

Persistent Systems México, S.A. de C.V.**CONDENSED BALANCE SHEET AS AT SEPTEMBER 30, 2018**

	Notes	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	34,677,695	44,324,759	35,945,133
		34,677,695	44,324,759	35,945,133
Financial assets				
- Loans	6	176,491	164,711	162,543
Deferred tax assets (net)	7	10,088,772	7,888,390	7,251,513
Other non-current assets	8	242,083	-	570,368
		45,185,041	52,377,860	43,929,557
Current assets				
Financial assets				
- Trade receivables	9	14,920,125	55,757,633	45,470,642
- Cash and cash equivalents	10	3,222,176	2,923,829	4,339,918
- Other financial assets	11	39,459,416	21,474,885	27,127,204
Current tax assets (net)		11,211,190	-	13,678,109
Other current assets	12	4,877,116	14,168,275	11,027,889
		73,690,023	94,324,622	101,643,762
TOTAL		118,875,064	146,702,482	145,573,319
EQUITY AND LIABILITIES				
EQUITY				
Equity share capital	4	3,646,800	3,646,800	3,646,800
Other equity		7,816,158	12,826,418	6,750,850
		11,462,958	16,473,218	10,397,650
Non-current liabilities				
Financial liabilities				
Borrowings	13	81,246,936	105,617,229	105,353,389
		81,246,936	105,617,229	105,353,389
LIABILITIES				
Current liabilities				
Financial liabilities				
- Trade payables	14	3,508,933	3,827,026	3,439,707
- Other financial liabilities	15	3,425,118	684,314	1,781,994
Other current liabilities	16	5,965,641	10,124,274	15,701,606
Provisions	17	13,265,478	8,852,635	8,898,973
Current tax liabilities (net)		-	1,123,786	-
		26,165,170	24,612,035	29,822,280
TOTAL		118,875,064	146,702,482	145,573,319

Summary of significant accounting policies

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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 México, S.A. de C.V.

per C.K. Joshi
Partner
Membership No. 030428

Thomas Klein
Director

Sunil Sapre
Director

Place: Pune
Date : October 19, 2018

Place: Santa Clara, USA
Date : October 19, 2018

Place: Pune
Date : October 19, 2018

Persistent Systems México, S.A. de C.V.
CONDENSED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2018

	Notes	For the quarter ended		For 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	18	71,380,792	44,372,623	123,188,676	87,926,008	173,430,643
Other income	19	-	-	-	7,761,688	3,319,436
Total income (A)		71,380,792	44,372,623	123,188,676	95,687,696	176,750,079
Expenses						
Employee benefits expense	20	52,556,560	32,809,860	90,977,909	64,576,527	136,847,042
Finance costs		617,871	478,660	1,149,866	984,128	1,921,302
Depreciation and amortization expense	5.2	3,967,196	4,163,757	7,659,520	7,917,935	15,983,172
Other expenses	21	9,444,313	6,339,465	23,154,148	12,286,780	20,995,094
Total expenses (B)		66,585,940	43,791,742	122,941,443	85,765,370	175,746,610
Profit/ (loss) before tax (A - B)		4,794,852	580,881	247,233	9,922,326	1,003,469
Tax expense						
Current tax		2,289,155	1,229,563	2,289,155	4,078,441	562,188
Deferred tax charge / (credit)		(911,894)	(956,163)	(2,214,989)	(718,803)	(176,298)
Total tax expense		1,377,261	273,400	74,166	3,359,638	385,890
Net profit/ (loss) for the period/year (C)		3,417,591	307,481	173,067	6,562,688	617,579
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 will be reclassified to profit or loss (E)						
- Exchange differences in translating the financial statements of foreign operations		1,091,924	30,619	892,241	370,954	240,495
Total other comprehensive income for the period/year (D) + (E)		1,091,924	30,619	892,241	370,954	240,495
Total comprehensive income for the period/year (C) + (D) + (E)		4,509,515	338,100	1,065,308	6,933,642	858,074
Earnings per equity share						
[Nominal value of share MXN 1 (Previous period/year : Nil)]						
Basic (In ₹)	22	3.42	0.31	0.17	6.56	0.62
Diluted (In ₹)		3.42	0.31	0.17	6.56	0.62
Summary of significant accounting policies						
3						

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Chartered Accountants

For and on behalf of the Board of Directors of
Persistent Systems México, S.A. de C.V.

per C.K. Joshi
Partner
Membership No. 030428

Thomas Klein Sunil Sapre
Director Director

Place: Pune
Date : October 19, 2018

Place: Santa Clara, USA Place: Pune
Date : October 19, 2018 Date : October 19, 2018

CASH FLOW STATEMENT FOR HALF YEAR ENDED SEPTEMBER 30, 2018

	For 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	247,233	9,922,326	1,003,469
Adjustments for:			
Depreciation and amortization expense	7,659,520	7,917,935	15,983,172
Unrealised exchange (gain)/loss	19,424,338	1,640,275	1,775,877
Loss on sale of asset	138,810	-	71,355
Finance costs	1,149,866	984,128	1,921,302
Operating profit before working capital changes	28,619,767	20,464,664	20,755,175
Movements in working capital :			
(Increase) / Decrease in trade receivables	20,130,721	(26,729,572)	(16,442,581)
Decrease / (Increase) in other current assets	(5,853,154)	9,783,345	7,273,580
Increase /(Decrease) Increase in trade payables and current liabilities (including short term borrowings)	(8,298,541)	6,333,667	11,677,016
Increase/(Decrease) in provisions	4,366,505	3,027,902	3,074,240
Operating profit after working capital changes	38,965,298	12,880,006	26,337,430
Direct taxes paid (net of refunds)	(1,950,844)	(3,405,945)	(14,691,587)
Net cash generated from operating activities (A)	37,014,454	9,474,061	11,645,843
Cash flow from investing activities			
Payment towards capital expenditure	(3,451,441)	(6,591,975)	(7,547,668)
Net cash (used in) investing activities (B)	(3,451,441)	(6,591,975)	(7,547,668)
Cash flow from financing activities			
Intercompany Deposit received	10,663,181	51,582,712	51,782,712
Intercompany Deposit repaid	(44,429,201)	(55,944,622)	(55,944,622)
Payment of interest on intercompany deposits	(914,735)	(1,478,394)	(1,478,394)
Net cash generated from financing activities (C)	(34,680,755)	(5,840,304)	(5,640,304)
Net increase in cash and cash equivalents (A + B + C)	(1,117,742)	(2,958,218)	(1,542,129)
Cash and cash equivalents as at beginning of the reporting period/year	4,339,918	5,882,047	5,882,047
Exchange difference on translation of foreign currency cash and cash equivalents	-	-	-
Cash and cash equivalents at the end of the reporting period/year	3,222,176	2,923,829	4,339,918

Components of cash and cash equivalents	As at	As at	As at
	September 30, 2018 (In ₹)	September 30, 2017 (In ₹)	March 31, 2018 (In ₹)
Cash on hand	-	46	-
Balances with banks			
- on current account	3,222,176	2,923,783	4,339,918
Cash and cash equivalents as per note 10	3,222,176	2,923,829	4,339,918

Summary of significant accounting policies. (refer 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 México, S.A. de C.V.

per C.K. Joshi
Partner
Membership No. 030428

Thomas Klein
Director

Sunil Sapre
Director

Place: Pune
Date : October 19, 2018

Place: Santa Clara, USA
Date : October 19, 2018

Place: Pune
Date : October 19, 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
3,646,800	-	3,646,800
3,646,800	-	3,646,800

(In ₹)

Balance as at April 1, 2017	Changes in equity share capital during the period	Balance as at September 30, 2017
3,646,800	-	3,646,800
3,646,800	-	3,646,800

(In ₹)

Balance as at April 1, 2017	Changes in equity share capital during the period	Balance as at March 31, 2018
3,646,800	-	3,646,800
3,646,800	-	3,646,800

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Persistent Systems México, S.A. de C.V.**STATEMENT OF CHANGES IN EQUITY FOR HALF YEAR ENDED SEPTEMBER 30, 2018****B. Other Equity**

(In ₹)

Particulars	<u>Reserves and surplus</u>	<u>Items of other comprehensive income</u>	Total
	Retained earnings	Foreign currency translation reserve	
Balance as at April 1, 2017	6,698,255	52,595	6,750,850
Net profit/ (loss) for the period	173,067	892,241	1,065,308
Balance at September 30, 2018	6,871,322	944,836	7,816,158

(In ₹)

Particulars	<u>Reserves and surplus</u>	<u>Items of other comprehensive income</u>	Total
	Retained earnings	Foreign currency translation reserve	
Balance as at April 1, 2017	6,080,676	(187,900)	5,892,776
Net profit for the period	6,562,688	370,954	6,933,642
Balance at September 30, 2017	12,643,364	183,054	12,826,418

(In ₹)

Particulars	<u>Reserves and surplus</u>	<u>Items of other comprehensive income</u>	Total
	Retained earnings	Foreign currency translation reserve	
Balance as at April 1, 2017	6,080,676	(187,900)	5,892,776
Net profit for the period	617,579	240,495	858,074
Balance at March 31, 2018	6,698,255	52,595	6,750,850

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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For and on behalf of the Board of Directors of
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Director

Place: Pune
Date : October 19, 2018

Place: Santa Clara, USA
Date : October 19, 2018

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1. Nature of operations

Persistent Systems México, S.A. de C.V. was incorporated on March 1, 2016 as a wholly owned subsidiary of Persistent Systems Inc. The Company has adopted indirect sales model, with services revenue being billed to Persistent Systems Inc. Sale of services are then contracted between Persistent Systems Inc. and customers. The Company commenced its operations from April 1, 2016.

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 and equity settled employee stock options which have been measured at fair value. Historical cost is generally based on the fair value of consideration given in exchange of goods and services. The accounting policies are consistently applied by the Company during the period and are consistent with those used in previous 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

In accordance with the notification issued by the Ministry of Corporate Affairs, the Company has adopted Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 with effect from April 1, 2016.

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) Use of estimates**

The preparation of the financial statements are in conformity with the recognition and measurement principles of Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the end of 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 major tax jurisdictions is Mexico. 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.

(b) Accounting year

The accounting year of the Company is from January 01 to December 31. These financial statements have been prepared only for the purpose of consolidation.

(c) Functional currency

The Company's functional currency is Mexican Peso.

(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 property, plant and equipment 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 period 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

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

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

Research and development cost

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Company can demonstrate:

- technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the asset;
- its ability to use or sell the asset;
- how the asset will generate probable future economic benefits;
- the availability of adequate resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during development.

Such development expenditure, until capitalization, is reflected as intangible assets under development.

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

(f) Depreciation and amortization

Depreciation on Property, Plant and Equipment 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 Property, Plant and Equipment as follows:

Assets	Useful lives
Buildings*	25 years
Computers	3 years
Computers - Servers and networks*	3 years
Office equipments	5 years
Plant and equipment*	3 to 5 years
Furniture and fixtures*	5 years
Vehicles*	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.

Leasehold land is amortized on straight line basis over the period of the lease. Leasehold improvements are amortized over the period of lease or useful life, whichever is lower.

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

(g) 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 assets which does not meet the criteria for categorization as financial assets at amortized cost or as FVTOCI, is classified as financial assets at FVTPL. Financial assets 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 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 period / year end even if there is no indication that the asset is impaired.

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

(h) Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition, construction or development of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period/ year they occur.

(i) Leases***Where the Company is a lessee***

Leases that transfers substantially all the risks and rewards incidental to ownership to the Company are classified as finance leases.

Finance leases are capitalized at the lower of the inception date fair value of the leased assets and the present value of the minimum lease payments.

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.

(j) 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 sale of software services and products

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, 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) Dividend

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

(k) 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.

Exchange differences

Exchange differences arising on conversion / settlement of foreign currency monetary items and on foreign currency liabilities relating to property, plant and equipment acquisition are recognized as income or expenses in the period/ year in which they arise.

Forward exchange contracts not intended for trading or speculation purposes, classified as derivative financial instruments

As per the accounting principles laid down in Ind AS 109 – “Financial Instruments” relating to cash flow hedges, derivative financial instruments which qualify for cash flow hedge accounting are fair valued at balance sheet date and the effective portion of the resultant loss / (gain) is debited / (credited) to the hedge reserve under other comprehensive income and the ineffective portion is recognized to the statement of profit and loss. Derivative financial instruments are carried as forward contract receivable when the fair value is positive and as forward contract payable when the fair value is negative.

Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognized in the statement of profit and loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, or terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognized in hedge reserve under other comprehensive income is transferred to the statement of profit and loss when the forecasted transaction occurs or affects profit or loss or when a hedged transaction is no longer expected to occur.

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.

(l) Retirement and other employee benefits**(i) 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.

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

(m) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the tax laws prevailing in the Mexico. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in statement of profit and loss.

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 co-relation to the underlying transaction either in other comprehensive income or directly in equity.

(n) Earnings per share (EPS)

Basic earnings per share are calculated by dividing the net profit for the period / year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period / year. The weighted average number of equity shares outstanding during the reporting 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 period / year attributable to the equity shareholders and the weighted average number of equity shares outstanding during the period / year, are adjusted for the effects of all dilutive potential equity shares.

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.

(o) 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.

(p) 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.

(q) Cash and cash equivalents

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

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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 ₹
Authorized shares			
2,000,000 Ordinary shares of Mexican Peso 1 each.	MXN 2,000,000	MXN 2,000,000	MXN 2,000,000
	MXN 2,000,000	MXN 2,000,000	MXN 2,000,000
Issued, subscribed and paid-up			
1,000,000 Ordinary shares of Mexican Peso 1 each.	3,646,800	3,646,800	3,646,800
Issued, subscribed and fully paid-up share capital	3,646,800	3,646,800	3,646,800

999,999 Ordinary shares of Mexican Peso 1 each are held by Persistent Systems Inc.

Reconciliation of the shares outstanding at the beginning and at the end of the period.

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

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Persistent Systems México, S.A. de C.V.

Notes forming part of condensed financial statements

5.1 Tangible assets

	(In ₹)				
	Plant and equipment	Leasehold improvements	Furniture and fixtures	Computers	Total
Gross block (At cost)					
As at April 1, 2018	2,127,928	20,172,884	8,935,113	23,032,110	54,268,035
Additions	-	-	2,667,865	783,576	3,451,441
Deletions	-	-	-	288,074	288,074
- Exchange differences	182,603	1,731,087	766,745	1,976,445	4,656,880
As at September 30, 2018	2,310,531	21,903,971	12,369,723	25,504,057	62,088,282
Depreciation and amortization					
As at April 1, 2018	693,830	4,357,505	1,937,733	11,333,834	18,322,902
Charge for the period	343,335	2,196,395	1,073,121	4,046,669	7,659,520
Depreciation on disposals	-	-	-	144,169	144,169
- Exchange differences	59,539	373,928	166,281	972,586	1,572,334
As at September 30, 2018	1,096,704	6,927,828	3,177,135	16,208,920	27,410,587
Net block					
As at September 30, 2018	1,213,827	14,976,143	9,192,588	9,295,137	34,677,695
As at March 31, 2018	1,434,098	15,815,379	6,997,380	11,698,276	35,945,133

	(In ₹)				
	Plant and equipment	Leasehold improvements	Furniture and fixtures	Computers	Total
Gross block (At cost)					
As at April 1, 2017	1,919,207	19,023,220	8,715,395	18,660,236	48,318,058
Additions	135,771	213,711	-	4,156,819	4,506,301
- Exchange differences	74,630	739,721	338,900	725,608	1,878,859
As at September 30, 2017	2,129,608	19,976,652	9,054,295	23,542,663	54,703,218
Depreciation and amortization					
As at April 1, 2017	67,962	322,957	147,961	1,829,548	2,368,428
Charge for the period	316,095	1,995,650	907,411	4,698,779	7,917,935
- Exchange differences	2,642	12,558	5,754	71,142	92,096
As at September 30, 2017	386,699	2,331,165	1,061,126	6,599,469	10,378,459
As at September 30, 2017	1,742,909	17,645,487	7,993,169	16,943,194	44,324,759
As at March 31, 2017	1,851,245	18,700,263	8,567,434	16,830,688	45,949,630

	(In ₹)				
	Plant and equipment	Leasehold improvements	Furniture and fixtures	Computers	Total
Gross block (At cost)					
As at April 1, 2017	1,919,207	19,023,220	8,715,395	18,660,236	48,318,058
Additions	160,337	670,082	-	4,166,670	4,997,089
Disposals	-	-	-	265,227	265,227
- Exchange differences	48,384	479,582	219,718	470,431	1,218,115
As at March 31, 2018	2,127,928	20,172,884	8,935,113	23,032,110	54,268,035
Depreciation and amortization					
As at April 1, 2017	67,962	322,957	147,961	1,829,548	2,368,428
Charge for the period	624,154	4,026,406	1,786,041	9,546,571	15,983,172
Disposals	-	-	-	88,409	88,409
- Exchange differences	1,714	8,142	3,731	46,124	59,711
As at March 31, 2018	693,830	4,357,505	1,937,733	11,333,834	18,322,902
As at March 31, 2018	1,434,098	15,815,379	6,997,380	11,698,276	35,945,133
As at March 31, 2017	1,851,245	18,700,263	8,567,434	16,830,688	45,949,630

5.2 Depreciation and amortization

	(In ₹)				
	For the quarter ended		For half year ended		For the year ended
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	March 31, 2018
	(In ₹)	(In ₹)	(In ₹)	(In ₹)	(In ₹)
Property, Plant and Equipment	3,967,196	4,163,757	7,659,520	7,917,935	15,983,172
	3,967,196	4,163,757	7,659,520	7,917,935	15,983,172

Persistent Systems México, S.A. de C.V.

Notes forming part of condensed financial statements

6. Loans

	As at September 30, 2018 (In ₹)	As at September 30, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Security deposit			
Unsecured, considered good	176,491	164,711	162,543
Unsecured, considered doubtful	-	-	-
	<u>176,491</u>	<u>164,711</u>	<u>162,543</u>
Less: Provision for doubtful deposits	-	-	-
	<u><u>176,491</u></u>	<u><u>164,711</u></u>	<u><u>162,543</u></u>

7. Deferred tax assets (net)

	As at September 30, 2018 (In ₹)	As at September 30, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Deferred tax liabilities			
Differences in book values and tax base values of property, plant and equipment and other intangible assets.	306,973	1,205,579	282,713
	<u>306,973</u>	<u>1,205,579</u>	<u>282,713</u>
Deferred tax assets			
Differences in book values and tax base values of property, plant and equipment and other intangible assets.		-	-
Others	10,395,745	7,925,830	6,578,637
Provision for leave encashment	-	603,885	-
Performance and retention bonus	-	564,254	955,589
	<u>10,395,745</u>	<u>9,093,969</u>	<u>7,534,226</u>
Deferred tax assets (net)	<u><u>10,088,772</u></u>	<u><u>7,888,390</u></u>	<u><u>7,251,513</u></u>

8. Other non current assets

	As at September 30, 2018 (In ₹)	As at September 30, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Capital advances (Unsecured, considered good)	-	-	-
Advances recoverable in cash or kind or for value to be received	242,083	-	570,368
	<u>242,083</u>	<u>-</u>	<u>570,368</u>

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Persistent Systems México, S.A. de C.V.

Notes forming part of condensed financial statements

9. Trade receivables

	As at September 30, 2018 (In ₹)	As at September 30, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Outstanding for a period less than six months from the date they are due for payment			
Unsecured, considered good	14,920,125	55,757,633	45,470,642
Unsecured, considered doubtful	-	-	-
	14,920,125	55,757,633	45,470,642
Less : Provision for doubtful receivables	-	-	-
	14,920,125	55,757,633	45,470,642

10. 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			
Cash on hand	-	46	-
Balances with banks			
On current accounts	3,222,176	2,923,783	4,339,918
	3,222,176	2,923,829	4,339,918

11. Other financial assets

	As at September 30, 2018 (In ₹)	As at September 30, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Unbilled revenue	39,459,416	21,474,885	27,127,204
	39,459,416	21,474,885	27,127,204

12. Other current assets

	As at September 30, 2018 (In ₹)	As at September 30, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Advances recoverable in cash or kind or for value to be received	4,635,391	3,912,069	692,931
VAT receivable (net)	241,725	10,256,206	10,334,958
	4,877,116	14,168,275	11,027,889

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Persistent Systems México, S.A. de C.V.

Notes forming part of condensed financial statements

13. Borrowings

	As at September 30, 2018 (In ₹)	As at September 30, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Borrowings from related parties			
Intercorporate Deposit			
- Persistent Systems Inc	81,246,936	105,617,229	105,353,389
(Repayment terms: After 36 months @ Libor plus 70 basis points)			
	81,246,936	105,617,229	105,353,389

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Persistent Systems México, S.A. de C.V.

Notes forming part of condensed financial statements

14. Trade payables

	As at September 30, 2018 (In ₹)	As at September 30, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Trade payables for goods and services	3,508,933	3,827,026	3,439,707
	3,508,933	3,827,026	3,439,707

15. Other financial liabilities

	As at September 30, 2018 (In ₹)	As at September 30, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Interest accrued and due on borrowings	1,658,656	439,386	1,383,730
Accrued employee liabilities	1,261,341	-	-
Advance from related parties (Unsecured, considered good)			
Persistent Systems Ltd	505,121	244,928	398,264
	3,425,118	684,314	1,781,994

16. Other current liabilities

	As at September 30, 2018 (In ₹)	As at September 30, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Statutory liabilities	5,924,904	10,124,274	15,701,606
- Other liabilities	40,737	-	-
	5,965,641	10,124,274	15,701,606

17. 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	3,152,447	2,394,545	2,512,015
- Other employee benefits	10,113,031	6,458,090	6,386,958
	13,265,478	8,852,635	8,898,973

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Persistent Systems México, S.A. de C.V.

Notes forming part of condensed financial statements

18. Revenue from operations

	For the quarter ended		For 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 services	71,380,792	44,372,623	123,188,676	87,926,008	173,430,643
	71,380,792	44,372,623	123,188,676	87,926,008	173,430,643

19. Other income

	For the quarter ended		For 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)	-	-	-	7,761,688	2,888,101
Excess provision in respect of earlier periods/ years written back	-	-	-	-	412,443
Miscellaneous income	-	-	-	-	18,892
	-	-	-	7,761,688	3,319,436

20. Employee benefits expense

	For the quarter ended		For 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 ₹)
Employee benefits expense					
Salaries, wages and bonus	40,338,084	24,942,270	69,826,996	49,205,657	105,083,981
Defined contribution to other funds	10,548,188	6,788,173	18,056,802	13,338,259	27,261,093
Staff welfare and benefits	1,670,288	1,079,417	3,094,111	2,032,611	4,501,968
	52,556,560	32,809,860	90,977,909	64,576,527	136,847,042

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21. Other expenses

	For the quarter ended		For half year ended		For the year ended
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	March 31, 2018
	(In ₹)	(In ₹)	(In ₹)	(In ₹)	(In ₹)
Travelling and conveyance	525,300	332,775	546,128	364,914	567,250
Electricity expenses (net)	235,356	165,245	378,685	299,075	577,538
Internet link expenses	373,710	318,992	681,507	636,019	1,255,294
Communication expenses	1,352	2	1,352	603	595
Recruitment expenses	342,632	124,744	864,332	721,555	927,777
Training and seminars	10,781	7,739	10,781	63,105	66,657
Purchase of software licenses and support expenses	474,826	246,669	644,268	671,747	1,220,317
Rent	2,623,523	2,295,970	4,784,320	4,198,472	8,505,584
Insurance	65,748	343,699	115,525	401,802	530,271
Rates, Fees and professional tax	-	(69,565)	-	137,430	141,699
Legal and professional fees	508,424	654,923	1,142,809	3,332,558	5,080,718
Repairs and maintenance	-	-	-	-	-
- Plant and Machinery	32,702	-	52,527	-	30,319
- Buildings	-	66	-	21,149	21,572
- Others	-	-	-	-	656
Advertisement and sponsorship fees	348	858	14,246	277,668	282,975
Auditors' remuneration	17,700	17,700	35,400	17,700	35,293
Donations	-	(68)	-	(21,920)	(21,631)
Books, memberships, subscriptions	82,990	298,855	82,990	628,758	642,645
Foreign exchange loss (net)	3,802,659	1,351,874	13,078,362	-	-
Loss on sale of assets	13,425	-	138,810	-	71,355
Miscellaneous expenses	332,837	248,987	582,106	536,145	1,058,210
	9,444,313	6,339,465	23,154,148	12,286,780	20,995,094

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Persistent Systems México, S.A. de C.V.

Notes forming part of condensed financial statements

22. Earnings per equity share

		For the quarter ended		For half year ended		For the year ended
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	March 31, 2018
<u>Numerator for Basic and Diluted EPS</u>						
Net Profit/ (loss) after tax (In ₹)	(A)	3,417,591	307,481	173,067	6,562,688	617,579
<u>Denominator for Basic EPS</u>						
Weighted average number of equity shares	(B)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
<u>Denominator for Diluted EPS</u>						
Number of equity shares	(C)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Basic Earnings per share of face value of MXN 1 each (In ₹)	(A/B)	3.42	0.31	0.17	6.56	0.62
Diluted Earnings per share of face value of MXN 1 each (In ₹)	(A/C)	3.42	0.31	0.17	6.56	0.62

	For the quarter ended		For half year ended		For the year ended
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	March 31, 2018
Number of shares considered as basic weighted average shares outstanding	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Add: Effect of dilutive issues of stock options	-	-	-	-	-
Number of shares considered as weighted average shares and potential shares outstanding	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

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23. Contingent liabilities:

The Company does not have any contingent liability as at September 30, 2018 (Previous period and year - ₹ Nil).

24. Capital Commitments:

The estimated amount of contracts remaining to be executed on Capital account and not provided for, net of advances is ₹ Nil (Previous period and year - ₹ Nil).

25. The financial statements are presented in ₹ except for per share information or as otherwise stated.

26. Previous period's figures have been regrouped where necessary to conform to current period'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 México, S.A. de C.V.

per C.K. Joshi
Partner
Membership No.030428
Place: Pune
Date: October 19, 2018

Thomas Klein
Director
Place: Santa Clara, USA
Date: October 19, 2018

Sunil Sapre
Director
Place: Pune
Date: October 19, 2018
