

Persistent Systems Israel Ltd.**CONDENSED BALANCE SHEET AS AT SEPTEMBER 30, 2016**

| | Notes | As at September 30, 2016 (In ₹) | As at March 31, 2016 (In ₹) |
|--|-------|---------------------------------------|-----------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property Plant and Equipment | 5.1 | 142,859 | - |
| Capital Work in Progress | | 4,277,298 | - |
| Deferred tax assets (net) | 6 | 3,311,990 | - |
| | | 7,732,147 | - |
| Current assets | | | |
| Financial assets | | | |
| - Trade receivables | 7 | 78,748,612 | - |
| - Cash and cash equivalents | 8 | 3,241,107 | - |
| Other current assets | 9 | 837,715 | - |
| | | 82,827,434 | - |
| TOTAL | | 90,559,581 | - |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Equity share capital | 10 | 6,776,292 | - |
| Other equity | 11 | 7,715,130 | - |
| | | 14,491,422 | - |
| LIABILITIES | | | |
| Current liabilities | | | |
| Financial liabilities | | | |
| - Trade payables | 12 | 3,145,180 | - |
| - Other financial liabilities | 13 | 24,227 | - |
| Other current liabilities | 14 | 47,386,571 | - |
| Provisions | 15 | 20,745,481 | - |
| Current tax liabilities (net) | | 4,766,700 | - |
| | | 76,068,159 | - |
| TOTAL | | 90,559,581 | - |
| Summary of significant accounting policies | 4 | | |

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 Israel Ltd.

per C.K. Joshi
Partner
Membership No. 030428

Thomas Klein
Director

Sunil Sapre
Director

Place: Pune
Date : October 21, 2016

Place: Santa Clara, USA
Date : October 21, 2016

Place: Pune
Date : October 21, 2016

Persistent Systems Israel Ltd.**CONDENSED STATEMENT OF PROFIT AND LOSS FOR QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2016**

| | Notes | For the quarter ended September 30, 2016 (In ₹) | For the half year ended September 30, 2016 (In ₹) | For the period ended March 31, 2016 (In ₹) |
|--|-------|---|---|--|
| Income | | | | |
| Revenue from operations | 16 | 119,090,542 | 164,456,002 | - |
| Other income | 17 | 674,556 | 707,764 | - |
| Total income (A) | | 119,765,098 | 165,163,766 | - |
| Expenses | | | | |
| Employee benefits expense | 18.1 | 109,764,055 | 148,931,123 | - |
| Cost of technical professionals | 18.2 | 146,531 | 146,531 | - |
| Depreciation and amortization expense | 5.2 | 2,386 | 2,386 | - |
| Other expenses | 19 | 3,355,102 | 6,991,804 | - |
| Total expenses (B) | | 113,268,074 | 156,071,844 | - |
| Profit before tax (A - B) | | 6,497,024 | 9,091,922 | - |
| Tax expense | | | | |
| Current tax | | 3,340,206 | 4,766,700 | - |
| Deferred tax charge / (credit) | | (2,300,670) | (3,311,990) | - |
| Total tax expense | | 1,039,536 | 1,454,710 | - |
| Net profit for the quarter / period (C) | | 5,457,488 | 7,637,212 | - |
| Other comprehensive income | | | | |
| Items that will not be reclassified to profit or loss (D) | | | | |
| - Remeasurements of the defined benefit liabilities / (asset) | | - | - | - |
| - Tax effect on remeasurements of the defined benefit liabilities / (asset) | | - | - | - |
| Items that will be reclassified to profit or loss (E) | | | | |
| - Exchange differences in translating the financial statements of foreign operations | | 77,918 | 77,918 | - |
| Total other comprehensive income for the period (D) + (E) | | 77,918 | 77,918 | - |
| Total comprehensive income for the period (C) + (D) + (E) | | 5,535,406 | 7,715,130 | - |
| Earnings per equity share | | | | |
| [Nominal value of share NIS 0.10 (Previous period : Nil)] | 20 | | | |
| Basic (In ₹) | | 2.13 | 5.92 | - |
| Diluted (In ₹) | | 2.13 | 5.92 | - |
| Summary of significant accounting policies | 4 | | | |

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 Israel Ltd.**

per C.K. Joshi
Partner
Membership No. 030428

Thomas Klein
Director

Sunil Sapre
Director

Place: Pune
Date : October 21, 2016

Place: Santa Clara, USA
Date : October 21, 2016

Place: Pune
Date : October 21, 2016

Persistent Systems Israel Ltd.**CASH FLOW STATEMENT FOR THE HALF YEAR ENDED SEPTEMBER 30, 2016**

| | For the half year ended September 30, 2016 (In ₹) | For the period ended March 31, 2016 (In ₹) |
|--|---|--|
| Cash flow from operating activities | | |
| Profit before tax | 9,091,922 | - |
| Adjustments for: | | |
| Depreciation and amortization expense | 2,386 | - |
| Unrealised exchange (gain)/loss | (632,128) | - |
| Operating profit before working capital changes | 8,462,180 | - |
| Movements in working capital : | | |
| (Increase)/Decrease in trade receivables | (78,748,612) | - |
| (Increase)/Decrease in loans and advances | (837,715) | - |
| Increase/(Decrease) in trade payables and current financial liabilities | 47,692,608 | - |
| Increase/(Decrease) in provisions | 20,745,481 | - |
| Operating profit after working capital changes | (2,686,058) | - |
| Direct taxes paid (net of refunds) | - | - |
| Net cash generated from operating activities | (A) (2,686,058) | - |
| | | |
| Cash flow from investing activities | | |
| Payment towards capital expenditure | (849,127) | - |
| Net cash (used in) investing activities | (B) (849,127) | - |
| | | |
| Cash flow from financing activities | | |
| Proceeds from issuance of share capital | 6,776,292 | - |
| Proceeds from application money for share capital | - | - |
| Net cash generated from financing activities | (C) 6,776,292 | - |
| | | |
| Net increase in cash and cash equivalents (A + B + C) | 3,241,107 | - |
| Cash and cash equivalents on acquisition | | |
| Exchange difference on translation of foreign currency cash and cash equivalents | - | - |
| Cash and cash equivalents at the end of the reporting period | 3,241,107 | - |

(This space is intentionally left blank)

Persistent Systems Israel Ltd.**CASH FLOW STATEMENT FOR THE HALF YEAR ENDED SEPTEMBER 30, 2016**

| | For the half year ended September 30, 2016 (In ₹) | For the period ended March 31, 2016 (In ₹) |
|--|---|--|
| Components of cash and cash equivalents | | |
| Cash on hand | | |
| Balances with banks | | |
| - on current account | 3,241,107 | - |
| - on deposit account | | |
| Cash and cash equivalents as per note 8 | 3,241,107 | - |

Summary of significant accounting policies. (refer note 4)

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 Israel Ltd.

per C.K. Joshi
Partner
Membership No. 030428

Thomas Klein
Director

Sunil Sapre
Director

Place: Pune
Date : October 21, 2016

Place: Santa Clara, USA
Date : October 21, 2016

Place: Pune
Date : October 21, 2016

Persistent Systems Israel Ltd.

Notes forming part of condensed financial statements

5.1. Property Plant and Equipment

| | Computers (In ₹) | Total (In ₹) |
|--------------------------------------|----------------------------|------------------------|
| Gross block (At cost) | | |
| As at April 1, 2016 | - | - |
| Additions | 145,245 | 145,245 |
| - Exchange differences | - | - |
| As at September 30, 2016 | 145,245 | 145,245 |
| Depreciation and amortization | | |
| As at April 1, 2016 | | |
| Charge for the period | 2,386 | 2,386 |
| - Exchange differences | - | - |
| As at September 30, 2016 | 2,386 | 2,386 |
| Net block | 142,859 | 142,859 |
| As at September 30, 2016 | 142,859 | 142,859 |
| As at March 31, 2016 | - | - |

5.2 Depreciation and amortization expense

| | (In ₹) | | |
|-------------------------------|---|---|--|
| | For the quarter ended September 30, 2016 | For the half year ended September 30, 2016 | For the period ended March 31, 2016 |
| Property, Plant and Equipment | 2,386 | 2,386 | - |
| | 2,386 | 2,386 | - |

(This space is intentionally left blank)

Persistent Systems Israel Ltd.

Notes forming part of condensed financial statements

6. Deferred tax assets (net)

| | As at September 30, 2016 (In ₹) | As at March 31, 2016 (In ₹) |
|--|---------------------------------------|-----------------------------------|
| Deferred tax liabilities | | |
| Differences in book values and tax base values of property, plant and equipment and other intangible assets. | - | - |
| Others | - | - |
| | - | - |
| Deferred tax assets | | |
| Provision for leave encashment | 1,081,182 | - |
| Provision for performance and retention bonus | 2,238,095 | - |
| Property plant and equipment | (7,287) | - |
| Others | - | - |
| | 3,311,990 | - |
| Deferred tax assets (net) | 3,311,990 | - |

Persistent Systems Israel Ltd.

Notes forming part of condensed financial statements

7. Trade receivables

| | As at September 30, 2016 (In ₹) | As at March 31, 2016 (In ₹) |
|---|---------------------------------------|-----------------------------------|
| Outstanding for a period less than six months from the date they are due for payment | | |
| Others | | |
| Unsecured, considered good | 78,748,612 | - |
| Unsecured, considered doubtful | - | - |
| | <u>78,748,612</u> | <u>-</u> |
| Less : Provision for doubtful receivables | - | - |
| | <u><u>78,748,612</u></u> | <u><u>-</u></u> |

8. Cash and cash equivalents

| | As at September 30, 2016 (In ₹) | As at March 31, 2016 (In ₹) |
|--|---------------------------------------|-----------------------------------|
| Cash and cash equivalents as presented in cash flow statement | | |
| Balances with banks | | |
| On current accounts | 3,241,107 | - |
| | <u>3,241,107</u> | <u>-</u> |

9. Other current assets

| | As at September 30, 2016 (In ₹) | As at March 31, 2016 (In ₹) |
|--|---------------------------------------|-----------------------------------|
| Other advances (Unsecured, considered good) | | |
| VAT receivable (net) | 837,715 | - |
| | <u>837,715</u> | <u>-</u> |

(This space is intentionally left blank)

STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED SEPTEMBER 30, 2016**10. Equity share capital (refer note 20)****(In ₹)**

| Balance as at April 1, 2016 | Changes in equity share capital during the period | Balance as at September 30, 2016 |
|------------------------------------|--|---|
| - | 6,776,292 | 6,776,292 |
| - | 6,776,292 | 6,776,292 |

(In ₹)

| Balance as at February 9, 2016 | Changes in equity share capital during the period | Balance as at March 31, 2016 |
|---------------------------------------|--|-------------------------------------|
| - | - | - |
| - | - | - |

The Company issued 3,867,400 ordinary shares (face value NIS 0.10) of which 100 shares were issued for no consideration

(This space is intentionally left blank)

Persistent Systems Israel Ltd.**STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED SEPTEMBER 30, 2016**

11. Other equity

(In ₹)

| Particulars | <u>Reserves and surplus</u> | <u>Items of other comprehensive income</u> | Total |
|--------------------------------------|-----------------------------|--|------------------|
| | Retained earnings | Foreign currency translation reserve | |
| Balance as at April 1, 2016 | - | - | - |
| Net profit for the period | 7,637,212 | 77,918 | 7,715,130 |
| Balance at September 30, 2016 | 7,637,212 | 77,918 | 7,715,130 |

(In ₹)

| Particulars | <u>Reserves and surplus</u> | <u>Items of other comprehensive income</u> | Total |
|---|-----------------------------|--|----------|
| | Retained earnings | Foreign currency translation reserve | |
| Balance as at February 9, 2016 | - | - | - |
| Ind AS adjustments on first time adoption | - | - | - |
| Net profit for the period | - | - | - |
| Balance at March 31, 2016 | - | - | - |

(This space is intentionally left blank)

Persistent Systems Israel Ltd.**Notes forming part of condensed financial statements****12. Trade payables**

| | As at September 30, 2016 (In ₹) | As at March 31, 2016 (In ₹) |
|---------------------------------------|---------------------------------------|-----------------------------------|
| Trade payables for goods and services | 3,145,180 | - |
| | 3,145,180 | - |

13. Other financial liabilities

| | As at September 30, 2016 (In ₹) | As at March 31, 2016 (In ₹) |
|------------------------------|---------------------------------------|-----------------------------------|
| Accrued employee liabilities | 24,227 | - |
| | 24,227 | - |

14. Other current liabilities

| | As at September 30, 2016 (In ₹) | As at March 31, 2016 (In ₹) |
|----------------------------|---------------------------------------|-----------------------------------|
| Capital creditors | | |
| - Persistent Systems Ltd. | 3,573,416 | - |
| Advance from related party | | |
| - Persistent Systems, Inc. | 27,435,337 | - |
| - Statutory liabilities | 16,283,657 | - |
| - Other liabilities | 94,161 | - |
| | 47,386,571 | - |

15. Provisions

| | As at September 30, 2016 (In ₹) | As at March 31, 2016 (In ₹) |
|---------------------------------|---------------------------------------|-----------------------------------|
| Provision for employee benefits | | |
| - Leave encashment | 6,757,386 | - |
| - Other employee benefits | 13,988,095 | - |
| | 20,745,481 | - |

(This space is intentionally left blank)

Persistent Systems Israel Ltd.

Notes forming part of condensed financial statements

16. Revenue from operations

| | For the quarter ended September 30, 2016 (In ₹) | For the half year ended September 30, 2016 (In ₹) | For the period ended March 31, 2016 (In ₹) |
|-------------------|---|---|--|
| Software services | 119,090,542 | 164,456,002 | - |
| | 119,090,542 | 164,456,002 | - |

17. Other income

| | For the quarter ended September 30, 2016 (In ₹) | For the half year ended September 30, 2016 (In ₹) | For the period ended March 31, 2016 (In ₹) |
|-----------------------------|---|---|--|
| Foreign exchange gain (net) | 674,556 | 707,764 | - |
| | 674,556 | 707,764 | - |

19. Personnel Expenses

| | For the quarter ended September 30, 2016 (In ₹) | For the half year ended September 30, 2016 (In ₹) | For the period ended March 31, 2016 (In ₹) |
|--|---|---|--|
| 18.1. Employee benefits expense | | | |
| Salaries, wages and bonus | 107,269,223 | 146,207,119 | - |
| Staff welfare and benefits | 2,494,832 | 2,724,004 | - |
| | 109,764,055 | 148,931,123 | - |
| 18.2. Cost of technical professionals | | | |
| Technical professionals - others | 146,531 | 146,531 | - |
| | 146,531 | 146,531 | - |
| | 109,910,586 | 149,077,654 | - |

(This space is intentionally left blank)

Persistent Systems Israel Ltd.

Notes forming part of condensed financial statements

19. Other expenses

| | For the quarter ended September 30, 2016 (In ₹) | For the half year ended September 30, 2016 (In ₹) | For the period ended March 31, 2016 (In ₹) |
|-----------------------------|---|---|--|
| Travelling and conveyance | 489,996 | 599,074 | - |
| Internet link expenses | (35,380) | 8,507 | - |
| Communication expenses | 40,896 | 84,783 | - |
| Recruitment expenses | 2,023 | 212,682 | - |
| Legal and professional fees | 2,526,760 | 5,207,246 | - |
| Auditors' remuneration | 182,459 | 529,016 | - |
| Miscellaneous expenses | 148,348 | 350,496 | - |
| | 3,355,102 | 6,991,804 | - |

(This space is intentionally left blank)

Persistent Systems Israel Ltd.

Notes forming part of condensed financial statements

20. Earnings per equity share

| | | For the quarter ended September 30, 2016 | For the half year ended September 30, 2016 | For the period ended March 31, 2016 |
|---|-------|---|---|--|
| <u>Numerator for Basic and Diluted EPS</u> | | | | |
| Net Profit after tax (In ₹) | (A) | 5,457,488 | 7,637,212 | - |
| <u>Denominator for Basic EPS</u> | | | | |
| Weighted average number of equity shares | (B) | 2,564,288 | 1,289,200 | - |
| <u>Denominator for Diluted EPS</u> | | | | |
| Number of equity shares | (C) | 2,564,288 | 1,289,200 | - |
| Basic Earnings per share of face value of NIS 0.10 each (In ₹) | (A/B) | 2.13 | 5.92 | - |
| Diluted Earnings per share of face value of NIS 0.10 each (In ₹) | (A/C) | 2.13 | 5.92 | - |

| | For the quarter ended September 30, 2016 | For the half year ended September 30, 2016 | For the period ended March 31, 2016 |
|--|---|---|--|
| Number of shares considered as basic weighted average shares outstanding | 2,564,288 | 1,289,200 | - |
| Add: Effect of dilutive issues of stock options | - | - | - |
| Number of shares considered as weighted average shares and potential shares outstanding | 2,564,288 | 1,289,200 | - |

(This space is intentionally left blank)