

Persistent Systems France SAS

CONDENSED BALANCE SHEET AS AT SEPTEMBER 30, 2014

	Note	As at September 30, 2014 (In ₹)	As at September 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
EQUITY AND LIABILITIES				
Shareholders' funds				
Share capital	1	97,467,000	97,467,000	97,467,000
Reserves and surplus	2	30,675,788	(39,127,373)	(10,908,264)
	(A)	128,142,788	58,339,627	86,558,736
Non-current liabilities				
Long term borrowings	3	-	36,351,125	-
Other long term liabilities	4	-	1,490,927	-
	(B)	-	37,842,052	-
Current liabilities				
Short-term borrowings	5	243,628	80,624	-
Trade payables	6	12,372,837	7,564,581	7,266,192
Other current liabilities	6	41,548,052	30,646,323	30,660,368
Short-term provisions	7	34,384,392	24,766,475	28,748,811
	(C)	88,548,909	63,058,003	66,675,371
TOTAL	(A)+(B)+(C)	216,691,697	159,239,682	153,234,107
ASSETS				
Non current assets				
Fixed assets				
Tangible assets	8.1	68,744,056	77,780,190	73,876,633
Intangible assets	8.2	957,022	2,169,548	1,537,949
Capital work in progress		-	-	-
	(A)	69,701,078	79,949,738	75,414,582
Current assets				
Trade receivables	9	45,673,443	28,473,068	26,957,731
Cash and bank balances	10	74,985,900	40,943,376	33,835,893
Short-term loans and advances	11	7,482,640	2,102,738	4,641,477
Other current assets	12	18,848,636	7,770,762	12,384,424
	(B)	146,990,619	79,289,944	77,819,525
TOTAL	(A)+(B)	216,691,697	159,239,682	153,234,107
Summary of significant accounting policies	19			

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
President

Rohit Kamat
Director General

Place: Pune
Date : October 17, 2014

Place: Pune
Date : October 17, 2014

Place: Pune
Date : October 17, 2014

CONDENSED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2014

	Note	For the quarter ended		For the half year ended		For the year ended
		September 30, 2014 (In ₹)	September 30, 2013 (In ₹)	September 30, 2014	September 30, 2013	March 31, 2014 (In ₹)
Income						
Revenue from operations	13	99,905,970	55,135,752	197,532,496	101,817,293	272,148,945
Other income	14	984,017	2,141,366	653,390	2,669,293	3,074,169
Total revenue (A)		100,889,987	57,277,118	198,185,886	104,486,586	275,223,114
Expenses						
Employee benefit expense	15.1	53,150,670	50,384,245	112,089,919	103,857,643	217,648,976
Cost of technical professionals	15.2	6,446,663	-	10,052,628	-	9,654,617
Other expenses	16	7,332,473	7,969,807	15,941,011	16,910,283	32,424,073
Finance costs		-	306,256	-	577,402	949,911
Depreciation and amortization expense	8.3	1,375,228	1,339,448	2,704,719	2,535,844	5,282,297
Total expense (B)		68,305,034	59,999,756	140,788,277	123,881,172	265,959,874
Profit / (loss) before tax (A - B)		32,584,953	(2,722,638)	57,397,609	(19,394,586)	9,263,240
Tax expense						
Current tax		8,740,048	-	8,740,048	-	-
Total tax expense		8,740,048	-	8,740,048	-	-
Profit / (loss) after tax		23,844,905	(2,722,638)	48,657,561	(19,394,586)	9,263,240
Earnings per equity share						
[nominal value of share Euro 1 previous period and previous year : Euro 1]						
Basic (in ₹)		15.90	(1.82)	32.44	(12.93)	6.18
Diluted (in ₹)		15.90	(1.82)	32.44	(12.93)	6.18
Summary of significant accounting policies	19					

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

As per our report of even date

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

CASH FLOW STATEMENT FOR THE HALF YEAR ENDED SEPTEMBER 30, 2014

	For the half year ended		For the year ended
	September 30, 2014	September 30, 2013	March 31, 2014
	(In ₹)	(In ₹)	(In ₹)
Cash flow from operating activities			
Profit before tax	57,397,609	(19,394,586)	9,263,240
Adjustments for:			
Depreciation and amortisation	2,704,719	2,535,844	5,282,297
Finance costs	-	577,402	949,911
Foreign currency translation reserve	(3,305,132)	4,657,524	(442,766)
Operating profit before working capital changes	56,797,196	(11,623,816)	15,052,682
Movements in working capital :			
(Increase)/ Decrease in trade receivables	(18,715,712)	(5,782,088)	(4,266,751)
(Increase) / Decrease in other current assets	(6,464,212)	(2,126,086)	(6,739,748)
Decrease / (Increase) in loans and advances	(2,841,163)	(230,148)	(2,768,887)
Increase / (Decrease) in trade payables and current liabilities (including short term borrowings)	16,237,957	22,480,053	22,115,085
Increase / (Decrease) in provisions	(2,710,230)	7,976,667	11,959,003
Operating profit after working capital changes	42,303,836	10,694,582	35,351,384
Direct taxes paid (net of refunds)	-	-	-
Net cash generated from operating activities	(A) 42,303,836	10,694,582	35,351,384
Cash flow from investing activities			
Payment towards capital expenditure	(1,153,829)	(24,574)	(218,672)
Net cash (used in) investing activities	(B) (1,153,829)	(24,574)	(218,672)
Cash flow from financing activities			
Repayment of inter corporate deposits	-	-	(29,907,962)
Payment of interest on intercorporate deposits	-	-	(1,662,225)
Net cash generated from financing activities	(C) -	-	(31,570,187)
Net increase in cash and cash equivalents (A + B + C)	41,150,007	10,670,008	3,562,525
Cash and cash equivalents at the beginning of the reporting period/year	33,835,893	30,273,368	30,273,368
Cash and cash equivalents at the end of the reporting period/year (refer note 9)	74,985,900	40,943,376	33,835,893
Components of cash and cash equivalents	September 30, 2014	September 30, 2013	March 31, 2014
Cash on hand	-	-	-
Balances with banks			
- on current account	74,985,900	40,943,376	33,835,893
Cash and cash equivalents in cash flow statement as per note 9	74,985,900	40,943,376	33,835,893

Summary of significant accounting policies (refer note 19)

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 17, 2014

Dr. Anand Deshpande
President
Place: Pune
Date : October 17, 2014

Rohit Kamat
Director General
Place: Pune
Date : October 17, 2014

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

1. Share capital

	As at September 30, 2014 (In ₹)	As at September 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Authorised			
1,500,000 (previous period / 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 period / 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

2. Reserves and surplus

	As at September 30, 2014 (In ₹)	As at September 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
A. Foreign currency translation reserve			
Balance as per the last financial statements	18,893,719	6,873,968	6,873,968
Add: Exchange difference during the reporting period on net investment in non-integral foreign operation	(7,073,509)	12,458,468	12,019,751
(A)	11,820,210	19,332,436	18,893,719
B. Profit and (loss) account			
Balance as per the last financial statements	(29,801,983)	(39,065,223)	(39,065,223)
Profit / (loss) after tax for the reporting period/year	48,657,561	(19,394,586)	9,263,240
(B)	18,855,578	(58,459,809)	(29,801,983)
(A+B)	30,675,788	(39,127,373)	(10,908,264)

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

3. Long term borrowings

	As at September 30, 2014 (In ₹)	As at September 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
-Loan from related parties (unsecured considered good) Persistent Systems Limited (principal and interest will be paid after 3 years @ 3.43% p.a.)	-	36,351,125	-
	<u>-</u>	<u>36,351,125</u>	<u>-</u>

4. Other long term liabilities

	As at September 30, 2014 (In ₹)	As at September 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Interest accrued but not due -Persistent Systems Limited	-	1,490,927	-
	<u>-</u>	<u>1,490,927</u>	<u>-</u>

5. Short term borrowings

	As at September 30, 2014 (In ₹)	As at September 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Unsecured Loans and advances from related parties Persistent Systems Limited	243,628	80,624	-
	<u>243,628</u>	<u>80,624</u>	<u>-</u>

6. Trade payables and other current liabilities

	As at September 30, 2014 (In ₹)	As at September 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Trade payables	12,372,837	7,564,581	7,266,192
	<u>12,372,837</u>	<u>7,564,581</u>	<u>7,266,192</u>
Other current liabilities			
-Unearned revenue	25,936,566	18,202,403	14,871,101
-Statutory liabilities	14,908,209	12,443,920	14,662,043
-Advance from customers	703,277	-	1,127,224
	<u>41,548,052</u>	<u>30,646,323</u>	<u>30,660,368</u>

7. Short-term provisions

	As at September 30, 2014 (In ₹)	As at September 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Provision for employee benefits			
- Leave encashment	23,982,301	21,866,097	25,419,407
- Other employee benefits	2,056,280	2,900,378	3,329,404
Others			
- Provision for taxation (net of advance)	8,345,811	-	-
	<u>34,384,392</u>	<u>24,766,475</u>	<u>28,748,811</u>

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

8.1 Tangible assets

						(In ₹)
	Freehold Land	Building	Computers	Plant & Machinery	Furniture & Fixtures	Total
Gross Block						
As at April 01, 2014	14,386,111	64,436,409	2,179,043	59,025	3,455,350	84,515,938
Additions	-	-	1,044,391	52,909	-	1,097,300
Disposals	-	-	-	-	-	-
Other Adjustments						
- Exchange differences	(810,846)	(3,631,835)	(154,868)	(3,217)	(194,755)	(4,795,521)
As at September 30, 2014	13,575,265	60,804,574	3,068,566	108,717	3,260,595	80,817,717
Depreciation						
As at April 01, 2014	-	6,870,261	1,333,020	29,796	2,406,228	10,639,305
charge for the period	-	1,277,030	397,228	6,249	449,596	2,130,103
Disposals	-	-	-	-	-	-
Other Adjustments						
- Exchange differences	-	(444,832)	(93,051)	(1,961)	(155,903)	(695,747)
As at September 30, 2014	-	7,702,459	1,637,197	34,084	2,699,921	12,073,661
Net Block						
As at September 30, 2014	13,575,265	53,102,115	1,431,369	74,633	560,674	68,744,056
As at March 31, 2014	14,386,111	57,566,148	846,023	29,229	1,049,122	73,876,633
Gross Block						
As at April 01, 2013	12,154,804	54,442,228	1,680,395	49,870	2,897,371	71,224,668
Additions	-	-	-	-	24,574	24,574
Disposals	-	-	-	-	-	-
Other Adjustments						
- Exchange differences	2,618,547	11,728,655	362,031	10,743	626,432	15,346,408
As at September 30, 2013	14,773,351	66,170,883	2,042,426	60,613	3,548,377	86,595,650
Depreciation						
As at April 01, 2013	-	3,626,977	573,047	15,274	1,266,936	5,482,234
charge for the year	-	1,225,675	325,650	5,573	430,836	1,987,734
Disposals	-	-	-	-	-	-
Other Adjustments						
- Exchange differences	-	882,747	150,405	3,753	308,587	1,345,492
As at September 30, 2013	-	5,735,399	1,049,102	24,600	2,006,359	8,815,460
Net Block						
As at September 30, 2013	14,773,351	60,435,484	993,324	36,013	1,542,018	77,780,190
Gross Block						
As at April 01, 2013	12,154,804	54,442,228	1,680,395	49,870	2,897,371	71,224,668
Additions	-	-	194,098	-	24,574	218,672
Disposals	-	-	-	-	-	-
Other Adjustments						
- Exchange differences	2,231,307	9,994,181	304,550	9,155	533,405	13,072,598
As at March 31, 2014	14,386,111	64,436,409	2,179,043	59,025	3,455,350	84,515,938
Depreciation						
As at April 01, 2013	-	3,626,977	573,047	15,274	1,266,936	5,482,234
charge for the year	-	2,567,261	652,184	11,672	903,125	4,134,242
Disposals	-	-	-	-	-	-
Other Adjustments						
- Exchange differences	-	676,023	107,789	2,850	236,167	1,022,829
As at March 31, 2014	-	6,870,261	1,333,020	29,796	2,406,228	10,639,305
Net Block						
As at March 31, 2014	14,386,111	57,566,148	846,023	29,229	1,049,122	73,876,633
As at March 31, 2013	12,154,804	50,815,251	1,107,348	34,596	1,630,435	65,742,434

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS
8.2 Intangible assets

	(In ₹)	
	Software	Total
Gross Block		
As at April 01, 2014	4,610,010	4,610,010
Additions	56,529	56,529
Disposals	-	-
Other Adjustments		
- Exchange differences	(261,911)	(261,911)
As at September 30, 2014	4,404,628	4,404,628
Amortization		
As at April 01, 2014	3,072,061	3,072,061
charge for the period	574,616	574,616
Disposals	-	-
Other Adjustments		
- Exchange differences	(199,071)	(199,071)
As at September 30, 2014	3,447,606	3,447,606
Net Block		
As at September 30, 2014	957,022	957,022
As at March 31, 2014	1,537,949	1,537,949
Gross Block		
As at April 01, 2013	3,894,990	3,894,990
Additions	-	-
Disposals	-	-
Other Adjustments		
- Exchange differences	839,110	839,110
As at September 30, 2013	4,734,100	4,734,100
Amortization		
As at April 01, 2013	1,621,734	1,621,734
charge for the year	548,110	548,110
Disposals	-	-
Other Adjustments		
- Exchange differences	394,708	394,708
Net Block	2,564,552	2,564,552
Net Block		
As at September 30, 2013	2,169,548	2,169,548
Gross Block		
As at April 01, 2013	3,894,990	3,894,990
Additions	-	-
Disposals	-	-
Other Adjustments		
- Exchange differences	715,020	715,020
As at March 31, 2014	4,610,010	4,610,010
Amortization		
As at April 01, 2013	1,621,734	1,621,734
charge for the year	1,148,055	1,148,055
Disposals	-	-
Other Adjustments		
- Exchange differences	302,272	302,272
As at March 31, 2014	3,072,061	3,072,061
Net Block		
As at March 31, 2014	1,537,949	1,537,949
As at March 31, 2013	2,273,256	2,273,256

8.3 Depreciation and amortization

	(In ₹)				
	For the quarter ended		For the half year ended		For the year ended
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013	March 31, 2014
On tangible assets	1,087,340	1,048,729	2,130,103	1,987,734	4,134,242
On intangible assets	287,888	290,719	574,616	548,110	1,148,055
	1,375,228	1,339,448	2,704,719	2,535,844	5,282,297

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS
9. Trade receivables

	As at September 30, 2014 (In ₹)	As at September 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Outstanding for a period exceeding six months from the date they are due for payment			
Unsecured (considered good)	-	-	-
Unsecured (considered doubtful)	-	-	-
Less : Provision for doubtful debts	-	-	-
Others			
Unsecured (considered good)	45,673,443	28,473,068	26,957,731
Unsecured (considered doubtful)	-	-	-
	45,673,443	28,473,068	26,957,731
Less : Provision for doubtful debts	-	-	-
	45,673,443	28,473,068	26,957,731
	45,673,443	28,473,068	26,957,731

10. Cash and bank balances

	As at September 30, 2014 (In ₹)	As at September 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Cash and cash equivalents as presented in cash flow statement			
Balances with banks			
-On current accounts	74,985,900	40,943,376	33,835,893
	74,985,900	40,943,376	33,835,893

11. Short-term loans and advances

	As at September 30, 2014 (In ₹)	As at September 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Loans and advances to related parties			
- Persistent Systems Inc.	4,939,285	-	2,134,653
	4,939,285	-	2,134,653
Other loans and advances			
Deposits	155,363	-	164,643
Advances recoverable in cash or kind or for value to be received			
-Persistent Systems Inc.	1,122,309	-	-
-VAT receivable (Net)	-	509,114	1,098,747
-Other	1,265,683	1,593,624	1,243,434
	2,543,355	2,102,738	2,506,824
	7,482,640	2,102,738	4,641,477

12. Other current assets

	As at September 30, 2014 (In ₹)	As at September 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Unbilled revenue	18,848,636	7,770,762	12,384,424
	18,848,636	7,770,762	12,384,424

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

13. Revenue from operations

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2014 (In ₹)	September 30, 2013 (In ₹)	September 30, 2014 (In ₹)	September 30, 2013 (In ₹)	March 31, 2014 (In ₹)
Software licenses	9,753,537	3,912,381	11,829,199	8,549,728	15,187,461
Software services	90,152,433	51,223,371	185,703,297	93,267,565	256,961,484
	99,905,970	55,135,752	197,532,496	101,817,293	272,148,945

14. Other income

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2014 (In ₹)	September 30, 2013 (In ₹)	September 30, 2014 (In ₹)	September 30, 2013 (In ₹)	March 31, 2014 (In ₹)
Foreign exchange gain (net)	190,251	-	224,423	-	-
Excess provision write back	170,838	2,110,258	170,838	2,110,258	2,216,096
Provision for doubtful debts written back	502,137	-	-	-	-
Miscellaneous income	120,791	31,108	258,129	559,035	858,073
	984,017	2,141,366	653,390	2,669,293	3,074,169

15. Personnel expenses

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2014 (In ₹)	September 30, 2013 (In ₹)	September 30, 2014 (In ₹)	September 30, 2013 (In ₹)	March 31, 2014 (In ₹)
15.1 Employee benefit expenses					
Salaries and wages	33,420,953	33,442,584	69,888,930	67,896,956	140,632,861
Defined contribution to other funds	18,277,888	16,452,142	39,450,915	34,368,416	71,631,151
Staff welfare and benefits	1,451,829	489,519	2,750,074	1,592,271	5,384,964
	53,150,670	50,384,245	112,089,919	103,857,643	217,648,976
15.2 Cost of technical professionals					
Technical professionals - related parties	6,446,663	-	10,052,628	-	9,654,617
Technical professionals - others	-	-	-	-	-
	6,446,663	-	10,052,628	-	9,654,617
	59,597,333	50,384,245	122,142,547	103,857,643	227,303,593

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

16. Other expenses

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013	March 31, 2014
	(In ₹)	(In ₹)			(In ₹)
Travelling and conveyance	1,122,759	2,096,871	2,576,733	3,467,915	6,845,656
Electricity expenses	255,661	318,512	622,682	574,012	1,513,289
Internet link expenses	49,595	50,572	100,160	95,813	201,404
Communication expenses	444,152	880,613	1,151,640	1,328,375	2,260,459
Recruitment expenses	9,775	-	50,845	-	-
Training and seminars	110,865	20,711	426,280	43,587	391,631
Royalty expenses	951,047	-	3,551,355	-	140,903
Purchase of software licenses and support expenses	1,002,714	318,502	1,395,220	365,737	938,458
Insurance	508,982	184,679	926,338	347,204	838,177
Rent	260,981	-	260,981	-	-
Rates, fees and taxes	519,583	938,376	882,656	5,333,271	6,963,340
Legal and professional fees	868,656	1,215,553	1,679,962	1,955,483	4,574,092
Repairs and maintenance					
-Plant and Machinery	-	108,032	-	222,090	601,188
-Building	62,863	673,049	161,138	760,253	1,118,002
- Others	86,133	77,804	113,485	92,471	139,205
Foreign exchange loss (net)	-	169,449	-	372,324	464,362
Advertisements, sponsorship fees	28,380	1,379	38,107	24,782	171,037
Computer consumables	213,453	38,280	306,777	139,280	317,827
Books, memberships, subscriptions	155,672	47,822	159,542	195,762	245,411
Auditors' remuneration	234,277	359,055	679,553	560,109	2,417,599
Miscellaneous expenses	446,925	470,548	857,557	1,031,815	2,282,033
	7,332,473	7,969,807	15,941,011	16,910,283	32,424,073

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17. Nature of operations

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

18. Basis of preparation

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

The condensed interim financial statements for the quarter and half year ended on September 30, 2014 have been prepared in accordance with Accounting Standard 25 notified by Companies (Accounting Standards) Rules, (as amended) 2006. The form and content in these condensed financial statements conforms to the requirements as applicable to annual complete set of financial statements

19. 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 Indian GAAP requires the management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the end of reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

(d) Tangible fixed assets

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

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

(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. Internally generated intangible assets, excluding capitalized development costs are reflected as expenditure in the statement of profit and loss in the reporting period in which these are incurred.

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

(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 and use or sell it;
- its ability to use or sell the asset;
- how the asset will generate probable future economic benefits;
- the availability of adequate resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during development.

Such 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 commenced 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 of tangible and intangible assets

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

(h) Leases

Where the Company is a lessee

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases.

Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

(i) 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.

(j) Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) Income from software licenses and services

Revenue from time and material engagements is recognized on time basis in accordance with the terms of the contracts with customers.

In case of fixed price contracts, revenue is recognized based on the milestones achieved as specified in the contracts, on proportionate completion basis.

Revenue from licensing of software is recognized upon delivery.

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

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

Unbilled revenue represents revenue recognized in relation to work done on time and material projects and fixed price projects until the balance sheet date for which billing has not taken place.

Unearned revenue represents the billing in respect of contracts for which the revenue is not recognized.

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

(ii) Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. 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.

(k) Foreign currency translation

(i) Foreign currency transactions and balances

Initial recognition

Foreign currency transactions are recorded in the functional currency viz. EURO, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

The transactions are in Euro, which are converted for reporting in Indian currency on the following basis. The equity share capital is translated on the date of transaction and fixed assets are translated at the closing rate as at the date of the balance sheet. All current assets and current liabilities are translated at the closing rate as at the date of the balance sheet. All Income and Expense items are converted at weighted average of Inter Bank Selling Rate for the period.

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

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.

(l) Retirement and other employee benefits

Leave encashment

The Company measures the expected cost of 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 presents the entire leave 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 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 timing differences between taxable income and accounting income originating during the current reporting period and reversal of timing differences of earlier reporting periods. 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 timing differences. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

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.

(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 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.

(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 not discounted to its present value and are determined based on the best estimate required to settle the obligation at the reporting date. 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 comprise cash at bank and in hand and short term deposits with an original maturity period of three months or less.

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Persistent Systems France SAS

20. Earnings per share

(Amount in ₹)

Particular		For the quarter ended		For the half year ended		For the year ended
		September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013	March 31, 2014
Basic and diluted Earnings per share (After exceptional and prior period Items)						
<u>Numerator</u> Net Profit / (loss) after tax and after exceptional items	A	23,844,905	(2,722,638)	48,657,561	(19,394,586)	9,263,240
<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 and diluted Earnings per share (Face Value of EURO 1 each)	A/B	15.90	(1.82)	32.44	(12.93)	6.18

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21. Previous period / year comparatives

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

As per our report of even date

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

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

per C.K. Joshi
Partner
Membership No.030428
Place: Pune
Date: October 17, 2014

Dr. Anand Deshpande
President
Place: Pune
Date: October 17, 2014

Rohit Kamat
Director General
Place: Pune
Date: October 17, 2014
