

CONDENSED BALANCE SHEET AS AT SEPTEMBER 30, 2016

	Note	As at September 30, 2016 (In ₹)	As at September 30, 2015 (In ₹)	As at March 31, 2016 (In ₹)
ASSETS				
Non-current assets				
Property, Plant and Equipment	1.1	67,854,766	71,583,699	88,324,341
Capital work-in-progress		70,664,826	38,428,708	8,838,868
Other Intangible assets	1.2	1,819,165,686	596,479,458	625,361,866
Intangible assets under development		355,040,384	-	195,351,915
		<u>2,312,725,662</u>	<u>706,491,865</u>	<u>917,876,990</u>
Financial assets				
- Investments	2	1,070,223,113	359,980,293	1,062,405,687
- Loans	3	213,186,892	269,759,239	216,061,500
Other non-current assets	4	5,542,134	10,527,973	582,222,694
	(A)	<u>3,601,677,801</u>	<u>1,346,759,370</u>	<u>2,778,566,871</u>
Current assets				
Financial assets				
- Trade receivables	5	2,022,824,546	1,672,833,246	2,541,982,177
- Cash and cash equivalents	6	486,472,181	90,727,858	374,193,744
- Other bank balances	7	748,145	1,458,004	1,473,103
- Loans	8	3,663,275	-	3,643,338
- Other financial assets	9	137,626,652	99,364,558	104,501,771
Current tax assets (net)		111,619,556	-	107,623,688
Other current assets	10	1,304,850,201	304,263,575	1,158,534,700
	(B)	<u>4,067,804,556</u>	<u>2,168,647,241</u>	<u>4,291,952,521</u>
TOTAL	(A) + (B)	<u>7,669,482,357</u>	<u>3,515,406,611</u>	<u>7,070,519,392</u>
EQUITY AND LIABILITIES				
EQUITY				
Equity share capital	11	1,868,917,850	778,712,850	1,200,917,850
Other equity		1,191,976,872	393,558,251	1,492,824,476
	(A)	<u>3,060,894,722</u>	<u>1,172,271,101</u>	<u>2,693,742,326</u>
LIABILITIES				
Non-current liabilities				
Deferred tax liability (net)	12	36,991,038	2,673,368	36,492,416
Financial liabilities				
- Long-term borrowings	13	326,364,500	-	-
Other long term liabilities	14	2,984,836	-	-
	(B)	<u>366,340,374</u>	<u>2,673,368</u>	<u>36,492,416</u>
Current liabilities				
Financial liabilities				
- Borrowings	16	-	327,900,000	-
- Trade payables	15	2,158,651,652	1,035,590,170	2,445,814,341
- Other financial liabilities	17	444,018,048	41,126,134	568,038,960
Other current liabilities	18	1,094,431,063	535,740,255	770,608,119
Provisions	19	545,146,498	399,567,462	555,823,230
Current tax liabilities (net)		-	538,121	-
	(C)	<u>4,242,247,261</u>	<u>2,340,462,142</u>	<u>4,340,284,650</u>
TOTAL	(A)+(B)+(C)	<u>7,669,482,357</u>	<u>3,515,406,611</u>	<u>7,070,519,392</u>
Summary of significant accounting policies	27			

The accompanying notes form an integral part of the condensed financial statements

As per our report of even date

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

For and on behalf of the Board of Directors of
Persistent Systems Inc.

per C. K. Joshi
Partner
Membership No. 030428

Dr. Anand Deshpande
Director

Sudhir Kulkarni
Director

Place: Pune
Date : October 20, 2016

Place: Pune
Date : October 20, 2016

Place: Santa Clara
Date : October 20, 2016

CONDENSED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2016

	Note	For the quarter ended		For the half year ended		For the year ended
		September 30, 2016 (In ₹)	September 30, 2015 (In ₹)	September 30, 2016 (In ₹)	September 30, 2015 (In ₹)	March 31, 2016 (In ₹)
Income						
Revenue from operations (net)	20	3,581,894,393	2,192,875,141	7,206,008,109	4,189,954,116	10,378,027,668
Other income	21	3,635,777	501,069	4,619,478	1,403,281	12,687,162
Total Income (A)		3,585,530,170	2,193,376,210	7,210,627,587	4,191,357,397	10,390,714,830
Expenses						
Employee benefits expense	22.1	1,835,359,169	1,132,569,602	3,651,629,746	2,277,523,459	5,455,672,515
Cost of technical professionals	22.2	1,296,138,122	713,787,207	2,556,528,488	1,427,600,611	3,444,474,896
Finance costs		2,660,908	3,856,853	2,660,908	7,576,862	14,240,368
Depreciation and amortization expense	1.3	139,690,296	51,749,885	263,296,884	102,724,472	227,854,118
Other expenses	23	290,524,708	650,914,474	721,981,898	915,204,945	1,223,635,374
Total expenses (B)		3,564,373,203	2,552,878,021	7,196,097,924	4,730,630,349	10,365,877,271
Profit/(Loss) before tax (A - B)		21,156,967	(359,501,811)	14,529,663	(539,272,952)	24,837,559
Tax expense						
Current tax		-	-	-	-	-
Tax charge in respect of earlier years		-	-	-	-	(108,952,501)
Deferred tax (Credit)/Charge		20,598,688	(38,673,108)	21,097,497	(71,088,719)	(35,358,133)
Total tax expense		20,598,688	(38,673,108)	21,097,497	(71,088,719)	(144,310,634)
Net profit for the period / year (C)		558,279	(320,828,703)	(6,567,834)	(468,184,233)	169,148,193
Other comprehensive income						
Items that will not be reclassified to profit or loss (D)						
- Remeasurements of the defined benefit liabilities / (asset)		(36,313,784)	5,699,214	(61,168,032)	33,256,659	26,541,918
- Tax effect on remeasurements of the defined benefit liabilities / (asset)		12,803,736	(1,937,732)	20,797,174	(11,307,263)	(9,024,244)
		(23,510,048)	3,761,482	(40,370,858)	21,949,396	17,517,674
Items that will be reclassified to profit or loss (E)						
- Exchange differences on translating the financial statements of foreign operations		(40,875,193)	24,473,573	9,151,088	63,989,338	85,059,859
		(40,875,193)	24,473,573	9,151,088	63,989,338	85,059,859
Total comprehensive income for the period / year (C) + (D) + (E)		(63,826,962)	(292,593,648)	(37,787,604)	(382,245,499)	271,725,726
Earnings per equity share [nominal value of Share \$ 0.10] (Previous period / year \$0.10)						
Basic (In ₹)	24	0.00	(2.18)	(0.04)	(3.18)	0.92
Diluted (In ₹)		0.00	(1.76)	(0.04)	(3.14)	0.91
Summary of significant accounting policies						
27						

The accompanying notes form an integral part of the condensed financial statements

As per our report of even date

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

For and on behalf of the Board of Directors of Persistent Systems Inc.

per C. K. Joshi
Partner
Membership No. 030428

Dr. Anand Deshpande
Director

Sudhir Kulkarni
Director

Place: Pune
Date : October 20, 2016

Place: Pune
Date : October 20, 2016

Place: Santa Clara
Date : October 20, 2016

Persistent Systems Inc.
CASH FLOW STATEMENT FOR THE HALF YEAR ENDED SEPTEMBER 30, 2016

Particulars	For the half year ended		For the year ended
	September 30, 2016	September 30, 2015	March 31, 2016
Cash flow from operating activities			
Profit before taxation	14,529,663	(539,272,952)	24,837,559
Adjustments for:			
Exchange differences in translating the financial statements of foreign operations	9,151,088	63,989,338	(11,579,452)
Interest income	(887,807)	(568,946)	(1,280,056)
Loss on sale of fixed assets	-	582,923	570,463
Depreciation	263,296,884	102,724,472	227,854,118
Finance cost	2,660,908	7,576,862	14,240,368
Provision for diminution in value of Investment	-	398,281,800	-
Inter-corporate deposits written off	-	-	45,778,355
Loss on sale of investment	-	-	7,719,784
unrealised Foreign exchange loss / (gain)	13,262,115	(40,863,285)	1,883
Bad debts written off	-	-	40,724,943
Provision for doubtful debts (net)	(254,388)	(1,585,226)	(50,157,556)
Remeasurements of the defined benefit liabilities / asset	(61,168,032)	33,256,659	26,541,918.00
Operating profit before working capital changes	240,590,431	24,121,645	325,252,327
Movements in working capital :			
(Increase)/decrease in trade receivable	519,412,019	(32,381,495)	(850,985,412)
(Increase)/decrease in other current assets	(147,495,762)	114,450,071	(554,416,114)
(Increase)/decrease in other financial assets	(32,659,095)	-	-
(Increase)/decrease in loans and advances	-	52,324,752	(199,601,522)
Increase/(decrease) in trade payables and current liabilities	(78,532,460)	388,033,991	2,304,412,363
Increase/(decrease) in provisions	(7,691,896)	(41,187,311)	130,043,646
Operating profit after working capital changes	493,623,237	505,361,653	1,154,705,288
Direct taxes paid (net of refunds)	(3,995,868)	(28,409,610)	(29,091,594)
Net cash flow from operating activities	A 489,627,369	476,952,043	1,125,613,694
Cash flows from investing activities			
Payment of capital expenditure	(1,099,714,600)	(366,063,300)	(1,071,499,637)
Proceeds from sale of fixed assets	-	32,119	-
Deposit placed	(2,644,017)	-	-
Deposit matured	724,958	-	-
Inter-corporate deposit placed	-	(91,812,000)	(3,100,448)
Inter-corporate deposit returned	5,518,625	-	-
Investment in subsidiaries - Akshat Corporation	-	(221,332,500)	(224,626,241)
Investment in subsidiaries - Aepona Holdings	-	-	(261,319,380)
Investment in subsidiaries - Persistent Mexico	(3,596,667)	-	-
Investment in subsidiaries - Persistent Systems Israel Ltd.	(6,732,562)	-	-
Investment in other companies	-	(39,348,000)	(72,630,170)
(Investments in)/maturity of bank deposits having original maturity over 3 months	-	(69,268)	(84,367)
Interest received	422,021	413,573	1,280,056
Net cash flow from investing activities	B (1,106,022,242)	(718,179,376)	(1,631,980,187)
Cash flows from financing activities			
Proceeds from issuance of share capital	-	-	422,205,000
Proceeds from Share application money	404,940,000	222,705,000	668,000,000
Repayment of borrowings	-	-	(312,400,000)
Proceeds from borrowings	326,364,500	-	-
Payment of Interest	(2,631,190)	(8,152,787)	(15,245,487)
Net cash flow from financing activities	C 728,673,310	214,552,213	762,559,513
Net increase in cash and cash equivalents (A + B + C)	112,278,437	(26,675,120)	256,193,020
Cash and cash equivalent transferred from Cloudsquads, Inc. on dissolution	-	-	597,746
Cash and cash equivalents at the beginning of the year	374,193,744	117,402,978	117,402,978
Cash and cash equivalents at the end of the year (Refer Note 7)	486,472,181	90,727,858	374,193,744
Components of cash and cash equivalents as at	September 30, 2016	September 30, 2015	March 31, 2016
Cash on hand	7,201	7,090	7,161
Bank Balances with Banks	486,464,980	90,720,768	374,186,583
Cash and cash equivalents	486,472,181	90,727,858	374,193,744
(Refer Note 7)			
Summary of significant accounting policies	27		

The accompanying notes form an integral part of the condensed financial statements

As per our report of even date

For Joshi Apte & Co.
Firm Registration no. 104370W
Chartered Accountants

For and on behalf of the Board of Directors of
Persistent Systems Inc.

per C. K. Joshi
Partner
Membership No. 030428

Dr. Anand Deshpande
Director

Sudhir Kulkarni
Director

Place: Pune
Date : October 20, 2016

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Place: Pune
Date : October 20, 2016

STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED SEPTEMBER 30, 2016**A. Equity share capital**

(In ₹)

Balance as at April 1, 2016	Changes in equity share capital during the period	Balance as at September 30, 2016
1,200,917,850	668,000,000	1,868,917,850

(In ₹)

Balance as at April 1, 2015	Changes in equity share capital during the period	Balance as at September 30, 2015
778,712,850		778,712,850

(In ₹)

Balance as at April 1, 2015	Changes in equity share capital during the year	Balance as at March 31, 2016
778,712,850	422,205,000	1,200,917,850

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Persistent Systems Inc.
STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED SEPTEMBER 30, 2016
B. Other equity
(In ₹)

Particulars	Share application money pending allotment	Reserves and surplus	Items of other comprehensive income		Total
		Retained earnings	Exchange differences on translating the financial statements of foreign operations	Remeasurements of the defined benefit liabilities / asset	
Balance as at April 1, 2016	668,000,000	577,019,380	230,287,422	17,517,674	1,492,824,476
Total Comprehensive income for the period	-	(6,567,834)	-	(40,370,858)	(46,938,692)
Change during the period	(263,060,000)	-	9,151,088	-	(253,908,912)
Balance at September 30, 2016	404,940,000	570,451,546	239,438,510	(22,853,184)	1,191,976,872

(In ₹)

Particulars	Share application money pending allotment	Retained earnings	Items of other comprehensive income		Total
			Exchange differences on translating the financial statements of foreign operations	Remeasurements of the defined benefit liabilities / asset	
Balance as at April 1, 2015	-	415,944,494	145,227,563	-	561,172,057
Ind AS adjustments on first time adoption (Refer note 35)	-	(8,073,307)	-	-	(8,073,307)
Net profit for the period	-	(468,184,233)	-	-	(468,184,233)
Change during the period	222,705,000	-	63,989,338	21,949,396	308,643,734
Balance at September 30, 2015	222,705,000	(60,313,046)	209,216,901	21,949,396	393,558,251

(In ₹)

Particulars	Share application money pending allotment	Retained earnings	Items of other comprehensive income		Total
			Exchange differences on translating the financial statements of foreign operations	Remeasurements of the defined benefit liabilities / asset	
Balance as at April 1, 2015	-	415,944,494	145,227,563	-	561,172,057
Ind AS adjustments on first time adoption (Refer note 35)	-	(8,073,307)	-	-	(8,073,307)
Net profit for the year	-	169,148,193	-	-	169,148,193
Change during the year	668,000,000	-	85,059,859	17,517,674	770,577,533
Balance at March 31, 2016	668,000,000	577,019,380	230,287,422	17,517,674	1,492,824,476

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS
1.1 Property, Plant and Equipment
(In ₹)

	Office Equipment	Computers	Furniture & fixtures	Total
Gross block				
As at April 1, 2016	12,192,214	129,780,933	59,497,142	201,470,289
Additions	-	-	-	-
Disposals	-	-	-	-
Effect of foreign currency translation from functional currency to reporting currency	66,718	710,202	325,589	1,102,509
As at September 30, 2016	12,258,932	130,491,135	59,822,731	202,572,798
Depreciation and amortization				
As at April 1, 2016	4,096,236	90,976,513	18,073,199	113,145,948
Charge for the period	1,115,203	13,911,019	6,022,349	21,048,571
Disposals	-	-	-	-
Effect of foreign currency translation from functional currency to reporting currency	17,347	434,627	71,539	523,513
As at September 30, 2016	5,228,786	105,322,159	24,167,087	134,718,032
Net block				
As at September 30, 2016	7,030,146	25,168,976	35,655,644	67,854,766
As at March 31, 2016	8,095,978	38,804,420	41,423,943	88,324,341

(In ₹)

	Office Equipment	Computers	Furniture & fixtures	Total
Gross Block				
As at April 1, 2015	6,526,026	102,623,070	30,629,120	139,778,216
Additions	1,298,465	13,471,127	-	14,769,592
Disposals	-	-	1,936,321	1,936,321
Effect of foreign currency translation from functional currency to reporting currency	334,055	5,261,697	1,479,269	7,075,021
As at September 30, 2015	8,158,546	121,355,894	30,172,068	159,686,508
Depreciation and amortization				
As at April 1, 2015	2,184,504	54,614,087	9,749,962	66,548,553
Charge for the period	643,946	15,545,747	3,010,746	19,200,439
Disposals	-	-	1,321,279	1,321,279
Effect of foreign currency translation from functional currency to reporting currency	121,828	3,034,248	519,020	3,675,096
As at September 30, 2015	2,950,278	73,194,082	11,958,449	88,102,809
Net Block				
As at September 30, 2015	5,208,268	48,161,812	18,213,619	71,583,699
As at March 31, 2015	4,341,522	48,008,983	20,879,158	73,229,663

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

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS
1.2 Other Intangible assets

	(In ₹)		
	Software	Acquired contractual rights	Total
Gross block			
As at April 1, 2016	1,077,933,595	203,965,095	1,281,898,690
Additions	-	1,447,203,079	1,447,203,079
Disposals	-	-	-
Effect of foreign currency translation from functional currency to reporting currency	5,898,795	(14,557,974)	(8,659,179)
As at September 30, 2016	1,083,832,390	1,636,610,200	2,720,442,590
Amortization			
As at April 1, 2016	560,137,274	96,399,550	656,536,824
Charge for the period	85,561,298	156,687,015	242,248,313
Effect of foreign currency translation from functional currency to reporting currency	2,676,376	(184,609)	2,491,767
As at September 30, 2016	648,374,948	252,901,956	901,276,904
Net block			
As at September 30, 2016	435,457,442	1,383,708,244	1,819,165,686
As at March 31, 2016	517,796,321	107,565,545	625,361,866

	(In ₹)		
	Software	Acquired contractual rights	Total
As at April 1, 2015	1,016,708,171	76,792,106	1,093,500,277
Additions	-	-	-
Disposals	-	-	-
Effect of foreign currency translation from functional currency to reporting currency	50,444,868	3,810,108	54,254,976
As at September 30, 2015	1,067,153,039	80,602,214	1,147,755,253
Amortization			
As at April 1, 2015	368,527,100	75,452,640	443,979,740
Charge for the period	82,146,857	1,377,176	83,524,033
Effect of foreign currency translation from functional currency to reporting currency	19,999,624	3,772,398	23,772,022
As at September 30, 2015	470,673,581	80,602,214	551,275,795
Net Block			
As at September 30, 2015	596,479,458	-	596,479,458
As at March 31, 2015	648,181,071	1,339,466	649,520,537

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

1.3 Depreciation and amortization

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	March 31, 2016
	(In ₹)	(In ₹)	(In ₹)	(In ₹)	(In ₹)
On Property, Plant and Equipment	10,182,820	9,917,012	21,048,571	19,200,439	43,585,266
On Other Intangible assets	129,507,476	41,832,873	242,248,313	83,524,033	184,268,852
	139,690,296	51,749,885	263,296,884	102,724,472	227,854,118

Persistent Systems Inc.
NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS
2. Non-current financials Assets : Investments

	As at September 30, 2016 (In ₹)	As at September 30, 2015 (In ₹)	As at March 31, 2016 (In ₹)
Investments carried at cost			
Unquoted investments			
Investments in Equity Instruments			
-In Wholly owned Subsidiary Companies			
Persistent Telecom Solutions Inc.			
2,480 (Corresponding period 2,480; Previous year 2,480) shares of \$ 0.001 each, fully paid up	412,951,000	406,596,000	410,703,500
Less: Provision for diminution in value of investment	-	(406,596,000)	-
Cloud Squads Inc.			
Nil (Corresponding period : 8,500,000 ,Previous year NIL) equity shares of \$ 0.0000053 each, fully paid up	-	36,998,793	-
Akshat Corporation			
1,000 (Corresponding period: NIL,Previous year 1000) equity shares of at par value NIL each, fully paid up	249,768,750	245,925,000	248,409,375
Aepona Holdings Limited Ireland			
5,647,319 "A" ordinary share of Euro 0.012 each and 545,245,060,316 "B" ordinary shares of GBP 0.000001 each (Corresponding period: NIL; Previous year 5,647,319 "A" ordinary share of Euro 0.012 each and 545,245,060,316 "B" ordinary shares of GBP 0.000001 each)	294,174,259	-	292,573,205
Persistent Systems Israel Limited			
3,867,400 (Corresponding period: NIL,Previous year NIL) ordinary shares of 0.1 NIS par value	6,732,562	-	-
Persistent Systems Mexico, S.A. de C. V			
99,999 (Corresponding period : NIL, Previous year NIL) ordinary shares of 0.1 Pesos par value	3,596,667	-	-
Total carried at cost	967,223,238	282,923,793	951,686,080
Designated as Fair Value Through Profit and Loss			
Unquoted Investments			
Investments in Preferred Stocks			
In Hyginex, Inc.			
250,000 (Corresponding period:250,000, Previous year - 250,000) Preference shares of \$ 0.001 each, fully paid up	13,321,000	13,116,000	13,248,500
In OpsDataStore Inc.			
200,000 (Corresponding period: 100,000,Previous year - 200,000) Preferred Stock of \$ 0.001 each, fully paid up	13,321,000	6,558,000	13,248,500
In Jocota Corporation			
6,000 (Corresponding period:6000 ,Previous year -6000) Preferred Stock of \$ 0.001 each, fully paid up	16,651,250	16,395,000	16,560,625
In Trunomi, Inc.			
277,778 (Corresponding period- 277,778, Previous year - 277,778) Preferred Stock of \$ 0.0002 each, fully paid up	16,651,250	16,395,000	16,560,625
In Ampool, Inc.			
545,494 (Corresponding period: Nil, Previous year - 545,494) Preferred Stock of \$ 0.4583 each, fully paid up	16,651,250	-	16,560,625
Total carried at fair value	76,595,750	52,464,000	76,178,875
Investments in Convertible notes			
In DxNow			
(Corresponding period -\$ 125,000 ,Previous year - \$ 125,000) Note of \$ 125,000 each, fully paid up	8,325,625	8,197,500	8,280,312
Less: Impairment loss	(8,325,625)	-	-
In Ustyme			
(Corresponding period - \$ 250,000, Previous year - \$ 250,000) Note of \$ 250,000 each, fully paid up	16,651,250	16,395,000	16,560,625
In Akumina Inc.			
(Corresponding period- Nil, Previous year -Note of \$ 146,429 each, fully paid up)	9,752,875	-	9,699,795
Total investment carried at fair value	26,404,125	24,592,500	34,540,732
Total Investments	1,070,223,113	359,980,293	1,062,405,687
Aggregate amount of impairment in value of investments	8,325,625	406,596,000	-
Aggregate amount of Quoted investments	-	-	-
Aggregate amount of unquoted investments	1,078,548,738	766,576,293	1,062,405,687

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

3. Non current financial assets : loans

	As at September 30, 2016 (In ₹)	As at September 30, 2015 (In ₹)	As at March 31, 2016 (In ₹)
Loans to related parties (Unsecured, considered good)			
- Persistent Telecom Solutions Inc	203,145,250	265,599,000	208,663,875
Security deposits			
Unsecured, considered good	10,041,642	4,160,239	7,397,625
	213,186,892	269,759,239	216,061,500

4. Other non-current assets

	As at September 30, 2016 (In ₹)	As at September 30, 2015 (In ₹)	As at March 31, 2016 (In ₹)
Unsecured, considered good			
Interest accrued but not due at amortised cost			
- Persistent Telecom Solutions Inc	-	310,127	-
Capital Advance	3,742,801	9,837,000	581,603,622
Advances recoverable in cash or kind or for value to be received	1,799,333	380,846	619,072
	5,542,134	10,527,973	582,222,694

5. Trade receivables

	As at September 30, 2016 (In ₹)	As at September 30, 2015 (In ₹)	As at March 31, 2016 (In ₹)
Outstanding for a period exceeding six months from the date they are due for payment			
Unsecured (considered good)	-	13,443,911	-
Unsecured (considered doubtful)	19,546,060	65,405,933	19,691,551
	19,546,060	78,849,844	19,691,551
Less : Provision for doubtful receivables	19,546,060	65,405,933	19,691,551
	-	13,443,911	-
Others			
Unsecured (considered good)	2,022,824,546	1,659,389,335	2,541,982,177
Unsecured (considered doubtful)	-	-	-
	2,022,824,546	1,659,389,335	2,541,982,177
Less : Provision for doubtful receivables	-	-	-
	2,022,824,546	1,659,389,335	2,541,982,177
	2,022,824,546	1,672,833,246	2,541,982,177

Persistent Systems Inc.
NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS
6. Cash and cash equivalents

	As at September 30, 2016 (In ₹)	As at September 30, 2015 (In ₹)	As at March 31, 2016 (In ₹)
Cash and cash equivalents as presented in cash flow statement			
Cash on hand	7,201	7,090	7,161
Balances with banks			
-On current account	486,464,980	90,720,768	374,186,583
	486,472,181	90,727,858	374,193,744

7. Other bank balances

	As at June 30, 2016 (In ₹)	As at June 30, 2015 (In ₹)	As at March 31, 2016 (In ₹)
Other bank balances			
On deposit account with maturity more than three months but less than twelve months	748,145	1,458,004	1,473,103
	748,145	1,458,004	1,473,103

8. Current financial assets : loans

	As at September 30, 2016 (In ₹)	As at September 30, 2015 (In ₹)	As at March 31, 2016 (In ₹)
Carried at amortised cost			
Unsecured considered good			
Loan to LHS Solutions Inc.	3,663,275	-	3,643,338
	3,663,275	-	3,643,338

9. Other current financial assets

	As at September 30, 2016 (In ₹)	As at September 30, 2015 (In ₹)	As at March 31, 2016 (In ₹)
Advance to related parties			
Unsecured considered good			
- Persistent Systems Malaysia Sdn. Bhd.	-	260,353	594,195
- Persistent Systems France SAS	1,607,823	-	631,953
- Akshat Corporation	24,467,777	26,314,131	38,012,087
- CloudSquads Inc.	-	35,408,565	-
- Valista Limited Ireland	35,631	-	11,280,297
- Aepona Limited UK	-	-	-
- Aepona Software(Private) Ltd.	4,773,103	-	4,827,676
- Persistent Systems Israel Ltd.	27,435,336	-	-
- Persistent Systems México, S.A. de C.V.	45,419,264	-	-
- Persistent Telecom Solutions, Inc.	33,172,222	37,381,509	48,905,853
Add: Interest accrued but not due at amortised cost	715,496	-	249,710
	137,626,652	99,364,558	104,501,771

10. Other current assets

	As at September 30, 2016 (In ₹)	As at September 30, 2015 (In ₹)	As at March 31, 2016 (In ₹)
Unbilled revenue	1,172,744,987	223,840,363	892,611,592
Advances recoverable in cash or kind or for value to be received	129,464,980	77,840,924	263,451,247
VAT receivable (net of payable)	2,640,234	2,582,288	2,471,861
	1,304,850,201	304,263,575	1,158,534,700

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

11. Share capital

	As at September 30, 2016 (In ₹)	As at September 30, 2015 (In ₹)	As at March 31, 2016 (In ₹)
Authorised			
650,000,000 (Previous period/year 350,000,000) Common Shares of \$0.10 each.	US \$ 65,000,000	US \$ 35,000,000	US \$ 35,000,000
	US \$ 65,000,000	US \$ 35,000,000	US \$ 35,000,000
Issued, subscribed and paid-up			
312,000,000 (Previous period 147,000,000 and previous year 212,000,000) Common Shares of \$0.10 each fully paid up. All shares are held by Holding Company viz. Persistent Systems Limited	1,868,917,850	778,712,850	1,200,917,850
	1,868,917,850	778,712,850	1,200,917,850

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

	As At September 30, 2016		As At September 30, 2015		As At March 31, 2016	
	No. Of Shares	Amount (In ₹)	No. Of Shares	Amount (In ₹)	No. Of Shares	Amount (In ₹)
No. of Share at the beginning of the reporting period/year	212,000,000	1,200,917,850	147,000,000	778,712,850	147,000,000	778,712,850
Add : - Additional Shares issued during the period/year	100,000,000	668,000,000	-	-	65,000,000	422,205,000
No. of Share at the end of the reporting period/year	312,000,000	1,868,917,850	147,000,000	778,712,850	212,000,000	1,200,917,850

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

12. Deferred tax liability (net)

	As at September 30, 2016 (In ₹)	As at September 30, 2015 (In ₹)	As at March 31, 2016 (In ₹)
Deferred tax assets			
Provision for doubtful debts	(6,645,661)	(22,238,023)	(6,695,114)
Employee related payments	(19,997,857)	(17,500,894)	(26,641,572)
Leave encashment	(86,375,368)	(47,349,240)	(55,772,028)
Others	(69,416,062)	(107,376,276)	(41,439,256)
	<u>(182,434,948)</u>	<u>(194,464,433)</u>	<u>(130,547,970)</u>
Deferred tax liability			
Difference in depreciation as per books of US tax laws	219,425,986	197,137,801	167,040,386
Others			
Deferred tax asset/(liability) (net)	<u><u>36,991,038</u></u>	<u><u>2,673,368</u></u>	<u><u>36,492,416</u></u>

13. Non Current financial Liabilities : Borrowings

	As at September 30, 2016 (In ₹)	As at September 30, 2015 (In ₹)	As at March 31, 2016 (In ₹)
Borrowings from related parties			
Inter company Borrowing			
- Persistent Systems Limited.	326,364,500	-	-
(Repayment terms : At the end of three years)			
(Rate of Interest: LIBOR + 350 bps)			
	<u><u>326,364,500</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

14. Other Long term financial liabilities

	As at September 30, 2016 (In ₹)	As at September 30, 2015 (In ₹)	As at March 31, 2016 (In ₹)
Other employee benefits	2,984,836	-	-
	<u><u>2,984,836</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

15. Trade payables

	As at September 30, 2016 (In ₹)	As at September 30, 2015 (In ₹)	As at March 31, 2016 (In ₹)
Trade payables for goods and services	2,158,651,652	1,035,590,170	2,445,814,341
	<u><u>2,158,651,652</u></u>	<u><u>1,035,590,170</u></u>	<u><u>2,445,814,341</u></u>

16. Current financial Liabilities : Borrowings

	As at September 30, 2016 (In ₹)	As at September 30, 2015 (In ₹)	As at March 31, 2016 (In ₹)
Borrowings from related parties			
- Persistent Systems Limited.	-	327,900,000	-
(Repayment terms : At the end of three years)			
	<u><u>-</u></u>	<u><u>327,900,000</u></u>	<u><u>-</u></u>

17. Current financial liabilities : Others

	As at September 30, 2016 (In ₹)	As at September 30, 2015 (In ₹)	As at March 31, 2016 (In ₹)
Capital creditors	186,494,000	-	195,351,915
Advances from related parties (unsecured)			
- Persistent Systems Limited	67,512,480	16,533,634	33,190,326
- Aepona Limited UK	167,081,044	-	282,548,988
- Persistent Systems Pte. Ltd.	605,361	-	1,910,772
Payable to Selling shareholders	22,325,163	24,592,500	55,036,959
	<u><u>444,018,048</u></u>	<u><u>41,126,134</u></u>	<u><u>568,038,960</u></u>

18. Other current liabilities

	As at September 30, 2016 (In ₹)	As at September 30, 2015 (In ₹)	As at March 31, 2016 (In ₹)
Unearned revenue	391,530,122	273,192,725	424,334,907
Other payables			
- Statutory liabilities	-	13,592,661	3,581,711
- Accrued employee liabilities	374,315,427	46,811,512	172,430,129
Advance from customer	325,936,700	199,095,067	167,642,276
Interest accrued but not due on loans			
- Persistent Systems Ltd	2,648,814	3,048,290	2,619,096
	<u><u>1,094,431,063</u></u>	<u><u>535,740,255</u></u>	<u><u>770,608,119</u></u>

19. Provisions

	As at September 30, 2016 (In ₹)	As at September 30, 2015 (In ₹)	As at March 31, 2016 (In ₹)
Provision for employee benefits			
- Leave encashment	254,045,199	142,201,371	164,035,395
- Other employee benefits	291,101,299	257,366,091	391,787,835
	<u><u>545,146,498</u></u>	<u><u>399,567,462</u></u>	<u><u>555,823,230</u></u>

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

20. Revenue from operations

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2016 (In ₹)	September 30, 2015 (In ₹)	September 30, 2016 (In ₹)	September 30, 2015 (In ₹)	March 31, 2016 (In ₹)
Software licenses	36,986,585	30,895,774	63,854,180	117,395,185	277,725,481
Software services	3,544,907,808	2,161,979,367	7,142,153,929	4,072,558,931	10,100,302,187
	3,581,894,393	2,192,875,141	7,206,008,109	4,189,954,116	10,378,027,668

21. Other income

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2016 (In ₹)	September 30, 2015 (In ₹)	September 30, 2016	September 30, 2015	March 31, 2016 (In ₹)
Interest income	19,882	16,003	31,076	30,320	61,063
On financial assets carried at amortised cost	417,797	306,761	856,731	538,626	1,218,993
Foreign exchange gains (net)	967,991	(78,219)	967,991	413,801	2,416,851
Finance income on lease deposits	(22,197)	13,694	-	27,045	56,876
Miscellaneous income	2,252,304	242,830	2,763,680	393,489	8,933,379
	3,635,777	501,069	4,619,478	1,403,281	12,687,162

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS
22. Personnel expenses

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2016 (In ₹)	September 30, 2015 (In ₹)	September 30, 2016 (In ₹)	September 30, 2015 (In ₹)	March 31, 2016 (In ₹)
22.1 Employee benefits expense					
Salaries and wages	1,820,259,889	1,125,229,010	3,631,869,214	2,257,911,988	5,409,943,472
Employee stock option expenses	12,632,381	-	14,192,950	-	526,558
Staff welfare and benefits	2,466,899	7,340,592	5,567,582	19,611,471	45,202,485
	1,835,359,169	1,132,569,602	3,651,629,746	2,277,523,459	5,455,672,515
22.2 Cost of technical professionals					
Technical professionals - Related parties	876,372,748	420,838,617	1,701,350,681	854,620,721	2,052,017,270
Technical professionals - Others	419,765,374	292,948,590	855,177,807	572,979,890	1,392,457,626
	1,296,138,122	713,787,207	2,556,528,488	1,427,600,611	3,444,474,896
	3,131,497,291	1,846,356,809	6,208,158,234	3,705,124,070	8,900,147,411

23. Other expenses

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2016 (In ₹)	September 30, 2015 (In ₹)	September 30, 2016 (In ₹)	September 30, 2015 (In ₹)	March 31, 2016 (In ₹)
Traveling and conveyance	114,321,124	130,186,621	316,522,783	282,267,331	584,595,213
Electricity expenses	2,079,666	1,414,522	24,535,901	2,052,272	21,523,554
Internet link expenses	1,039,392	762,237	12,697,673	2,000,181	13,340,358
Communication expenses	6,877,292	6,152,960	23,521,252	10,602,070	30,792,762
Recruitment expenses	16,274,368	18,627,197	35,651,387	37,829,490	64,992,830
Training and seminars	1,618,901	1,488,255	2,963,853	1,570,736	5,719,132
Purchase of software licenses and support expenses	16,862,899	20,547,479	40,199,713	30,344,485	81,671,224
Bad debts	-	-	-	-	40,724,943
Provision for doubtful debts/(Provision for doubtful debts written back)(net)	933,675	4,695,762	(254,388)	(1,585,226)	(50,157,556)
Rent	20,117,776	11,676,665	88,287,375	23,857,681	94,350,654
Insurance	459,172	307,523	795,327	578,092	1,261,560
Rates, fees and profession tax	2,122,235	1,099,838	2,985,217	2,491,269	5,802,146
Legal and professional fees	36,882,657	2,827,140	39,057,801	10,355,870	57,066,891
Repairs and maintenance					
- Plant and machinery	326,731	138,431	489,526	244,253	1,272,467
- Others	-	391,481	-	681,206	777,851
Commission on sales	1,004,575	975,794	2,007,273	1,927,170	3,974,241
Advertisement and sponsorship fees	24,938,842	14,596,696	33,511,970	24,257,081	44,409,844
Computer consumables	503,323	1,495,674	1,167,813	1,730,250	2,537,685
Auditors' remuneration	82,432	67,721	154,426	133,810	306,571
Donations	304,221	40,695	3,646,546	3,211,950	9,853,380
Books, memberships, subscriptions	14,256,587	3,635,151	25,854,842	8,329,569	25,873,667
Discount Allowed	11,094,499	11,663,640	24,568,184	26,292,658	48,317,303
Foreign exchange loss (net)	(253,019)	-	-	-	-
Loss on sale of assets	-	7,386	-	582,923	570,463
Loss on sale of investment	-	-	-	-	7,719,784
Impairment loss on investment	7,826	-	8,363,638	-	-
Provision for diminution in value of investment	-	398,281,800	-	398,281,800	-
Hosting fees	2,997,491	4,156,825	6,043,832	8,320,617	14,652,182
Cost-revenue sharing	2,845,195	4,562,714	5,162,843	8,784,702	18,141,440
Inter corporate deposits written off	-	-	-	-	45,778,355
Miscellaneous expenses	12,826,848	11,114,267	24,047,111	30,062,705	47,766,430
	290,524,708	650,914,474	721,981,898	915,204,945	1,223,635,374

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

24. Earnings per share

Particulars		For the quarter ended		For the half year ended		For the year ended
		September 30, 2016 (In ₹)	September 30, 2015 (In ₹)	September 30, 2016 (In ₹)	September 30, 2015 (In ₹)	March 31, 2016 (In ₹)
Basic earnings per share						
<u>Numerator</u>						
Net Profit / (loss) after tax	A	558,279	(320,828,703)	(6,567,834)	(468,184,233)	169,148,193
<u>Denominator</u>						
Weighted average number of equity share	B	277,027,322	147,000,000	147,000,000	147,000,000	183,707,650
<u>Denominator for Diluted EPS</u>						
Weighted average number of equity shares	C	296,535,519	182,000,000	165,743,169	149,307,692	186,166,667
Basic/diluted earnings per share (Face value of US \$ 0.10 each)	A / B	0.00	(2.18)	(0.04)	(3.18)	0.92
Diluted earnings per share (Face value of US \$ 0.10 each)	A / C	0.00	(1.76)	(0.04)	(3.14)	0.91

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

25. Nature of operations

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

26. Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and under the historical cost convention except for certain financial instruments which have been measured at fair value. The accounting policies are consistently applied by the Company during the year and are consistent with those used in previous year except for the changes in accounting policies required to be made on first time adoption of Indian Accounting Standards notified under the Companies Act, 2013.

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. Previous period numbers in the financial statements have been restated to Ind AS. In accordance with Ind AS 101 First-time Adoption of Indian Accounting Standards, the Company has presented a reconciliation from the presentation of financial statements under Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 ("Previous GAAP") to Ind AS of Shareholders' equity as at March 31, 2016, September 30, 2015 and April 1, 2015 and of the comprehensive net income for the quarter and half year ended September 30, 2015 and the year ended March 31, 2016.

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

27. Summary of significant accounting policies

A. Accounting year

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

B. Functional currency

The company's functional currency is the U.S. Dollar

C. Use of estimates

The preparation of the condensed financial statements in conformity with Indian 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 year. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

D. Property, Plant and Equipment

Property, Plant and Equipment 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.

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

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

Gains or losses arising from derecognition of 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 derecognized.

E. Intangible assets

a) Acquired intangible assets

Intangible assets including software licenses of enduring nature and acquired contractual rights acquired separately are measured on initial recognition at cost. Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Internally generated intangible assets, excluding capitalized development costs are reflected as expenditure in the statement of profit and loss in the reporting year in which these are incurred.

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

b) Research and development cost

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

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

Such capitalized expenditure is reflected as intangibles under development.

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

F. Depreciation and amortisation

Depreciation on 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
Computers	3 years
Computers - Servers and networks*	3 years
Office equipments	5 years
Furniture and fixtures*	5 years

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

*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 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.

H. Borrowing Cost:

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangements of borrowings. Borrowing costs directly attributable to the acquisition, construction or development of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as a part of the cost of the respective asset. All other borrowing costs are expensed in the year in which they occur.

I. 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 instruments 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 instruments 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.

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

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

Any financial instrument 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 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.

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

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 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.

J. Revenue recognition

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

i. Income from software licenses and services

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

Revenue from fixed price engagements is recognised in accordance with the proportionate completion method as per terms of contracts.

Revenue from licensing of software is recognised upon delivery.

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

Revenue from royalty is recognised on sale of products in accordance with the terms of the relevant agreement.

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

Unearned revenue represents the billing in respect of contracts for which the revenue is not recognised as per the terms of contract.

The company collects sales tax on behalf of the government and, therefore, these are not economic benefits following to the company. Hence, they are excluded from revenue.

ii. Interest

Income from interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. Interest income is included under the head "Other income" in the statement of Profit and Loss.

iii. Dividends

Income from dividend is recognised when the Company's right to receive payment is established by the Balance Sheet date. Dividend from subsidiaries is recognised even if such dividend is declared after the Balance Sheet date but pertains to period on or before the date of Balance Sheet as per the requirement of Schedule III of the Companies Act, 2013.

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

K. Foreign currency transaction and translation

i. Initial recognition

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

ii. Conversion

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

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

iii. Settlement:

Revenue, expenses denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit or loss for the period/year in which the transaction is settled.

L. Retirement and other employee benefits

i. Gratuity

The Company is not liable to pay gratuity as per the payment of Gratuity Act 1972.

ii. Superannuation

The Company does not have any superannuation scheme.

iii. Provident fund

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

iv. Leave encashment

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided 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.

M. Income taxes

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

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

In situation where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

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

N. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand, bank deposits and short-term investments with an original maturity of three months or less.

O. Leases

Where the Company is a lessee

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

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

P. Earnings per share (EPS)

The earnings considered in ascertaining EPS comprise the amount attributable to Equity Shareholders. The number of shares used in computing the basic earning per share is the weighted average number of shares outstanding during the year.

Q. Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

R. Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably.

The Company does not recognize a contingent liability but discloses its existence in the financial statements.

28. Contingent liability

The Company does not have any contingent liability as on September 30, 2016 (Previous Quarter/year ₹ Nil).

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

29. Investment in CloudSquads, Inc.

On February 10, 2014, the Company, acquired the entire equity capital of US based CloudSquads, Inc. In addition to the upfront purchase consideration, the stock purchase agreement provides for additional consideration, contingent upon certain conditions being met in future years. The additional contingent consideration payable to the selling shareholders is subject to a maximum amount of USD 2.93 million.

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

30. Investment in Akshat Corporation (dba RGen Solutions)

On July 2, 2015, the Company, acquired the entire equity capital of US based Akshat Corporation (dba RGen Solutions). In addition to the upfront purchase consideration, the stock purchase agreement provides for additional consideration, contingent upon certain conditions being met in future years. The additional contingent consideration payable to the selling shareholders is subject to a maximum amount of USD 3.75 million. The contingent consideration would be recorded, as and when the contingency is resolved and the consideration is payable.

31. Investment in Aepona Holdings

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

32. Investment in Akumina, Inc.

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

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

Persistent Systems Mexico, S.A. de C.V. was incorporated on 1st March 2016 as a wholly owned subsidiary of Persistent Systems Inc.

34. Investment in Persistent Systems Israel Limited

Persistent Systems Israel Ltd. was incorporated on 31st March 2016 as a wholly owned subsidiary of Persistent Systems Inc.

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Persistent Systems Inc.
Notes forming part of condensed financial statements

35. First-time adoption of Ind-AS

These financial statements, for the half year ended September 30, 2016, the Company has prepared in accordance with Ind-AS. For periods up to and including the year ended March 31, 2016, the Company prepared its financial statements in accordance with statutory reporting requirements in India immediately before adopting Ind AS (previous GAAP).

Accordingly, the Company has prepared financial statements which comply with Ind-AS applicable for period ending on September 30 2016, together with the comparative period data as at and for the period/ year ended September 30, 2015 and March 31, 2016. In preparing these financial statements, the Company's opening balance sheet was prepared as at April 1, 2015, the Company's date of transition to Ind-AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at April 1, 2015 and the financial statements as at and for the period / year ended September 30, 2015 and March 31, 2016.

Exemptions applied

Ind AS 101 allows first-time adopters certain optional exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following optional exemptions:

A. Share based payment transactions

The Company has not applied Ind AS 102, "Share based payment" to equity instruments that vested before the date of transition to Ind AS i.e. April 1, 2015. Accordingly, equity instruments that have vested prior to April 1, 2015 have not been fair valued.

B. Deemed cost

The Company has elected to measure the carrying value for all of its Property, Plant and Equipment as per the previous GAAP and use that as its deemed cost as at the date of transition to Ind AS i.e. April 1, 2015.

Explanation of transition to Ind AS

The below mentioned reconciliations provide a quantification of the effect of significant differences arising from the transition from Indian GAAP to Ind AS in accordance with Ind AS 101 for the following:

- equity as at April 1, 2015
- equity as at September 30, 2015
- equity as at March 31, 2016
- Profit for the quarter ended September 30, 2015
- Profit for the year ended March 31, 2016

There are no material adjustments to the cash flow statements.

In the reconciliations mentioned above, certain reclassifications are made to Indian GAAP financial information to align with the Ind AS presentation.

Particulars	Note	1-Apr-15			30-Sep-15				31-Mar-16				Note
		Indian GAAP	Effect of transition to Ind AS	Ind AS	Indian GAAP	Effect of transition to Ind AS	Reclassification adjustments	Ind AS	Indian GAAP	Effect of transition to Ind AS	Reclassification adjustments	Ind AS	
Liabilities													
Other current financial liabilities	15	320,168,681	8,072,949	328,241,630	33,053,185	8,072,949	-	41,126,134	559,439,453	8,599,507	-	568,038,960	Note 1
Assets													
Non current loans (Security deposits and intercorporate deposits)	3	194,863,905	(38,328)	194,825,577	270,026,994	(267,755)		269,759,239	216,351,048	(289,548)	-	216,061,500	Note 2
Other non-current assets (advance recoverable in cash or kind and capital advance)	5	9,372,000	37,970	9,409,970	10,288,832	239,141		10,527,973	581,934,834	287,860	-	582,222,694	Note 2

Reconciliation of profit

Particulars	Note	Quarter ended September 30, 2015				half year ended September 30, 2015				Year ended March 31, 2016				Note
		Indian GAAP	Effect of transition to Ind AS	Reclassification adjustments	Ind AS	Indian GAAP	Effect of transition to Ind AS	Reclassification adjustments	Ind AS	Indian GAAP	Effect of transition to Ind AS	Reclassification adjustments	Ind AS	
Income														
Revenue from operations (net)	18	2,192,875,141	-	-	2,192,875,141	4,189,954,116	-	-	4,189,954,116	10,378,027,668	-	-	10,378,027,668	
Other income	19	487,375	13,694	-	501,069	1,376,236	27,045	-	1,403,281	12,630,286	56,876	-	12,687,162	Note 2
Employee benefits expense	20.1	1,126,870,388	5,699,214	-	1,132,569,602	2,244,266,800	33,256,659	-	2,277,523,459	5,428,604,039	27,068,476	-	5,455,672,515	Note 1 and Note 2
Other expenses	21	650,900,460	14,015	-	650,914,474	915,177,266	27,679	-	915,204,945	1,223,577,179	58,195	-	1,223,635,374	Note 2
Profit before tax (A - B)		(353,802,277)	(5,699,534)	-	(359,501,811)	(506,015,660)	(33,257,292)	-	(539,272,952)	51,907,354	(27,069,795)	-	24,837,559	
Total tax expense		(36,735,376)	(1,937,732)	-	(38,673,108)	(59,781,456)	(11,307,263)	-	(71,088,719)	(135,286,390)	-	(9,024,244)	(144,310,634)	Note 4
Net profit for the year		(317,066,901)	(3,761,802)	-	(320,828,703)	(446,234,204)	(21,950,029)	-	(468,184,233)	187,193,744	(27,069,795)	9,024,244	169,148,193	

Persistent Systems Inc.

Notes forming part of condensed financial statements

Notes**Note 1**

Under Indian GAAP, the Employee stock compensation expenses are recognized at the intrinsic value as on the date of grant. Under Ind AS, the Employee stock compensation expenses are recognized at the fair value as on the date of grant. The fair valuation is made for the shares not vested as on March 31, 2015. The net impact arising on these adjustments is summarized below:

Particulars	1-Apr-15	QE 30-Sept-2015	HE 30-sept-2015	YE 30-Mar-2016
Statement of profit and loss				
Employee benefit expenses	-	-	-	526,558
Consolidated balance sheet				
Other current financial liabilities - Advance from related parties	8,072,949	8,072,949	8,072,949	8,599,507
Adjustment to retained earnings	(8,072,949)	-	-	-

Note 2

Under Indian GAAP, the security deposits are recognized at the transaction value. Under Ind AS, the security deposits (financial assets) are recognized at the fair value under amortized cost method. The difference between the fair value and the transaction value is considered as prepaid rent and amortized over the period of lease. The finance income is recognized on the amortized cost of security deposits for the reported period. The impact arising on this change is summarized as follows:

Particulars	1-Apr-15	QE 30-Sept-2015	HE 30-sept-2015	YE 30-Mar-2016
Consolidated statement of profit and loss				
Other expenses (Prepaid rent)		14,015	27,679	58,195
Other income (Finance income)		13,694	27,045	56,876
Consolidated balance sheet				
Non current loans	(38,328)	(267,755)	(267,755)	(289,548)
Other non-current assets	37,970	239,141	239,141	287,860
Adjustment to retained earnings	358	-	-	-

Note 3

Under Indian GAAP, the actuarial gain / loss on defined benefit obligations and plan assets is recognized as employee benefit expenses in the statement of profit and loss. Under Ind AS, such actuarial gain / loss is recognized under other comprehensive income and classified as equity. The impact arising on this change is summarized as follows:

Particulars	1-Apr-15	QE 30-Sept-2015	HE 30-sept-2015	YE 30-Mar-2016
Consolidated statement of profit and loss				
Employee benefit expenses	-	5,699,214	33,256,659	26,541,918
Consolidated balance sheet				
Other comprehensive income	-	5,699,214	33,256,659	26,541,918

Note 4

The tax effects of the items presented in other comprehensive income have been reclassified to other comprehensive income from the statement of profit and loss. The impact of the same on current tax presented in the statement of profit and loss is as follows:

Particulars	1-Apr-15	QE 30-Sept-2015	HE 30-sept-2015	YE 30-Mar-2016
Statement of profit and loss				
Current tax	-	(1,937,732)	(11,307,263)	(9,024,244)
Other comprehensive income				
Tax effect of remeasurement of defined benefit obligations	-	1,937,732	11,307,263	9,024,244

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

36. Previous period/year comparatives

Previous period/year figures have been regrouped wherever necessary to conform with the 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
Persistent Systems Inc.**

per C.K. Joshi
Partner
Membership No. 030428
Place: Pune
Date : October 20th , 2016

Dr. Anand Deshpande
Director
Place: Pune
Date : October 20th , 2016

Sudhir Kulkarni
Director
Place: Santa Clara
Date: October 20th , 2016
