

Persistent Systems France SAS

CONDENSED BALANCE SHEET AS AT SEPTEMBER 30, 2018

	Note	As at September 30, 2018 (In ₹)	As at September 30, 2017 (In ₹)	As at March 31, 2018 (In ₹)
ASSETS				
Non current assets				
Property, Plant and Equipment	5.1	63,758,640	60,438,010	63,022,775
Other Intangible assets	5.2	-	-	-
Non current financial assets				
Loans	6	23,122,505	-	-
	(A)	86,881,145	60,438,010	63,022,775
Current assets				
Financial assets				
-Trade receivables	7	153,392,808	83,902,291	77,533,921
-Cash and cash equivalents	8	128,334,075	187,560,406	153,492,499
-Loans	9	167,893	153,931	161,609
Other current financial assets	10	131,843	11,225,050	3,000,047
Other current assets	11	102,808,639	9,004,002	10,408,776
Current Tax Assets (net)		-	-	4,970,191
	(B)	384,835,258	291,845,680	249,567,043
TOTAL	(A)+(B)	471,716,403	352,283,690	312,589,818
EQUITY AND LIABILITIES				
EQUITY				
Equity share capital	4	97,467,000	97,467,000	97,467,000
Other equity		81,971,052	110,920,960	113,673,748
	(A)	179,438,052	208,387,960	211,140,748
LIABILITIES				
Current liabilities				
Financial liabilities				
-Borrowings	12	5,961,494	4,504,228	5,084,155
-Trade payables	13	95,419,464	51,139,441	47,941,640
Other current liabilities	14	136,020,222	17,918,245	15,771,751
Provisions	15	33,682,439	26,338,245	32,651,524
Current Tax Liabilities (Net)		21,194,732	43,995,571	-
	(B)	292,278,351	143,895,730	101,449,070
TOTAL	(A)+(B)	471,716,403	352,283,690	312,589,818
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 : October 20, 2018

Place: Pune
Date : October 20, 2018

Place: Grenoble
Date : October 20, 2018

Persistent Systems France SAS
CONDENSED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2018

	Note	For the quarter ended		For the half year ended		For the year ended
		September 30, 2018 (In ₹)	September 30, 2017 (In ₹)	September 30, 2018 (In ₹)	September 30, 2017 (In ₹)	March 31, 2018 (In ₹)
Income						
Revenue from operations	16	173,395,173	99,786,774	696,966,093	203,163,796	402,557,263
Other income	17	2,721,848	2,530	2,721,848	459,850	1,627,176
Total revenue (A)		176,117,021	99,789,304	699,687,941	203,623,646	404,184,439
Expenses						
Employee benefits expense	18.1	65,920,650	46,798,927	143,592,152	98,858,935	200,789,697
Cost of technical professionals	18.2	42,664,503	32,262,962	67,022,284	61,408,290	119,345,062
Other expenses	19	42,283,036	6,621,903	421,495,314	11,804,629	51,906,432
Depreciation and amortization expense	5.3	998,388	857,683	1,940,586	1,690,080	3,386,262
Total expense (B)		151,866,577	86,541,475	634,050,336	173,761,934	375,427,453
Profit before tax (A - B)		24,250,444	13,247,829	65,637,605	29,861,712	28,756,986
Tax expense						
Tax (credit) / charge in respect of earlier years						(33,709,625)
Current tax		7,288,203	4,596,685	18,954,339	9,952,914	9,584,674
Total tax expense		7,288,203	4,596,685	18,954,339	9,952,914	(24,124,951)
Net profit for the period / year		16,962,241	8,651,144	46,683,266	19,908,798	52,881,937
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)						
- Exchange differences in translating the financial statements		12,618,824	8,634,098	9,978,564	19,745,820	32,054,048
		12,618,824	8,634,098	9,978,564	19,745,820	32,054,048
Total comprehensive income for the period / year (C) + (D) + (E)		29,581,065	17,285,242	56,661,830	39,654,618	84,935,985
Earnings per equity share						
[nominal value of share Euro 1 (Corresponding period and previous year : Euro 1)]	20					
Basic (in ₹)		11.31	5.77	31.12	13.27	35.25
Diluted (in ₹)		11.31	5.77	31.12	13.27	35.25
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.
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Chartered Accountants

For and on behalf of the Board of Directors of
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per C.K. Joshi
Partner
Membership No. 030428

Dr. Anand Deshpande
Director

Arnaud Pierrel
Director General

Place: Pune
Date : October 20, 2018

Place: Pune
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Place: Grenoble
Date : October 20, 2018

Persistent Systems France SAS

CASH FLOW STATEMENT FOR THE HALF YEAR ENDED SEPTEMBER 30, 2018

	For the half year ended		For the year ended
	September 30, 2018 (In ₹)	September 30, 2017 (In ₹)	March 31, 2018 (In ₹)
Cash flow from operating activities			
Profit before tax	65,637,605	29,861,712	28,756,986
Adjustments for:			
Depreciation and amortization expense	1,940,586	1,690,080	3,386,262
Interest income	(35,912)	-	-
Provision for doubtful debts	-	-	(741,194)
Unrealised exchange loss/ (gain) (net)	2,088,443	-	-
Foreign currency translation reserve	18,321,734	21,898,917	25,586,442
Operating profit before working capital changes	87,952,456	53,450,709	56,988,496
Movements in working capital :			
Decrease / (Increase) in trade receivables	(76,636,784)	4,743,650	11,854,198
Decrease / (Increase) in other current assets	(89,531,659)	(1,817,009)	5,003,220
Decrease / (Increase) in loans and advances	(6,285)	(15,347)	(23,025)
(Decrease) / Increase in trade payables and current liabilities (including short term borrowings)	166,971,396	(7,526,103)	(12,290,471)
(Decrease) / Increase in provisions	1,030,915	491,876	6,805,155
Operating profit after working capital changes	89,780,039	49,327,776	68,337,573
Direct taxes paid (net of refunds)	(3,523,582)	-	(9,228,243)
Net cash generated from / (used in) operating activities	(A) 86,256,457	49,327,776	59,109,330
Cash flow from investing activities			
Payment towards capital expenditure	(285,455)	(239,497)	(1,560,379)
Inter corporate deposits (made) / refunded	(22,764,900)	-	-
Interest received	-	-	-
Net cash (used in) investing activities	(B) (23,050,355)	(239,497)	(1,560,379)
Cash flow from financing activities			
Dividend paid	(88,364,526)	-	(42,528,579)
Net cash (used in) financing activities	(C) (88,364,526)	-	(42,528,579)
Net increase in cash and cash equivalents (A + B + C)	(25,158,424)	49,088,279	15,020,372
Cash and cash equivalents at the beginning of the period/year	153,492,499	138,472,127	138,472,127
Cash and cash equivalents at the end of the quarter/year	128,334,075	187,560,406	153,492,499
Components of cash and cash equivalents			
Cash on hand	-	-	-
Balances with banks			
- on current account	128,334,075	187,560,406	153,492,499
Cash and cash equivalents in cash flow statement as per note 8	128,334,075	187,560,406	153,492,499

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 : October 20, 2018

Dr. Anand Deshpande
Director
Place: Pune
Date : October 20, 2018

Arnaud Pierrel
Director General
Place: Grenoble
Date : October 20, 2018

A. Equity share capital

(Refer Note: 4)

(In ₹)

Balance as at April 1, 2018	Changes in equity share capital during the period	Balance as at September 30, 2018
97,467,000	-	97,467,000

(In ₹)

Balance as at April 1, 2017	Changes in equity share capital during the period	Balance as at September 30, 2017
97,467,000	-	97,467,000

(In ₹)

Balance as at April 1, 2017	Changes in equity share capital during the year	Balance as at March 31, 2018
97,467,000	-	97,467,000

Persistent Systems France SAS**STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED SEPTEMBER 30, 2018****B. Other equity****(In ₹)**

Particulars	Reserves and surplus		Total
	Retained earnings	Items of other comprehensive income Exchange differences on translating the financial statements	
Balance as at April 1, 2018	84,733,983	28,939,765	113,673,748
Net profit for the period	46,683,266	-	46,683,266
Dividend	(88,364,526)	-	(88,364,526)
Other comprehensive income for the period	-	9,978,564	9,978,564
Balance at September 30, 2018	43,052,723	38,918,329	81,971,052

(In ₹)

Particulars	Reserves and surplus		Total
	Retained earnings	Items of other comprehensive income Exchange differences on translating the financial statements	
Balance as at April 1, 2017	74,380,625	(3,114,283)	71,266,342
Net profit for the period	19,908,798	-	19,908,798
Other comprehensive income for the period	-	19,745,820	19,745,820
Balance at September 30, 2017	94,289,423	16,631,537	110,920,960

(In ₹)

Particulars	Reserves and surplus		Total
	Retained earnings	Items of other comprehensive income Exchange differences on translating the financial statements	
Balance as at April 1, 2017	74,380,625	(3,114,283)	71,266,342
Net profit for the year	52,881,937	-	52,881,937
Dividend	(42,528,579)	-	(42,528,579)
Other comprehensive income for the year	-	32,054,048	32,054,048
Balance at March 31, 2018	84,733,983	28,939,765	113,673,748

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

As per our report of even date

For JOSHI APTE & Co.
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Arnaud Pierrel
Director General
Place: Grenoble
Date : October 20, 2018

1. Nature of operations

Persistent Systems France SAS ("the Company") is a wholly owned subsidiary of Persistent Systems Ltd. The Company is specialised in software products, services and technology innovation.

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 period / year and are consistent with those used in previous period / year except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

Statement of compliance

These financial statements have been prepared in accordance with Ind AS 34 Interim Financial Reporting for the quarter and half year ended September 30, 2018 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.

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.

(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, 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.

(I) 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

Effective April 1, 2018, the Company adopted Ind AS 115 "Revenue from Contracts with Customers" using the cumulative catch-up transition method, applied to contracts that were not completed as of April 1, 2018. In accordance with the cumulative catch-up transition method, the previous period's/ year's amounts have not been retrospectively adjusted. The following is a summary of new and/or revised significant accounting policies related to revenue recognition. The effect on adoption of Ind AS 115 was insignificant.

The company derives revenues primarily from IT services comprising of software development and related services and from the licensing of software products.

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration expected to receive in exchange for those products or services.

Arrangements with customers for software related services are either on a time-and-material or a fixed-price basis.

Revenue on time-and-material contracts are recognized as and when the related services are performed. Revenue from fixed-price contracts, where the performance obligations are satisfied over time and where there is no uncertainty as to measurement or collectability of consideration, is recognized as per the percentage-of-completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved.

Revenue from licenses where the customer obtains a "right to use" the licenses is recognized at the time the license is made available to the customer. Revenue from licenses where the customer obtains a "right to access" is recognized over the access period.

The company has applied the principles under Ind AS 115 to account for revenues from these performance obligations.

When support services are provided in conjunction with the licensing arrangement and the license and the support services have been identified as two separate performance obligations, the transaction price for such contracts are allocated to each performance obligation of the contract based on their relative standalone selling prices. Maintenance revenue is recognized proportionately over the period in which the services are rendered.

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

The company accounts for volume discounts and pricing incentives to customers as a reduction of revenue based on the proportionate allocation of the discounts amount to each of the underlying performance obligation that corresponds to the progress by the customer towards earning the discount. Also, when the level of discount varies with increases in levels of revenue transactions, the Company recognizes the liability based on its estimate of the customer's future purchases. If it is probable that the criteria for the discount will not be met, or if the amount thereof cannot be estimated reliably, then discount

is not recognized until the payment is probable and the amount can be estimated reliably. The company recognizes changes in the estimated amount of obligations for discounts in the period in which the change occurs.

Unbilled revenue represents revenue recognized in relation to work done 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, these are not economic benefits flowing to the company. Hence, they are excluded from revenue.

(ii) Interest

Interest income is recognized on a time proportion basis taking into account the 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.

(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 and 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 correlation 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 September 30, 2018 (In ₹)	As at September 30, 2017 (In ₹)	As at March 31, 2018 (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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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, 2018	14,120,955	63,248,758	6,761,424	1,097,778	3,715,276	88,944,191
Additions	-	-	285,455	-	-	285,455
Disposals	-	-	-	-	-	-
Effect of foreign currency translation from functional currency to reporting currency	549,081	2,459,371	276,840	42,686	144,465	3,472,443
As at September 30, 2018	14,670,036	65,708,129	7,323,719	1,140,464	3,859,741	92,702,089
Depreciation and Amortization						
As at April 01, 2018	-	16,864,201	4,712,156	728,367	3,616,692	25,921,416
charge for the period	-	1,268,780	532,621	105,534	33,651	1,940,586
Disposals	-	-	-	-	-	-
Effect of foreign currency translation from functional currency to reporting currency	-	703,816	203,405	32,319	141,907	1,081,447
As at September 30, 2018	-	18,836,797	5,448,182	866,220	3,792,250	28,943,449
Net Block						
As at September 30, 2018	14,670,036	46,871,332	1,875,537	274,244	67,491	63,758,640
As at March 31, 2018	14,120,955	46,384,557	2,049,268	369,411	98,584	63,022,775
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	1,340,913	6,006,042	495,498	104,244	352,799	8,299,496
As at September 30, 2017	13,450,071	60,243,819	5,159,154	1,045,623	3,538,764	83,437,431
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	-	1,146,246	411,457	95,341	31,692	1,684,736
Disposals	-	-	-	-	-	-
Other Adjustments	-	1,422,423	390,613	54,278	338,505	2,205,819
Effect of foreign currency translation from functional currency to reporting currency	-	-	-	-	-	-
As at September 30, 2017	-	14,862,247	4,131,481	593,887	3,411,806	22,999,421
Net Block						
As at September 30, 2017	13,450,071	45,381,572	1,027,673	451,736	126,958	60,438,010
As at March 31, 2017	12,109,158	41,944,199	1,094,748	497,111	144,356	55,789,572
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	-	-	1,560,379	-	-	1,560,379
Disposals	-	-	-	-	-	-
Other Adjustments	-	-	-	-	-	-
Effect of foreign currency translation from functional currency to reporting currency	2,011,797	9,010,981	776,886	156,399	529,311	12,485,374
As at March 31, 2018	14,120,955	63,248,758	6,761,424	1,097,778	3,715,276	88,944,191
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 year	-	2,349,539	770,979	195,429	64,823	3,380,770
Disposals	-	-	-	-	-	-
Other Adjustments	-	-	-	-	-	-
Effect of foreign currency translation from functional currency to reporting currency	-	2,221,084	611,766	88,670	510,260	3,431,780
As at March 31, 2018	-	16,864,201	4,712,156	728,367	3,616,692	25,921,416
Net Block						
As at March 31, 2018	14,120,955	46,384,557	2,049,268	369,411	98,584	63,022,775
As at March 31, 2017	12,109,158	41,944,199	1,094,748	497,111	144,356	55,789,572

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS
5.2 Other Intangible assets

	(In ₹)	
	Software	Total
Gross Block		
As at April 01, 2018	4,581,682	4,581,682
Additions	-	-
Disposals	-	-
Effect of foreign currency translation from functional currency to reporting currency	178,155	178,155
As at September 30, 2018	<u>4,759,837</u>	<u>4,759,837</u>
Amortization		
As at April 01, 2018	4,581,682	4,581,682
charge for the period	-	-
Disposals	-	-
- Exchange differences	178,155	178,155
As at September 30, 2018	<u>4,759,837</u>	<u>4,759,837</u>
Net Block		
As at September 30, 2018	<u>-</u>	<u>-</u>
As at March 31, 2018	<u>-</u>	<u>-</u>
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	435,072	435,072
As at September 30, 2017	<u>4,364,007</u>	<u>4,364,007</u>
Amortization		
As at April 01, 2017	3,923,867	3,923,867
charge for the period	5,344	5,344
Disposals	-	-
Effect of foreign currency translation from functional currency to reporting currency	434,796	434,796
As at September 30, 2017	<u>4,364,007</u>	<u>4,364,007</u>
Net Block		
As at September 30, 2017	<u>-</u>	<u>-</u>
As at March 31, 2017	<u>5,068</u>	<u>5,068</u>
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	652,747	652,747
As at March 31, 2018	<u>4,581,682</u>	<u>4,581,682</u>
Amortization		
As at April 01, 2017	3,923,867	3,923,867
charge for the period	5,492	5,492
Disposals	-	-
Effect of foreign currency translation from functional currency to reporting currency	652,323	652,323
As at March 31, 2018	<u>4,581,682</u>	<u>4,581,682</u>
Net Block		
As at March 31, 2018	<u>-</u>	<u>-</u>
As at March 31, 2017	<u>5,068</u>	<u>5,068</u>

5.3 Depreciation and amortization expense

	(In ₹)				
	For the quarter ended		For the half year ended		For the year ended
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	March 31, 2018
On Property, Plant and Equipment	998,388	856,479	1,940,586	1,684,736	3,380,770
On Other intangible assets	-	1,204	-	5,344	5,492
	<u>998,388</u>	<u>857,683</u>	<u>1,940,586</u>	<u>1,690,080</u>	<u>3,386,262</u>

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS
6. Non-current financial assets : Loans

	As at September 30, 2018 (In ₹)	As at September 30, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Carried at amortised cost			
Loan to related parties			
Unsecured, considered good			
- Persistent Systems Germany GmbH	23,085,233	-	-
Add: Interest accrued but not due on loan	37,272	-	-
	23,122,505	-	-

7. Trade receivables

	As at September 30, 2018 (In ₹)	As at September 30, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Outstanding for a period exceeding six months from the date they are due for payment			
Unsecured (considered good)	-	-	-
Unsecured (considered doubtful)	-	26,132	-
	-	26,132	-
Less : Provision for doubtful debts	-	26,132	-
	-	-	-
Others			
Unsecured (considered good)	153,392,808	83,902,291	77,533,921
Unsecured (considered doubtful)	-	-	-
	153,392,808	83,902,291	77,533,921
Less : Provision for doubtful debts	-	-	-
	153,392,808	83,902,291	77,533,921
	153,392,808	83,902,291	77,533,921

8. Cash and cash equivalents

	As at September 30, 2018 (In ₹)	As at September 30, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Cash and cash equivalents as presented in cash flow statement			
Balances with banks			
-On current accounts	128,334,075	187,560,406	153,492,499
	128,334,075	187,560,406	153,492,499

9. Current financial assets : Loans

	As at September 30, 2018 (In ₹)	As at September 30, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Security Deposits at fair value			
Unsecured, considered good	167,893	153,931	161,609
	167,893	153,931	161,609

10. Other current financial assets

	As at September 30, 2018 (In ₹)	As at September 30, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Unbilled revenue	131,843	11,225,050	3,000,047
	131,843	11,225,050	3,000,047

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS
11. Other current assets

	As at September 30, 2018 (In ₹)	As at September 30, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Other loans and advances (unsecured, considered good)			
Advances recoverable in cash or kind or for value to be received			
-VAT receivable (Net)	-	2,561,850	3,113,039
-Others	102,808,639	6,442,152	7,295,737
	102,808,639	9,004,002	10,408,776

12. Current financial liabilities: Borrowings

	As at September 30, 2018 (In ₹)	As at September 30, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Loans and advances from related parties (unsecured)*			
- Persistent Systems Limited	4,147,640	2,841,214	3,338,192
- Persistent Systems Inc.	1,813,854	1,663,014	1,745,963
	5,961,494	4,504,228	5,084,155

* There is no repayment schedule in respect of this advance. It is repayable on demand.

13. Trade payables

	As at September 30, 2018 (In ₹)	As at September 30, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Trade payables	95,419,464	51,139,441	47,941,640
	95,419,464	51,139,441	47,941,640

14. Other Current liabilities

	As at September 30, 2018 (In ₹)	As at September 30, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Other current liabilities			
-Unearned revenue	108,821,134	7,703,074	5,842,894
-Statutory liabilities	17,254,875	9,557,041	9,237,899
-VAT payable	9,226,388	-	-
-Advance from customers	717,825	658,130	690,958
	136,020,222	17,918,245	15,771,751

15. Current Liabilities : Provisions

	As at September 30, 2018 (In ₹)	As at September 30, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Provision for employee benefits			
- Leave encashment	27,906,906	22,140,085	24,611,209
- Other employee benefits	5,775,533	4,198,160	8,040,315
	33,682,439	26,338,245	32,651,524

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

16. Revenue from operations

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2018 (In ₹)	September 30, 2017 (In ₹)	September 30, 2018 (In ₹)	September 30, 2017 (In ₹)	March 31, 2018 (In ₹)
Software licenses	55,884,431	1,867,241	488,611,824	2,322,147	9,737,325
Software services	117,510,742	97,919,533	208,354,269	200,841,649	392,819,938
	173,395,173	99,786,774	696,966,093	203,163,796	402,557,263

17. Other income

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2018 (In ₹)	September 30, 2017 (In ₹)	September 30, 2018 (In ₹)	September 30, 2017 (In ₹)	March 31, 2018 (In ₹)
Foreign exchange gain (net)	-	-	-	367,027	514,930
Excess provision written back	-	-	-	-	631,994
Miscellaneous income	2,685,936	1,529	2,685,936	56,118	442,531
Interest income on others	35,912	-	35,912	-	-
Advances written back	-	1,001	-	36,705	37,721
	2,721,848	2,530	2,721,848	459,850	1,627,176

18. Personnel expenses

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2018 (In ₹)	September 30, 2017 (In ₹)	September 30, 2018 (In ₹)	September 30, 2017 (In ₹)	March 31, 2018 (In ₹)
18.1 Employee benefits expense					
Salaries and wages	43,620,784	28,948,804	94,757,107	62,805,661	127,934,205
Defined contribution to other funds	20,426,680	16,683,869	43,980,127	33,647,371	67,005,206
Staff welfare and benefits	1,873,186	1,166,254	4,854,918	2,405,903	5,850,286
	65,920,650	46,798,927	143,592,152	98,858,935	200,789,697
18.2 Cost of technical professionals					
Technical professionals - related parties	27,862,531	27,552,211	44,795,750	51,669,766	99,624,447
Technical professionals - others	14,801,972	4,710,751	22,226,534	9,738,524	19,720,615
	42,664,503	32,262,962	67,022,284	61,408,290	119,345,062
	108,585,153	79,061,889	210,614,436	160,267,225	320,134,759

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

19. Other expenses

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2018 (In ₹)	September 30, 2017 (In ₹)	September 30, 2018 (In ₹)	September 30, 2017 (In ₹)	March 31, 2018 (In ₹)
Travelling and conveyance	2,180,291	1,788,040	5,561,892	3,306,595	5,528,814
Electricity expenses	512,277	323,442	940,731	176,398	1,003,207
Internet link expenses	133,292	120,756	259,202	235,478	484,209
Communication expenses	395,919	377,822	695,646	803,043	1,698,631
Recruitment expenses	145,588	-	145,588	-	-
Provision for doubtful debts / (written back)	-	-	-	-	(25,148)
Training and seminars	465,255	719,116	573,742	800,857	1,525,167
Purchase of software licenses and support expenses	59,615,198	95,733	377,840,283	179,535	3,055,326
Insurance	351,578	343,761	690,653	753,940	858,761
Rent	19,812	91,851	32,110	144,023	258,625
Rates, fees and taxes	945,209	217,221	1,804,145	625,938	5,652,346
Legal and professional fees	(12,193,338)	632,355	9,447,068	1,217,833	7,377,349
Bad debts	-	-	-	-	(716,046)
Repairs and maintenance					
-Plant and Machinery	93,749	104,443	136,862	123,556	140,712
-Building	261,649	169,607	876,854	314,617	860,301
- Others	216,865	15,875	674,888	29,404	788,881
Commission on sales	(12,795,656)	627,810	17,550,232	627,810	19,177,504
Foreign exchange loss (net)	1,065,902	142,961	2,411,321	-	-
Advertisements and sponsorship fees	437	37,563	34,456	608,754	625,611
Computer consumables	10,541	52,049	23,444	73,159	152,680
Books, memberships and subscriptions	-	-	-	-	50,420
Auditors' remuneration	306,670	383,669	683,438	720,655	1,233,665
Miscellaneous expenses	551,798	377,829	1,112,759	1,063,034	2,175,417
	42,283,036	6,621,903	421,495,314	11,804,629	51,906,432

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

20. Earnings per share

		For the quarter ended		For the Half year ended		For the year ended
		September 30, 2018 (In ₹)	September 30, 2017 (In ₹)	September 30, 2018 (In ₹)	September 30, 2017 (In ₹)	March 31, 2018 (In ₹)
Basic and diluted earnings per share						
<u>Numerator</u>						
Net Profit / (loss) after tax	A	16,962,241	8,651,144	46,683,266	19,908,798	52,881,937
<u>Denominator</u>						
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	11.31	5.77	31.12	13.27	35.25

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21. Contingent Liabilities:

The Company does not have any contingent liability as on 30-September -2018 (previous period / year: NIL)

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: October 20, 2018

Dr. Anand Deshpande
President

Place: Pune
Date: October 20, 2018

Arnaud Pierrel
Director General

Place: Grenoble
Date: October 20, 2018
