810,000** | **100** | **-** | **49,990,000** | **49,990,000** | **100** | **-** |
| B | **PUBLIC SHAREHOLDING** | | | | | | | | | |
| (1) | **Institutions** | | | | | | | | | |
| a | Mutual Funds | - | - | - | - | - | - | - | - | - |
| b | Banks/FI | - | - | - | - | - | - | - | - | - |
| c | Central Government | - | - | - | - | - | - | - | - | - |
| d | State Government(s) | - | - | - | - | - | - | - | - | - |
| e | Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| f | Insurance Companies | - | - | - | - | - | - | - | - | - |
| g | FIIs | - | - | - | - | - | - | - | - | - |
| h | Foreign Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| i | Others | - | - | - | - | - | - | - | - | - |
| | **Sub-Total (B)(1)** | - | - | - | - | - | - | - | - | - |
| (2) | **Non-Institutions** | | | | | | | | | |
| a | Bodies Corporate | | | | | | | | | |
| i | Indian | - | - | - | - | - | - | - | - | - |
| ii | Overseas | - | - | - | - | - | - | - | - | - |
| b | Individuals | - | - | - | - | - | - | - | - | - |
| i | Individual shareholders holding nominal share capital upto ₹ 1 lakh | - | - | - | - | - | - | - | - | - |
| ii | Individual shareholders holding nominal share capital in excess of ₹ 1 lakh | - | - | - | - | - | - | - | - | - |
| c | Others | - | - | - | - | - | - | - | - | - |
| | **Sub-Total (B)(2)** | - | - | - | - | - | - | - | - | - |
| | **Total Public Shareholding (B) = (B)(1) + (B)(2)** | - | - | - | - | - | - | - | - | - |
| C | **SHARES HELD BY CUSTODIAN FOR ADRs AND GDRs** | - | - | - | - | - | - | - | - | - |
| | **GRAND TOTAL (A+B+C)** | **-** | **31,810,000** | **31,810,000** | **100** | **-** | **49,990,000** | **49,990,000** | **100** | **-** |

ii) **Shareholding of Promoters**

| Sr. No. | Shareholder Name | Shareholding at the beginning of the year | | | | Shareholding at the end of the year | | | | % change in shareholding during the year |
|---|---|---|---|---|---|---|---|---|---|---|
| | | No. of shares | % of total shares of the Company | No. of shares pledged | % of shares pledged/ encumbered to total shares | No. of shares | % of total shares of the Company | No. of shares pledged | % of shares pledged/ encumbered to total shares | |
| 1 | KPIT Technologies Limited | 31,809,994 | 100 | - | - | 49,989,994 | 100 | - | - | - |
| 2 | Mr. Anup Vitthal Sable (Nominee of KPIT Technologies Limited) | 1 | - | - | - | 1 | - | - | - | - |
| 3 | Mr. Chandrashekhar Shrinivas Sonsale (Nominee of KPIT Technologies Limited) | 1 | - | - | - | 1 | - | - | - | - |
| 4 | Mr. Sachin Dattatraya Tikekar (Nominee of KPIT Technologies Limited) | 1 | - | - | - | 1 | - | - | - | - |
| 5 | Mr. Anil Kashinath Patwardhan (Nominee of KPIT Technologies Limited) | 1 | - | - | - | 1 | - | - | - | - |
| 6 | Mr. Sunil Gandhi (Nominee of KPIT Technologies Limited) | 1 | - | - | - | 1 | - | - | - | - |
| 7 | Mr. Chinmay Shashishekhar Pandit (Nominee of KPIT Technologies Limited) | 1 | - | - | - | 1 | - | - | - | - |
| | **Total** | **31,810,000** | **100** | **-** | **-** | **49,990,000** | **100** | **-** | **-** | **-** |

iii) **Change in Promoters' shareholding**

| Sr. No. | For each of the Promoters | Shareholding at the beginning of the year | | Cumulative shareholding during the year | |
|---|---|---|---|---|---|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| 1 | **KPIT Technologies Limited** | | | | |
| | At the beginning of the year | 31,809,994 | 100 | 31,809,994 | 100 |
| | Increase/Decrease during the year | | | | |
| | Allotment on July 04, 2015 | 8,190,000 | 25.75 | 39,999,994 | 80.02 |
| | Allotment on December 29, 2015 | 2,500,000 | 5.00 | 42,499,994 | 85.02 |
| | Allotment on March 30, 2016 | 7,490,000 | 14.98 | 49,989,994 | 100 |
| | At the end of the year | | | 49,989,994 | 100 |
| 2 | **Mr. Anup Vitthal Sable (Nominee of KPIT Technologies Limited)** | | | | |
| | At the beginning of the year | 1 | - | 1 | - |
| | Increase/Decrease during the year | - | - | 1 | - |
| | At the end of the year | | | 1 | - |
| 3 | **Mr. Chandrashekhar Shrinivas Sonsale (Nominee of KPIT Technologies Limited)** | | | | |
| | At the beginning of the year | 1 | - | 1 | - |
| | Increase/Decrease during the year | - | - | 1 | - |
| | At the end of the year | | | 1 | - |
| 4 | **Mr. Sachin Dattatraya Tikekar (Nominee of KPIT Technologies Limited)** | | | | |
| | At the beginning of the year | 1 | - | 1 | - |
| | Increase/Decrease during the year | - | - | 1 | - |
| | At the end of the year | | | 1 | - |
| 5 | **Mr. Anil Kashinath Patwardhan (Nominee of KPIT Technologies Limited)** | | | | |
| | At the beginning of the year | 1 | - | 1 | - |
| | Increase/Decrease during the year | - | - | 1 | - |
| | At the end of the year | | | 1 | - |
| 6 | **Mr. Sunil Gandhi (Nominee of KPIT Technologies Limited)** | | | | |
| | At the beginning of the year | 1 | - | 1 | - |
| | Increase/Decrease during the year | - | - | 1 | - |
| | At the end of the year | | | 1 | - |
| 7 | **Mr. Chinmay Shashishekhar Pandit (Nominee of KPIT Technologies Limited)** | | | | |
| | At the beginning of the year | 1 | - | 1 | - |
| | Increase/Decrease during the year | - | - | 1 | - |
| | At the end of the year | | | 1 | - |

iv) **Shareholding Pattern of top ten shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):** None

v) Shareholding of Directors and Key Managerial Personnel

| Sr. No. | For each of the Directors and KMP | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| 1 | **Mr. Anup Vitthal Sable (Nominee of KPIT Technologies Limited)** | | | | |
| | At the beginning of the year | 1 | - | 1 | - |
| | Increase/Decrease during the year | - | - | 1 | - |
| | At the end of the year | | | 1 | - |
| 2 | **Mr. Chinmay Shashishekhar Pandit (Nominee of KPIT Technologies Limited)** | | | | |
| | At the beginning of the year | 1 | - | 1 | - |
| | Increase/Decrease during the year | - | - | 1 | - |
| | At the end of the year | | | 1 | - |
| 3 | **Mr. Anil Patwardhan (Key Managerial Personnel – Chief Financial Officer) (Nominee of KPIT Technologies Limited)** | | | | |
| | At the beginning of the year | 1 | - | 1 | - |
| | Increase/Decrease during the year | - | - | 1 | - |
| | At the end of the year | | | 1 | - |
| 4 | **Mr. Sunil Gandhi (Key Managerial Personnel – Manager) (Nominee of KPIT Technologies Limited)** | | | | |
| | At the beginning of the year | 1 | - | 1 | - |
| | Increase/Decrease during the year | - | - | 1 | - |
| | At the end of the year | | | 1 | - |

## V. INDEBTEDNESS

The Company has not availed any loan during the year and is a debt-free Company.

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. **Remuneration to the Manager:**

(₹ in million)

| Sr. No. | Particulars of Remuneration* | Name of the Manager | Total |
|---|---|---|---|
| | | Mr. Sunil Gandhi ** | |
| 1 | Gross Salary<br>a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961<br>b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961<br>c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961 | <br>3.10<br>-<br>- | <br>**3.10**<br>-<br>- |
| 2. | Stock Option | - | - |
| 3 | Sweat Equity | - | - |
| 4 | Commission<br>- as % of profit<br>- others | <br>-<br>- | <br>-<br>- |
| 5 | Others | - | - |
| | **Total (A)** | **3.10** | **3.10** |
| | Ceiling as per the Act | 8.40 as per the provisions of Sections 196 and 197, read with Schedule V of the Companies Act, 2013 and pursuant to the special resolution passed by the members of the Company in the Extraordinary General Meeting held on June 18, 2015. | |

* Remuneration figures reported are as per the provisions of the Income Tax Act, 1961, as required by the prescribed format and therefore, may differ from the remuneration figures reported under the provisions of the Companies Act, 2013, elsewhere in this Annual Report.

** Mr. Sunil Gandhi, Manager of the Company, was on deputation from KPIT Technologies Limited (i.e. the holding company) for part of the financial year up to October 31, 2015.

B. **Remuneration to other directors:**

(₹ in million)

| Sr. No. | Particulars of Remuneration | Name of the Directors | | | Total |
|---|---|---|---|---|---|
| | | Ms. Lila Poonawalla | Mr. Adi Engineer | Dr. Satishchandra Ogale | |
| 1 | Independent Directors<br>• Fee for attending board/committee meetings<br>• Commission<br>• Others | <br>0.06<br>-<br>- | <br>0.06<br>-<br>- | <br>0.01<br>-<br>- | <br>**0.13**<br>-<br>- |
| | **Total (1)** | **0.06** | **0.06** | **0.01** | **0.13** |
| **Sr. No.** | **Particulars of Remuneration** | **Kishor Patil** | **Anup Sable** | **Chinmay Pandit** | **Total** |
| 2 | Other Non-Executive Directors<br>• Fee for attending board/committee meetings<br>• Commission<br>• Others | <br>-<br>-<br>- | <br>-<br>-<br>- | <br>-<br>-<br>- | <br>-<br>-<br>- |
| | **Total (2)** | - | - | - | - |
| | **Total (B) = (1+2)** | 0.13 | | | |
| | **Total Managerial Remuneration** | 3.23 | | | |
| | Overall Ceiling as per the Act | No commission was paid to any of the Directors. Further, the sitting fees paid to them and the remuneration paid to the Key Managerial Personnel is within the overall ceiling limits prescribed by the Companies Act, 2013. | | | |

C. **Remuneration to Key Managerial Personnel other than MD/Manager/WTD:**

The Chief Financial Officer and the Company Secretary were on deputation from KPIT Technologies Limited (i.e. the holding company) and their remuneration was paid by the holding company during the financial year 2015-16.

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:**

| | Type | Section of the Companies Act | Brief Description | Details of Penalty/Punishment/ Compounding fees imposed | Authority [RD/NCLT/ Court] | Appeal made, if any |
|---|---|---|---|---|---|---|
| A. | COMPANY | | | | | |
| | Penalty | | | NIL | | |
| | Punishment | | | | | |
| | Compounding | | | | | |
| B. | DIRECTORS | | | | | |
| | Penalty | | | NIL | | |
| | Punishment | | | | | |
| | Compounding | | | | | |
| C. | OTHER OFFICERS IN DEFAULT | | | | | |
| | Penalty | | | NIL | | |
| | Punishment | | | | | |
| | Compounding | | | | | |

For and on behalf of the Board of Directors

Pune
April 26, 2016

**Kishor Patil**
Chairman

## Annexure III

## Statement of employees covered under the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

| Employee Name | Age (years) | Designation | Qualification | Experience (years) | Date of Joining | Remuneration received (₹ in million) | Particulars of previous employment |
|---|---|---|---|---|---|---|---|
| **Part A: Particulars of employees who were in employment throughout the financial year and are in receipt of remuneration of not less than ₹ 6 million p.a. in aggregate** | | | | | | | |
| | | | | N.A. | | | |
| **Part B: Particulars of employees who were in employment for part of the financial year and are in receipt of remuneration of not less than ₹ 0.5 million p.m.** | | | | | | | |
| Sunil Gandhi | 54 | Vice President | BE (Electronics) | 31 | 01/11/2015 | 3.11 | KPIT Technologies Limited |

Notes:
Remuneration comprises of basic salary, allowances and taxable value of perquisites.
Remuneration does not include the Company's contribution to provident fund and actuarial valuation of gratuity.
The above employee is not related to any Director of the Company.
The above employee does not hold 2% or more of the paid-up share capital of the Company.
The nature of employment is contractual.

For and on behalf of the Board of Directors

Pune
April 26, 2016

**Kishor Patil**
Chairman

## Annexure IV

## Nomination & Remuneration Policy

The Nomination and Remuneration Committee of Impact Automotive Solutions Limited ("the Company") will be a Board Committee and shall broadly play a dual role of:-

- Identifying potential candidates for becoming members of the Board and determining the composition of the Board based on the need and requirements of the Company from time to time to bring out diversity in the Board and also identify persons to be recruited in the senior management of the Company and;
- Ensuring the Companies compensation packages and other human resource practices are effective in maintaining a competent workforce and make recommendations relating to compensation of the Directors, Key Managerial Personnel and the senior management of the Company from time to time.

**CONSTITUTION**

The Committee shall comprise of at least three Directors, all of whom shall be non-executive directors and at least half shall be Independent Directors, the Chairperson being an Independent Director. The Chairperson of the Company (whether or not a non-executive director) may be a member of the Committee but shall not chair such Committee. The Chairperson of this Committee or in case of his absence, any other person authorised by him shall attend the general meetings of the Company. The Committee may meet, convene and conduct Committee meetings through video conferencing or audio visual means, as may be provided by the Company.

**MEANING OF TERMS USED**

a. "Act" means the Companies Act, 2013 including the rules, schedules, clarifications and guidelines issued by the Ministry of Corporate Affairs from time to time.

b. "Board" refers to Board of Directors of Impact Automotive Solutions Limited.

c. "Company" refers to Impact Automotive Solutions Limited pursuant to this Policy.

d. "Rules" means the Companies (Meetings of Board) Rules, 2014 including any modifications or amendments thereof.

Words and expressions used and not defined in these rules but defined in the Act shall have the same meanings respectively assigned to them in the Act.

**ROLE AND RESPONSIBILITIES**

The role and responsibility of the Committee shall be to undertake specific duties listed below and it will have the authority to undertake such other specific duties as the Board prescribes from time to time. The below mentioned roles and responsibilities are derived from the terms of reference of the Committee as determined and approved by the Board.

**Specific responsibilities of the committee include:**

1. **Criteria for appointment as a Director**

   The Committee shall formulate criteria for determining qualifications, skills, expertise, qualities, positive attributes required to be a Director of the Company. The criteria to be formulated will be beneficial to the Company and also take into consideration the qualities and expertise essential for the Company to operate going forward in a changing business environment. The Committee shall develop and recommend to the Board for its approval, criteria to be considered for nomination / appointment of a Director.

2. **Identification and nomination of persons who are qualified to be Directors**

   The Committee shall identify persons who are qualified to become Directors and who satisfy the criteria laid down. The process of identification shall include ascertaining, meeting, screening and reviewing candidates for appointment as Directors, whether Independent, Non-Executive or Executive. The existing Directors who continue to satisfy the Criteria may also be considered by the Committee for re-appointment.

The Committee on satisfaction of a potential candidate meeting the Criteria and having completed the identification and selection process, will recommend such persons' candidature to the Board for appointment as a Non-Executive Director or Independent Director or Executive Director, as the case may be.

The Committee may recommend the candidates to the Board when:

- Any vacancy in the Board is required to be filled due to retirement or resignation or
- Any vacancy arises out of annual Board performance evaluation or
- Any vacancy arises as a result of end of tenure in accordance with the Act and Rules or
- Any change is required by law.

3. **Approval of criteria, identification of persons and nomination of candidates required for senior management positions**

The Committee shall lay down criteria including qualifications, skills, expertise and qualities required for senior management positions like Managing Director & CEO, Chief Financial Officer and Company Secretary and members of the Executive Council, if any, of the Company. The Committee shall play a consultative role to Board and may make recommendations to the Board regarding the appointments, removal and changes to the senior management positions of the Company.

4. **Evaluation of the performance of the Board**

The Committee shall determine a process for evaluating the performance of every Director, Committees of the Board and the Board on an annual basis. The Committee shall also review its own performance on an annual basis. The Committee may seek the support and guidance of external experts and agencies for this purpose.

The Committee may evaluate the directors on following factors:-

a) Attendance at Board meetings and Board Committee meetings,

b) Chairmanship of the Board and Board Committees,

c) Contribution and deployment of knowledge and expertise at the Board and Committee meetings,

d) Guidance and support provided to senior management of the Company outside the Board meetings,

e) Independence of behaviour and judgment, and

f) Impact and influence.

5. **Compensation and evaluation of the performance of the Directors and Key Managerial Personnel**

The Committee shall recommend to the Board the compensation package of the Directors and Key Managerial Personnel on evaluation of performance in light of the short term and long term goals of the Company and overall performance of the Company. The Committee shall also ensure that the compensation packages are in accordance with applicable law, in line with the Company's objectives, shareholders' interests, with industry standards and have an adequate balance between fixed and variable component.

6. **Compensation of senior management**

The Committee shall evaluate the performance of the senior management of the Company, i.e., the members of the Executive Council, if any, of the Company, as presented by the Manager. The Committee shall ensure that the remuneration to the senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

7. **Commission to the Non-Executive Directors**

The Committee shall determine the Commission payable to the Non-Executive Directors after taking into account their contribution and participation as chairman / member to the decision making at meetings of the Board / Committees as well as providing strategic inputs and supporting highest level of Corporate Governance and Board effectiveness. It shall be within the overall limits fixed by the members of the Company.

**POWERS OF THE COMMITTEE**

The Committee shall have inter-alia following powers:

- Conduct studies or authorise studies of issues within the scope of the Committee and will have access to necessary books, records, facilities and personnel of the Company.
- Retain or seek advice of consultants and experts for performance of their role under this Policy and the costs relating thereto shall be borne by the Company.
- Delegate its powers or form sub-committees to perform any of its functions or role under this Policy, subject to approval of the Board.

**MEETINGS**

The Committee shall meet at such frequency as it may deem appropriate. Minutes of the meeting shall be circulated to the Committee. The Committee shall report to the Board regarding its actions and make necessary recommendations to the Board. The Committee shall be governed by the same rules regarding meetings as are applicable to the Board.

**MINUTES**

The Committee will maintain written minutes of its meetings, including formal telephonic meetings, which will be filed with the minutes of the meetings of the Board.

For and on behalf of the Board of Directors

Pune
April 26, 2016

**Kishor Patil**
Chairman

# Annexure V

# Form AOC-2

**Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto**

**(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)**

1. **Details of contracts or arrangements or transactions not at arm's length basis:** Nil

| Name(s) of the related party and nature of relationship | Nature of contracts/ arrangements/ transactions | Duration of the contracts/ arrangements/ transactions | Salient terms of the contracts or arrangements or transactions including the value, if any | Justification for entering into such contracts or arrangements or transactions | Date(s) of approval by the Board | Amount paid as advances, if any | Date on which the special resolution was passed in general meeting as required under first proviso to Section 188 |
|---|---|---|---|---|---|---|---|
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) |

2. **Details of material contracts or arrangement or transactions at arm's length basis:**

| Name(s) of the related party and nature of relationship | Nature of contracts/ arrangements/transactions | Duration of the contracts/ arrangements/transactions | Salient terms of the contracts or arrangements or transactions including the value, if any | Date(s) of approval by the Board, if any | Amount paid as advances, if any |
|---|---|---|---|---|---|
| (a) | (b) | (c) | (d) | (e) | (f) |
| KPIT Technologies Limited (KPIT)<br>[Holding company] | Purchases of components from KPIT | On-going transactions. | Purchase of components on standard terms and conditions as mentioned in purchase orders amounting to ₹ 77.79 million. | Not required.<br>Contract was entered in to in ordinary course of business and therefore approval by the Board was not required. | NIL |

For and on behalf of the Board of Directors

Pune
April 26, 2016

**Kishor Patil**
Chairman

# INDEPENDENT AUDITORS REPORT

To,
The Members of
M/s. Impact Automotive Solutions Ltd.
Pune

**Report on Financial Statements**

1. We have audited the accompanying financial statements of M/s. Impact Automotive Solutions Limited, ('the Company') as at March 31, 2016 which comprise of the Balance Sheet as at March 31, 2016, Statement of Profit and Loss and the Cash Flow Statement for the year ended and a summary of Significant Accounting Policies and other explanatory information.

**Management's Responsibility for Financial Statements**

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act 2013('the Act'), as amended by the Companies Act (Amendment) Act 2015, with respect to the presentation of these financial statements that give a true and fair view of the financial position and financial performance of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation of the financial statements that give true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditors Responsibility**

3. Our Responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

1. In our opinion and to the best of our information and according to the explanation given to us, the financial statements give the information required by the Act in the manner so required and give a true and a fair view in conformity with the accounting principles generally accepted in India:

    a) In the case of Balance Sheet, of the State of Affairs of the Company as at March 31, 2016;

    b) In the case of Profit and Loss Account, of the Loss for the year ended on that date;

    c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act we report that

    a) We have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

    b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

    c) The Balance Sheet, Statement of Profit and Loss and the cash flow statement, dealt with by this report are in agreement with the books of account.

    d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act read with the General Circular 15/2013 dated 13.09.2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules 2014.

    e) On the basis of written representations received from the directors of the company as at March 31, 2016, and taken on record by the board of directors, we report that no director is disqualified from being appointed as director as on March 31, 2016 in terms of Section 164(2) of the Act.

    f) With respect to the other matters to be included in the Auditors Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules 2014, in our opinion and to the Best of our information and according to the explanations given to us;

        i) The Company has disclosed the impact of the pending litigation on its financial position.

        ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

        iii) There is no fund required to be transferred to Investor Education and Protection Fund by the Company.

# Annexure to Independent Auditor's Report

**Referred to in Paragraph 1 under the head of "Report on Other Legal and Regulatory Requirements" of our report of even date, in accordance with the Companies (Auditors Report) Order 2016.**

(i) In respect of its Fixed Assets:

    a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets on the basis of information available.

    b) According to the information given to us, the management during the year has physically verified the fixed assets in a phased periodical manner, which in our opinion is reasonable, having regards to the size of the Company and the nature of its assets. No material discrepancies were noticed on such physical verification.

    c) The Company does not own any Immovable Property.

(ii) In respect of its Inventories

    a) The management has physically verified inventories during the year and there were no material discrepancies noticed on such verification.

(iii) In respect of the loans, secured or unsecured, granted by the Company to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013;

    a) The Company has not granted any loans, secured or unsecured to any companies, firms, limited liability partnerships or other parties covered under register maintained under section 189 of the Companies Act, 2013.

    b) In view of no loan or advance granted no opinion is required on charge of Interest, Repayment schedule and any overdue amount is not applicable.

(iv) The Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013.

(v) The Company has not accepted any deposits from the public.

(vi) Maintenance of the Cost Records as prescribed by the Central Government under Section 148(1) the Companies Act, in respect of products of the company is presently not applicable to the Company.

(vii) In respect of statutory dues:

    a) According to the records of the Company, undisputed statutory dues including provident fund, Employees' state Insurance, Income Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax Cess and other Statutory dues that are applicable to the Company have been generally deposited regularly with the appropriate authorities, and according to the information and explanations given to us, no there are no undisputed amounts payable in respect of the aforesaid dues were outstanding as March 31, 2016 for a period of more than six months from the date of becoming payable other than the one listed below.

        - Income Tax for A.Y. 2012-13- Tax Demand for ₹ 5.88 Lakhs. The Company has filed Rectification Application for correcting the demand however, no order has yet been passed by the Income Tax Department.

(viii) There are no borrowings in form of loans or borrowings from any financial institutions, banks etc.

(ix) The Company has neither raised any funds by way of Initial Public Offer or further public offer nor has borrowed any term loans from any bank or financial institution.

(x) There is not fraud by the Company or on the Company by its officers or employees that has come to our notice during the year.

(xi) The Managerial Remuneration has been provided/paid in accordance with the requisite approvals as mandated by the provisions of Section 197 read with Schedule V to the Companies Act.

(xii) The Company is not a Nidhi Company.

(xiii) All the transactions with the Related Parties are in compliance of Sections 177 and 188 of the Companies Act, 2013 and have been duly disclosed in the Financial Statements as required by the Accounting Standards.

(xiv) The Company has not made any Preferential allotment or private placement of shares during the year.

(xv) The Company has not entered into any non-cash transactions with directors or persons connected with him/her.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **Harish K. Lalwani & Associates**
Chartered Accountants
FRN 103507W

Place: Pune
Dated: April 26, 2016

Proprietor
**Harish Lalwani**
M. No. 039223

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013**

We have audited the internal financial controls over financial reporting of ***Impact Automotive Solutions Ltd.*** as of 31 March 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

***Management's Responsibility for Internal Financial Controls***

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI').

These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

***Meaning of Internal Financial Controls over Financial Reporting***

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

***Inherent Limitations of Internal Financial Controls Over Financial Reporting***

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Harish K. Lalwani & Associates**
Chartered Accountants
FRN 103507W

Pune
26 April 2016

Proprietor
**Harish Lalwani**
M. No. 039223

## Balance Sheet

as at 31st March, 2016

₹ in Millions

| | | Note No. | As at 31st March, 2016 | As at 31st March, 2015 |
|---|---|---|---|---|
| **I.** | **EQUITY AND LIABILITIES** | | | |
| **1.** | **Shareholders' funds** | | | |
| | (a) Share Capital | 3.1 | 499.90 | 318.10 |
| | (b) Reserves and Surplus | 3.2 | (311.70) | (213.60) |
| | | | **188.20** | **104.50** |
| **2.** | **Non-current liabilities** | | | |
| | (a) Deferred Tax Liabilities (Net) | 3.3 | - | - |
| | (b) Long-term provisions | 3.4 | 1.09 | 0.23 |
| | | | **1.09** | **0.23** |
| **3.** | **Current liabilities** | | | |
| | (a) Trade payables | 3.5 | 104.82 | 1.73 |
| | (includes ₹ 0.38 millions Payable to Micro, Small and Medium Enterprises) | | | |
| | (b) Other current liabilities | 3.6 | 43.70 | 3.99 |
| | (c) Short-term provisions | 3.7 | 8.96 | 0.23 |
| | | | **157.48** | **5.95** |
| | **TOTAL** | | **346.77** | **110.68** |
| **II.** | **ASSETS** | | | |
| **1.** | **Non-current assets** | | | |
| | (a) Fixed assets | | | |
| | (i) Tangible assets | 3.8 | 22.69 | 33.16 |
| | (ii) Intangible assets | 3.8 | 6.42 | 10.48 |
| | (iii) Capital work in progress | | 0.78 | - |
| | (b) Long-term loans and advances | 3.9 | 52.99 | 29.88 |
| | | | **82.88** | **73.52** |
| **2.** | **Current assets** | | | |
| | (a) Inventories | 3.10 | 72.82 | 21.11 |
| | (b) Trade receivables | 3.11 | 67.60 | - |
| | (c) Cash and Bank Balances | 3.12 | 106.28 | 10.65 |
| | (d) Short-term loans and advances | 3.13 | 17.19 | 5.40 |
| | | | **263.89** | **37.16** |
| | **TOTAL** | | **346.77** | **110.68** |
| Significant Accounting Policies and Notes forming part of the Accounts | | 1,2,3 | | |

The notes above referred form an integral part of the Balance Sheet

As per my attached report of even date

For and on behalf of Board of Directors of **Impact Automotive Solutions Limited**

**For Harish K. Lalwani & Associates**
Chartered Accountants
FRN 103507W

**Kishor Patil**
Chairman

**Chinmay Pandit**
Director

**Harish Lalwani**
Proprietor
Membership No. 039223

**Anil Patwardhan**
Chief Financial Officer

**Jaimeetkaur Sial**
Company Secretary

Place : Pune
Date : 26th April, 2016

Place : Pune
Date : 26th April, 2016

## Statement of Profit and Loss

for the year ended 31st March, 2016.

₹ in Millions

| | | Note No. | For the year ended 31st March, 2016 | For the year ended 31st March, 2015 |
|---|---|---|---|---|
| | | | ₹ | ₹ |
| **I** | **Revenue from operations (Gross)** | 3.14 | 106.63 | 1.71 |
| | Less : Excise Duty | | 8.43 | - |
| | | | **98.20** | **1.71** |
| **II** | **Other income** | 3.15 | 6.62 | 5.17 |
| **III** | **Total revenue (I+II)** | | **104.82** | **6.88** |
| **IV** | **Expenses** | | | |
| | (a) Cost of materials consumed | 3.16 | 87.32 | 7.69 |
| | (b) Purchases of Stock-in-Trade | | - | - |
| | (c) Changes in inventories of finished goods and work-in-progress | 3.17 | (27.46) | 0.03 |
| | (d) Employee benefit expenses | 3.18 | 40.38 | 17.99 |
| | (e) Depreciation and amortisation expense | 3.8 | 15.27 | 15.04 |
| | (f) Other expenses | 3.19 | 87.41 | 34.14 |
| | **Total expenses (IV)** | | **202.92** | **74.89** |
| **V** | **Loss for the year before tax (III - IV)** | | (98.10) | (68.01) |
| **VI** | **Tax expense:** | | | |
| | (a) Current tax expense | | - | - |
| | (b) Taxation for earlier years | | - | - |
| | (c) Deferred tax | | - | - |
| | | | **-** | **-** |
| **VII** | **Loss for the year after tax (V + VI)** | | **(98.10)** | **(68.01)** |
| **VIII** | **Earnings per share (of ₹ 10/- each):** | | | |
| | (a) Basic | | (2.53) | (2.83) |
| | (b) Diluted | | (2.53) | (2.83) |
| Significant Accounting Policies and Notes forming part of the Accounts | | 1,2,3 | | |

The notes above referred form an integral part of the Statement of Profit and Loss

As per my attached report of even date

For and on behalf of Board of Directors **of Impact Automotive Solutions Limited**

**For Harish K. Lalwani & Associates**
Chartered Accountants
FRN 103507W

**Kishor Patil**
Chairman

**Chinmay Pandit**
Director

**Harish Lalwani**
Proprietor
Membership No. 039223

**Anil Patwardhan**
Chief Financial Officer

**Jaimeetkaur Sial**
Company Secretary

Place : Pune
Date : 26th April, 2016

Place : Pune
Date : 26th April, 2016

# Cash Flow Statement

for the year ended 31st March, 2016

₹ in Millions

| | For the year ended 31st March, 2016 | | For the year ended 31st March, 2015 | |
|---|---|---|---|---|
| | ₹ | ₹ | ₹ | ₹ |
| **A. Cash flow from operating activities** | | | | |
| Net Loss before extraordinary items and tax | | (98.10) | | (68.01) |
| Adjustments for : | | | | |
| Depreciation and amortisation | 15.27 | | 15.04 | |
| Interest income | (1.32) | | (1.42) | |
| Loss on sale of asset | - | | 0.02 | |
| | | 13.95 | | 13.64 |
| Operating loss before working capital changes | | **(84.15)** | | **(54.37)** |
| Changes in working capital: | | | | |
| Adjustments for (increase)/decrease in operating assets: | | | | |
| Inventories | (51.71) | | 0.73 | |
| Short-term loans and advances | (11.79) | | 4.35 | |
| Long-term loans and advances | (22.59) | | (2.68) | |
| Trade Receivable | (67.60) | | 5.89 | |
| Adjustments for increase/(decrease) in operating liabilities: | | | | |
| Trade payables | 103.09 | | (6.60) | |
| Other current liabilities | 39.71 | | (45.13) | |
| Long-term Provisions | 0.86 | | 0.16 | |
| Short-term provisions | 8.73 | | 0.10 | |
| | | (1.30) | | (43.18) |
| | | (85.45) | | (97.55) |
| Net income tax (paid)/refunds | | (0.52) | | (0.41) |
| **Net cash flow from/(used in) operating activities (A)** | | **(85.97)** | | (97.96) |
| **B. Cash flow from investing activities** | | | | |
| Capital expenditure on fixed assets, including capital advances | (1.52) | | (5.89) | |
| Investment in Fixed Deposit | (5.03) | | 90.00 | |
| Interest received | 1.32 | | 1.42 | |
| | | (5.23) | | 85.53 |
| **Net cash flow from/(used in) investing activities (B)** | | **(5.23)** | | **85.53** |
| **C. Cash flow from financing activities** | | | | |
| Proceeds from issue of equity shares | 181.80 | | 20.00 | |
| | | 181.80 | | 20.00 |
| **Net cash flow from/(used in) financing activities (C)** | | 181.80 | | 20.00 |
| **Net increase/(decrease) in Cash and cash equivalents (A+B+C)** | | 90.60 | | 7.57 |
| Cash and cash equivalents at the beginning of the year | | 10.65 | | 3.08 |
| **Cash and cash equivalents at the end of the year*** | | **101.25** | | **10.65** |
| * Comprises: | | | | |
| Cash and Cash Equivalents | | | | |
| Cheques in Hand | | 0.12 | | - |
| Balances with banks | | | | |
| (i) In current accounts | | 16.23 | | 0.65 |
| (ii) In deposit accounts with original maturity of less than 3 months | | 84.90 | | 10.00 |
| | | **101.25** | | **10.65** |

As per my attached report of even date

**For Harish K. Lalwani & Associates**
Chartered Accountants
FRN 103507W

**Harish Lalwani**
Proprietor
Membership No. '039223

Place : Pune
Date : 26th April, 2016

For and on behalf of Board of Directors
of **Impact Automotive Solutions Limited**

**Kishor Patil**
Chairman

**Chinmay Pandit**
Director

**Anil Patwardhan**
Chief Financial Officer

**Jaimeetkaur Sial**
Company Secretary

Place : Pune
Date : 26th April, 2016

# Notes forming part of the Financial Statements for the year ended on 31 March 2016

**1. Corporate Information :**

Impact Automotive Solutions Limited is a public limited company incorporated under the Companies Act, 1956. The Company is wholly owned subsidiary of KPIT Technologies Limited (previously known as KPIT Cummins Infosystems Limited.) The Company is engaged in the production of Integrated Systems and hybrid automotive product "Revolo."

Operating Cycle of the Company is considered to be of 12 months.

**2. Significant Accounting Policies :**

**2.1 Basis of accounting and preparation of financial statements :**

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ('GAAP') under the historical cost convention on accrual basis and they comply with the accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of Section 133 of the Companies Act, 2013. The financial statements are presented in Indian rupees and rounded off to the nearest rupee.

**2.2 Use of Estimates :**

The preparation of financial statements in conformity with the GAAP requires that the Management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities, as at the date of the financial statements, and the reported amounts of expenses during the year under report. Contingencies are recorded, when it is probable that a liability will be incurred and the amount can be reasonably estimated. Actual results could differ from those estimates.

**2.3 Fixed Assets and Depreciation :**

**a) Fixed Assets :**

Fixed Assets are stated at their original cost of acquisition or construction, including incidental expenses related to acquisition, construction and installation of the concerned assets. Fixed Assets are shown net of accumulated depreciation.

**b) Depreciation :**

Depreciation on tangible fixed assets is provided on the straight-line method over the useful lives of the assets. The estimated useful lives for tangible assets are as follows :

| | Type of Asset | Estimated useful life |
|---|---|---|
| i) | Plant and Machinery | 10 Years |
| ii) | Furniture and Fixtures | 8 Years |
| iii) | Electrical Installation | 10 Years |
| iv) | Computers | 4 Years |
| v) | Vehicles | 5 Years |
| vi) | Office Equipments | 10 Years |

For these class of assets, based on internal assessment, the useful lives as given above are believed to best represent the period over which the assets are expected to be used. Hence the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act, 2013.

**2.4 Expenses on Issue of Shares :**

Expenses on issue of shares are written off, in the year in which these are incurred.

**2.5 Taxation :**

Income Tax expense comprises current tax expense and deferred tax expense or saving. Provision for current tax is recognized under the taxes payable method based on the estimated tax liability computed after taking credit for allowances and exemptions in accordance with the Income Tax Act, 1961.

Deferred tax assets and liabilities are recognized for the future tax effects attributable to timing differences that result between the profits offered for income tax and the profits as per the financial statements of the Company. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

**2.6 Inventories :**

Inventories are valued at lower of cost and net realisable value.

**2.7 Cash and cash equivalents (for purposes of Cash Flow Statement) :**

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

**2.8 Cash flow statement :**

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

**2.9 Revenue Recognition :**

a) Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

b) Sale of Goods :

Revenue from sale of goods in the course of ordinary activities is recognised when property in the goods or all significant risks and rewards of their ownership are transferred to the customer and no significant uncertainty exists regarding acceptance of the goods from customer and the amount of the consideration that will be derived from the sale of the goods and regarding collection. The amount recognised as revenue is exclusive of excise duty, sales tax, value added taxes (VAT) and service tax, and is net of returns, trade discounts and quantity discounts.

c) Interest :

Interest on investments is accounted on a time proportion basis taking into account the amount invested and the rate of interest.

**2.10 Employee Benefits :**

**i) Post-employment benefits plan :**

**Defined Benefit Plan**

The Company's gratuity scheme is a defined benefit plan. For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with independent actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in full in the Statement of Profit and Loss for the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested or amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

**Defined contribution plan**

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Company's contribution is recognised as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

**ii) Other employee benefits**

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences (which cannot be carried forward) such as paid annual leave, overseas social security contributions and performance incentives.

iii) In the case of employees transferred from the Parent Company to Impact Automotive Solutions Limited, continuation of employee benefits are offered to employees. Accounting of such transfer of liabilities is done in the books of account.

**2.11 Foreign currency transactions and translations :**

Transactions in foreign currency are accounted at the exchange rates prevailing on the dates of transactions. Gains/losses arising on fluctuations in the exchange rates are dealt with in the statement of profit and loss, in the period in which they arise.

**2.12 Leases :**

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under non-cancellable operating leases are recognised in the Statement of Profit and Loss on a straight-line basis.

**2.13 Impairment :**

At each balance sheet date, the management reviews the carrying amounts of its assets to determine whether there is any indication that those assets were impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of time value of money and the risk specific to the asset. Reversal of impairment loss is recognized immediately as income in the profit and loss account.

**2.14 Earnings per share :**

In determining earnings per share, the Company considers the net profit after tax and includes the post tax effect of any extra-ordinary / exceptional item, if any. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period.

**2.15 Warranty Expenses :**

The estimated liability for product warranties is recorded at each reporting date after periodical review.

**2.16 Provisions, Contingent Liabilities and Contingent Assets :**

Provisions are made for present obligations arising out of past events, which are likely to result in an outflow of resources embodying economic benefits at an amount, which can be reliably estimated.

Items not classified as provisions as envisaged above are treated as contingent liabilities, which are disclosed by way of a note and are not provided for in the books of account.

Contingent assets are neither recognized nor disclosed.

₹ in Millions

| | | As at 31st March, 2016 | As at 31st March, 2015 |
|---|---|---|---|
| **3.** | **Notes on Accounts :** | | |
| **3.1** | **Share Capital :** | | |
| | **Authorised[a] :** | | |
| | 60,000,000 (Previous year 40,000,000) Equity Shares of ₹ 10/- each. | 600.00 | 400.00 |
| | **TOTAL :** | **600.00** | **400.00** |
| | **Issued, Subscribed and Paid-up :** | | |
| | 49,990,000 (Previous year 31,810,000) Equity Shares of ₹ 10/- each, fully paid up. | 499.90 | 318.10 |
| | **TOTAL :** | **499.90** | **318.10** |

(a) The Company has only one class of shares referred to as equity shares having a par value of ₹ 10/-. Each holder of equity shares is entitled to one vote per share.

(b) The reconciliation of the number of shares outstanding and the amount of paid-up share capital as at 31st March, 2016. and 31st March, 2015 is set out below.

| | As at 31st March, 2016 | | As at 31st March, 2015 | |
|---|---|---|---|---|
| | **No. of Shares** | **Amount in ₹** | **No. of Shares** | **Amount in ₹** |
| Balance at the beginning of the year | 31,810,000 | 318.10 | 29,810,000 | 298.10 |
| Add: Shares issued during the year | 18,180,000 | 181.80 | 2,000,000 | 20.00 |
| Balance at the close of the year | **49,990,000** | **499.90** | **31,810,000** | **318.10** |

(c) Details of shareholders holding more than 5% of the aggregate issued and subscribed shares

| **Class of Shares/Name of the shareholders** | As at 31st March, 2016 | | As at 31st March, 2015 | |
|---|---|---|---|---|
| | **No. of Shares** | **% age** | **No. of Shares** | **% age** |
| Equity shares of ₹ 10/- each | | | | |
| KPIT Technologies Ltd. | 49,990,000 | 100% | 31,810,000 | 100% |

| | | As at 31st March, 2016 | As at 31st March, 2015 |
|---|---|---|---|
| **3.2** | **Reserves and Surplus :** | | |
| | Deficit in the Statement of Profit and Loss : | | |
| | As per last account | (213.60) | (145.59) |
| | Add : Loss for the year transferred from the Statement of Profit and Loss | (98.10) | (68.01) |
| | **TOTAL :** | **(311.70)** | **(213.60)** |

₹ in Millions

| | | As at 31st March, 2016 | As at 31st March, 2015 |
|---|---|---|---|
| **3.3** | **Deferred Tax Liabilities (Net) :** | | |
| | **Deferred Tax Liabilities :** | | |
| | Depreciation | - | 0.40 |
| | **Less : Deferred Tax Assets** | | |
| | Tax disallowances and unabsorbed depreciation | - | 0.40 |
| | **TOTAL :** | **-** | **-** |
| **3.4** | **Long-term Provisions :** | | |
| | **Provision for employee benefits :** | | |
| | Gratuity | 1.09 | 0.23 |
| | **TOTAL :** | **1.09** | **0.23** |
| **3.5** | **Trade Payables :** | | |
| | Micro, Small and Medium Enterprises | 0.38 | - |
| | Others | 104.44 | 1.73 |
| | **TOTAL :** | **104.82** | **1.73** |
| **3.6** | **Other Current Liabilities :** | | |
| | Statutory liabilities | 7.20 | 0.49 |
| | Expenses reimbursable to related parties | - | 1.76 |
| | Unearned revenue | 30.34 | - |
| | Accrued expenses | 1.18 | 1.72 |
| | Accrued employee cost | 3.53 | 0.02 |
| | Dues to related parties | 1.45 | - |
| | **TOTAL :** | **43.70** | **3.99** |
| **3.7** | **Short-term Provisions :** | | |
| | Provision for employee benefits : | | |
| | Gratuity | 0.02 | - |
| | Leave encashment | 1.06 | 0.23 |
| | Provision for warranty | 7.88 | - |
| | **TOTAL :** | **8.96** | **0.23** |

**3.8 Fixed Assets**

₹ in Millions

| | Tangible Assets | | | | | | Intangible Assets | | | As at 31st March, 2016 | As at 31st March, 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Leasehold Improvements | Plant and Machinery | Furniture and Fixtures | Vehicles | Office Equipments | Total Tangible Assets | Technical Knowhow | Software | Total Intangible Assets | | |
| **GROSS BLOCK, AT COST :** | | | | | | | | | | | |
| As at 31st March, 2015. | 44.10 | 12.21 | 2.50 | 4.37 | 1.27 | 64.45 | 19.00 | 1.07 | 20.07 | 84.52 | 78.68 |
| Reclassfication | - | (0.18) | 0.01 | - | 0.17 | - | | | - | - | - |
| Additions | - | 0.67 | 0.06 | - | 0.03 | 0.76 | - | - | - | 0.76 | 6.08 |
| Disposals/Adjustments | - | - | - | - | - | - | - | - | - | - | 0.22 |
| **As at 31st March, 2016.** | **44.10** | **12.70** | **2.57** | **4.37** | **1.47** | **65.21** | **19.00** | **1.07** | **20.07** | **85.28** | **84.54** |
| **DEPRECIATION :** | | | | | | | | | | | |
| Upto 31st March, 2015. | 25.74 | 3.11 | 0.72 | 1.50 | 0.25 | 31.32 | 9.49 | 0.09 | 9.58 | 40.90 | 25.85 |
| Reclassfication | - | (0.06) | (0.01) | - | 0.07 | - | - | - | - | - | - |
| For the financial year | 8.64 | 1.27 | 0.28 | 0.87 | 0.14 | 11.20 | 3.80 | 0.27 | 4.07 | 15.27 | 15.04 |
| On Disposals/Adjustments | - | - | - | - | - | - | - | - | - | - | 0.00 |
| **Upto 31st March, 2016.** | **34.38** | **4.32** | **0.99** | **2.37** | **0.46** | **42.52** | **13.29** | **0.36** | **13.65** | **56.17** | **40.89** |
| **NET BLOCK :** | | | | | | | | | | | |
| As at 31st March, 2015. | 18.36 | 9.10 | 1.78 | 2.87 | 1.02 | 33.13 | 9.51 | 0.98 | 10.49 | 43.62 | 52.83 |
| **As at 31st March, 2016.** | **9.72** | **8.38** | **1.58** | **2.00** | **1.01** | **22.69** | **5.71** | **0.71** | **6.42** | **29.11** | **43.65** |

₹ in Millions

| | | As at 31st March, 2016 | As at 31st March, 2015 |
|---|---|---|---|
| **3.9** | **Long-Term Loans and Advances :** | | |
| | (Unsecured and unless other wise stated, Good) | | |
| | Balances with Government Authorities | | |
| | CENVAT Credit receivable | 21.67 | 10.72 |
| | VAT Credit receivable | 13.28 | 1.89 |
| | Tax paid in advance (Net of Provisions) | 1.20 | 0.68 |
| | Security deposits | 16.53 | 16.53 |
| | Advances for capital goods/services | | |
| | Good | 0.31 | 0.06 |
| | Doubtful | - | 0.48 |
| | | 52.99 | 30.36 |
| | Less : Provision | - | (0.48) |
| | **TOTAL :** | **52.99** | **29.88** |
| **3.10** | **Inventories :** | | |
| | (As taken, valued and certified by the Directors) | | |
| | Raw materials, including materials in transit | 45.33 | 21.10 |
| | Finished goods | 27.49 | - |
| | Stock-in-trade | - | 0.01 |
| | **TOTAL :** | **72.82** | **21.11** |
| | **Notes :** | | |
| | **(i) Breakup of raw material :** | | |
| | Display board | 7.08 | - |
| | Battery | - | 5.32 |
| | LI ION Battery Pack with BMS | 5.76 | - |
| | Controller | 4.18 | 1.88 |
| | Single Controller unit | 5.30 | - |
| | Motor | 4.72 | 1.50 |
| | Gear | 1.06 | - |
| | Converter | - | 1.31 |
| | Battery charger | - | 1.27 |
| | Others | 17.23 | 9.82 |
| | | **45.33** | **21.10** |
| | **(ii) Breakup of finished goods :** | | |
| | Hybrid electric systems (Indica) | 0.75 | - |
| | Intelligent transport system | 26.74 | - |
| | | **27.49** | **-** |

₹ in Millions

| | | As at 31st March, 2016 | As at 31st March, 2015 |
|---|---|---|---|
| **3.11** | **Trade Receivables :** | | |
| | (Unsecured, Good) | | |
| | - Considered Good | 67.60 | - |
| | - Considered Doubtful | 5.12 | - |
| | | 72.72 | - |
| | Less: Provision | (5.12) | |
| | **TOTAL :** | **67.60** | **-** |
| **3.12** | **Cash and Bank Balances :** | | |
| | Cash and Cash Equivalents : | | |
| | Cheques in Hand | 0.12 | - |
| | Balances with banks | | |
| | In current accounts | 16.23 | 0.65 |
| | In fixed deposits (with original maturity of 3 months or less) | 84.90 | 10.00 |
| | | 101.13 | 10.65 |
| | Other Bank Balances | | |
| | Fixed deposits (with original maturity between 3 to 12 months) | 5.03 | - |
| | **TOTAL :** | **106.28** | **10.65** |
| **3.13** | **Short-Term Loans and Advances :** | | |
| | (Unsecured and unless other wise stated, Good) | | |
| | Prepaid expenses | 0.14 | 0.07 |
| | Advances to suppliers | | |
| | Good | 14.64 | 5.11 |
| | Doubtful | 0.60 | 0.12 |
| | Loans & advances to related parties | 0.01 | 0.01 |
| | Security deposits | 2.15 | - |
| | Other advances recoverable in cash or kind or for value to be received | 0.25 | 0.21 |
| | | 17.79 | 5.52 |
| | Less : Provision | (0.60) | (0.12) |
| | **TOTAL :** | **17.19** | **5.40** |

₹ in Millions

| | | As at 31st March, 2016 | As at 31st March, 2015 |
|---|---|---|---|
| **3.14** | **Revenue from Operations :** | | |
| | Sale of products | 94.26 | 0.37 |
| | Sale of services | 2.93 | - |
| | Other operating revenues | | |
| | Sale of scrap | 1.01 | 1.34 |
| | **TOTAL :** | **98.20** | **1.71** |
| | | | |
| **3.15** | **Other Income :** | | |
| | Interest received : | | |
| | Interest on bank deposits | 1.32 | 1.40 |
| | Interest on income tax refund | - | 0.02 |
| | Sub-lease payments received : | | |
| | Rent | 4.73 | 2.45 |
| | Facility Charges | 0.57 | 1.02 |
| | Foreign exchange gains (Net) | - | (0.03) |
| | Other Income | - | 0.31 |
| | **TOTAL :** | **6.62** | **5.17** |
| | | | |
| **3.16** | **Cost of Materials Consumed :** | | |
| | Electronic components and other raw materials | 87.25 | 5.82 |
| | Consumable Tools and Spares | 0.07 | 0.26 |
| | Consumptions for KIT Testing | - | 1.61 |
| | **TOTAL :** | **87.32** | **7.69** |
| | | | |
| | **Breakup of Cost of Materials Consumed :** | | |
| | Single controller unit | 34.40 | - |
| | LED Display board | 20.49 | - |
| | LI ION Battery Pack with BMS | 12.66 | - |
| | Camera | 4.63 | - |
| | Motor | 3.11 | - |
| | Battery | 3.10 | - |
| | Others | 8.93 | 7.69 |
| | | **87.32** | **7.69** |
| | | | |
| **3.17** | **Changes in Inventories of Finished Goods and Stock in Trade :** | | |
| | Inventories at the beginning of the year | | |
| | Finished goods | 0.03 | 0.04 |
| | | **0.03** | **0.04** |
| | **Inventories at the close of the year** | | |
| | Finished goods | 27.49 | - |
| | Stock-in-trade | - | 0.01 |
| | | 27.49 | 0.01 |
| | **TOTAL :** | **(27.46)** | **0.03** |

₹ in Millions

| | | As at 31st March, 2016 | As at 31st March, 2015 |
|---|---|---|---|
| **3.18** | **Employee Benefit Expenses :** | | |
| | Salaries and Wages | 37.76 | 16.41 |
| | Contributions to provident and other funds | 0.91 | 0.60 |
| | Staff welfare expenses | 1.71 | 0.98 |
| | **TOTAL :** | **40.38** | **17.99** |
| | | | |
| **3.19** | **Other Expenses :** | | |
| | **Manufacturing expenses :** | | |
| | Contracting and labour charges | 8.70 | 1.82 |
| | Power and fuel | 0.99 | 1.29 |
| | Repairs and maintenance - Plant | 0.03 | 0.01 |
| | Water Charges | 0.23 | 0.15 |
| | | **9.95** | **3.27** |
| | **Establishment and other expenses :** | | |
| | Reimbursement for employee costs | - | 2.68 |
| | Rent | 20.99 | 19.64 |
| | Rates and Taxes | 0.05 | 0.98 |
| | Inventories written off | 19.03 | - |
| | Provision for warranty expenses | 7.88 | - |
| | Carriage outward | 1.25 | - |
| | Printing and stationery | 0.15 | 0.17 |
| | Communication | 0.20 | 0.34 |
| | Travelling and conveyance | 5.83 | 0.86 |
| | Professional Fees | 1.45 | 0.99 |
| | Recruitment and training expenses | 0.07 | 0.11 |
| | Business promotion | 0.02 | 0.34 |
| | Payments to auditors | 0.05 | 0.09 |
| | Director sitting fees | 0.12 | - |
| | Share Issue Expenses | 2.01 | 0.02 |
| | Housekeeping | 0.82 | 0.87 |
| | Repairs and maintenance - Others | 1.05 | 0.57 |
| | Security charges | 1.46 | 0.90 |
| | Excise Duty | 2.94 | 1.41 |
| | Foreign exchange loss (Net) | 0.81 | - |
| | Loss on Assets Sales | - | 0.02 |
| | Provision for doubtful advances | 5.42 | - |
| | Provision for doubtful debts | 5.12 | - |
| | Miscellaneous expenses | 0.74 | 0.88 |
| | | 77.46 | 30.87 |
| | **TOTAL :** | **87.41** | **34.14** |

**Additional information to the financial statements**

₹ in Millions

| | | | As at 31st March, 2016 | As at 31st March, 2015 |
|---|---|---|---|---|
| **3.20** | **Contingent liabilities and commitments (to the extent not provided for) :** | | | |
| | **(a)** | **Contingent liabilities** | | |
| | | The Assessing Officer has disallowed certain expenses amounting to ₹ 1.73 millions in the Assessment Order for A.Y. 2012-13. The tax impact on the said disallowance disclosed as Contingent Liability. | 0.59 | 0.53 |
| | | Outstanding bank Guarantees in routine course of business (Lean against Fixed deposits) | 5.03 | - |
| | **(b)** | **Estimated amount of contracts remaining to be executed on capital account and not provided for.** | 0.09 | 1.02 |
| | | **TOTAL :** | **5.71** | **1.55** |
| | | | | |
| **3.21** | **Payment to Auditor, inclusive of Service Tax :** | | | |
| | Audit Fees | | 0.05 | 0.09 |
| | In other capacity | | 0.30 | - |
| | | **TOTAL :** | **0.35** | **0.09** |

₹ in Millions

| | | | As at 31st March, 2016 | As at 31st March, 2015 |
|---|---|---|---|---|
| **3.22** | **Income & Expenditure in Foreign Currency** | | | |
| | Income : | | | |
| | a) | Sale of Product | 27.10 | - |
| | | **TOTAL :** | **27.10** | **-** |
| | **Expenditure :** | | | |
| | a) | Travelling | 0.17 | - |
| | b) | C.I.F. value of imports | 27.19 | 3.69 |
| | | **TOTAL :** | **27.36** | **3.69** |

**3.23 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 :**

| | | Year ended 31st March, 2016 | Year ended 31st March, 2015 |
|---|---|---|---|
| a) | Principal amount payable to Micro and Small Enterprises (to the extent identified by the Company from available information) as at 31st March, 2016 | 0.38 | - |
| | Of the above, unpaid amounts, which were outstanding for more than 30 days as at 31st March, 2016 | 0.01 | - |
| | Estimated interest due on the above not provided for | - | - |
| b) | Amount of payments made to suppliers beyond the appointed date during the year 2015-16 | 1.37 | - |
| | Interest paid on the above | - | - |
| | Estimated interest due and payable thereon not provided for | 0.02 | - |

**3.24 Details of foreign currency exposures those are not hedged :**

| Particulars | Currency | Amount in Forex | Amount in ₹ |
|---|---|---|---|
| **As at 31st March, 2016.** | **US Dollars** | | |
| Trade Receivables | | 0.40 | 26.53 |
| Advance to creditors | | 0.20 | 13.27 |
| As at 31st March, 2015. | US Dollars | | |
| Trade Receivables | | - | - |
| Advance to creditors | | - | - |

**3.25 Disclosure pursuant to Accounting Standard – 15 (Revised) on "Employee Benefits"**

**Defined benefits plans :**

The Defined Benefit Plans comprise of Gratuity. Gratuity is a benefit to an employee based on 15 days' last drawn salary for each completed year of service.

₹ in Millions

| | Particulars | Year ended 31st March, 2016 | Year ended 31st March, 2015 |
|---|---|---|---|
| **I.** | **Assumptions :** | | |
| | Discount rate [current] | 8.07% | 8.25% |
| | Salary escalation [current] | 5.00% | 5.00% |
| | Attrition rate [current] | For service 4 yrs & below 5.00 % p.a. And 2% p.a. For the rest | For service 4 yrs & below 5.00 % p.a. And 2% p.a. For the rest |
| **II.** | **Table showing change :** | | |
| | Present value of benefit obligation as at the beginning of the current period | 0.24 | 0.08 |
| | Interest cost | 0.02 | 0.01 |
| | Current service cost | 0.11 | 0.06 |
| | Transitional liability incurred during the period | - | - |
| | Past service cost [non-vested benefit] incurred during the period | - | - |
| | Past service cost [vested benefit] incurred during the period | - | - |
| | Liability transferred in | - | - |
| | (Liability transferred out) | - | - |
| | (Benefit paid) | - | - |
| | Actuarial (gains)/losses on obligations | 0.74 | 0.09 |
| | **Present value of benefit obligation as at the end of the current period** | 1.11 | 0.24 |
| **III.** | **Table of recognition of actuarial gains/losses :** | | |
| | Actuarial (gains)/losses on obligation for the period | 0.74 | 0.09 |
| | Actuarial (gains)/losses on asset for the period | - | - |
| | Sub-total | 0.74 | 0.09 |
| | **Actuarial (gains)/losses recognized in income & expenses statement** | **0.74** | **0.09** |
| **IV.** | **Table of recognition of transitional liability :** | | |
| | Unrecognized transitional liability at the start of the period | - | - |
| | Transitional liability incurred during the period | - | - |
| | **(Transitional liability recognized during the period)** | **-** | **-** |
| | Unrecognized transitional liability at the end of the period | - | - |

₹ in Millions

| | Particulars | Year ended 31st March, 2016 | Year ended 31st March, 2015 |
|---|---|---|---|
| **V.** | **Amount recognized in the balance sheet:** | | |
| | Fair value of plan assets at the end of the period | - | - |
| | (present value of benefit obligation as at the end of the period) | (1.11) | (0.24) |
| | Funded status | **(1.11)** | **(0.24)** |
| | Unrecognized past service cost at the end of the period | - | - |
| | Unrecognized transitional liability at the end of the period | - | - |
| | Net (liability)/asset recognized in the balance sheet | **(1.11)** | **(0.24)** |
| **VI.** | **Expenses recognized in the income statement:** | | |
| | Current service cost | 0.11 | 0.06 |
| | Interest cost | 0.02 | 0.01 |
| | Actuarial (gains)/losses | 0.74 | 0.09 |
| | Past service cost [non-vested benefit] recognized during the period | - | - |
| | Past service cost [vested benefit] recognized during the period | - | - |
| | Transitional liability recognized during the period | - | - |
| | Expense recognized in the income statement | **0.87** | **0.16** |
| **VII.** | **Balance sheet reconciliation:** | | |
| | Opening net liability | 0.24 | 0.08 |
| | Expense as above | 0.87 | 0.16 |
| | Net transfer in | - | - |
| | (net transfer out) | - | - |
| | (benefit paid) | - | - |
| | (benefit paid on account of settlements) | - | - |
| | **Net liability/(asset) recognized in the balance sheet** | 1.11 | 0.24 |
| | Current Liability | 0.02 | - |
| | Non-Current Liability | 1.09 | 0.23 |
| **VIII.** | **Experience adjustment:** | | |
| | On plan liability (gains)/losses | 0.75 | 0.04 |
| | On plan assets (losses)/gains | - | - |

**3.26 Related Party Disclosures :**

**(a) List of Related Parties with whom there are transactions in the current year :**

| Description of Relationship | Name of Related Parties |
|---|---|
| Holding Company | KPIT Technologies Ltd. |
| Key managerial Personnel (KMP) | Mr. Sunil Gandhi |

**(b) Transactions with related parties :**

₹ in Millions

| Sr. No. | Name of related party | FY 2015-16 | | FY 2014-15 | |
|---|---|---|---|---|---|
| | | Amount of transactions during the year | Balance as on 31st March 2016 Debit/(Credit) | Amount of transactions during the year | Balance as on 31st March 2015 Debit/(Credit) |
| 1 | **KPIT Technologies Ltd.** | | | | |
| | Sale of components | - | 0.01 | 0.37 | 0.01 |
| | Purchase of Components | 77.79 | (98.45) | - | - |
| | Reimbursement of expenses paid | 4.78 | (1.45) | 5.48 | (1.76) |
| | Services availed | - | - | 0.23 | - |
| | Sublease payments, including facility charges received | 5.30 | - | 3.46 | - |
| | Equity Contribution, inclusive of advances against equity | 181.80 | - | 20.00 | - |
| 2 | **Mr. Sunil Gandhi** | | | | |
| | Salary | 3.18 | 0.11 | - | - |

**3.27 Leases Transactions:**

**As Lessee :**

The Company has entered into operating lease arrangements for factory premises and certain facilities for a period of 9 year from 1st September, 2011 to 31st August, 2020. The lease is non-cancellable for a period from 1st September, 2011 to 31st August, 2014, i.e. for 3 years. The lease agreements provide for an increase in the lease payments by a ₹ 525,000 per month with effect from 1st December, 2012 till the expiry of the lease.

₹ in Millions

| | Particulars | For the year ended 31st March, 2016 | For the year ended 31st March,2015 |
|---|---|---|---|
| (a) | Payments recognised in the statement of Profit and Loss : | | |
| | Lease payments for the year | 20.89 | 19.59 |
| (b) | Sub-lease payments received recognised in the statement of profit and loss | 5.30 | 3.46 |

**3.28 The movement in provision for warranty :**

₹ in Millions

| Particulars | Year ended 31st March, 2016 | Year ended 31st March, 2015 |
|---|---|---|
| Carrying amount at the beginning of the year | - | - |
| Additional provision made during the year | 7.88 | - |
| Amount paid/ Utilised during the year | - | - |
| Unused amount reversed during the year | - | - |
| Carrying amount at the end of the year | 7.88 | - |

**3.29 Segment Reporting :**

There are no reportable segments.

**3.30 Deferred Tax :**

The Company has recognized deferred tax asset in respect of timing differences on account of unabsorbed tax depreciation and tax disallowances to only to the extent of deferred tax liability of NIL (Previous Year : ₹ 0.40 millions).

The Company has not recognized deferred tax asset in respect of timing differences on account of unabsorbed tax depreciation, tax disallowances and business loss aggregating to ₹ 96.64 millions as at 31st March, 2016 (Previous Year : ₹ 36.15 millions) on the considerations of prudence.

**3.31** Previous year's figures have been regrouped and rearranged wherever necessary, so as to make those comparable with the current year.

As per my attached report of even date

**For Harish K. Lalwani & Associates**
Chartered Accountants
FRN 103507W

**Harish Lalwani**
Proprietor
Membership No. 039223

Place : Pune
Date : 26th April, 2016

For and on behalf of Board of Directors
of **Impact Automotive Solutions Limited**

**Kishor Patil**
Chairman

**Chinmay Pandit**
Director

**Anil Patwardhan**
Chief Financial Officer

**Jaimeetkaur Sial**
Company Secretary

Place : Pune
Date : 26th April, 2016

**KPIT Technologies Limited**

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