## Aepona Software (Private) Limited

**CONDENSED BALANCE SHEET AS AT MARCH 31, 2016**

| | Note | As at March 31, 2016 (In ₹) |
|---|---|---|
| **EQUITY AND LIABILITIES** | | |
| **Shareholders' funds** | | |
| Share capital | 1 | 5,400 |
| Reserves and surplus | 2 | 78,007,921 |
| | **(A)** | **78,013,321** |
| **Non- current liabilities** | | |
| Long-term provisions | 3 | 6,594,649 |
| | **(B)** | **6,594,649** |
| **Current liabilities** | | |
| Short-term borrowings | 4 | 4,928,165 |
| Trade payables | 5 | 3,160,516 |
| Other current liabilities | 5 | 4,403,468 |
| Short-term provisions | 6 | 18,149,131 |
| | **(C)** | **30,641,280** |
| **TOTAL** | **(A)+(B)+(C)** | **115,249,250** |
| **ASSETS** | | |
| **Non current assets** | | |
| **Fixed assets** | | |
| Tangible assets | 7.1 | 13,361,639 |
| Capital work in progress | | 774,986 |
| | | **14,136,625** |
| Long-term loans and advances | 8 | 4,006,098 |
| | **(A)** | **18,142,723** |
| **Current assets** | | |
| Trade receivables | 9 | 86,578,477 |
| Cash and bank balances | 10 | 964,511 |
| Short-term loans and advances | 11 | 9,563,539 |
| | **(B)** | **97,106,527** |
| **TOTAL** | **(A)+(B)** | **115,249,250** |
| Summary of significant accounting policies | 19 | |

The accompanying notes are an integral part of the condensed financial statement.

As per our report of even date

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

per C.K. Joshi
Partner
Membership No. 030428

Place: Pune
Date : April 23, 2016

**For and on behalf of the Board of Directors of**
**Aepona Software (Private) Limited**

Dr. Anand Deshpande
Director

Place: Pune
Date : April 23, 2016

Sunil Sapre
Director

Place: Pune
Date : April 23, 2016

## Aepona Software (Private) Limited

**CONDENSED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND PERIOD ENDED MARCH 31, 2016**

| | Note | For the quarter ended March 31, 2016 (In ₹) | For the period ended March 31, 2016 (In ₹) |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 12 | 62,951,807 | 123,988,053 |
| Other income | 13 | - | 117,769 |
| **Total revenue (A)** | | **62,951,807** | **124,105,822** |
| **Expenses** | | | |
| Employee benefits expense | 14 | 45,136,287 | 87,677,794 |
| Other expenses | 15 | 10,313,489 | 20,037,540 |
| Depreciation and amortization expense | 7.2 | 2,547,365 | 5,595,496 |
| **Total expense (B)** | | **57,997,141** | **113,310,830** |
| **Profit before tax (A - B)** | | **4,954,666** | **10,794,992** |
| **Tax expense** | | | |
| Current tax | | - | - |
| **Total tax expense** | | **-** | **-** |
| **Net profit for the period / year** | | **4,954,666** | **10,794,992** |
| **Earnings per equity share [Nominal value of share LKR 100]** | 16 | | |
| Basic (In ₹) | | 42,347.57 | 92,264.89 |
| Diluted (In ₹) | | 42,347.57 | 92,264.89 |
| Summary of significant accounting policies | 19 | | |

The accompanying notes are an integral part of the condensed financial statement.

As per our report of even date

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

per C.K. Joshi
Partner
Membership No. 030428

Place: Pune
Date : April 23, 2016

**For and on behalf of the Board of Directors of**
**Aepona Software (Private) Limited**

Dr. Anand Deshpande
Director

Place: Pune
Date : April 23, 2016

Sunil Sapre
Director

Place: Pune
Date : April 23, 2016

## Aepona Software (Private) Limited

**CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2016**

| | | For the period ended March 31, 2016 (In ₹) |
|---|---|---|
| **Cash flow from operating activities** | | |
| **Profit before tax** | | **10,794,992** |
| Adjustments for: | | |
| Depreciation and amortization expense | | 5,595,496 |
| Exchange (gain)/loss on translation of foreign currency cash and cash equivalents | | (58) |
| Foreign currency translation reserve | | (287,132) |
| Unrealised exchange (gain)/loss | | (26,299) |
| **Operating profit before working capital changes** | | **16,076,999** |
| **Movements in working capital :** | | |
| Decrease / (Increase) in trade receivables | | (86,575,432) |
| (Decrease) / Increase in loans and advances | | (5,086,954) |
| (Decrease) / Increase in trade payables and current liabilities (including short term borrowings) | | 4,519,251 |
| (Decrease) / Increase in provisions | | 12,509,249 |
| **Operating profit after working capital changes** | | **(58,556,887)** |
| Direct taxes paid (net of refunds) | | - |
| **Net cash generated from operating activities** | **(A)** | **(58,556,887)** |
| **Cash flow from investing activities** | | |
| Payment towards capital expenditure | | (62,139) |
| **Net cash (used in) investing activities** | **(B)** | **(62,139)** |
| **Cash flow from financing activities** | | |
| **Net cash generated from financing activities** | **(C)** | **-** |
| Net increase in cash and cash equivalents **(A + B + C)** | | **(58,619,026)** |
| Cash and cash equivalents on acquisition | | 59,583,479 |
| Exchange difference on translation of foreign currency cash and cash equivalents | | 58 |
| **Cash and cash equivalents at the end of the reporting period/year** | | **964,511** |

| **Components of cash and cash equivalents** | **For the period ended March 31, 2016 (In ₹)** |
|---|---|
| Cash on hand | |
| Balances with banks | |
| - on current account | 964,511 |
| **Cash and cash equivalents in cash flow statement as per note 10** | **964,511** |

Summary of significant accounting policies (note 19)

The accompanying notes are an integral part of the condensed financial statement.

As per our report of even date

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

per C.K. Joshi
Partner
Membership No. 030428

Place: Pune
Date : April 23, 2016

**For and on behalf of the Board of Directors of**
**Aepona Software (Private) Limited**

Dr. Anand Deshpande
Director

Place: Pune
Date : April 23, 2016

Sunil Sapre
Director

Place: Pune
Date : April 23, 2016

## Aepona Software (Private) Limited

### NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENT

### 1. Share capital

| | As at March 31, 2016 (In ₹) |
|---|---|
| **Authorised** | |
| 117 Equity shares of LKR 100 each fully paid. | LKR 11,700 |
| | **LKR 11,700** |
| **Issued, subscribed and paid-up** | |
| 117 Equity shares of LKR 100 each fully paid. | 5,400 |
| All Shares are held by the Holding Company viz : Valista Ltd. | |
| | **5,400** |

**a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**
There is no movement in the shares outstanding at the beginning and at the end of the reporting period.

### 2. Reserves and surplus

| | | As at March 31, 2016 (In ₹) |
|---|---|---|
| **A. Foreign currency translation reserve** | | |
| Balance as per the last financial statements | | - |
| Add: Exchange difference during the reporting period on net investment in non-integral foreign operation | | (308,991) |
| | **(A)** | **(308,991)** |
| **B. Profit and (loss) account** | | |
| Balance as per the last financial statements | | 67,521,920 |
| Profit after tax for the reporting period | | 10,794,992 |
| | **(B)** | **78,316,912** |
| | **(A+B)** | **78,007,921** |

*(This space is intentionally left blank)*

## Aepona Software (Private) Limited

### NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENT

#### 3. Long-term provisions

| | As at March 31, 2016 (In ₹) |
|---|---|
| Provision for employee benefits | |
| - Gratuity | 6,594,649 |
| | **6,594,649** |

#### 4. Short term borrowings

| | As at March 31, 2016 (In ₹) |
|---|---|
| Advance from related parties (unsecured) | |
| - Persistent Systems Limited | 100,489 |
| - Persistent Systems Inc. | 4,827,676 |
| | **4,928,165** |

#### 5. Trade payables and other current liabilities

| | As at March 31, 2016 (In ₹) |
|---|---|
| Trade payables | 3,160,516 |
| | **3,160,516** |
| **Other current liabilities** | |
| Capital creditors | 774,986 |
| Statutory liabilities | 3,009,496 |
| Other current liabilities | 618,986 |
| | **4,403,468** |

#### 6. Short-term provisions

| | As at March 31, 2016 (In ₹) |
|---|---|
| Provision for employee benefits | |
| - Leave encashment | 5,294,459 |
| - Other employee benefits | 10,979,286 |
| - Provision for gratuity | 1,875,386 |
| | **18,149,131** |

## Aepona Software (Private) Limited

### NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENT

**7.1 Tangible assets**

(In ₹)

| | Plant and Machinery | Computers | Office Equipments | Furniture & Fixtures | Total |
|---|---|---|---|---|---|
| **Gross Block** | | | | | |
| **Balance as on April 1, 2015** | - | - | - | - | - |
| Additions on acquisition | 2,574,919 | 33,985,989 | 190,556 | 1,762,582 | 38,514,046 |
| Additions | | | | 62,139 | 62,139 |
| Disposals | - | - | - | - | - |
| Other Adjustments | | | | | |
| - Exchange differences | (8,646) | (114,126) | (640) | (6,388) | (129,800) |
| **As at March 31, 2016** | **2,566,273** | **33,871,863** | **189,916** | **1,818,333** | **38,446,385** |
| | | | | | |
| **Depreciation** | | | | | |
| **Balance as on April 1, 2015** | - | - | - | - | - |
| Additions on acquisition | 1,322,856 | 17,240,615 | 100,164 | 933,644 | 19,597,279 |
| charge for the period | 177,068 | 5,284,287 | 12,937 | 121,204 | 5,595,496 |
| Other Adjustments | | | | | |
| - Exchange differences | (5,779) | (97,760) | (434) | (4,056) | (108,029) |
| **As at March 31, 2016** | **1,494,145** | **22,427,142** | **112,667** | **1,050,792** | **25,084,746** |
| | | | | | |
| **Net Block** | | | | | |
| **As at March 31, 2016** | **1,072,128** | **11,444,721** | **77,249** | **767,541** | **13,361,639** |

**7.2 Depreciation and amortization**

| | For the quarter ended March 31, 2016 (In ₹) | For the period ended March 31, 2016 (In ₹) |
|---|---|---|
| On tangible assets | 2,547,365 | 5,595,496 |
| | **2,547,365** | **5,595,496** |

## Aepona Software (Private) Limited

### NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENT

#### 8. Long term loans and advances

| | As at March 31, 2016 (In ₹) |
|---|---|
| Security deposit | |
| Unsecured, considered good | 4,006,098 |
| | **4,006,098** |

#### 9. Trade receivables

| | As at March 31, 2016 (In ₹) |
|---|---|
| **Outstanding for a period less than six months from the date they are due for payment** | |
| Unsecured (considered good) | 86,578,477 |
| Less : Provision for doubtful debts | - |
| | **86,578,477** |

#### 10. Cash and bank balances

| | As at March 31, 2016 (In ₹) |
|---|---|
| **Cash and cash equivalents as presented in cash flow statement** | |
| Balances with banks | |
| -On current accounts | 964,511 |
| | **964,511** |

#### 11. Short-term loans and advances

| | As at March 31, 2016 (In ₹) |
|---|---|
| **Other loans and advances (unsecured, considered good)** | |
| VAT receivable | 4,448,010 |
| Advances recoverable in cash or kind or for value to be received | 2,796,175 |
| Advance to Company under same management | |
| - Aepona Limited UK | 2,306,704 |
| Deposits | 12,650 |
| | **9,563,539** |

## Aepona Software (Private) Limited

### NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENT

**12. Revenue from operations**

| | For the quarter ended March 31, 2016 (In ₹) | For the period ended March 31, 2016 (In ₹) |
|---|---|---|
| Software services | 62,951,807 | 123,988,053 |
| | **62,951,807** | **123,988,053** |

**13. Other income**

| | For the quarter ended March 31, 2016 (In ₹) | For the period ended March 31, 2016 (In ₹) |
|---|---|---|
| Foreign exchange gain (net) | - | 117,769 |
| | **-** | **117,769** |

**14. Personnel expenses**

| | For the quarter ended March 31, 2016 (In ₹) | For the period ended March 31, 2016 (In ₹) |
|---|---|---|
| **Employee benefits expense** | | |
| Salaries and wages | 40,604,245 | 78,197,962 |
| Defined contribution to other funds | 4,402,442 | 8,766,336 |
| Gratuity | (1,371,121) | (1,792,679) |
| Staff welfare and benefits | 1,500,721 | 2,506,175 |
| | **45,136,287** | **87,677,794** |

*(This space is intentionally left blank)*

## Aepona Software (Private) Limited

### NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENT

**15. Other expenses**

| | For the quarter ended March 31, 2016 (In ₹) | For the period ended March 31, 2016 (In ₹) |
|---|---|---|
| Travelling and conveyance | 3,206,601 | 6,531,749 |
| Electricity expenses | 1,466,962 | 3,015,168 |
| Internet link expenses | 799,128 | 1,347,090 |
| Communication expenses | 92,926 | 187,157 |
| Recruitment expenses | 106,107 | 106,107 |
| Insurance | 255 | 255 |
| Rent | 3,055,927 | 6,115,812 |
| Rates, fees and taxes | 253,165 | 415,223 |
| Legal and professional fees | 325,733 | 675,926 |
| -Plant and Machinery | 21,929 | 30,510 |
| -Building | - | 3,146 |
| Foreign exchange loss (net) | 266,765 | - |
| Computer consumables | 14,173 | 29,571 |
| Auditors' remuneration | 117,231 | 525,723 |
| Miscellaneous expenses | 586,587 | 1,054,103 |
| | **10,313,489** | **20,037,540** |

*(This space is intentionally left blank)*

**16. Earnings per share**

| | | For the quarter ended March 31, 2016 | For the period ended March 31, 2016 |
|---|---|---|---|
| **Numerator for Basic and Diluted EPS** | | | |
| Net Profit after tax (In ₹) | (A) | 4,954,666 | 10,794,992 |
| **Denominator for Basic EPS** | | | |
| Weighted average number of equity shares | (B) | 117 | 117 |
| **Denominator for Diluted EPS** | | | |
| Number of equity shares | (C) | 117 | 117 |
| **Basic Earnings per share of face value of LKR 100 each (In ₹)** | (A/B) | **42,347.57** | **92,264.89** |
| **Diluted Earnings per share of face value of LKR 100 each (In ₹)** | (A/C) | **42,347.57** | **92,264.89** |

*(This space is intentionally left blank)*

## Notes forming part of condensed financial statements

### 17. Nature of operations

Aeopana Software (Private) Ltd is a Sri Lanka based wholly owned subsidiary of Valista Limited. The principal activities of the Company are as follows:
- To carry on the business of application and systems developers, systems integrators, program and systems analysts, program and systems designers, program and systems testers and IT project managers for foreign customers.
- To specify, design, develop and test software applications for foreign customers.
- To install, maintain, manage and operate computer systems for foreign customers.

### 18. Basis of preparation

The condensed financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP) to comply in all material respects with the Accounting Standards specified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013. These condensed financial statements are prepared on an accrual basis and under the historical cost convention.

The condensed interim financial statements for the quarter and period ended on March 31, 2016 have been prepared in accordance with Accounting Standard 25 read with Rule 7 of the Companies (Accounts) Rules, 2014.

### 19. Summary of significant accounting policies

#### (a) Accounting year

The accounting year of the Company is from January 01 to December 31. Ultimate parent Company Aepona Holdings Limited was acquired through share purchase agreement on October 2nd, 2015 by Persistent Systems, Inc.. The accounts have been prepared from the date of acquisition and hence prior period/year numbers are not presented. The profit/loss till October 2nd, 2015 is considered in reserves therefore profit & loss account of the company consists of only the results for the period from October 3rd 2015 to March 31st 2016. These financial statements have been prepared only for the purpose of consolidation.

#### (b) Functional currency

The Company's functional currency is LKR.

#### (c) Use of estimates

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

#### (d) Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. The cost comprises the purchase price and directly attributable costs of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. Capital work-in-progress includes cost of fixed assets that are not ready to be put to use.
Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of

replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

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

**(e) Intangible assets**

**(i) Acquired intangible assets**

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

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

**(ii) Research and development cost**

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Company can demonstrate:
- technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the asset;
- its ability to use or sell the asset;
- how the asset will generate probable future economic benefits;
- the availability of adequate resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during development.

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

**(f) Depreciation and amortization**

Depreciation on tangible fixed assets is provided using the Straight Line Method ('SLM') over the useful lives of the assets estimated by the management.

The management estimates the useful lives for the fixed assets as follows:

| Assets | Useful Lives |
|---|---|
| Computers | 3 |
| Computers - Servers and networks* | 3* |
| Software | 3 |
| Office equipment | 5 |
| Plant and equipment | 5 |
| Furniture and Fixtures | 5 |

*For these classes of assets, based on internal assessment and independent technical evaluation carried out by external valuers, the management believes that the useful lives as given above best represent the period over which the management expects to use these assets. Hence the useful lives of these assets are different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013. Individual assets whose cost does not exceed ₹ 5,000 are fully depreciated in the year of acquisition.

Leasehold land is amortized on straight line basis over the period of the lease which is 95 years.

Leasehold improvements are amortized over the period of lease or useful life, whichever is lower. Intangible assets are amortized on a straight line basis over their estimated useful lives commencing from the day the asset is made available for use.

**(g) Impairment of tangible and intangible assets**

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

Recoverable amount of intangible under development that is not yet available for use is estimated at least at each financial period / year end even if there is no indication that the asset is impaired.
An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

**(h) Borrowing costs**

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings.
Borrowing costs directly attributable to the acquisition, construction or development of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the reporting period in which they occur.

**(i) Leases**

**Where the Company is a lessee**
Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases.

Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

**(j) Revenue recognition**

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

**(i) Income from software services**

Revenue from time and material engagements is recognized on time proportion basis as and when the services are rendered in accordance with the terms of the contracts with customers.
In case of fixed price contracts, revenue is recognized based on the milestones achieved as specified in the contracts, on proportionate completion basis.

Revenue from royalty is recognized in accordance with the terms of the relevant agreements.
Revenue from maintenance contracts and subscription is recognized on a pro-rata basis over the period of the contract.

## Notes forming part of condensed financial statements

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

Unbilled revenue represents revenue recognized in relation to work done on time and material projects and fixed price projects until the balance sheet date for which billing has not taken place.

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

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

**(ii) Interest**

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. Interest income is included under the head ‘Other income’ in the statement of profit and loss.

**(iii) Dividend**

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

### (k) Investments

Investments which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Current investments are carried at lower of cost and fair value, determined on category of investment basis. Long-term investments presented as non-current investments are carried at cost. However, provision for diminution in value is made to recognize a decline, other than temporary decline, in the value of investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.
Long-term investments presented as non- current investments are carried at cost.

### (l) Cash and cash equivalents

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

### (m) Foreign currency translation

**i. Initial recognition**

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

**ii. Conversion**

## Notes forming part of condensed financial statements

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

The exchange difference arising out of the period / year end conversion is translated to Currency Translation Reserve and the said amount is shown under the head “Reserves and Surplus”.

**iii. Settlement**

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

**iv. Translation of integral and non-integral foreign operation**

The Company classifies all its foreign operations as either “integral foreign operations” or “non-integral foreign operations.”

The financials statements of the integral foreign operations are translated as if the transactions of the foreign operations have been those of the Company itself.

The assets and liabilities of a non-integral foreign operation are translated into the reporting currency at the exchange rate prevailing at the reporting date. Their statement of profit and loss are translated at exchange rates prevailing at the dates of transactions or weighted average rates, where such rates approximate the exchange rate at the date of transaction. The exchange differences arising on translation are accumulated in the foreign currency translation reserve. On disposal of a non-integral foreign operation, the accumulated foreign currency translation reserve relating to that foreign operation is recognized in the statement of profit and loss.
When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

**(n) Retirement and other employee benefits**

**(i) Provident fund**

Provident fund is a defined contribution plan covering eligible employees. The Company and the eligible employees make a monthly contribution to the provident fund maintained. The contributions to the provident fund are charged to the statement of profit and loss for the period/ year when the contributions are due. The Company has no obligation, other than the contribution payable to the provident fund.

**(ii) Leave encashment**

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.
The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the reporting date. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

The Company presents the entire leave encashment liability as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

**(iii) Gratuity**

Gratuity is a defined benefit obligation plan operated by the Company for its employees covered under Company Gratuity Scheme. The cost of providing benefit under gratuity plan is determined on the basis of actuarial valuation using the projected unit credit method at the reporting date. Actuarial gains and losses are recognized in full in the statement of profit and loss in the reporting period in which they occur.

**(o) Income taxes**

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

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

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

In the situations where the Company is entitled to a tax exemption under the Inland Revenue Act, enacted in Sri Lanka, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the period/ year in which the timing differences originate. However, the Company restricts recognition of deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

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

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

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

**(p) Earnings per share (EPS)**

## Notes forming part of condensed financial statements

Basic earnings per share are calculated by dividing the net profit for the reporting period / year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period / year. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares), if any occurred during the reporting period, that have changed the number of equity shares outstanding, without a corresponding change in resources.

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

**(q) Provisions**

A provision is recognized when the Company has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

**(r) Contingent liabilities**

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

**20. Contingent liability**

The Company does not have any contingent liability as on March 31, 2016.

**21. Income tax expense**

As per the section 13 (ddd) of the Inland Revenue Act ‘the profits and income earned in foreign currency by any resident company, any resident individual or any partnership in Sri Lanka, from any service rendered in or outside Sri Lanka to any person or partnership outside Sri Lanka, other than any commission, discount or similar receipt for any such service rendered in Sri Lanka, if such profits and income (less such amount, if any, expended outside Sri Lanka as is considered by the Commissioner General to be reasonable expenses) are remitted to Sri Lanka through a bank, shall be exempt from Income tax.

*(This space is intentionally left blank)*

## Notes forming part of condensed financial statements

**22. Previous period / year comparatives**

The Company was acquired by Persistent Systems Inc. on October 2, 2015 by virtue of share purchase agreement with ultimate parent company Aepona Holdings Ltd. Hence previous year / period numbers are not given.

As per our report of even date

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

per C.K. Joshi
Partner
Membership No.030428
Place: Pune
Date: April 23, 2016

**For and on behalf of the Board of Directors of**
**Aepona Software (Private) Limited**

Dr. Anand Deshpande
Director

Place: Pune
Date: April 23, 2016

Sunil Sapre
Director

Place: Pune
Date: April 23, 2016