

CONDENSED BALANCE SHEET AS AT JUNE 30, 2014

	Note	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
EQUITY AND LIABILITIES				
Shareholders' funds				
Share capital	1	473,587,850	473,587,850	473,587,850
Reserves and surplus	2	107,384,360	43,604,834	148,289,016
	(A)	580,972,210	517,192,684	621,876,866
Non- current liabilities				
Long-term borrowings	3	300,900,000	296,900,000	299,700,000
Other long term liabilities	4	310,071,613	597,937,480	306,170,583
	(B)	610,971,613	894,837,480	605,870,583
Current liabilities				
Short term borrowings	5	19,202,924	106,825,028	99,666,192
Trade payables	6	792,076,210	603,163,595	595,545,747
Other current liabilities	6	725,599,085	311,429,441	682,959,569
Short-term provisions	7	326,641,383	227,988,863	353,203,771
	(C)	1,863,519,602	1,249,406,927	1,731,375,279
TOTAL	(A)+(B)+(C)	3,055,463,425	2,661,437,091	2,959,122,728
ASSETS				
Non-current assets				
Fixed assets				
- Tangible assets	8.1	62,596,484	28,559,819	62,333,623
- Intangible assets	8.2	744,470,889	913,569,772	780,905,454
- Capital work-in-progress		-	175,705	2,154,392
		807,067,373	942,305,296	845,393,469
Non-current investments	9	441,671,732	368,156,000	439,910,329
Deferred tax assets (net)	10	3,473,342	48,619,275	8,659,832
Long term loans and advances	11	161,276,791	158,378,977	160,633,614
Other non-current assets	12	518,574	144,634	429,383
	(A)	1,414,007,812	1,517,604,182	1,455,026,627
Current assets				
Trade receivables	13	1,130,992,606	797,102,689	1,031,751,806
Cash and bank balance	14	295,097,125	248,526,601	242,955,316
Short-term loans and advances	15	132,650,906	23,093,982	119,431,233
Other current assets	16	82,714,976	75,109,637	109,957,746
	(B)	1,641,455,613	1,143,832,909	1,504,096,101
TOTAL	(A) + (B)	3,055,463,425	2,661,437,091	2,959,122,728

Summary of significant accounting policies

24

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

As per our report of even date

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

For and on behalf of the Board of Directors of
Persistent Systems Inc.

per C. K. Joshi
 Partner
 Membership No. 030428

Dr. Anand Deshpande
 Director

Ranga Puranik
 President & Director

Place: Pune
 Date : July 26, 2014

Place: Pune
 Date : July 26, 2014

Place: Santa Clara
 Date : July 26, 2014

CONDENSED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER ENDED JUNE 30, 2014

	Note	For the quarter ended		For the year ended
		June 30, 2014	June 30, 2013	March 31, 2014
		(In ₹)	(In ₹)	(In ₹)
Income				
Revenue from operations (net)	17	1,666,829,386	1,176,763,180	5,714,086,599
Other income	18	832,599	15,783,872	1,327,076
Total revenue (A)		1,667,661,985	1,192,547,052	5,715,413,675
Expenses				
Employee benefit expenses	19.1	811,156,876	560,545,631	2,672,545,644
Cost of technical professionals	19.2	633,282,599	459,987,247	2,057,832,792
Other expenses	20	210,759,982	198,634,592	691,142,032
Financial costs		4,466,813	4,322,166	19,092,116
Depreciation and amortization expense	8.3	45,928,614	34,217,568	196,299,509
Total expenses (B)		1,705,594,884	1,257,707,204	5,636,912,093
Profit/ (Loss) before tax (A - B)		(37,932,899)	(65,160,152)	78,501,582
Tax expense				
Current tax		-	-	6,748,390
Deferred tax Charge/(Credit)		5,188,249	2,706,428	43,974,149
Total tax expense		5,188,249	2,706,428	50,722,539
(Loss)/Profit for the period from continuing operations		(43,121,148)	(67,866,580)	27,779,043
(Loss)/Profit after tax		(43,121,148)	(67,866,580)	27,779,043
Earnings per equity share [nominal value of Share \$ 0.10] (Previous year \$0.10)	21			
Basic (In ₹)		(0.44)	(0.70)	0.29
Diluted (In ₹)		(0.44)	(0.70)	0.29
Summary of significant accounting policies	24			

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

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For and on behalf of the Board of Directors of
Persistent Systems Inc.

per C. K. Joshi
Partner
Membership No. 030428

Dr. Anand Deshpande
Director

Ranga Puranik
President & Director

Place: Pune
Date : July 26, 2014

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Place: Santa Clara
Date : July 26, 2014

Persistent Systems Inc.
CASH FLOW STATEMENT FOR THE QUARTER ENDED JUNE 30, 2014
(Amount in ₹)

Particulars	For the quarter ended		For the year ended
	June 30, 2014	June 30, 2013	March 31, 2014
Cash flow from operating activities			
Profit before taxation	(37,932,899)	(65,160,152)	78,501,582
Adjustments for:			
Foreign currency translation reserve	9,468,471	(3,602,433)	86,854,855
Interest income	(121,987)	(80,329)	(761,878)
Depreciation	45,928,614	34,217,568	196,299,509
Finance cost	4,466,813	4,322,166	19,092,116
Foreign exchange loss / (gain)	341,870	-	1,044,904
Bad debts written off	-	14,181,175	15,371,864
Provision for doubtful debts	(547,655)	(15,633,357)	30,716,059
Operating profit before working capital changes	21,603,227	(31,755,362)	427,119,011
Movements in working capital :			
(Increase)/decrease in sundry debtors	(99,035,015)	(141,129,164)	(424,363,290)
(Increase)/decrease in other current assets	27,242,770	(6,260,577)	(41,108,686)
(Increase)/decrease in loans and advances	(13,219,673)	(4,533,832)	(101,729,581)
Increase/(decrease) in trade payables and current liabilities	166,015,629	414,588,087	464,355,702
Increase/(decrease) in provisions	(24,397,098)	(44,914,025)	83,598,074
Operating profit after working capital changes	78,209,840	185,995,127	407,871,230
Direct taxes paid (net of refunds)	(2,165,290)	(28,860,717)	(38,906,298)
Net cash flow from operating activities	A 76,044,550	157,134,410	368,964,932
Cash flows from investing activities			
Payments towards Capital Expenditure	(20,228,597)	(42,253,419)	(178,997,194)
Intercompany deposit placed	-	(18,026,178)	(18,026,178)
Sale of investments	-	-	-
Investment in subsidiaries - Cloudsquad Inc.	-	-	(33,816,829)
Investment in other companies	-	-	(34,465,500)
(Investments in)/maturity of bank deposits having original maturity over 3 months	(1,978)	-	8,558
Interest received	32,796	-	387,326
Net cash flow from investing activities	B (20,197,779)	(60,279,597)	(264,909,817)
Cash flows from financing activities			
Proceeds from short-term borrowings	-	-	-
Payment of Interest	(3,706,940)	-	(12,634,611)
Net cash flow from financing activities	C (3,706,940)	-	(12,634,611)
Net increase in cash and cash equivalents (A + B + C)	52,139,831	96,854,813	91,420,504
Cash and cash equivalents at the beginning of the period/ year	241,601,828	150,181,324	150,181,324
Cash and cash equivalents at the end of the period/ year (Refer Note 14)	293,741,659	247,036,137	241,601,828
Components of cash and cash equivalents as at	June 30, 2014	June 30, 2013	March 31, 2014
Cash on hand	6,506	6,420	6,480
Bank Balances with Banks	293,735,153	247,029,717	241,595,348
Cash and cash equivalents	293,741,659	247,036,137	241,601,828
(Refer Note 14)			
Summary of significant accounting policies	24		

As per our report of even date

For Joshi Apte & Co.
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Chartered Accountants

For and on behalf of the Board of Directors of
Persistent Systems Inc.

per C. K. Joshi
Partner
Membership No. 030428

Dr. Anand Deshpande
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President & Director

Place: Pune
Date : July 26, 2014

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Place: Santa Clara
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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS
1. Share capital

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Authorised			
120,000,000 (Previous year 120,000,000) Common Shares of \$0.10 each.	US \$ 12,000,000	US \$ 12,000,000	US \$ 12,000,000
	US \$ 12,000,000	US \$ 12,000,000	US \$ 12,000,000
Issued, subscribed and paid-up			
97,000,000 (Previous period 97,000,000) Common Shares of \$0.10 each fully paid up.	473,587,850	473,587,850	473,587,850
All shares are held by Holding Company viz. Persistent Systems Limited			
	473,587,850	473,587,850	473,587,850

2. Reserves and surplus

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
A. Foreign currency translation reserve			
Balance as per last financial statements	104,455,663	48,688,318	48,688,318
Add: Exchange difference during the period / year on net investment in non-integral foreign operation	2,216,492	46,728,786	55,767,345
(A)	106,672,155	95,417,104	104,455,663
B. Profit and loss account			
Balance as per last financial statements	43,833,353	16,054,310	16,054,310
Profit after tax for the reporting period	(43,121,148)	(67,866,580)	27,779,043
(B)	712,205	(51,812,270)	43,833,353
(A+B)	107,384,360	43,604,834	148,289,016

3. Long-term borrowings

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Unsecured			
Inter company borrowing			
- Persistent Systems Limited.	300,900,000	296,900,000	299,700,000
(Repayment Terms : At the end of three years)			
(Rate of Interest: LIBOR + 350 bps)			
(Refer Note No 5 for short term portion)			
	300,900,000	296,900,000	299,700,000

4. Other long term liabilities

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Capital creditors			
Interest accrued but not due on loans	300,900,000	593,800,000	299,700,000
-Persistent Systems Ltd	9,171,613	4,137,480	6,470,583
	310,071,613	597,937,480	306,170,583

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS
5. Short term borrowings

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Loans and advances from related parties			
-Persistent Systems Limited	15,563,372	17,749,732	7,621,539
-Persistent Systems France SAS	3,639,552	-	2,134,653
Interest payable			
-Persistent Telecom Solutions Inc	-	5,296	-
Unsecured			
Inter company borrowing			
- Persistent Systems Limited. (Repayment terms : At the end of three years) (Rate of Interest: LIBOR + 350 bps)	-	89,070,000	89,910,000
	19,202,924	106,825,028	99,666,192

6. Trade payables and other current liabilities

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Trade payables	792,076,210	603,163,595	595,545,747
	792,076,210	603,163,595	595,545,747
Other current liabilities			
Unearned revenue	273,200,691	111,375,554	323,854,022
Capital creditors	302,041,249	1,642,793	307,409,010
Other payables			
- Statutory liabilities	7,868,619	4,738,632	7,026,358
- Accrued employee liabilities	32,023,316	42,299,448	29,234,551
Advance from customer	110,465,210	149,816,309	13,494,471
Other current liabilities			-
Interest accrued but not due on loans			
-Persistent Systems Ltd	-	1,556,705	1,941,157
	725,599,085	311,429,441	682,959,569

7. Short-term provisions

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Provision for employee benefits			
- Leave encashment	85,937,980	90,741,492	81,880,277
- Other employee benefits	231,379,842	123,011,753	260,385,067
Others			
Provision for income tax (net of advance tax)	8,773,137	14,235,618	10,938,427
VAT payable (net)	550,424	-	-
	326,641,383	227,988,863	353,203,771

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS
8.1 Tangible assets

	(In ₹)			
	Office Equipment	Computers	Furniture & fixtures	Total
Gross block				
As at April 1, 2014	2,978,214	62,266,171	28,636,429	93,880,814
Additions	-	6,678,650	-	6,678,650
Other adjustments				
- Exchange differences	11,924	242,555	114,660	369,139
As at June 30, 2014	2,990,138	69,187,376	28,751,089	100,928,603
Depreciation				
As at April 1, 2014	1,429,826	26,512,586	3,604,779	31,547,191
Charge for the period	100,118	5,099,575	1,416,952	6,616,645
Other adjustments				
- Exchange differences	6,360	138,502	23,421	168,283
As at June 30, 2014	1,536,304	31,750,663	5,045,152	38,332,119
Net block				
As at June 30, 2014	1,453,834	37,436,713	23,705,937	62,596,484
As at March 31, 2014	1,548,388	35,753,585	25,031,650	62,333,623

	(In ₹)			
	Office Equipment	Computers	Furniture & fixtures	Total
Gross block				
As at April 1, 2013	1,641,262	23,079,723	2,136,071	26,857,056
Additions	-	13,939,639	-	13,939,639
Disposals				-
Other adjustments				
- Exchange differences	154,374	3,291,236	200,891	3,646,501
As at June 30, 2013	1,795,636	40,310,598	2,336,962	44,443,196
Depreciation				
As at April 1, 2013	914,926	10,285,334	489,245	11,689,505
Charge for the period	72,610	2,743,363	110,048	2,926,021
Disposals				-
Other adjustments				
- Exchange differences	90,235	1,125,266	52,350	1,267,851
As at June 30, 2013	1,077,771	14,153,963	651,643	15,883,377
Net block				
As at June 30, 2013	717,865	26,156,635	1,685,319	28,559,819

	(In ₹)			
	Office Equipment	Computers	Furniture & fixtures	Total
Gross Block				
As at April 1, 2013	1,641,262	23,079,723	2,136,071	26,857,056
Additions	1,207,878	36,041,261	27,225,054	64,474,193
Disposals				
Other adjustments				
- Exchange differences	129,074	3,145,187	(724,696)	2,549,565
As at March 31, 2014	2,978,214	62,266,171	28,636,429	93,880,814
Depreciation				
As at April 1, 2013	914,926	10,285,334	489,245	11,689,505
Charge for the period	425,863	15,387,109	3,111,668	18,924,640
Disposals				
Other adjustments				
- Exchange differences	89,037	840,143	3,866	933,046
As at March 31, 2014	1,429,826	26,512,586	3,604,779	31,547,191
Net Block				
As at March 31, 2014	1,548,388	35,753,585	25,031,650	62,333,623
As at March 31, 2013	726,336	12,794,389	1,646,826	15,167,551

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Persistent Systems Inc.
NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS
8.2 Intangible assets

	(In ₹)		
	Software	Acquired contractual rights	Total
Gross block			
As at April 1, 2014	975,067,357	73,670,276	1,048,737,633
Additions	-	-	-
Other adjustments			
- Exchange differences	3,904,174	294,976	4,199,150
As at June 30, 2014	978,971,531	73,965,252	1,052,936,783
Amortization			
As at April 1, 2014	200,716,912	67,115,267	267,832,179
Charge for the period	38,001,133	1,310,836	39,311,969
Other adjustments			
- Exchange differences	1,044,702	277,044	1,321,746
As at June 30, 2014	239,762,747	68,703,147	308,465,894
Net block			
As at June 30, 2014	739,208,784	5,262,105	744,470,889
As at March 31, 2014	774,350,445	6,555,009	780,905,454

	(In ₹)		
	Software	Acquired contractual rights	Total
Gross block			
As at April 1, 2013	52,505,092	66,707,611	119,212,703
Additions	829,030,500	-	829,030,500
Disposals	-	-	-
Other adjustments			
- Exchange differences	84,422,026	6,274,357	90,696,383
As at June 30, 2013	965,957,618	72,981,968	1,038,939,586
Amortization			
As at April 1, 2013	52,505,092	31,839,209	84,344,301
Charge for the period	26,270,248	5,021,299	31,291,547
Other adjustments			
- Exchange differences	4,938,526	4,795,440	9,733,966
As at June 30, 2013	83,713,866	41,655,948	125,369,814
Net block			
As at June 30, 2013	882,243,752	31,326,020	913,569,772

	(In ₹)		
	Software	Acquired contractual rights	Total
Gross Block			
As at April 1, 2013	52,505,092	66,707,611	119,212,703
Additions	831,521,739	-	831,521,739
Disposals	-	-	-
Other adjustments			
- Exchange differences	91,040,526	6,962,665	98,003,191
As at March 31, 2014	975,067,357	73,670,276	1,048,737,633
Amortization			
As at April 1, 2013	52,505,092	31,839,209	84,344,301
Charge for the period	144,929,917	32,444,952	177,374,869
Other adjustments			
- Exchange differences	3,281,903	2,831,106	6,113,009
As at March 31, 2014	200,716,912	67,115,267	267,832,179
Net Block			
As at March 31, 2014	774,350,445	6,555,009	780,905,454
As at March 31, 2013	-	34,868,402	34,868,402

8.3 Depreciation and amortization

	For the quarter ended June 30, 2014 (In ₹)	For the quarter ended June 30, 2013 (In ₹)	For the year ended March 31, 2014 (In ₹)
On tangible assets	6,616,645	2,926,021	18,924,640
On intangible assets	39,311,969	31,291,547	177,374,869
	45,928,614	34,217,568	196,299,509

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS
9. Non-current investments

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Investments in Equity Instruments (At cost)			
Trade (Unquoted)			
In Wholly owned Subsidiary Companies			
Persistent Telecom Solutions Inc.			
2,480 (Previous period 2,480; Previous year 2,480) shares of \$ 0.001 each, fully paid up	373,116,000	368,156,000	371,628,000
Cloud Squads Inc.	33,952,232	-	33,816,829
8500000 (Previous year NIL) equity shares of \$ 0.0000053 each, fully paid up			
Investments in Preferred Stocks (At cost)	12,036,000	-	11,988,000
In Hyginex, Inc.			
250000 (Previous period Nil, Previous year - 250000) Preference shares of \$ 0.001 each, fully paid up			
Investments in Convertible notes (At cost)			
Trade (Unquoted)			
In DxNow			
1 (Previous period Nil; Previous year - 1) Note of \$ 125,000.0 each, fully paid up	7,522,500	-	7,492,500
In Ustyme			
1 (Previous period Nil; Previous year - 1) Note of \$ 250,000.0 each, fully paid up	15,045,000	-	14,985,000
	441,671,732	368,156,000	439,910,329

10. Deferred tax assets

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Deferred tax assets			
Provision for doubtful debts	34,819,138	14,629,101	34,916,602
Employee related payments	19,898,666	-	-
Leave encashment	36,953,331	39,018,841	35,208,519
	91,671,135	53,647,942	70,125,121
Deferred tax liability			
Difference in depreciation as per books of US tax laws	(88,197,793)	(5,028,667)	(61,465,289)
Deferred tax asset (net)	3,473,342	48,619,275	8,659,832

11. Long term loans and advances

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Unsecured, considered good			
Loans to related parties			
- Persistent Telecom Solutions Inc	159,477,000	157,357,000	158,841,000
Other loans and advances			
- Security deposits	1,799,791	1,021,977	1,792,614
	161,276,791	158,378,977	160,633,614

12. Other non-current assets

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Unsecured, considered good			
Interest accrued but not due			
-on convertible notes	344,591	-	343,217
- Persistent Telecom Solutions Inc	173,983	144,634	86,166
	518,574	144,634	429,383

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS
13. Trade receivables

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Outstanding for a period exceeding six months from the date they are due for payment			
Unsecured (considered good)	962,880	32,719,977	-
Unsecured (considered doubtful)	60,625,076	28,615,266	49,723,946
	61,587,956	61,335,243	49,723,946
Less : Provision for doubtful debts	60,625,076	28,615,266	49,723,946
	962,880	32,719,977	-
Others			
Unsecured (considered good)	1,130,029,726	764,382,712	1,031,751,806
Unsecured (considered doubtful)	20,349,566	5,405,933	31,477,431
	1,150,379,292	769,788,645	1,063,229,237
Less : Provision for doubtful debts	20,349,566	5,405,933	31,477,431
	1,130,029,726	764,382,712	1,031,751,806
	1,130,992,606	797,102,689	1,031,751,806

14. Cash and bank balance

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Cash and cash equivalents as presented in cash flow statement			
Balances with banks			
On current account	293,735,153	247,029,717	241,595,348
Cash on hand	6,506	6,420	6,480
Other bank balances			
On deposit account with maturity more than three months but less than twelve months	1,355,466	1,490,464	1,353,488
	295,097,125	248,526,601	242,955,316

15. Short-term loans and advances

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Unsecured considered good			
Advance to related parties			
- Persistent Telecom Solutions, Inc.	27,622,037	2,364,962	24,767,255
Advance to employees			
- CloudSqards Inc.	9,545,319	-	5,874,120
Others			
- Deposits	60,180	-	-
- Advances recoverable in cash or kind or for value to be received	95,423,370	20,729,020	88,789,858
	132,650,906	23,093,982	119,431,233

16. Other current assets

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Unbilled revenue	82,714,976	75,109,637	109,957,746
	82,714,976	75,109,637	109,957,746

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

17. Revenue from operations

	For the quarter ended		For the year ended
	June 30, 2014	June 30, 2013	March 31, 2014
	(In ₹)	(In ₹)	(In ₹)
Sale of software products	71,290,189	10,214,590	93,099,109
Sale of software services	1,595,539,197	1,166,548,590	5,620,987,490
	1,666,829,386	1,176,763,180	5,714,086,599

18. Other income

	For the quarter ended		For the year ended
	June 30, 2014	June 30, 2013	March 31, 2014
	(In ₹)	(In ₹)	(In ₹)
Interest income	35,067	290	58,983
Interest on intercorporate deposit	86,920	80,039	354,392
Interest on convertible notes	-	-	348,503
Miscellaneous income	162,957	70,186	565,198
Provision for doubtful debts written back	547,655	15,633,357	-
	832,599	15,783,872	1,327,076

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS
19. Personnel expenses

	For the quarter ended June 30, 2014 (In ₹)	June 30, 2013 (In ₹)	For the Year ended March 31, 2014 (In ₹)
19.1 Employee benefit expenses			
Salaries and wages	804,798,583	557,326,436	2,654,181,826
Staff welfare and benefits	6,358,293	3,219,195	18,363,818
	811,156,876	560,545,631	2,672,545,644
19.2 Technical, professional charges			
Related parties	421,863,679	294,607,588	1,294,874,257
Others	211,418,920	165,379,659	762,958,535
	633,282,599	459,987,247	2,057,832,792
	1,444,439,475	1,020,532,878	4,730,378,436

20. Other expenses

	For the quarter ended June 30, 2014 (In ₹)	June 30, 2013 (In ₹)	For the Year ended March 31, 2014 (In ₹)
Travelling and conveyance	152,016,468	105,474,748	352,798,900
Electricity expenses	381,042	168,446	1,132,768
Internet link expenses	1,020,476	557,581	2,912,353
Communication expenses	4,834,625	6,142,003	21,070,005
Recruitment expenses	5,812,247	3,499,553	12,252,257
Training and seminars	328,366	112,017	1,407,462
Purchase of software licenses and support expenses	6,510,660	13,392,434	43,556,575
Bad debts	-	14,181,175	15,371,864
Provision for doubtful debts	-	-	30,716,059
Rent	5,065,958	3,271,041	16,571,129
Insurance	196,531	-	409,466
Rates, fees and profession tax	487,506	286,530	2,015,140
Legal and professional fees	7,194,777	15,297,458	66,677,869
Repairs and maintenance			
-Plant and machinery	88,690	73,653	335,146
- Others	111,090	22,460	351,794
Commission on sales to other than sole selling agents	897,011	-	2,658,678
Advertisement and sponsorship fees	6,304,176	7,336,836	19,350,660
Computer consumables	136,349	153,525	2,599,957
Auditors' remuneration	54,837	56,879	246,679
Donations	2,990,035	2,807,440	6,098,554
Books, memberships, subscriptions	3,966,827	1,302,980	9,580,001
Foreign exchange loss (net)	341,870	1,097,294	1,044,904
Hosting fees	4,006,106	15,026,912	40,955,449
Cost-revenue sharing	4,676,392	6,683,055	29,416,200
Miscellaneous expenses	3,337,943	1,690,572	11,612,163
	210,759,982	198,634,592	691,142,032

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Persistent Systems Inc.

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

21. Earnings per share

Particulars		For the quarter ended		For the year ended
		June 30, 2014 (In ₹)	June 30, 2013 (In ₹)	March 31, 2014 (In ₹)
Basic earnings per share				
<u>Numerator</u>				
Net Profit / (loss) after tax	A	(43,121,148)	(67,866,580)	27,779,043
<u>Denominator</u>				
Weighted average number of equity share	B	97,000,000	97,000,000	97,000,000
Basic/diluted earnings per share (Face value of US \$ 0.10 each)	A / B	(0.44)	(0.70)	0.29

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

22. Nature of operations

Persistent Systems, Inc is a wholly owned subsidiary of Persistent Systems Ltd. The company is specialized in software product, services and technology innovation.

23. Basis of preparation

The condensed financial statements of the company are prepared in accordance with generally accepted accounting principles in India (Indian GAAP) to comply in all material respects with the Accounting Standard notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 2013 (to the extent notified). These condensed financial statements are prepared on an accrual basis and under the historical cost convention. The accounting policies are consistently applied by the company during the period and are consistent with those used in previous period/ year.

The condensed interim financial statements for the quarter ended on June 30, 2014 have been prepared in accordance with Accounting Standard 25 notified by Companies (Accounting Standards) Rules, (as amended) 2006.

24. Summary of significant accounting policies

A. Accounting year

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

B. Functional currency

The company's functional currency is the U.S. Dollar

C. Use of estimates

The preparation of the condensed financial statements in conformity with Indian GAAP 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/year. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

D. Tangible fixed assets

Tangible assets are stated at cost, less accumulated depreciation and impairment losses, if any. The cost comprises the purchase price and any 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/year during which such expenses are incurred.

Gains or losses arising from derecognition 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 derecognized.

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

E. Intangible assets

a) Acquired intangible assets

Intangible assets including software licenses of enduring nature and acquired contractual rights acquired separately are measured on initial recognition at cost. Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Internally generated intangible assets, excluding capitalized development costs are reflected as expenditure in the statement of profit and loss in the reporting period/year in which these are incurred.

Gains or losses arising from derecognition 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 derecognized.

b) 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 and use or sell it;
- 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 capitalized expenditure is reflected as intangibles 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 commenced when the development is complete and the asset is available for use.

F. Depreciation and amortisation

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 years
Computers - Servers and networks*	3 years
Office equipments	5 years
Furniture and fixtures*	5 years

*For these classes of assets, based on internal assessment 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.

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

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. 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. Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis.

Long-term investments presented as non-current investments are carried at cost.

I. 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 recognised on time basis in accordance with the terms of the contracts.

Revenue from fixed price engagements is recognised in accordance with the proportionate completion method as per terms of contracts.

Revenue from licensing of products is recognised on delivery of products.

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

Revenue from royalty is recognised on sale of products in accordance with the terms of the relevant agreement.

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 recognised as per the terms of contract.

The company collects sales tax on behalf of the government and, therefore, these are not economic benefits following to the company. Hence, they are excluded from revenue.

ii. Interest

Income from interest is recognised 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.

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

iii. Dividends

Income from dividend is recognised when the Company's right to receive payment is established by the Balance Sheet date. Dividend from subsidiaries is recognised even if such dividend is declared after the Balance Sheet date but pertains to period on or before the date of Balance Sheet as per the requirement of Schedule VI of the Companies Act, 1956.

J. Foreign currency transaction and translation

i. Initial recognition

Foreign currency transactions are recorded in the functional currency viz. USD 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

The transactions are in US Dollars, 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 and investments 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/year.

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

iii. Settlement:

Revenue, 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/year in which the transaction is settled.

K. Retirement and other employee benefits

i. Gratuity

The Company is not liable to pay gratuity as per the payment of Gratuity Act 1972.

ii. Superannuation

The Company does not have any superannuation scheme.

iv. Provident fund

The Company is not liable to pay Provident Fund as per the Provident Fund Act 1952.

v. 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.

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

L. 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 United States of America's tax laws. Deferred income tax reflects the impact of current period/year timing differences between taxable income and accounting income for the period/year and reversal of timing differences of earlier period/years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

In situation 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.

At each balance sheet 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.

M. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand, bank deposits and short-term investments with an original maturity of three months or less.

N. Lease

Where the company is a lessee, assets acquired as leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Operating lease payments are recognised as an expense in the Profit and Loss account on a straight-line basis over the lease term.

O. Earnings per share (EPS)

The earnings considered in ascertaining EPS comprise the amount attributable to Equity Shareholders. The number of shares used in computing the basic earning per share is the weighted average number of shares outstanding during the period/year.

P. Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources 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 balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Q. Contingent liabilities

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

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

25. Contingent liability

The Company does not have any contingent liability as on June 30, 2014 (Previous year ₹ Nil).

26. Investment in CloudSquads, Inc.

On February 10, 2014, the Company, acquired the entire equity capital of US based CloudSquads, Inc., for an upfront consideration of USD 0.56 million. The stock purchase agreement provides for additional consideration, contingent upon certain conditions being met in future years. The additional contingent consideration payable to the selling shareholders is subject to a maximum amount of USD 2.93 million. The contingent consideration would be recorded, as and when the contingency is resolved and the consideration is payable.

27. Previous period/year comparatives

Previous period's / year's figures have been regrouped wherever necessary to conform with current period/years classification.

As per our report of even date

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

For and on behalf of the Board of Directors
Persistent Systems Inc.

per C.K. Joshi
Partner
Membership No. 30428
Place: Pune
Date : July 26, 2014

Dr. Anand Deshpande
Director

Place: Pune
Date : July 26, 2014

Ranga Puranik
President & Director

Place: Santa Clara
Date: July 26, 2014
