Persistent Systems Lanka (Private) Limited
Formerly known as Aepona Software (Private) Limited
CONDENSED BALANCE SHEET AS AT SEPTEMBER 30, 2017

	Notes	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
ASSETS				
Non-current assets				
Property, Plant and Equipment	5.1	2,772,605	9,259,760	3,476,389
Capital work-in-progress		186,425	-	-
		2,959,030	**9,259,760**	**3,476,389**
Non Current Financial Assets				
Long term loans	6	3,400,493	11,007,745	3,418,624
Other non-current assets	7	2,358,310	-	3,087,484
		5,758,803	**11,007,745**	**6,506,108**
		8,717,833	**20,267,505**	**9,982,497**
Current assets				
Financial assets				
- Trade receivables	8	127,305,802	115,088,472	112,953,551
- Cash and cash equivalents	9	3,012,480	4,705,922	7,661,134
- Other financial assets	10	39,125	1,240,325	997,442
Current tax assets (net)		128,858	-	-
Other current assets	11	7,641,238	12,490,334	8,991,346
		138,127,503	**133,525,053**	**130,603,473**
TOTAL		**146,845,336**	**153,792,558**	**140,585,970**
EQUITY AND LIABILITIES				
EQUITY				
Equity share capital	4	5,400	5,400	5,400
Other equity		102,673,242	92,649,457	96,160,259
		102,678,642	**92,654,857**	**96,165,659**
LIABILITIES				
Non- current liabilities				
Financial liabilities				
Provisions	12	15,741,258	16,829,263	10,323,317
		15,741,258	**16,829,263**	**10,323,317**
Current liabilities				
Financial liabilities				
- Trade payables	13	3,079,147	11,150,778	2,378,456
- Other financial liabilities	14	6,160,330	4,965,457	5,122,359
Other current liabilities	15	3,298,159	4,017,733	3,626,153
Provisions	16	15,887,800	24,174,470	22,970,026
		28,425,436	**44,308,438**	**34,096,994**
TOTAL		**146,845,336**	**153,792,558**	**140,585,970**
Summary of significant accounting policies	3			

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

As per our report of even date

For JOSHI APTE & Co. **Firm registration no. 104370W** **Chartered Accountants**	**For and on behalf of the Board of Directors of** **Persistent Systems Lanka (Private) Limited**	
per C.K. Joshi Partner Membership No. 030428	Sunil Sapre Director	Nitin Kulkarni Director
Place: Pune Date : October 15, 2017	Place: Pune Date : October 15, 2017	Place: Pune Date : October 15, 2017

Persistent Systems Lanka (Private) Limited

Formerly known as Aepona Software (Private) Limited

CONDENSED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2017.

	Notes	For the quarter ended		For half year ended		For the year ended
		September 30, 2017 (In ₹)	September 30, 2016 (In ₹)	September 30, 2017 (In ₹)	September 30, 2016 (In ₹)	March 31, 2017 (In ₹)
Income						
Revenue from operations	17	44,664,746	75,744,393	100,165,610	147,656,987	260,206,756
Other income	18	835,244	-	847,379	-	225,550
Total revenue (A)		**45,499,990**	**75,744,393**	**101,012,989**	**147,656,987**	**260,432,306**
Expenses						
Employee benefits expense	19.1	35,528,672	56,243,387	72,149,008	110,824,369	190,735,980
Cost of technical professionals	19.2	347,657	-	532,732	-	47,817
Depreciation and amortization expense	5.2	487,446	2,945,016	957,461	5,739,849	11,376,183
Other expenses	20	8,629,673	9,915,261	17,674,538	18,047,535	34,789,299
Total expenses (B)		**44,993,448**	**69,103,664**	**91,313,739**	**134,611,753**	**236,949,279**
Profit before tax (A - B)		**506,542**	**6,640,729**	**9,699,250**	**13,045,234**	**23,483,027**
Tax expense						
Current tax		-	-	-	-	709,689
Deferred tax charge / (credit)		-	-	-	-	-
Total tax expense		**-**	**-**	**-**	**-**	**709,689**
Net profit for the period/year (C)		**506,542**	**6,640,729**	**9,699,250**	**13,045,234**	**22,773,338**
Other comprehensive income						
Items that will not be reclassified to profit or loss (D)						
- Remeasurements of the defined benefit liabilities / (asset)		1,583,993	2,614,854	(3,114,529)	2,601,068	2,281,974
- Tax effect on remeasurements of the defined benefit liabilities / (asset)				-	-	-
		1,583,993	**2,614,854**	**(3,114,529)**	**2,601,068**	**2,281,974**
Items that will be reclassified to profit or loss (E)						
- Exchange differences in translating the financial statements of foreign operations		958,932	(1,725,168)	(71,738)	(1,004,766)	(6,902,974)
Total other comprehensive income for the period/year (D) + (E)		**2,542,925**	**889,686**	**(3,186,267)**	**1,596,302**	**(4,621,000)**
Total comprehensive income for the period/year (C) + (D) + (E)		**3,049,467**	**7,530,415**	**6,512,983**	**14,641,536**	**18,152,338**
Earnings per equity share **[Nominal value of share LKR 100 (Previous period/year: LKR 100)]**	21					
Basic (In ₹)		4,329.42	56,758.37	82,899.57	111,497.73	194,643.91
Diluted (In ₹)		4,329.42	56,758.37	82,899.57	111,497.73	194,643.91
Summary of significant accounting policies	3					

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

As per our report of even date

For JOSHI APTE & Co.
Firm registration no. 104370W
Chartered Accountants

per C.K. Joshi
Partner
Membership No. 030428

Place: Pune
Date : October 15, 2017

For and on behalf of the Board of Directors of
Persistent Systems Lanka (Private) Limited

Sunil Sapre
Director

Place: Pune
Date : October 15, 2017

Nitin Kulkarni
Director

Place: Pune
Date : October 15, 2017

Aepona Software (Private) Limited
Formerly known as Aepona Software (Private) Limited

CASH FLOW STATEMENT FOR THE HALF YEAR ENDED SEPTEMBER 30, 2017

		For half year ended		For the year ended
		September 30, 2017	September 30, 2016	March 31, 2017
		(In ₹)	(In ₹)	(In ₹)
Cash flow from operating activities				
Profit before tax		**9,699,250**	**13,045,234**	**23,483,027**
Adjustments for:				
Depreciation and amortization expense		957,461	5,739,849	11,376,183
Remeasurements of the defined benefit liabilities / (asset)		(3,114,529)	2,601,068	2,281,974
Exchange (gain)/loss on translation of foreign currency cash and cash equivalents		(465)	(1,152)	76,931
Unrealised exchange (gain)/loss		(117,371)	(706,438)	(6,334,743)
Operating profit before working capital changes		**7,424,346**	**20,678,561**	**30,883,372**
Movements in working capital :				
(Increase)/Decrease in trade receivables		(14,352,251)	(28,509,995)	(26,372,110)
(Increase)/Decrease in loans and advances		3,556,148	(11,168,767)	(2,925,259)
Increase/(Decrease) in trade payables and current liabilities (including short term borrowings)		1,410,668	8,238,252	(710,100)
Increase/(Decrease) in provisions		(1,664,285)	16,259,953	8,549,563
Operating profit after working capital changes		**(3,625,374)**	**5,498,004**	**9,425,466**
Direct taxes paid (net of refunds)		(128,858)	-	(709,689)
Net cash generated from operating activities	**(A)**	**(3,754,232)**	**5,498,004**	**8,715,777**
Cash flow from investing activities				
Payment towards capital expenditure		(894,887)	(1,757,745)	(1,942,223)
Net cash (used in) investing activities	**(B)**	**(894,887)**	**(1,757,745)**	**(1,942,223)**
Cash flow from financing activities		**-**	**-**	**-**
Net cash generated from financing activities	**(C)**	**-**	**-**	**-**
Net increase in cash and cash equivalents **(A + B + C)**		**(4,649,119)**	**3,740,259**	**6,773,554**
Cash and cash equivalents at the beginning of the period/year		7,661,134	964,511	964,511
Exchange difference on translation of foreign currency cash and cash equivalents		465	1,152	(76,931)
Cash and cash equivalents at the end of the reporting period/year.		**3,012,480**	**4,705,922**	**7,661,134**

Components of cash and cash equivalents

	For half year ended		For the year ended
	September 30, 2017	September 30, 2016	March 31, 2017
	(In ₹)	(In ₹)	(In ₹)
Balances with banks			
- on current account	3,012,480	4,705,922	7,661,134
Cash and cash equivalents in cash flow statement as per note 9	**3,012,480**	**4,705,922**	**7,661,134**

Summary of significant accounting policies (refer note 3)

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

As per our report of even date

For JOSHI APTE & Co.
Firm registration no. 104370W
Chartered Accountants

For and on behalf of the Board of Directors of
Persistent Systems Lanka (Private) Limited

per C.K. Joshi
Partner
Membership No. 030428

Place: Pune
Date : October 15, 2017

Sunil Sapre
Director

Place: Pune
Date : October 15, 2017

Nitin Kulkarni
Director

Place: Pune
Date : October 15, 2017

Persistent Systems Lanka (Private) Limited
Formerly known as Aepona Software (Private) Limited

STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED SEPTEMBER 30, 2017

A. Equity Share Capital (Refer note 4)

(In ₹)

Balance as at April 1, 2017	Changes in equity share capital during the period	Balance as at September 30, 2017
5,400	-	5,400

(In ₹)

Balance as at April 1, 2016	Changes in equity share capital during the period	Balance as at September 30, 2016
5,400	-	5,400

(In ₹)

Balance as at April 1, 2016	Changes in equity share capital during the year	Balance as at March 31, 2017
5,400	-	5,400

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Persistent Systems Lanka (Private) Limited
Formerly known as Aepona Software (Private) Limited
STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED SEPTEMBER 30, 2017

B. Other equity

(In ₹)

Particulars	Reserves and surplus	Items of other comprehensive income	Total
	Retained earnings	Exchange differences on translating the financial statements of foreign operations	
Balance as at April 1, 2017	103,372,224	(7,211,965)	96,160,259
Remeasurements of the defined benefit liabilities / (asset)	(3,114,529)	-	(3,114,529)
Profit for the period	9,699,250	(71,738)	9,627,512
Balance at September 30, 2017	**109,956,945**	**(7,283,703)**	**102,673,242**

(In ₹)

Particulars	Reserves and surplus	Items of other comprehensive income	Total
	Retained earnings	Exchange differences on translating the financial statements of foreign operations	
Balance as at April 1, 2016	78,316,912	(308,991)	78,007,921
Remeasurements of the defined benefit liabilities / (asset)	2,601,068	-	2,601,068
Profit for the period	13,045,234	(1,004,766)	12,040,468
Balance at September 30, 2016	**93,963,214**	**(1,313,757)**	**92,649,457**

(In ₹)

Particulars	Reserves and surplus	Items of other comprehensive income	Total
	Retained earnings	Exchange differences on translating the financial statements of foreign operations	
Balance as at April 1, 2016	78,316,912	(308,991)	78,007,921
Remeasurements of the defined benefit liabilities / (asset)	2,281,974	-	2,281,974
Net profit for the period	22,773,338	(6,902,974)	15,870,364
Balance at March 31, 2017	**103,372,224**	**(7,211,965)**	**96,160,259**

As per our report of even date

For JOSHI APTE & Co.
Firm registration no. 104370W
Chartered Accountants

per C.K. Joshi
Partner
Membership No. 030428

Place: Pune
Date : October 15, 2017

For and on behalf of the Board of Directors of
Persistent Systems Lanka (Private) Limited

Sunil Sapre
Director

Place: Pune
Date : October 15, 2017

Nitin Kulkarni
Director

Place: Pune
Date : October 15, 2017

Notes forming part of condensed financial statements

1. Nature of operations

Persistent Systems Lanka (Private) Limited, formerly known as Aepona Software (Private) Limited, (a Sri Lanka based wholly owned subsidiary of Valista Limited) has adopted indirect sales model, with services revenue being billed to Aepona Limited. Sale of services are then contracted between Aepona Limited and customers. The principal activities of the Company are as follows:

- To carry on the business of application and systems developers, systems integrators, program and systems analysts, program and systems designers, program and systems testers and IT project managers for foreign customers.
- To specify, design, develop and test software applications for foreign customers.
- To install, maintain, manage and operate computer systems for foreign customers.

2. Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and under the historical cost convention except for certain financial instruments and equity settled employee stock options which have been measured at fair value. Historical cost is generally based on the fair value of consideration given in exchange of goods and services. The accounting policies are consistently applied by the Company during the period and are consistent with those used in previous year.

Statement of compliance

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.

3. Summary of significant accounting policies

(a) Use of estimates

The preparation of the financial statements are in conformity with the recognition and measurement principles of Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the end of period. Although these estimates are based on the management’s best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

Critical accounting estimates

i. Revenue recognition

The Company uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of-completion method requires the Company to estimate the efforts or costs expended to date as a proportion of the total efforts or costs to be expended. Efforts or costs expended have been used to measure progress towards completion. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date.

ii. Income taxes

The Company's major tax jurisdictions is Sri Lanka. Significant judgements are involved in determining the provision for income taxes

iii. Property, plant and equipment

Property, plant and equipment represent a significant proportion of the asset base of the Company. The charge in respect of depreciation is derived after determining an estimate of an asset’s expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by management at the time the asset is acquired and reviewed periodically. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

iv. Provisions

Provisions are determined based on the best estimate required to settle the obligation at the reporting date. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. These estimates are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(b) Accounting year

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

(c) Functional currency

The Company's functional currency is LKR.

(d) Property, Plant and Equipment

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

Subsequent expenditure related to an item of Property, Plant and Equipment is added to its book value only if it is probable that future economic benefits associated with the item will flow to the Company. All other expenses on existing Property, Plant and Equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

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

(e) Intangible assets

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

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

Research and development cost

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Company can demonstrate:
- technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the asset;
- its ability to use or sell the asset;
- how the asset will generate probable future economic benefits;
- the availability of adequate resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during development.

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

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

(f) Depreciation and amortization

Depreciation on Property, Plant and Equipment is provided using the Straight Line Method ('SLM') over the useful lives of the assets estimated by the management.

The management estimates the useful lives for the Property, Plant and Equipment as follows:

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

*For these classes of assets, based on internal assessment and independent technical evaluation carried out by external valuers the management believes that the useful lives as given above best represent the period over which the management expects to use these assets. Hence the useful lives of these assets are different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

Individual assets whose cost does not exceed ₹ 5,000 are fully depreciated in the year of acquisition.

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

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

(g) Financial instruments

i) Financial assets

Initial recognition and measurement

Financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified as:

- **Financial assets at amortized cost**

  Financial 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.

- **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.

(h) Impairment

i) Financial assets

The Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on financial assets measured at amortized cost and financial assets that are debts instruments and are measured at fair value through other comprehensive income (FVTOCI). ECL is the difference between contractual cash flows that are due and the cash flows that the Company expects to receive, discounted at the original effective interest rate.

For trade receivables, the Company recognizes impairment loss allowance based on lifetime ECL at each reporting date, right from its initial recognition. For other financial assets, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12 month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used.

ii) Non-financial assets

The carrying amounts of Property, Plant and Equipment and Goodwill are reviewed at each balance sheet date or whenever there is any indication of impairment based on internal/external factors. If any indications exist, the Company estimates the asset's recoverable amount.

Recoverable amount of intangible under development that is not yet available for use is estimated at least at each financial period / year end even if there is no indication that the asset is impaired.

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

(i) Borrowing costs

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

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

(j) Leases

Where the Company is a lessee

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

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

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

Operating lease payments are recognized as an expense in the statement of profit and loss as per the terms of the lease agreements.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Company. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) Income from software services

Revenue from time and material engagements is recognized on time proportion basis as and when the services are rendered 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 royalty is recognized in accordance with the terms of the relevant agreements.

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

Revenue from licensing of software and sale of products is recognized upon delivery.

Unbilled revenue represents revenue recognized in relation to work done until the balance sheet date for which billing has not taken place.

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

The Company collects value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the Company. Hence, they are excluded from revenue.

(ii) Interest

Interest income is recognized on a time proportion basis taking into account the carrying amount and the effective interest rate. Interest income is included under the head 'Other income' in the statement of profit and loss.

(iii) Dividend

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

(l) Foreign currency translation

(i) Foreign currency transactions and balances

Initial recognition

Foreign currency transactions are recorded in the respective functional currencies of the entities in the Company, by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates at the date when the values were determined.

Exchange differences

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

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

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

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

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

Translation of foreign operations

The Company presents the financial statements in INR which is the functional currency of the parent company.

The assets and liabilities of a foreign operation are translated into the reporting currency (INR) at the exchange rate prevailing at the reporting date. Their statement of profit and loss are translated at exchange rates prevailing at the dates of transactions or weighted average rates, where such rates approximate the exchange rate at the date of transaction. The exchange differences arising on translation are accumulated in the foreign currency translation reserve under other comprehensive income. On disposal of a foreign operation, the accumulated foreign currency translation reserve relating to that foreign operation is recognized in the statement of profit and loss.

(m) Retirement and other employee benefits

(i) Provident fund

Provident fund is a defined contribution plan covering eligible employees. The Company and the eligible employees make a monthly contribution to the provident fund maintained by the Regional Provident Fund Commissioner equal to the specified percentage of the basic salary of the eligible employees as per the scheme. The contributions to the provident fund are charged to the statement of profit and loss for the period / year when the contributions are due. The Company has no obligation, other than the contribution payable to the provident fund.

(ii) Gratuity

Gratuity is a defined benefit obligation plan operated by the Company for its employees covered under Group Gratuity Scheme. The cost of providing benefit under gratuity plan is determined on the basis of 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.

(iii) Leave encashment

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

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the reporting date.

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

(n) 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 Sri Lanka Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in statement of profit and loss.

Deferred income taxes reflect the impact of temporary differences between tax base of assets and liabilities and their carrying amounts. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except deferred tax liability arising from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, affects neither accounting nor taxable profit/ loss at the time of transaction. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, except deferred tax assets arising from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, affects neither accounting nor taxable profit/ loss at the time of transaction. Deferred tax assets are recognized only to the extent that sufficient future taxable income will be available against which such deferred tax assets can be realized.

In the situations where the Company is entitled to a tax holiday under the tax laws, no deferred tax (asset or liability) is recognized in respect of temporary differences which reverse during the tax holiday period, to the extent the Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of temporary differences which reverse after the tax holiday period is recognized in the period / year in which the temporary differences originate.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which such deferred tax assets can be realized.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognized outside the statement of profit and loss is recognized in co-relation to the underlying transaction either in other comprehensive income or directly in equity.

(o) Earnings per share (EPS)

Basic earnings per share are calculated by dividing the net profit for the period / year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period / year. The weighted average number of equity shares outstanding during the reporting period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares), if any occurred during the reporting period, that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit for the period / year attributable to the equity shareholders and the weighted average number of equity shares outstanding during the period / year, are adjusted for the effects of all dilutive potential equity shares.

The number of shares and potential dilutive equity shares are adjusted retrospectively for all periods presented for any bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

(p) Provisions

A provision is recognized when the Company has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on the best estimate required to settle the obligation at the reporting date. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. These estimates are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(q) 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.

(r) Cash and cash equivalents

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

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4. Share capital

	As at September 30, 2017 In ₹	As at September 30, 2016 In ₹	As at March 31, 2017 In ₹
Authorized shares			
117 Equity shares of LKR 100 each.	**LKR 11,700**	**LKR 11,700**	**LKR 11,700**
	LKR 11,700	**LKR 11,700**	**LKR 11,700**
Issued, subscribed and paid-up			
117 Equity shares of LKR 100 each fully paid-up.	5,400	5,400	5,400
Issued, subscribed and fully paid-up share capital	5,400	5,400	5,400

All the shares are held by Valista Limited.

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

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

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Persistent Systems Lanka (Private) Limited
Formerly known as Aepona Software (Private) Limited

Notes forming part of condensed financial statements

5.1 Property, Plant and Equipment

(In ₹)

	Computers	Office equipments	Plant and equipment	Leasehold improvements	Furniture and fixtures	Total
Gross block (At cost)						
As at April 1, 2017	32,913,734	181,584	2,732,020	44,877	1,689,534	37,561,749
Additions	271,462	-	-	-	-	271,462
- Exchange differences	(57,145)	(340)	(5,113)	(84)	(3,162)	(65,844)
As at September 30, 2017	**33,128,051**	**181,244**	**2,726,907**	**44,793**	**1,686,372**	**37,767,367**
Depreciation and amortization						
As at April 1, 2017	30,977,507	129,198	1,768,244	3,320	1,207,091	34,085,360
Charge for the period	628,765	12,283	195,429	7,365	113,619	957,461
- Exchange differences	(47,646)	(40)	(96)	115	(392)	(48,059)
As at September 30, 2017	**31,558,626**	**141,441**	**1,963,577**	**10,800**	**1,320,318**	**34,994,762**
Net block						
As at September 30, 2017	**1,569,425**	**39,803**	**763,330**	**33,993**	**366,054**	**2,772,605**
As at March 31, 2017	**1,936,227**	**52,386**	**963,776**	**41,557**	**482,443**	**3,476,389**

(In ₹)

	Computers	Office equipments	Plant and equipment	Leasehold improvements	Furniture and fixtures	Total
Gross block (At cost)						
As on April 1, 2016	33,871,863	189,916	2,566,273	-	1,818,333	38,446,385
Additions	1,379,399	5,500	372,847	-	-	1,757,746
- Exchange differences	(393,934)	(2,191)	(31,955)	-	(20,486)	(448,566)
As at September 30, 2016	**34,857,328**	**193,225**	**2,907,165**	**-**	**1,797,847**	**39,755,565**
Depreciation						
As on April 1, 2016	22,427,142	112,667	1,494,145	-	1,050,792	25,084,746
Charge for the period	5,407,526	12,952	195,276	-	124,095	5,739,849
- Exchange differences	(296,123)	(1,376)	(18,432)	-	(12,859)	(328,790)
As at September 30, 2016	**27,538,545**	**124,243**	**1,670,989**	**-**	**1,162,028**	**30,495,805**
Net block						
As at September 30, 2016	**7,318,783**	**68,982**	**1,236,176**	**-**	**635,819**	**9,259,760**
As at March 31, 2016	**11,444,721**	**77,249**	**1,072,128**	**-**	**767,541**	**13,361,639**

(In ₹)

	Computers	Office equipments	Plant and equipment	Leasehold improvements	Furniture and fixtures	Total
Gross block (At cost)						
As at April 1, 2016	33,871,863	189,916	2,566,273	-	1,818,333	38,446,385
Additions	1,522,535	5,413	366,910	47,366	-	1,942,224
- Exchange differences	(2,480,664)	(13,745)	(201,163)	(2,489)	(128,799)	(2,826,860)
As at March 31, 2017	**32,913,734**	**181,584**	**2,732,020**	**44,877**	**1,689,534**	**37,561,749**
Depreciation and amortization						
As at April 1, 2016	22,427,142	112,667	1,494,145	-	1,050,792	25,084,746
Charge for the period	10,702,163	25,876	401,068	3,504	243,572	11,376,183
- Exchange differences	(2,151,798)	(9,345)	(126,969)	(184)	(87,273)	(2,375,569)
As at March 31, 2017	**30,977,507**	**129,198**	**1,768,244**	**3,320**	**1,207,091**	**34,085,360**
Net block						
As at March 31, 2017	**1,936,227**	**52,386**	**963,776**	**41,557**	**482,443**	**3,476,389**

5.2 Depreciation and amortization expense

(In ₹)

	For the quarter ended		For half year ended		For the year ended
	September 30, 2017	**September 30, 2016**	**September 30, 2017**	**September 30, 2016**	**March 31, 2017**
Property, Plant and Equipment	487,446	2,945,016	957,461	5,739,849	11,376,183
	487,446	**2,945,016**	**957,461**	**5,739,849**	**11,376,183**

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Persistent Systems Lanka (Private) Limited
Formerly known as Aepona Software (Private) Limited

Notes forming part of condensed financial statements

6. Non Current Financial Assets- Loans

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Carried at amortised cost			
Security Deposits			
Unsecured, considered good	3,400,493	11,007,745	3,418,624
Less : Allowance for bad and doubtful deposits	-	-	-
	3,400,493	**11,007,745**	**3,418,624**

7. Other non-current assets

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Advances recoverable in cash or in kind	1,921,310	-	3,087,484
Capital advance	437,000	-	-
	2,358,310	**-**	**3,087,484**

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Persistent Systems Lanka (Private) Limited
Formerly known as Aepona Software (Private) Limited

Notes forming part of condensed financial statements

8. Trade receivables

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Outstanding for a period exceeding six months from the date they are due for payment			
Unsecured, considered good	-	-	2,567,199
Unsecured, considered doubtful	-	-	-
	-	-	2,567,199
Less : Provision for doubtful receivables	-	-	-
	-	-	2,567,199
Others			
Unsecured, considered good	127,305,802	115,088,472	110,386,352
Unsecured, considered doubtful	-	-	-
	127,305,802	115,088,472	110,386,352
Less : Provision for doubtful receivables	-	-	-
	127,305,802	115,088,472	112,953,551

9. Cash and cash equivalents

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Cash and cash equivalents as presented in cash flow statement			
Balances with banks			
On current accounts	3,012,480	4,705,922	7,661,134
	3,012,480	4,705,922	7,661,134

10. Other financial assets

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Advance to related parties (Unsecured, considered good)			
Aepona Limited UK	27,393	1,240,325	997,442
Deposits	11,732	-	-
	39,125	1,240,325	997,442

11. Other current assets

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Advances recoverable in cash or kind or for value to be received	3,516,191	8,092,605	4,858,564
VAT receivable (net)	4,125,047	4,397,729	4,132,782
	7,641,238	12,490,334	8,991,346

12. Non-Current Provisions

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Provision for employee benefits			
- Gratuity	15,741,258	16,829,263	10,323,317
	15,741,258	**16,829,263**	**10,323,317**

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Notes forming part of condensed financial statements

13. Trade payables

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Trade payables for goods and services	3,079,147	11,150,778	2,378,456
	3,079,147	**11,150,778**	**2,378,456**

14. Other financial liabilities

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Accrued employee liabilities	-	7,016	-
Advance from related parties (Unsecured, considered good)			
Persistent Systems Inc.	4,477,145	4,773,102	4,485,540
Persistent Systems Ltd	1,683,185	185,339	636,819
	6,160,330	4,958,441	5,122,359
	6,160,330	**4,965,457**	**5,122,359**

15. Other current liabilities

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Other payables			
- Statutory liabilities	2,724,117	3,405,744	3,051,034
- Other liabilities	574,042	611,989	575,119
	3,298,159	**4,017,733**	**3,626,153**

16. Current Provisions

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Provision for employee benefits			
- Gratuity	887,862	372,875	2,306,047
- Leave encashment	6,208,422	7,240,347	6,776,423
- Other employee benefits	8,791,516	16,561,248	13,887,556
	15,887,800	**24,174,470**	**22,970,026**

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Persistent Systems Lanka (Private) Limited
Formerly known as Aepona Software (Private) Limited
Notes forming part of condensed financial statements

17. Revenue from operations

	For the quarter ended		For half year ended		For the year ended
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	March 31, 2017
	(In ₹)	(In ₹)	(In ₹)	(In ₹)	(In ₹)
Software services	44,664,746	75,744,393	100,165,610	147,656,987	260,206,756
	44,664,746	**75,744,393**	**100,165,610**	**147,656,987**	**260,206,756**

18. Other income

	For the quarter ended		For half year ended		For the year ended
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	March 31, 2017
	(In ₹)	(In ₹)	(In ₹)	(In ₹)	(In ₹)
Foreign exchange gain (net)	835,244	-	847,379	-	-
Profit on sale of fixed assets (net)	-	-	-	-	225,550
	835,244	**-**	**847,379**	**-**	**225,550**

19.1. Employee benefits expense

	For the quarter ended		For half year ended		For the year ended
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	March 31, 2017
	(In ₹)	(In ₹)	(In ₹)	(In ₹)	(In ₹)
Salaries, wages and bonus	29,217,565	46,669,124	59,689,427	87,022,501	156,121,620
Contribution to provident and other funds	3,888,029	4,993,732	7,875,659	9,199,272	18,394,206
Gratuity expenses	966,694	2,843,207	1,947,550	11,333,171	9,494,959
Staff welfare and benefits	1,456,384	1,737,324	2,636,372	3,269,425	6,725,195
	35,528,672	**56,243,387**	**72,149,008**	**110,824,369**	**190,735,980**
19.2. Cost of technical professionals					
Technical professionals - others	347,657	-	532,732	-	47,817
	347,657	**-**	**532,732**	**-**	**47,817**
	35,876,329	**56,243,387**	**72,681,740**	**110,824,369**	**190,783,797**

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20. Other expenses

	For the quarter ended		For half year ended		For the year ended
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	March 31, 2017
	(In ₹)	(In ₹)	(In ₹)	(In ₹)	(In ₹)
Travelling and conveyance	594,748	999,532	2,043,383	2,051,156	2,943,094
Electricity expenses (net)	1,316,070	1,463,032	2,592,859	2,947,157	5,542,550
Internet link expenses	785,390	814,340	1,561,477	1,616,310	3,254,555
Communication expenses	58,152	95,114	117,942	197,803	318,261
Recruitment expenses	(26)	6,698	9,025	9,965	29,207
Training and seminars	317,430	-	346,880	-	639,433
Purchase of software licenses and support expenses	225,381	135,709	569,047	135,709	452,997
Rent	3,745,581	3,870,319	7,506,368	6,868,848	14,818,271
Insurance	29,839	-	71,626	-	18,093
Rates and taxes	326,646	973,695	729,396	1,387,868	2,119,192
Legal and professional fees	303,993	806,739	519,527	1,046,070	1,379,027
Repairs and maintenance					
- Plant and Machinery	77,688	93,331	124,889	118,714	224,513
- Buildings	45,143	17	47,024	2,003	43,780
- Others	23,714	3,438	31,058	3,438	32,666
Advertisement and sponsorship fees	115,724	327	155,615	38,459	153,650
Computer consumables	6,912	17,736	31,345	29,866	48,587
Auditors' remuneration	106,796	117,821	230,928	240,700	465,903
Books, memberships, subscriptions	135,410	15,670	165,033	31,852	60,460
Foreign exchange loss (net)	-	55,768	-	290,883	325,207
Miscellaneous expenses	415,082	445,975	821,116	1,030,734	1,919,853
	8,629,673	**9,915,261**	**17,674,538**	**18,047,535**	**34,789,299**

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21. Earnings per share

		For the quarter ended		For half year ended		For the year ended
		September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	March 31, 2017
Numerator for Basic and Diluted EPS						
Net Profit after tax (In ₹)	(A)	506,542	6,640,729	9,699,250	13,045,234	22,773,338
Denominator for Basic EPS						
Weighted average number of equity shares	(B)	117	117	117	117	117
Denominator for Diluted EPS						
Number of equity shares	(C)	117	117	117	117	117
Basic Earnings per share of face value of LKR 100 each (In ₹)	(A/B)	**4,329.42**	**56,758.37**	**82,899.57**	**111,497.73**	**194,643.91**
Diluted Earnings per share of face value of LKR 100 each (In ₹)	(A/C)	**4,329.42**	**56,758.37**	**82,899.57**	**111,497.73**	**194,643.91**

	For the quarter ended		For half year ended		For the year ended
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	March 31, 2017
Number of shares considered as basic weighted average shares outstanding	117	117	117	117	117
Add: Effect of dilutive issues of stock options	-	-	-	-	-
Number of shares considered as weighted average shares and potential shares outstanding	**117**	**117**	**117**	**117**	**117**

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22. Contingent liabilities:

The Company does not have any contingent liability as on September 30, 2017 (Previous period/ year - ₹ Nil).

23. Capital Commitments:

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

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

25. Previous period's/years' figures have been regrouped where necessary to conform to current period's classification.

As per our report of even date

For Joshi Apte & Co., **Firm registration no. 104370W** **Chartered Accountants**	**For and on behalf of the Board of Directors of** **Aepona Software Private) Limited**	
per C.K. Joshi Partner Membership No.030428	Sunil Sapre Director	Nitin Kulkarni Director
Place: Pune Date: October 15, 2017	Place: Pune Date: October 15, 2017	Place: Pune Date: October 15, 2017