Persistent Systems France SAS

CONDENSED BALANCE SHEET AS AT DECEMBER 31, 2017

	Note	As at December 31, 2017 (In ₹)	As at December 31, 2016 (In ₹)	As at March 31, 2017 (In ₹)
ASSETS				
Non current assets				
Property, Plant and Equipment	5.1	59,193,177	58,015,998	55,789,572
Other Intangible assets	5.2	-	9,355	5,068
	(A)	**59,193,177**	**58,025,353**	**55,794,640**
Current assets				
Financial assets				
-Trade receivables	6	104,296,183	72,287,142	88,646,133
-Cash and cash equivalents	7	117,201,608	177,269,723	138,472,127
-Loans	8	152,836	143,106	138,584
Other current financial assets	9	5,173,007	6,040,610	5,286,858
Other current assets	10	8,399,839	4,121,852	13,125,185
	(B)	**235,223,473**	**259,862,433**	**245,668,887**
TOTAL	**(A)+(B)**	**294,416,650**	**317,887,786**	**301,463,527**
EQUITY AND LIABILITIES				
EQUITY				
Equity share capital	4	97,467,000	97,467,000	97,467,000
Other equity		107,281,263	65,868,274	71,266,342
	(A)	**204,748,263**	**163,335,274**	**168,733,342**
LIABILITIES				
Current liabilities				
Financial liabilities				
-Borrowings	11	4,645,360	3,298,215	3,194,008
-Trade payables	12	23,958,403	79,858,666	38,290,178
Other current liabilities	13	18,025,822	24,486,205	39,603,831
Provisions	14	28,112,385	25,722,810	25,846,369
Current Tax Liabilities (Net)		14,926,417	21,186,616	25,795,799
	(B)	**89,668,387**	**154,552,512**	**132,730,185**
TOTAL	**(A)+(B)**	**294,416,650**	**317,887,786**	**301,463,527**
Summary of significant accounting policies	3			

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

As per our report of even date

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

For and on behalf of the Board of Directors of
Persistent Systems France SAS

per C.K. Joshi
Partner
Membership No. 030428

Place: Pune
Date : January 25, 2018

Dr. Anand Deshpande
Director

Place: Pune
Date : January 25, 2018

Arnaud Pierrel
Director General

Place: Grenoble
Date : January 25, 2018

Persistent Systems France SAS

CONDENSED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2017

	Note	For the quarter ended		For the nine months ended		For the year ended
		December 31, 2017 (In ₹)	December 31, 2016 (In ₹)	December 31, 2017 (In ₹)	December 31, 2016 (In ₹)	March 31, 2017 (In ₹)
Income						
Revenue from operations	15	101,778,015	100,219,882	304,941,811	288,943,682	388,822,256
Other income	16	51,129	(2,718)	510,979	271,524	(487,544)
Total revenue (A)		**101,829,144**	**100,217,164**	**305,452,790**	**289,215,206**	**388,334,712**
Expenses						
Employee benefits expense	17.1	50,959,104	53,184,550	149,818,039	165,783,294	215,865,552
Cost of technical professionals	17.2	32,589,915	54,010,471	93,998,205	92,887,462	120,941,985
Other expenses	18	6,302,816	7,913,711	18,107,445	27,444,515	30,860,985
Depreciation and amortization expense	5.3	814,286	831,229	2,504,366	2,527,992	3,337,921
Total expense (B)		**90,666,121**	**115,939,961**	**264,428,055**	**288,643,263**	**371,006,443**
Profit before tax (A - B)		**11,163,023**	**(15,722,797)**	**41,024,735**	**571,943**	**17,328,269**
Tax expense						
Current tax		3,720,646	(5,288,283)	13,673,560	190,630	5,775,552
Tax (credit) / charge in respect of earlier years		(29,649,550)	-	(29,649,550)	-	-
Total tax expense		**(25,928,904)**	**(5,288,283)**	**(15,975,990)**	**190,630**	**5,775,552**
Net profit for the period / year (C)		**37,091,927**	**(10,434,514)**	**57,000,725**	**381,313**	**11,552,717**
Other comprehensive income						
Items that will not be reclassified to profit or loss (D)						
- Remeasurements of the defined benefit liabilities / (asset)		-	-	-	-	-
- Tax effect on remeasurements of the defined benefit liabilities / (asset)		-	-	-	-	-
		-	**-**	**-**	**-**	**-**
Items that may be reclassified to profit or loss (E)						
- Effective portion of cash flow hedge		**-**	**-**	**-**	**-**	**-**
- Exchange differences in translating the financial statements of		8,021,977	(6,448,505)	19,133,699	(8,723,918)	(14,497,254)
		8,021,977	**(6,448,505)**	**19,133,699**	**(8,723,918)**	**(14,497,254)**
Total comprehensive income for the period / year (C) + (D) + (E)		**45,113,904**	**(16,883,019)**	**76,134,424**	**(8,342,605)**	**(2,944,537)**
Earnings per equity share	19					
[nominal value of share Euro 1						
(Corresponding period and previous year : Euro 1)]						
Basic (in ₹)		24.73	(6.96)	38.00	0.25	7.70
Diluted (in ₹)		24.73	(6.96)	38.00	0.25	7.70
Summary of significant accounting policies	3					

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

As per our report of even date

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

For and on behalf of the Board of Directors of
Persistent Systems France SAS

per C.K. Joshi
Partner
Membership No. 030428

Dr. Anand Deshpande
Director

Arnaud Pierrel
Director General

Place: Pune
Date : January 25, 2018

Place: Pune
Date : January 25, 2018

Place: Grenoble
Date : January 25, 2018

Persistent Systems France SAS

CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED DECEMBER 31, 2017

		For the nine months ended		For the year ended
		December 31, 2017 (In ₹)	December 31, 2016 (In ₹)	March 31, 2017 (In ₹)
Cash flow from operating activities				
Profit before tax		41,024,735	571,943	17,328,269
Adjustments for:				
Depreciation and amortization expense		2,504,366	2,527,992	3,337,921
Provision for doubtful debts (net)/ (Provision for doubtful debts written back) (net)		(731,401)	-	27,456
Foreign currency translation reserve		18,576,525	(6,338,760)	(10,295,259)
Operating profit before working capital changes		**61,374,225**	**(3,238,825)**	**10,398,387**
Movements in working capital :				
Decrease / (Increase) in trade receivables		(14,918,273)	25,061,535	8,676,604
Decrease / (Increase) in other current assets		4,839,197	12,614,979	4,365,398
Decrease / (Increase) in loans and advances		(14,252)	7,649	12,171
(Decrease) / Increase in trade payables and current liabilities (including short term borrowings)		(34,458,432)	12,245,726	(14,309,343)
(Decrease) / Increase in provisions		2,266,016	(5,304,123)	(5,180,564)
Operating profit after working capital changes		**19,088,481**	**41,386,941**	**3,962,653**
Direct taxes paid (net of refunds)		-	(13,848,878)	(14,824,617)
Net cash generated from operating activities	**(A)**	**19,088,481**	**27,538,063**	**(10,861,964)**
Cash flow from investing activities				
Payment towards capital expenditure		(239,497)	(344,800)	(742,369)
Net cash (used in) investing activities	**(B)**	**(239,497)**	**(344,800)**	**(742,369)**
Cash flow from financing activities				
Dividend paid		(38,209,050)	-	-
Tax on dividend		(1,910,453)	-	-
Net cash generated from financing activities	**(C)**	**(40,119,503)**	**-**	**-**
Net increase in cash and cash equivalents **(A + B + C)**		(21,270,519)	27,193,263	(11,604,333)
Cash and cash equivalents at the beginning of the period/year		138,472,127	150,076,460	150,076,460
Cash and cash equivalents at the end of the period/year		**117,201,608**	**177,269,723**	**138,472,127**
Components of cash and cash equivalents				
Cash on hand		-	-	-
Balances with banks				
- on current account		117,201,608	177,269,723	138,472,127
Cash and cash equivalents in cash flow statement as per note 7		**117,201,608**	**177,269,723**	**138,472,127**

Summary of significant accounting policies (note 3)

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

As per our report of even date

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

For and on behalf of the Board of Directors of
Persistent Systems France SAS

per C.K. Joshi
Partner
Membership No. 030428
Place: Pune
Date : January 25, 2018

Dr. Anand Deshpande
Director
Place: Pune
Date : January 25, 2018

Arnaud Pierrel
Director General
Place: Grenoble
Date : January 25, 2018

Persistent Systems France SAS

STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED DECEMBER 31, 2017

A. Equity share capital

(Refer Note: 4)

(In ₹)

Balance as at April 1, 2017	Changes in equity share capital during the period	Balance as at December 31, 2017
97,467,000	-	97,467,000

(In ₹)

Balance as at April 1, 2016	Changes in equity share capital during the period	Balance as at December 31, 2016
97,467,000	-	97,467,000

(In ₹)

Balance as at April 1, 2016	Changes in equity share capital during the year	Balance as at March 31, 2017
97,467,000	-	97,467,000

Persistent Systems France SAS

STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED DECEMBER 31, 2017

B. Other equity

(In ₹)

Particulars	Reserves and surplus	Items of other comprehensive income	Total
	Retained earnings	Exchange differences on translating the financial statements of foreign operations	
Balance as at April 1, 2017	74,380,625	(3,114,283)	71,266,342
Net profit for the period	57,000,725	-	57,000,725
Dividend	(38,209,050)	-	(38,209,050)
tax on dividend	(1,910,453)	-	(1,910,453)
Other comprehensive income for the period	-	19,133,699	19,133,699
Balance at December 31, 2017	**91,261,847**	**16,019,416**	**107,281,263**

(In ₹)

Particulars	Reserves and surplus	Items of other comprehensive income	Total
	Retained earnings	Exchange differences on translating the financial statements of foreign operations	
Balance as at April 1, 2016	62,827,908	11,382,971	74,210,879
Net profit for the period	381,313	-	381,313
Other comprehensive income for the period	-	(8,723,918)	(8,723,918)
Balance at December 31, 2016	**63,209,221**	**2,659,053**	**65,868,274**

(In ₹)

Particulars	Reserves and surplus	Items of other comprehensive income	Total
	Retained earnings	Exchange differences on translating the financial statements of foreign operations	
Balance as at April 1, 2016	62,827,908	11,382,971	74,210,879
Net profit for the year	11,552,717	-	11,552,717
Other comprehensive income for the period	-	(14,497,254)	(14,497,254)
Balance at March 31, 2017	**74,380,625**	**(3,114,283)**	**71,266,342**

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

As per our report of even date

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

For and on behalf of the Board of Directors of
Persistent Systems France SAS

per C.K. Joshi
Partner
Membership No. 030428
Place: Pune
Date : January 25, 2018

Dr. Anand Deshpande
Director
Place: Pune
Date : January 25, 2018

Arnaud Pierrel
Director General
Place: Grenoble
Date : January 25, 2018

1. Nature of operations

Persistent Systems France SAS (“the Company) is a wholly owned subsidiary of Persistent Systems Ltd. The Company is specializing in software products, services and technology innovation in the Life Sciences domain.

2. Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and under the historical cost convention except for certain financial instruments which have been measured at fair value. The accounting policies are consistently applied by the Company during the year and are consistent with those used in previous period / year.

Statement of compliance

These financial statements have been prepared in accordance with Ind AS 34 Interim Financial Reporting for the period ended December 31, 2017 as notified under the Companies (Indian Accounting Standards) Rules, 2015 read with Section 133 of the Companies Act, 2013.

3. Summary of significant accounting policies

(a) Accounting year

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

(b) Functional currency

The Company’s functional currency is Euro

(c) Use of estimates

The preparation of the condensed financial statements in conformity with the Ind AS 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.

Critical accounting estimates

i) Revenue recognition

The Company uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of-completion method requires the Company to estimate the efforts or costs expended to date as a proportion of the total efforts or costs to be expended. Efforts or costs expended have been used to measure progress towards completion. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date.

ii) Income taxes

The Company's tax jurisdictions is France. Significant judgements are involved in determining the provision for income taxes.

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iii) Property, plant and equipment

Property, plant and equipment represent a significant proportion of the asset base of the Company. The charge in respect of depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of

Company's assets are determined by management at the time the asset is acquired and reviewed periodically. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

iv) Provisions

Provisions are determined based on the best estimate required to settle the obligation at the reporting date. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. These estimates are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(d) Property, Plant and Equipment

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

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

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

(e) Intangible assets

(i) Acquired Intangible assets

Intangible assets including software licenses of enduring nature and 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.

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 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 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
Buildings*	25 years
Computers	3 years
Computers - Servers and networks*	3 years
Plant and equipment*	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.

(g) Impairment

Financial assets

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

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

Non-financial assets

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

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

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

(h) Impairment of Property, Plant and Equipment and Other Intangible assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

(i) Financial instruments

i) Financial assets

Initial recognition and measurement

Financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

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

- **Financial assets at amortized cost**

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

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

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

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

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

ii) Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

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

- **Financial liabilities at amortized cost**

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

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

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

iii) Impairment

i) Financial assets

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

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

ii) Non-Financial assets

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

Recoverable amount of intangible under development that is not yet available for use is estimated at least at each financial 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 fair value and its 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.

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(j) 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 as per the terms of the lease agreements.es, 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.

(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.

(l) Revenue recognition

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

(i) Income from software licenses and 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 licensing of software is recognized upon delivery.

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

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

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 value added taxes (VAT) on behalf of the government and, therefore, it is not an economic benefit flowing to the Company. Hence, it is excluded from revenue.

(ii) Interest

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

(iii) Dividends

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.

(m) Foreign currency translation

(i) Foreign currency transactions and balances

Initial recognition

Foreign currency transactions are recorded in the respective functional currencies of the entities in the Company, by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates at the date when the values were determined.

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.

Translation of foreign operations

The Company presents the financial statements in INR which is the functional currency of the parent company.

The assets and liabilities of a foreign operation are translated into the reporting currency (INR) 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 under other comprehensive income. On disposal of a foreign operation, the accumulated foreign currency translation reserve relating to that foreign operation is recognized in the statement of profit and loss.

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(n) Retirement and other employee benefits

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. Remeasurements, comprising of actuarial gains and losses are recognized in full in the statement of other comprehensive income in the reporting period in which they occur. Remeasurements are not reclassified to profit and loss subsequently.

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.

(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 French Inland Revenue Service (FIRS). 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 temporary differences between tax base of assets and liabilities ad their carrying amounts. 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 temporary differences, except deferred tax liability arising from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, affects neither accounting nor taxable profit/ loss at the time of transaction. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, except deferred tax assets arising from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, affects neither accounting nor taxable profit/ loss at the time of transaction. Deferred tax assets are recognized only to the extent that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which such deferred tax assets can be realized.

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.

Deferred tax relating to items recognized outside the statement of profit and loss is recognized in co-relation to the underlying transaction either in other comprehensive income or directly in equity.

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(p) Earnings per share (EPS)

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

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

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

(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 determined based on the best estimate required to settle the obligation at the reporting date. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. These estimates are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(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.

(s) Cash and cash equivalents

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

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4.Share capital

	As at December 31, 2017 (In ₹)	As at December 31, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Authorised			
1,500,000 (previous year 1,500,000) Equity shares of 1 Euro each	EURO 1,500,000	EURO 1,500,000	EURO 1,500,000
	EURO 1,500,000	**EURO 1,500,000**	**EURO 1,500,000**
Issued, subscribed and paid-up			
1,500,000 (previous year 1,500,000) Equity shares of 1 Euro each fully paid. All Shares are held by the Holding Company viz : Persistent Systems Limited.	97,467,000	97,467,000	97,467,000
	97,467,000	**97,467,000**	**97,467,000**

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Persistent Systems France SAS

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

5.1 Property, Plant and Equipment

(In ₹)

	Freehold Land	Building	Computers	Plant & Machinery	Furniture & Fixtures	Total
Gross Block						
As at April 01, 2017	12,109,158	54,237,777	4,424,159	941,379	3,185,965	74,898,438
Additions	-	-	239,497	-	-	239,497
Disposals	-	-	-	-	-	-
Effect of foreign currency translation from functional currency to reporting currency	1,245,287	5,577,727	458,818	96,810	327,639	7,706,281
As at December 31, 2017	**13,354,445**	**59,815,504**	**5,122,474**	**1,038,189**	**3,513,604**	**82,844,216**
Depreciation and Amortization						
As at April 01, 2017	-	12,293,578	3,329,411	444,268	3,041,609	19,108,866
charge for the period	-	1,746,811	558,582	145,313	48,241	2,498,947
Disposals	-	-	-	-	-	-
Effect of foreign currency translation from functional currency to reporting currency	-	1,318,843	359,849	50,230	314,304	2,043,226
As at December 31, 2017	**-**	**15,359,232**	**4,247,842**	**639,811**	**3,404,154**	**23,651,039**
Net Block						
As at December 31, 2017	**13,354,445**	**44,456,272**	**874,632**	**398,378**	**109,450**	**59,193,177**
As at March 31, 2017	**12,109,158**	**41,944,199**	**1,094,748**	**497,111**	**144,356**	**55,789,572**

	Freehold Land	Building	Computers	Plant & Machinery	Furniture & Fixtures	Total
Gross Block						
As at April 01, 2016	13,172,560	59,000,828	4,052,402	997,064	3,465,750	80,688,604
Additions			336,397	8,403		344,800
Disposals	-	-	-	-	-	-
Other Adjustments						-
Effect of foreign currency translation from functional currency to reporting currency	(668,333)	(2,993,511)	(210,426)	(51,120)	(175,841)	(4,099,231)
As at December 31, 2016	**12,504,227**	**56,007,317**	**4,178,373**	**954,347**	**3,289,909**	**76,934,173**
Depreciation and Amortization						
As at April 01, 2016	-	11,014,785	2,831,934	287,655	3,239,661	17,374,035
charge for the period		1,748,808	569,123	145,796	51,208	2,514,935
Disposals	-	-	-	-	-	-
Other Adjustments						
Effect of foreign currency translation from functional currency to reporting currency	-	(620,946)	(163,890)	(19,771)	(166,188)	(970,795)
As at December 31, 2016	**-**	**12,142,647**	**3,237,167**	**413,680**	**3,124,681**	**18,918,175**
Net Block						
As at December 31, 2016	**12,504,227**	**43,864,670**	**941,206**	**540,667**	**165,228**	**58,015,998**
As at March 31, 2016	**13,172,560**	**47,986,043**	**1,220,468**	**709,409**	**226,089**	**63,314,569**

	Freehold Land	Building	Computers	Plant & Machinery	Furniture & Fixtures	Total
Gross Block						
As at April 01, 2016	13,172,560	59,000,828	4,052,402	997,064	3,465,750	80,688,604
Additions			716,782	25,587		742,369
Disposals						-
Other Adjustments						
Effect of foreign currency translation from functional currency to reporting currency	(1,063,402)	(4,763,051)	(345,025)	(81,272)	(279,785)	(6,532,535)
As at March 31, 2017	**12,109,158**	**54,237,777**	**4,424,159**	**941,379**	**3,185,965**	**74,898,438**
Depreciation and Amortization						
As at April 01, 2016	-	11,014,785	2,831,934	287,655	3,239,661	17,374,035
charge for the year	-	2,294,716	768,534	190,346	67,192	3,320,788
Disposals	-	-	-	-	-	-
Other Adjustments						
Effect of foreign currency translation from functional currency to reporting currency	-	(1,015,923)	(271,057)	(33,733)	(265,244)	(1,585,957)
As at March 31, 2017	**-**	**12,293,578**	**3,329,411**	**444,268**	**3,041,609**	**19,108,866**
Net Block						
As at March 31, 2017	**12,109,158**	**41,944,199**	**1,094,748**	**497,111**	**144,356**	**55,789,572**
As at March 31, 2016	**13,172,560**	**47,986,043**	**1,220,468**	**709,409**	**226,089**	**63,314,569**

Persistent Systems France SAS

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

5.2 Other Intangible assets

(In ₹)

	Software	Total
Gross Block		
As at April 01, 2017	**3,928,935**	**3,928,935**
Additions	-	-
Disposals	-	-
Effect of foreign currency translation from functional currency to reporting currency	404,045	**404,045**
As at December 31, 2017	**4,332,980**	**4,332,980**
Amortization		
As at April 01, 2017	3,923,867	**3,923,867**
charge for the period	5,419	**5,419**
Disposals		
- Exchange differences	403,694	**403,694**
As at December 31, 2017	**4,332,980**	**4,332,980**
Net Block		
As at December 31, 2017	-	-
As at March 31, 2017	**5,068**	**5,068**
Gross Block		
As at April 01, 2016	4,273,966	4,273,966
Additions	-	-
Disposals	-	-
Effect of foreign currency translation from functional currency to reporting currency	(216,847)	(216,847)
As at December 31, 2016	**4,057,119**	**4,057,119**
Amortization		
As at April 01, 2016	4,250,845	4,250,845
charge for the year	13,057	13,057
Disposals		-
Effect of foreign currency translation from functional currency to reporting currency	(216,138)	(216,138)
As at December 31, 2016	**4,047,764**	**4,047,764**
Net Block		
As at December 31, 2016	**9,355**	**9,355**
As at March 31, 2016	**23,121**	**23,121**
Gross Block		
As at April 01, 2016	**4,273,966**	4,273,966
Additions	-	-
Disposals	-	-
Effect of foreign currency translation from functional currency to reporting currency	(345,031)	(345,031)
As at March 31, 2017	**3,928,935**	**3,928,935**
Amortization		
As at April 01, 2016	4,250,845	4,250,845
charge for the period	17,133	17,133
Disposals		-
Effect of foreign currency translation from functional currency to reporting currency	(344,111)	(344,111)
As at March 31, 2017	**3,923,867**	**3,923,867**
Net Block		
As at March 31, 2017	**5,068**	**5,068**
As at March 31, 2016	**23,121**	**23,121**

5.3 Depreciation and amortization expense

(In ₹)

	For the quarter ended		For the nine months ended		For the year ended
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	March 31, 2017
On Property, Plant and Equipment	814,211	826,948	2,498,947	2,514,935	3,320,788
On Other intangible assets	75	4,281	5,419	13,057	17,133
	814,286	**831,229**	**2,504,366**	**2,527,992**	**3,337,921**

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

6. Trade receivables

	As at December 31, 2017 (In ₹)	As at December 31, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Outstanding for a period exceeding six months from the date they are due for payment			
Unsecured (considered good)	-	-	-
Unsecured (considered doubtful)	25,564	-	25,940
	25,564	-	25,940
Less : Provision for doubtful debts	25,564	-	25,940
	-	**-**	**-**
Others			
Unsecured (considered good)	104,296,183	72,287,142	88,646,133
Unsecured (considered doubtful)	-	-	-
	104,296,183	72,287,142	88,646,133
Less : Provision for doubtful debts	-	-	-
	104,296,183	**72,287,142**	**88,646,133**
	104,296,183	**72,287,142**	**88,646,133**

7. Cash and cash equivalents

	As at December 31, 2017 (In ₹)	As at December 31, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Cash and cash equivalents as presented in cash flow statement			
Balances with banks			
-On current accounts	117,201,608	177,269,723	138,472,127
	117,201,608	**177,269,723**	**138,472,127**

8. Current financial assets : Loans

	As at December 31, 2017 (In ₹)	As at December 31, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Security Deposits at fair value			
Unsecured, considered good	152,836	143,106	138,584
	152,836	**143,106**	**138,584**

9. Other current financial assets

	As at December 31, 2017 (In ₹)	As at December 31, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Unbilled revenue	5,173,007	6,040,610	5,286,858
	5,173,007	**6,040,610**	**5,286,858**

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

10. Other current assets

	As at December 31, 2017 (In ₹)	As at December 31, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Other loans and advances (unsecured, considered good)			
Advances recoverable in cash or kind or for value to be received			
-VAT receivable (Net)	2,778,091	18,069	-
-Other	5,621,748	4,103,783	13,125,185
	8,399,839	**4,121,852**	**13,125,185**

11. Current financial liabilities: Borrowings

	As at December 31, 2017 (In ₹)	As at December 31, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Loan from related parties (unsecured)			
- Persistent Systems Limited	2,994,171	1,752,149	1,696,790
- Persistent Systems Inc.	1,651,189	1,546,066	1,497,218
	4,645,360	**3,298,215**	**3,194,008**

12. Trade payables

	As at December 31, 2017 (In ₹)	As at December 31, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Trade payables	23,958,403	79,858,666	38,290,178
	23,958,403	**79,858,666**	**38,290,178**

13. Other Current liablities

	As at December 31, 2017 (In ₹)	As at December 31, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Other current liabilities			
-Unearned revenue	7,439,308	15,503,320	27,413,673
-Statutory liabilities	9,933,062	8,335,094	8,958,252
-VAT payable	-	-	2,604,582
-Advance from customers	653,452	647,791	627,324
	18,025,822	**24,486,205**	**39,603,831**

14. Current Liabilities : Provisions

	As at December 31, 2017 (In ₹)	As at December 31, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Provision for employee benefits			
- Leave encashment	22,130,807	23,872,556	23,944,119
- Other employee benefits	5,981,578	1,850,254	1,902,250
	28,112,385	**25,722,810**	**25,846,369**

Persistent Systems France SAS

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

15. Revenue from operations

	For the quarter ended		For the nine months ended		For the year ended
	December 31, 2017 (In ₹)	December 31, 2016 (In ₹)	December 31, 2017 (In ₹)	December 31, 2016 (In ₹)	March 31, 2017 (In ₹)
Software licenses	2,340,675	2,809,364	4,662,822	7,321,376	8,900,745
Software services	99,437,340	97,410,518	300,278,989	281,622,306	379,921,511
	101,778,015	**100,219,882**	**304,941,811**	**288,943,682**	**388,822,256**

16. Other income

	For the quarter ended		For the nine months ended		For the year ended
	December 31, 2017 (In ₹)	December 31, 2016 (In ₹)	December 31, 2017 (In ₹)	December 31, 2016 (In ₹)	March 31, 2017 (In ₹)
Foreign exchange gain (net)	49,819	-	416,846	-	(807,316)
Miscellaneous income	792	(2,718)	56,910	271,524	319,772
Advances written back	518	-	37,223	-	-
	51,129	**(2,718)**	**510,979**	**271,524**	**(487,544)**

17. Personnel expenses

	For the quarter ended		For the nine months ended		For the year ended
	December 31, 2017 (In ₹)	December 31, 2016 (In ₹)	December 31, 2017 (In ₹)	December 31, 2016 (In ₹)	March 31, 2017 (In ₹)
17.1 Employee benefits expense					
Salaries and wages	32,518,004	34,009,468	95,323,665	106,706,253	138,483,329
Defined contribution to other funds	16,398,298	17,222,660	50,045,669	55,269,983	72,196,725
Staff welfare and benefits	2,042,802	1,952,422	4,448,705	3,807,058	5,185,498
	50,959,104	**53,184,550**	**149,818,039**	**165,783,294**	**215,865,552**
17.2 Cost of technical professionals					
Technical professionals - related parties	27,905,557	52,572,756	79,575,323	88,302,712	113,124,073
Technical professionals - others	4,684,358	1,437,715	14,422,882	4,584,750	7,817,912
	32,589,915	**54,010,471**	**93,998,205**	**92,887,462**	**120,941,985**
	83,549,019	**107,195,021**	**243,816,244**	**258,670,756**	**336,807,537**

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Persistent Systems France SAS

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

18. Other expenses

	For the quarter ended		For the nine months ended		For the year ended
	December 31, 2017 (In ₹)	December 31, 2016 (In ₹)	December 31, 2017 (In ₹)	December 31, 2016 (In ₹)	March 31, 2017 (In ₹)
Travelling and conveyance	824,789	1,735,342	4,131,384	5,171,529	6,198,977
Electricity expenses	696,043	1,451,136	872,441	2,210,299	2,569,502
Internet link expenses	122,702	93,300	358,180	392,537	478,985
Communication expenses	333,536	364,999	1,136,579	2,841,010	2,917,299
Recruitment expenses	-	-	-	-	-
Provision for doubtful debts	-	-	-	-	27,456
Training and seminars	184,702	455,037	985,559	1,341,053	1,976,437
Purchase of software licenses and support	95,977	68,711	275,512	1,938,984	1,986,215
Insurance	(202,119)	126,381	551,821	1,762,514	1,863,294
Rent	56,720	52,769	200,743	200,230	252,297
Rates, fees and taxes	1,226,125	845,958	1,852,063	2,573,733	3,002,291
Legal and professional fees	1,224,986	607,361	2,442,819	2,442,506	2,818,465
Repairs and maintenance	-	-	-	-	-
Bad debts	(731,401)	-	(731,401)	-	-
-Plant and Machinery	1,743	(625)	125,299	62,422	71,355
-Building	184,988	161,979	499,605	379,724	489,498
- Others	743,557	48,174	772,961	233,752	260,991
Commission on sales	507,633	440,615	1,135,443	2,199,211	2,174,170
Foreign exchange loss (net)	-	642,132	-	903,648	-
Advertisements and sponsorship fees	8,591	34,793	617,345	266,858	315,160
Computer consumables	21,098	19,564	94,257	264,053	283,105
Books, memberships and subscriptions	9,435	2,718	9,435	130,098	128,617
Auditors' remuneration	360,600	307,102	1,081,255	974,213	1,475,709
Miscellaneous expenses	633,111	456,265	1,696,145	1,156,141	1,571,162
	6,302,816	**7,913,711**	**18,107,445**	**27,444,515**	**30,860,985**

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

19. Earnings per share

		For the quarter ended		For the nine months ended		For the year ended
		December 31, 2017 (In ₹)	December 31, 2016 (In ₹)	December 31, 2017 (In ₹)	December 31, 2016 (In ₹)	March 31, 2017 (In ₹)
Basic and diluted earnings per share						
Numerator						
Net Profit / (loss) after tax	A	37,091,927	(10,434,514)	57,000,725	381,313	11,552,717
Denominator						
Weighted average number of ordinary shares	B	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Basic/Diluted earnings per share (Face Value of Euro 1 each)	A / B	24.73	(6.96)	38.00	0.25	7.70

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20. Contingent Liabilities:

The Company does not have any contingent liability as on 31-December-2017 (previous period / year : (₹ NIL)

21. Previous period / year comparatives

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

As per our report of even date

For Joshi Apte &Co., **Firm registration no. 104370W** **Chartered Accountants**	**For and on behalf of the Board of Directors of** **Persistent Systems France SAS**	
per C.K. Joshi Partner Membership No.030428	Dr. Anand Deshpande President	Arnaud Pierrel Director General
Place: Pune Date: January 25, 2018	Place: Pune Date: January 25, 2018	Place: Grenoble Date: January 25, 2018