

**Persistent Systems Inc.****CONDENSED BALANCE SHEET AS AT MARCH 31, 2016**

	Note	As at March 31, 2016 (In ₹)	As at March 31, 2015 (In ₹)
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	1	1,200,917,850	778,712,850
Share Application money pending allotment	1.1	668,000,000	-
Reserves and surplus	2	833,425,663	561,172,057
	<b>(A)</b>	<b>2,702,343,513</b>	<b>1,339,884,907</b>
<b>Non- current liabilities</b>			
Deferred tax liability (net)	8	36,492,416	60,691,510
	<b>(B)</b>	<b>36,492,416</b>	<b>60,691,510</b>
<b>Current liabilities</b>			
Short term borrowings	3	309,050,579	7,768,681
Trade payables	4	2,445,814,341	687,337,098
Other current liabilities	4	1,020,996,993	1,122,027,265
Short-term provisions	5	555,823,230	469,702,506
	<b>(C)</b>	<b>4,331,685,143</b>	<b>2,286,835,550</b>
<b>TOTAL</b>	<b>(A)+(B)+(C)</b>	<b>7,070,521,072</b>	<b>3,687,411,967</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
- Tangible assets	6.1	88,324,333	73,229,663
- Intangible assets	6.2	625,361,866	649,520,537
- Capital work-in-progress		8,838,868	-
- Intangible assets under development		195,351,915	-
		917,876,982	722,750,200
Non-current investments	7	1,062,405,687	458,551,841
Long term loans and advances	9	905,909,570	204,235,905
Other non-current assets	10	-	-
	<b>(A)</b>	<b>2,886,192,239</b>	<b>1,385,537,946</b>
<b>Current assets</b>			
Trade receivables	11	2,541,982,177	1,638,514,413
Cash and bank balance	12	375,666,847	118,791,714
Short-term loans and advances	13	373,818,507	206,122,706
Other current assets	14	892,861,302	338,445,188
	<b>(B)</b>	<b>4,184,328,833</b>	<b>2,301,874,021</b>
<b>TOTAL</b>	<b>(A) + (B)</b>	<b>7,070,521,072</b>	<b>3,687,411,967</b>
Summary of significant accounting policies	22		

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

Sudhir Kulkarni  
Director

Place: Pune  
Date : April 23, 2016

Place: Pune  
Date : April 23, 2016

Place: Santa Clara  
Date : April 23, 2016

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

	Note	For the quarter ended		For the year ended	
		March 31, 2016 (In ₹)	March 31, 2015 (In ₹)	March 31, 2016 (In ₹)	March 31, 2015 (In ₹)
<b>Income</b>					
Revenue from operations (net)	15	3,446,923,588	2,194,101,208	10,378,027,668	8,115,290,156
Other income	16	403,354,235	9,706,128	12,630,286	7,571,223
<b>Total revenue (A)</b>		<b>3,850,277,823</b>	<b>2,203,807,336</b>	<b>10,390,657,954</b>	<b>8,122,861,379</b>
<b>Expenses</b>					
Employee benefit expenses	17.1	1,901,179,767	1,061,918,159	5,428,604,039	3,643,506,676
Cost of technical professionals	17.2	993,230,034	757,148,542	3,444,474,896	2,956,658,788
Other expenses	18	404,981,005	224,843,666	1,223,577,179	797,597,570
Financial costs		2,747,725	3,635,948	14,240,368	15,950,612
Depreciation and amortization expense	6.3	65,822,530	49,865,579	227,854,118	194,723,869
<b>Total expenses (B)</b>		<b>3,367,961,061</b>	<b>2,097,411,894</b>	<b>10,338,750,600</b>	<b>7,608,437,515</b>
<b>Profit/(Loss) before extraordinary items and tax</b>		<b>482,316,762</b>	<b>106,395,442</b>	<b>51,907,354</b>	<b>514,423,864</b>
Extraordinary Items		-	-	-	-
<b>Profit/(Loss) before tax (A - B)</b>		<b>482,316,762</b>	<b>106,395,442</b>	<b>51,907,354</b>	<b>514,423,864</b>
<b>Tax expense</b>					
Current tax		-	1,548,777	-	94,155,891
Tax charge in respect of earlier years		-108,952,501	-130,698	-108,952,501	-20,248,121
Deferred tax (Credit)/Charge		-19,832,424	15,245,975	-26,333,881	68,404,953
<b>Total tax expense</b>		<b>-128,784,925</b>	<b>16,664,054</b>	<b>-135,286,382</b>	<b>142,312,723</b>
<b>Net Profit/(Loss) after tax</b>		<b>611,101,687</b>	<b>89,731,388</b>	<b>187,193,736</b>	<b>372,111,141</b>
<b>Earnings per equity share [nominal value of Share \$ 0.10] (Previous period / year \$0.10)</b>					
Basic (In ₹)	19	2.88	0.61	1.02	3.01
Diluted (In ₹)		2.75	0.61	1.01	3.01
Summary of significant accounting policies	22				

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**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  
Director

Sudhir Kulkarni  
Director

Place: Pune  
Date : April 23, 2016

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Place: Santa Clara  
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**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016**

Particulars	For the Year ended	
	March 31, 2016	March 31, 2015
<b>Cash flow from operating activities</b>		
<b>Profit before taxation</b>	<b>51,907,354</b>	<b>514,423,864</b>
Adjustments for:		
Foreign currency translation reserve	-11,579,441	68,466,696
Interest income	-1,280,056	-544,297
Loss on sale of fixed assets	570,463	-
Depreciation	227,854,118	194,723,869
Finance cost	14,240,368	15,950,612
Inter-corporate deposits written off	45,778,355	-
Loss on sale of investment	7,719,784	-
unrealised Foreign exchange loss / (gain)	1,883	1,829,555
Bad debts written off	40,724,943	22,215,717
Provision for doubtful debts (net)	-50,157,556	-20,373,623
<b>Operating profit before working capital changes</b>	<b>325,780,215</b>	<b>796,692,393</b>
Movements in working capital :		
(Increase)/decrease in trade receivable	-850,985,412	-610,434,256
(Increase)/decrease in other current assets	-554,416,114	-228,332,688
(Increase)/decrease in loans and advances	-199,602,852	-89,274,727
Increase/(decrease) in trade payables and current liabilities	2,330,954,281	209,797,488
Increase/(decrease) in provisions	102,975,170	98,489,429
<b>Operating profit after working capital changes</b>	<b>1,154,705,288</b>	<b>176,937,639</b>
Direct taxes paid (net of refunds)	-29,091,594	-55,898,464
<b>Net cash flow from operating activities</b>	<b>A 1,125,613,694</b>	<b>121,039,175</b>
<b>Cash flows from investing activities</b>		
Payment of capital expenditure	-1,071,499,637	-421,328,287
Intercorporate deposit placed	-3,100,448	-31,870,279
Investment in subsidiaries - Akshat Corporation	-224,626,241	-
Investment in subsidiaries - Aepona Holdings	-261,319,380	-
Investment in other companies	-72,630,170	-
(Investments in)/maturity of bank deposits having original maturity over 3 months	-84,367	-35,248
Interest received	1,280,056	818,926
<b>Net cash flow from investing activities</b>	<b>B -1,631,980,187</b>	<b>-452,414,888</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of share capital	422,205,000	-
Proceeds from Share application money	668,000,000	305,125,000
Repayment of borrowings	-312,400,000	-77,210,000
Payment of Interest	-15,245,487	-20,738,137
<b>Net cash flow from financing activities</b>	<b>C 762,559,513</b>	<b>207,176,863</b>
<b>Net increase in cash and cash equivalents (A + B + C)</b>	<b>256,193,020</b>	<b>-124,198,850</b>
<b>Cash and cash equivalent transferred from Cloudsquads, Inc. on dissolution</b>	<b>597,746</b>	
<b>Cash and cash equivalents at the beginning of the year</b>	<b>117,402,978</b>	<b>241,601,828</b>
<b>Cash and cash equivalents at the end of the year (Refer Note 12)</b>	<b>374,193,744</b>	<b>117,402,978</b>
<b>Components of cash and cash equivalents as at</b>	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Cash on hand	7,161	6,755
Bank Balances with Banks	374,186,583	117,396,223
<b>Cash and cash equivalents</b>	<b>374,193,744</b>	<b>117,402,978</b>
(Refer Note 12)		
Summary of significant accounting policies	22	

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

Sudhir Kulkarni  
 Director

Place: Pune  
 Date : April 23, 2016

Place: Pune  
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Place: Santa Clara  
 Date : April 23, 2016

**NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS**

**1. Share capital**

	As at March 31, 2016 (In ₹)	As at March 31, 2015 (In ₹)
<b>Authorised</b>		
350,000,000 (Previous year 350,000,000) Common Shares of \$0.10 each.	US \$ 35,000,000	US \$ 35,000,000
	<b>US \$ 35,000,000</b>	<b>US \$ 35,000,000</b>
<b>Issued, subscribed and paid-up</b>		
212,000,000 (Previous year 147,000,000 ) Common Shares of \$0.10 each fully paid up. All shares are held by Holding Company viz. Persistent Systems Limited	1,200,917,850	778,712,850
	<b>1,200,917,850</b>	<b>778,712,850</b>

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

	As At March 31, 2016		As At March 31, 2015	
	No. Of Shares	Amount (In ₹)	No. Of Shares	Amount (In ₹)
No. of Share at the beginning of the reporting year	147,000,000	778,712,850	97,000,000	473,587,850
Add : - Additional Shares issued during the year	65,000,000	422,205,000	50,000,000	305,125,000
<b>No. of Share at the end of the reporting year</b>	<b>212,000,000</b>	<b>1,200,917,850</b>	<b>147,000,000</b>	<b>778,712,850</b>

**1.1 - Share Application money pending allotment:**

Share application money of Rs. 668,000,000/-received on 22nd March 2016 pending for allotment as of 31st March 2016 pertains to 100,000,000 shares expected to be issued till 30th April 2016. The Company has sufficient authorised capital to cover the allotment of these shares.

**2. Reserves and surplus**

	As at March 31, 2016 (In ₹)	As at March 31, 2015 (In ₹)
<b>A. Foreign currency translation reserve</b>		
Balance as per last financial statements	145,227,563	104,455,663
Add: Exchange difference during the year on net investment in non-integral foreign operation	85,059,870	40,771,900
<b>(A)</b>	<b>230,287,433</b>	<b>145,227,563</b>
<b>B. Profit and loss account</b>		
Balance as per last financial statements	415,944,494	43,833,353
Profit after tax for the reporting year	187,193,736	372,111,141
<b>(B)</b>	<b>603,138,230</b>	<b>415,944,494</b>
<b>(A+B)</b>	<b>833,425,663</b>	<b>561,172,057</b>

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**NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS**
**3. Short term borrowings**

	As at March 31, 2016 (In ₹)	As at March 31, 2015 (In ₹)
Loans and advances from related parties		
-Persistent Systems Limited	24,590,819	7,768,062
-Persistent Systems France SAS	-	619
- Aepona Limited UK	282,548,988	-
-Persistent Systems Pte. Ltd.	1,910,772	-
	<b>309,050,579</b>	<b>7,768,681</b>

**4. Trade payables and other current liabilities**

	As at March 31, 2016 (In ₹)	As at March 31, 2015 (In ₹)
Trade payables	2,445,814,341	687,337,098
	<b>2,445,814,341</b>	<b>687,337,098</b>

**Other current liabilities**

Inter company Borrowing		
- Persistent Systems Limited.	-	312,400,000
(Repayment terms : At the end of three years)		
(Rate of Interest: LIBOR + 350 bps)		
Unearned revenue	424,334,907	402,333,825
Capital creditors	195,351,915	312,400,000
Other payables		
- Statutory liabilities	3,581,711	7,456,914
- Accrued employee liabilities	172,430,129	46,255,798
Advance from customer	167,642,276	37,556,513
Payable to Selling shareholders	55,036,959	-
Interest accrued but not due on loans		
-Persistent Systems Ltd	2,619,096	3,624,215
	<b>1,020,996,993</b>	<b>1,122,027,265</b>

**5. Short-term provisions**

	As at March 31, 2016 (In ₹)	As at March 31, 2015 (In ₹)
Provision for employee benefits		
- Leave encashment	164,035,395	115,143,482
- Other employee benefits	391,787,835	325,611,291
Others		
Provision for income tax (net of advance tax )	-	28,947,733
	<b>555,823,230</b>	<b>469,702,506</b>

**NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS**

**6.1 Tangible assets**

(In ₹)

	Office Equipment	Computers	Furniture & fixtures	Total
<b>Gross block</b>				
<b>As at April 1, 2015</b>	<b>6,526,026</b>	<b>102,623,070</b>	<b>30,629,120</b>	<b>139,778,216</b>
Additions	5,262,599	20,693,477	29,116,804	<b>55,072,880</b>
Disposals	-	-	1,919,902	1,919,902
Other adjustments				
- Exchange differences	403,589	6,464,386	1,671,120	<b>8,539,095</b>
<b>As at March 31, 2016</b>	<b>12,192,214</b>	<b>129,780,933</b>	<b>59,497,142</b>	<b>201,470,289</b>
<b>Depreciation</b>				
<b>As at April 1, 2015</b>	<b>2,184,504</b>	<b>54,614,087</b>	<b>9,749,962</b>	<b>66,548,553</b>
Charge for the period	1,765,314	32,797,354	9,022,598	<b>43,585,266</b>
Disposals	-	-	1,351,107	<b>1,351,107</b>
Other adjustments				
- Exchange differences	146,419	3,565,079	651,746	<b>4,363,244</b>
<b>As at March 31, 2016</b>	<b>4,096,237</b>	<b>90,976,520</b>	<b>18,073,199</b>	<b>113,145,956</b>
<b>Net block</b>				
<b>As at March 31, 2016</b>	<b>8,095,977</b>	<b>38,804,413</b>	<b>41,423,943</b>	<b>88,324,333</b>
<b>As at March 31, 2015</b>	<b>4,341,522</b>	<b>48,008,983</b>	<b>20,879,158</b>	<b>73,229,663</b>

(In ₹)

	Office Equipment	Computers	Furniture & fixtures	Total
<b>Gross Block</b>				
<b>As at April 1, 2014</b>	<b>2,978,214</b>	<b>62,266,171</b>	<b>28,636,429</b>	<b>93,880,814</b>
Additions	3,434,753	37,218,424	789,318	41,442,495
Disposals				
Other adjustments				
- Exchange differences	113,059	3,138,475	1,203,373	4,454,907
<b>As at March 31, 2015</b>	<b>6,526,026</b>	<b>102,623,070</b>	<b>30,629,120</b>	<b>139,778,216</b>
<b>Depreciation</b>				
<b>As at April 1, 2014</b>	<b>1,429,826</b>	<b>26,512,586</b>	<b>3,604,779</b>	<b>31,547,191</b>
Charge for the period	681,013	26,469,799	5,879,544	33,030,356
Disposals				
Other adjustments				
- Exchange differences	73,665	1,631,702	265,639	1,971,006
<b>As at March 31, 2015</b>	<b>2,184,504</b>	<b>54,614,087</b>	<b>9,749,962</b>	<b>66,548,553</b>
<b>Net Block</b>				
<b>As at March 31, 2015</b>	<b>4,341,522</b>	<b>48,008,983</b>	<b>20,879,158</b>	<b>73,229,663</b>
<b>As at March 31, 2014</b>	<b>1,548,388</b>	<b>35,753,585</b>	<b>25,031,650</b>	<b>62,333,623</b>

**NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS**

**6.2 Intangible assets**

	(In ₹)		
	Software	Acquired contractual rights	Total
<b>Gross block</b>			
<b>As at April 1, 2015</b>	<b>1,016,708,171</b>	<b>76,792,106</b>	<b>1,093,500,277</b>
Additions	-	122,956,267	122,956,267
Other adjustments			
- Exchange differences	61,225,424	4,216,722	65,442,146
<b>As at March 31, 2016</b>	<b>1,077,933,595</b>	<b>203,965,095</b>	<b>1,281,898,690</b>
<b>Amortization</b>			
<b>As at April 1, 2015</b>	<b>368,527,100</b>	<b>75,452,640</b>	<b>443,979,740</b>
Charge for the period	168,002,655	16,266,197	184,268,852
Other adjustments			
- Exchange differences	23,607,519	4,680,713	28,288,232
<b>As at March 31, 2016</b>	<b>560,137,274</b>	<b>96,399,550</b>	<b>656,536,824</b>
<b>Net block</b>			
<b>As at March 31, 2016</b>	<b>517,796,321</b>	<b>107,565,545</b>	<b>625,361,866</b>
<b>As at March 31, 2015</b>	<b>648,181,071</b>	<b>1,339,466</b>	<b>649,520,537</b>

	(In ₹)		
	Software	Acquired contractual rights	Total
<b>As at April 1, 2014</b>	<b>975,067,357</b>	<b>73,670,276</b>	<b>1,048,737,633</b>
Additions	325,820	-	325,820
Disposals			
Other adjustments			
- Exchange differences	41,314,994	3,121,830	44,436,824
<b>As at March 31, 2015</b>	<b>1,016,708,171</b>	<b>76,792,106</b>	<b>1,093,500,277</b>
<b>Amortization</b>			
<b>As at April 1, 2014</b>	<b>200,716,912</b>	<b>67,115,267</b>	<b>267,832,179</b>
Charge for the period	156,303,680	5,389,833	161,693,513
Other adjustments			
- Exchange differences	11,506,508	2,947,540	14,454,048
<b>As at March 31, 2015</b>	<b>368,527,100</b>	<b>75,452,640</b>	<b>443,979,740</b>
<b>Net Block</b>			
<b>As at March 31, 2015</b>	<b>648,181,071</b>	<b>1,339,466</b>	<b>649,520,537</b>
<b>As at March 31, 2014</b>	<b>774,350,445</b>	<b>6,555,009</b>	<b>780,905,454</b>

**6.3 Depreciation and amortization**

	For the quarter ended		For the year ended	
	March 31, 2016 (In ₹)	March 31, 2015 (In ₹)	March 31, 2016 (In ₹)	March 31, 2015 (In ₹)
On tangible assets	12,251,198	9,196,677	43,585,266	33,030,356
On intangible assets	53,571,332	40,668,902	184,268,852	161,693,513
	<b>65,822,530</b>	<b>49,865,579</b>	<b>227,854,118</b>	<b>194,723,869</b>

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

	As at March 31, 2016 (In ₹)	As at March 31, 2015 (In ₹)
<b>Investments in Equity Instruments (At cost)</b>		
<b>Trade (Unquoted)</b>		
In Wholly owned Subsidiary Companies		
Persistent Telecom Solutions Inc. 2,480 (Previous year 2,480) shares of \$ 0.001 each, fully paid up	410,703,500	387,376,000
Cloud Squads Inc. Nil (Previous year 8,500,000) equity shares of \$ 0.0000053 each, fully paid up	-	35,249,841
Akshat Corporation 1,000 (Previous year NIL) equity shares of at par value NIL each, fully paid up	248,409,375	-
Aepona Holdings Limited Ireland 5,647,319 "A" ordinary share of Euro 0.012 each and 545,245,060,316 "B" ordinary shares of GBP 0.000001 each (Previous year NIL) equity shares of at par value NIL each, fully paid up	292,573,205	-
Persistent Systems Israel Limited <sup>+</sup> 100 (Previous year NIL) ordinary shares of 0.1 NIS par value	-	-
Persistent Systems Mexico, S.A. de C. V * 99,999 (Previous year NIL) ordinary shares of 0.1 Pesos par value	-	-
<b>Investments in Preferred Stocks (unquoted) (At cost)</b>		
In Hyginex, Inc. 200,000 (Previous year - 200,000) Preference shares of \$ 0.001 each, fully paid up	13,248,500	12,496,000
In OpsDataStore Inc. 200,000 (Previous year - Nil) Preferred Stock of \$ 0.001 each, fully paid up	13,248,500	-
In Jocota Corporation 6,000 (Previous year - Nil) Preferred Stock of \$ 0.001 each, fully paid up	16,560,625	-
In Trunomi, Inc. 277,778 (Previous year - Nil) Preferred Stock of \$ 0.0002 each, fully paid up	16,560,625	-
In Ampool, Inc. 545,494 (Previous year - Nil) Preferred Stock of \$ 0.4583 each, fully paid up	16,560,625	-
<b>Investments in Convertible notes (At cost)</b>		
<b>Trade (Unquoted)</b>		
In DxNow (Previous year - \$ 125,000) Note of \$ 125,000 each, fully paid up	8,280,312	7,810,000
In Ustyme ( Previous year - \$ 250,000) Note of \$ 250,000 each, fully paid up	16,560,625	15,620,000
In Akumina Inc. (Previous year - Nil) Note of \$ 146,429 each, fully paid up	9,699,795	-
	<b>1,062,405,687</b>	<b>458,551,841</b>
Aggregate provision for diminution in value of investments	-	-
Aggregate amount of Quoted investments	-	-
Aggregate amount of unquoted investments	1,062,405,687	458,551,841



**NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS**
**8. Deferred tax assets / liability**

	As at March 31, 2016 (In ₹)	As at March 31, 2015 (In ₹)
<b>Deferred tax assets</b>		
Provision for doubtful debts	6,695,114	21,718,128
Employee related payments	26,641,572	22,887,554
Leave encashment	55,772,028	39,148,772
Others	41,439,256	-
	<u>130,547,970</u>	<u>83,754,454</u>
<b>Deferred tax liability</b>		
Difference in depreciation as per books of US tax laws	-167,040,386	(144,445,964)
<b>Deferred tax asset/(liability) (net)</b>	<u><u>-36,492,416</u></u>	<u><u>-60,691,510</u></u>

**9. Long term loans and advances**

	As at March 31, 2016 (In ₹)	As at March 31, 2015 (In ₹)
<b>Unsecured, considered good</b>		
Loans to related parties		
- Persistent Telecom Solutions Inc	208,663,875	190,564,000
Other loans and advances		
- Security deposits	7,687,173	4,299,905
- Capital Advance	581,603,622	9,372,000
- Advances recoverable in cash or kind or for value to be received	331,212	-
Advance Income Tax ( net of provisions)	107,623,688	-
	<u><u>905,909,570</u></u>	<u><u>204,235,905</u></u>

**10. Other non-current assets**

	As at March 31, 2016 (In ₹)	As at March 31, 2015 (In ₹)
<b>Unsecured, considered good</b>	-	-
	<u><u>-</u></u>	<u><u>-</u></u>

**11. Trade receivables**

	As at March 31, 2016 (In ₹)	As at March 31, 2015 (In ₹)
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>		
Unsecured (considered good)	-	6,133,349
Unsecured (considered doubtful)	19,691,551	63,876,913
	<u>19,691,551</u>	<u>70,010,262</u>
Less : Provision for doubtful debts	19,691,551	63,876,913
	<u>-</u>	<u>6,133,349</u>
<b>Others</b>		
Unsecured (considered good)	2,541,982,177	1,632,381,064
Unsecured (considered doubtful)	-	-
	<u>2,541,982,177</u>	<u>1,632,381,064</u>
Less : Provision for doubtful debts	-	-
	<u>2,541,982,177</u>	<u>1,632,381,064</u>
	<u><u>2,541,982,177</u></u>	<u><u>1,638,514,413</u></u>

**NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS**
**12. Cash and bank balance**

	As at March 31, 2016 (In ₹)	As at March 31, 2015 (In ₹)
<b>Cash and cash equivalents as presented in cash flow statement</b>		
Balances with banks		
On current account	374,186,583	117,396,223
Cash on hand	7,161	6,755
<b>Other bank balances</b>		
On deposit account with maturity more than three months but less than twelve months	1,473,103	1,388,736
	<b>375,666,847</b>	<b>118,791,714</b>

**13. Short-term loans and advances**

	As at March 31, 2016 (In ₹)	As at March 31, 2015 (In ₹)
<b>Unsecured considered good</b>		
Advance to related parties		
- Persistent Systems Malaysia Sdn. Bhd.	594,195	-
- Persistent Telecom Solutions, Inc.	48,905,853	22,818,045
- Persistent Systems France SAS	631,953	-
- Akshat Corporation	38,012,087	-
- CloudSquads Inc.	-	36,502,941
- Valista Limited Ireland	11,280,297	-
- Persistent Systems Srilanka Ltd.	4,827,676	-
<b>Others</b>		
- Advances recoverable in cash or kind or for value to be received	263,451,247	145,755,645
- Loan to LHS Solutions Inc.	3,643,338	-
- VAT receivable (net of payable)	2,471,861	1,046,075
	<b>373,818,507</b>	<b>206,122,706</b>

**14. Other current assets**

	As at March 31, 2016 (In ₹)	As at March 31, 2015 (In ₹)
Unbilled revenue	892,611,592	338,290,434
Interest accrued but not due		
- Persistent Telecom Solutions Inc	249,710	154,754
	<b>892,861,302</b>	<b>338,445,188</b>

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**NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS**

**15. Revenue from operations**

	For the quarter ended		For the year ended	
	March 31, 2016 (In ₹)	March 31, 2015 (In ₹)	March 31, 2016 (In ₹)	March 31, 2015 (In ₹)
Software licenses	96,214,612	150,778,969	277,725,481	290,763,456
Software services	3,350,708,976	2,043,322,239	10,100,302,187	7,824,526,700
	<b>3,446,923,588</b>	<b>2,194,101,208</b>	<b>10,378,027,668</b>	<b>8,115,290,156</b>

**16. Other income**

	For the quarter ended		For the year ended	
	March 31, 2016 (In ₹)	March 31, 2015 (In ₹)	March 31, 2016 (In ₹)	March 31, 2015 (In ₹)
Interest income	18,632	33,335	61,063	127,622
Interest on intercorporate deposit	357,604	153,548	1,218,993	416,675
Foreign exchange gains (net)	673,502	-	2,416,851	-
Provision for diminution in value of Investment written Back	402,012,960	9,371,685	-	-
Miscellaneous income	291,537	147,560	8,933,379	7,026,926
	<b>403,354,235</b>	<b>9,706,128</b>	<b>12,630,286</b>	<b>7,571,223</b>

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**NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS**
**17. Personnel expenses**

	For the quarter ended		For the year ended	
	March 31, 2016 (In ₹)	March 31, 2015 (In ₹)	March 31, 2016 (In ₹)	March 31, 2015 (In ₹)
<b>17.1 Employee benefit expenses</b>				
Salaries and wages	1,886,119,021	1,054,345,375	5,383,401,554	3,616,328,240
Staff welfare and benefits	15,060,746	7,572,784	45,202,485	27,178,436
	<b>1,901,179,767</b>	<b>1,061,918,159</b>	<b>5,428,604,039</b>	<b>3,643,506,676</b>
<b>17.2 Cost of technical, professionals</b>				
Technical professionals - Related parties	574,036,717	490,407,589	2,052,017,270	1,976,277,422
Technical professionals - Others	419,193,317	266,740,953	1,392,457,626	980,381,366
	<b>993,230,034</b>	<b>757,148,542</b>	<b>3,444,474,896</b>	<b>2,956,658,788</b>
	<b>2,894,409,801</b>	<b>1,819,066,701</b>	<b>8,873,078,935</b>	<b>6,600,165,464</b>

**18. Other expenses**

	For the quarter ended		For the year ended	
	March 31, 2016 (In ₹)	March 31, 2015 (In ₹)	March 31, 2016 (In ₹)	March 31, 2015 (In ₹)
Traveling and conveyance	172,017,006	113,239,434	584,595,213	437,433,003
Electricity expenses	18,970,088	422,206	21,523,554	1,245,953
Internet link expenses	10,102,500	1,324,859	13,340,358	5,257,645
Communication expenses	14,362,962	6,472,765	30,792,762	21,161,051
Recruitment expenses	14,017,924	20,041,004	64,992,830	51,590,346
Training and seminars	4,059,438	2,709,188	5,719,132	6,260,914
Purchase of software licenses and support expenses	39,650,035	7,057,528	81,671,224	22,504,559
Bad debts	39,849,264	8,433,126	40,724,943	22,215,717
Provision for doubtful debts/(Provision for doubtful debts written back)(net)	-48,205,589	-6,620,694	-50,157,556	-20,373,623
Rent	58,344,712	7,506,099	94,292,459	24,252,298
Insurance	345,365	263,166	1,261,560	959,350
Rates, fees and profession tax	248,719	1,123,191	5,802,146	5,139,425
Legal and professional fees	26,402,509	10,101,528	57,066,891	64,982,819
Repairs and maintenance				
-Plant and machinery	536,362	97,101	1,272,467	277,110
- Others	85,076	768,749	777,851	1,128,480
Commission on sales	1,023,941	940,025	3,974,241	4,092,331
Advertisement and sponsorship fees	22,918,361	13,656,069	83,685,093	34,569,935
Computer consumables	642,924	233,718	2,537,685	2,296,393
Auditors' remuneration	79,628	65,115	306,571	255,450
Donations	127,260	39,570	9,853,380	6,130,300
Books, memberships, subscriptions	10,128,824	6,487,845	25,873,667	20,309,936
Discount Allowed	10,527,201	-	39,275,249	-
Foreign exchange loss (net)	-	1,099,285	-	2,804,365
Loss on sale of assets	-17,921	-	570,463	-
Loss on sale of investment	99,704	-	7,719,784	-
Hosting fees	3,220,039	4,833,601	14,652,182	18,522,589
Cost-revenue sharing	4,832,100	4,214,315	18,141,440	17,881,845
Inter corporate deposits written off	591,244	-	45,778,355	-
Miscellaneous expenses	21,329	20,334,873	17,533,235	46,699,379
	<b>404,981,005</b>	<b>224,843,666</b>	<b>1,223,577,179</b>	<b>797,597,570</b>

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**NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS**

**19. Earnings per share**

Particulars		For the quarter ended		For the year ended	
		March 31, 2016 (In ₹)	March 31, 2015 (In ₹)	March 31, 2016 (In ₹)	March 31, 2015 (In ₹)
<b>Basic earnings per share</b>					
<b><u>Numerator</u></b>					
Net Profit / (loss) after tax	A	611,101,687	89,731,388	187,193,736	372,111,141
<b><u>Denominator</u></b>					
Weighted average number of equity share	B	212,000,000	147,000,000	183,707,650	123,575,342
<b>Denominator for Diluted EPS</b>					
Weighted average number of equity shares	C	221,890,110	147,000,000	186,166,667	123,575,342
<b>Basic/diluted earnings per share (Face value of US \$ 0.10 each)</b>	A / B	2.88	0.61	1.02	3.01
<b>Diluted earnings per share (Face value of US \$ 0.10 each)</b>	A / C	2.75	0.61	1.01	3.01

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## NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

### 20. Nature of operations

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

### 21. 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 accounting policies are consistently applied by the Company during the period/ year and are consistent with those used in previous period/ year.

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

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

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

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

## NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

### 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. Borrowing Cost:

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangements 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 a part of the cost of the respective asset. All other borrowing costs are expensed in the year in which they occur.

### I. 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 category basis.

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

### 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 licenses and 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 software is recognised upon delivery.

Revenue from maintenance contracts and subscriptions 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



## NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

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.

### 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 III of the Companies Act, 2013.

## K. 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 year.

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, 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.

## L. 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.

### iii. Provident fund

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

### iv. 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

## NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

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.

### M. Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the United States of America's tax laws. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier 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.

### N. 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.

### O. 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.

### P. 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 year.

### Q. Provisions

## NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

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.

### 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 financial statements.

### 23. Contingent liability

The Company does not have any contingent liability as on March 31, 2016 (Previous year ₹ Nil).

### 24. Provision for Investment in Persistent Telecom Solutions Inc.

In view of an improved financial performance of Persistent Telecom Solutions, Inc. the company has during the quarter reviewed and reversed the provision for diminution in value of investment in PTSI of Rs. 410.70 million made in earlier quarter.

### 24. Investment in CloudSquads, Inc.

On February 10, 2014, the Company, acquired the entire equity capital of US based CloudSquads, Inc. In addition to the upfront purchase consideration, 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.

Subsequently, CloudSquads, Inc., was dissolved w.e.f. 29<sup>th</sup> Dec. 2015. However, the company took over all its assets and liabilities as on the date of dissolution, therefore the contingent consideration as and when the contingency is resolved and the consideration is payable, would be recorded in the books of the company.

### 25. Investment in Akshat Corporation (dba RGen Solutions)

On July 2, 2015, the Company, acquired the entire equity capital of US based Akshat Corporation (dba RGen Solutions). In addition to the upfront purchase consideration, 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 3.75 million. The contingent consideration would be recorded, as and when the contingency is resolved and the consideration is payable.

### 26. Investment in Aepona Holdings

On 2nd October, 2015, the Company, acquired the entire equity capital of Aepona Holdings Limited, a Republic of Ireland Corporation along with its five subsidiaries companies.

## NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

### 27. Investment in Akumina, Inc.

On 30<sup>th</sup> December 2015 the Company, acquired the assets of US based Akumina, Inc. for an upfront consideration of USD 1.85 million. The asset purchase agreement provides for additional consideration, contingent upon certain conditions being met in future years subject to a maximum amount of USD 5 million. The contingent consideration would be recorded, as an when the contingency is resolved and the consideration is payable.

### 28. Investment in Persistent Systems Mexico, S. A. de C. V.

Persistent Systems Mexico, S.A. de C.V. was incorporated on 1<sup>st</sup> March 2016 as a wholly owned subsidiary of Persistent Systems Inc. It has not commenced operations yet.

### 29. Investment in Persistent Systems Israel Limited

Persistent Systems Israel Ltd. was incorporated on 31<sup>st</sup> March 2016 as a wholly owned subsidiary of Persistent Systems Inc. It has not commenced operations yet.

30. Consequent to the consolidated return filling option exercised on 14<sup>th</sup> December 2015.and losses of subsidiaries adjusted, excess provision for Income tax made for the year ended 31<sup>st</sup> March. 2015 has been reversed in the books of accounts during the year.

### 31. Previous period/year comparatives

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

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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. 030428  
Place: Pune  
Date : 23-Apr-2016

Dr. Anand Deshpande  
Director  
Place: Pune  
Date : 23-Apr-2016

Sudhir Kulkarni  
Director  
Place: Santa Clara  
Date: 23-Apr-2016

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