













**1. Nature of operations**

Persistent Systems Limited (the “Company” or “PSL”) is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 1956 (the “Act”). The shares of the Company are listed on Bombay Stock Exchange and National Stock Exchange. The Company is a global company specializing in software products, services and technology innovation. The Company offers complete product life cycle services.

Persistent Systems, Inc. (PSI) based in the USA, a wholly owned subsidiary of PSL, is engaged in software product, services and technology innovation.

Persistent Systems Pte. Ltd. (PS Pte.) based in Singapore, a wholly owned subsidiary of PSL, is engaged in software development, professional and marketing services.

Persistent Systems France SAS (PSFS) based in France, a wholly owned subsidiary of PSL, is engaged in software products, services and technology innovation in the life sciences domain.

Persistent Telecom Solutions Inc. (PTSI) based in the USA, a wholly owned subsidiary of Persistent Systems Inc., is engaged in software products, services and technology innovation in telecom and Product Lifecycle Management domains.

Persistent Systems Malaysia Sdn. Bhd. (PSM) based in Malaysia, a wholly owned subsidiary of PSL, is engaged in software products and services.

Akshat Corporation (d.b.a. RGen Solutions) based in USA, a wholly owned subsidiary of PSI, is engaged in development, delivery and maintenance of IT software and services.

Aepona Holdings Limited (an Ireland based wholly owned subsidiary of Persistent Systems Inc.) operates as the holding Company of Aepona Group Limited.

Aepona Group Limited, (an Ireland based wholly owned subsidiary of Aepona Holdings Limited) operates as the holding Company of Aepona Limited and Valista Limited.

Aepona Limited (a UK based wholly owned subsidiary of Aepona Group Limited) is engaged in the business of a telecommunication API gateway for defining, exposing, controlling and monetizing telecom services to partners and application developers and an Internet of Things service creation platform that allows enterprises to add a service layer (or “business logic”) to the basic APIs exposed to by connected devices, and to expose and monetize these APIs.

Valista Limited (an Ireland based wholly owned subsidiary of Aepona Group 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.

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.

Valista Inc. is a US based wholly owned subsidiary of Valista Limited. Valista Inc. has been dissolved with effect from June 28, 2016. Valista Limited, its holding Company took over all the assets and liabilities of Valista Inc. on the date of dissolution.

Persistent Systems Mexico, S.A. de C.V (a Mexico based wholly owned subsidiary of Persistent Systems Inc.) has adopted indirect sales model, with services revenue being billed to Persistent Systems Inc. Sale of services are then contracted between Persistent Systems Inc. and customers.

Persistent Systems Israel Ltd. (an Israel based wholly owned subsidiary of Persistent Systems Inc.) has adopted indirect sales model, with services revenue being billed to Persistent Systems Inc. Sale of services are then contracted between Persistent Systems Inc. and customers.

Persistent Systems Germany GmbH (wholly owned subsidiary of Persistent Systems Limited) operates as the holding Company of PARX Werk AG.

PARX Werk AG (a Switzerland based wholly owned subsidiary of Persistent Systems Germany GmbH) is engaged in the business of software products, services and technology innovation in the digital practice.

PARX Consulting GmbH (a Germany based wholly owned subsidiary of PARX Werk AG) is engaged in the business of software products, services and technology innovation in the digital practice.

**2. Basis of preparation**

The financial statements of the Group have been prepared on an accrual basis and under the historical cost convention except for certain financial instruments, equity settled employee stock options and initial recognition of assets acquired under business combinations which have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The accounting policies are consistently applied by the Group 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. Principles of consolidation**

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the quarter and nine months ended December 31, 2017 are prepared in accordance with generally accepted accounting principles applicable in India, and the Indian Accounting Standard 110 (Ind AS 110) on 'Consolidated Financial Statements', notified by Companies (Accounting Standards) Rules, 2015, ("Indian Accounting Standards") by and to the extent possible in the same format as that adopted by the Company for its separate financial statements.

The Company consolidates entities which it owns or controls. The consolidated financial statements comprise the financial statements of the company, its subsidiaries as disclosed below. Control exists when the parent has power over the entity, is exposed or has rights to variable returns from its involvement with the entity; and has the ability to affect those returns by using its power over the entity. Power is demonstrated through existing rights that give the ability to direct relevant activities, those which significantly affect the entity's returns. Subsidiaries are consolidated from the date control commences until the date control ceases.

The financial statements of the Company and its subsidiary companies have been combined on line by line basis by adding together the book values of like items of assets and liabilities, income and expenses after eliminating intra group balances and intra group transactions except where cost cannot be recovered. The unrealized profits or losses resulting from the intra group transactions and balances have been eliminated.

The consolidated financial statements include the share of profit / loss of associate companies, which are accounted for under the 'Equity method'. The share of profit / loss of the associate company has been adjusted to the cost of investment in the associate, as per the 'Equity method'. An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture.

The excess of the cost to the Company of its investment in a subsidiary and the Company's portion of equity of subsidiary on the date at which investment in the subsidiary is made, is described as goodwill and recognized separately as an asset in the consolidated financial statements. The excess of the Company's portion of equity of the subsidiary over the cost of investment in the subsidiary is treated as gain on bargain purchase in the consolidated financial statements. Goodwill arising on consolidation is not amortized. It is tested for impairment on a periodic basis and written off if found impaired.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any, are made in the consolidated financial statements. The consolidated financial statements are presented in the same manner as the Company's separate financial statements.

The financial statements of the subsidiary companies used in the consolidation are drawn up to the same reporting date as of the Company.

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**Persistent Systems Limited****Notes forming part of condensed consolidated financial statements**

The subsidiary companies considered in consolidated financial statements are as follows:

| Name of the subsidiary                       | Ownership Percentage as at |                   |                | Country of incorporation |
|--|----------------------------|-------------------|----------------|--------------------------|
|  | December 31, 2017          | December 31, 2016 | March 31, 2017 |                          |
| Persistent Systems, Inc.                     | 100%                       | 100%              | 100%           | USA                      |
| Persistent Systems Pte Ltd.                  | 100%                       | 100%              | 100%           | Singapore                |
| Persistent Systems France SAS                | 100%                       | 100%              | 100%           | France                   |
| Persistent Telecom Solutions Inc.            | 100%                       | 100%              | 100%           | USA                      |
| Persistent Systems Malaysia Sdn. Bhd.        | 100%                       | 100%              | 100%           | Malaysia                 |
| Akshat Corporation (d.b.a. RGen Solutions) * | 100%                       | 100%              | 100%           | USA                      |
| Aepona Holdings Limited                      | 100%                       | 100%              | 100%           | Ireland                  |
| Aepona Group Limited                         | 100%                       | 100%              | 100%           | Ireland                  |
| Aepona Limited                               | 100%                       | 100%              | 100%           | UK                       |
| Valista Limited                              | 100%                       | 100%              | 100%           | Ireland                  |
| Persistent Systems Lanka (Private) Limited   | 100%                       | 100%              | 100%           | Sri Lanka                |
| Persistent Systems Mexico, S.A. de C.V.      | 100%                       | 100%              | 100%           | Mexico                   |
| Persistent Systems Israel Ltd.               | 100%                       | 100%              | 100%           | Israel                   |
| Persistent Systems Germany GmbH              | 100%                       | 100%              | 100%           | Germany                  |
| PARX Werk AG**                               | 100%                       | -                 | -              | Switzerland              |
| PARX Consulting GmbH**                       | 100%                       | -                 | -              | Germany                  |

\* Refer Note 32

\*\* Refer note 35

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**4. Summary of significant accounting policies****(a) Use of estimates**

The preparation of the condensed consolidated financial statements in conformity with 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 / 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.

**Critical accounting estimates****i. Revenue recognition**

The Group uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of-completion method requires the Group 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 Group's two major tax jurisdictions are India and the United States, though the Group also files tax returns in other overseas jurisdictions. Significant judgements are involved in determining the provision for income taxes.

**iii. Intangible assets and contingent consideration in business combinations**

Business combinations are accounted for using Ind AS 103, Business Combinations. Ind AS 103 requires the identifiable intangible assets and contingent consideration to be fair valued in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the value of contingent consideration and intangible assets. These valuations are conducted by independent valuation experts.

**iv. Property, plant and equipment**

Property, plant and equipment represent a significant proportion of the asset base of the Group. 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 Group'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.

**v. Impairment of Goodwill**

Goodwill is tested for impairment on an annual basis and whenever there is an indication that the recoverable amount of a cash generating unit is less than its carrying amount based on a number of factors including operating results, business plans, future cash flows and economic conditions. The recoverable amount of cash generating units is determined based on higher of value-in-use and fair value less cost to sell. The goodwill impairment test is performed at the level of the cash-generating unit or groups of cash-generating units which are benefiting from the synergies of the acquisition and which represents the lowest level at which goodwill is monitored for internal management purposes. Market related information and estimates are used to determine the recoverable amount. Key assumptions on which management has based its determination of recoverable amount include estimated long term growth rates, weighted average cost of capital and estimated operating margins. Cash flow projections take into account past experience and represent management's best estimate about future developments.

**vi. 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.

**vii. Internally generated Intangible assets**

During the period/year, the management continued to assess the recoverability of the Group's internally generated intangible assets including those under development. Based on the current revenue generated from these lines of business, expected future revenue and the basis of amortization followed, the management considers the carrying value of the these intangible assets as recoverable.

**(b) 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 Group. 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.

**(c) 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 Group 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.

**(d) Business combinations**

Business combinations are accounted for using the acquisition method under the provisions of Ind AS 103 - Business Combinations.

The cost of an acquisition is measured at the fair value of the assets acquired and liabilities incurred or assumed on the date of acquisition, which is the date on which control is transferred to the Group. The cost of acquisition also includes the fair value of contingent consideration, if any. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition.

Transaction costs that the Group incurs in connection with a business combinations are expensed as incurred.

**(e) Goodwill/ Gain on bargain purchase**

Goodwill represents the cost of business acquisition in excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. When the net fair value of the identifiable assets, liabilities and contingent liabilities acquired exceeds the cost of business acquisition, a gain is recognized in the other comprehensive income as gain on bargain purchase. Goodwill is measured at cost less accumulated impairment losses.

**(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:

| <b>Assets</b>                              | <b>Useful lives</b> |
|--|---------------------|
| Buildings*                                 | 25 years            |
| Computers                                  | 3 years             |
| Computers - Servers and networks*          | 3 years             |
| Office equipments                          | 5 years             |
| Plant and equipment*                       | 5 years             |
| Plant and equipment (Windmill)*            | 20 years            |
| Plant and equipment (Solar Energy System)* | 10 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 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 initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

*Subsequent measurement*

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

**- Financial assets at amortized cost**

Financial assets that are held within a business model whose objective is to hold assets for collecting contractual cash flows and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are subsequently measured at amortized cost using the effective interest rate method. The change in measurements are recognized as finance income in the statement of profit and loss.

**- Financial assets at fair value through other comprehensive income (FVTOCI)**

Financial assets that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the financial assets and the assets' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding are subsequently measured at fair value. Fair value movements are recognized in other comprehensive income.

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

Any financial asset which does not meet the criteria for categorization as financial assets at amortized cost or as FVTOCI, is classified as financial asset at FVTPL. Financial assets except derivative contracts included within the FVTPL category are subsequently measured at fair value with all changes recognized in the statement of profit and loss.

- **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 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.

*Derecognition*

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income, and accumulated in equity, if any is recognised in profit or loss.

**ii) Financial liabilities**

*Initial recognition and measurement*

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are deducted from the fair value of the financial liabilities on initial recognition. Transaction costs directly attributable to the issue of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

*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 Group has not designated any financial liability as at FVTPL.

*Derecognition*

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**(h) Impairment****i) Financial assets**

The Group 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 Group expects to receive, discounted at the original effective interest rate.

For trade receivables, the Group recognizes impairment loss allowance based on lifetime ECL at each reporting date, right from its initial recognition. For other financial assets, the Group 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 Group 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 and its 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 Group 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 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 Group. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group 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 Group collects Goods and Service Tax (service tax and value added taxes (VAT) up to June 30, 2017) on behalf of the government and, therefore, these are not economic benefits flowing to the Group. 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 Group's right to receive dividend is established. Dividend income is included under the head 'Other income' in the statement of profit and loss.

**(l) Foreign currency translation**

**Foreign currency transactions and balances**

***Initial recognition***

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

***Conversion***

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

***Exchange differences***

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

**Translation of foreign operations**

The Group 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 Group 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 Group has no obligation, other than the contribution payable to the provident fund.

**(ii) Gratuity**

Gratuity is a defined benefit obligation plan operated by the Group 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 and are charged to the statement of profit and loss, except for the remeasurements, comprising of actuarial gains and losses which 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) Superannuation**

Superannuation is a defined contribution plan covering eligible employees. The contribution to the superannuation fund managed by the insurer is equal to the specified percentage of the basic salary of the eligible employees as per the scheme. The contribution to this scheme is charged to the statement of profit and loss on an accrual basis. There are no other contributions payable other than contribution payable to the respective fund.

**(iv) Leave encashment**

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The Group 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 Group 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 profit and loss. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

The Group 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.

**(v) Long service awards**

Long service awards are other long term benefits to all eligible employees, as per Group's policy. The cost of providing benefit under long service awards scheme 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 profit and loss.

**(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 Income Tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the Group operates. 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 Group is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of temporary differences which reverse during the tax holiday period, to the extent the Group'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.



Minimum alternate tax (MAT) paid in a period / year is charged to the statement of profit and loss as current tax. MAT credit available is recognized as an asset only to the extent that there is convincing evidence that the Group will pay normal income tax during the period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Group recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Group does not have convincing evidence that it will pay normal tax during the specified period.

**(o) Segment reporting****(i) Identification of segment**

The Group's operations predominantly relate to providing software products, services and technology innovation covering full life cycle of product to its customers.

The components of the Group that engage in business activities from which they earn revenue and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker are identified as operating segments.

**(ii) Allocation of income and direct expenses**

Income and direct expenses allocable to segments are classified based on items that are individually identifiable to that segment such as salaries, project related travel expenses etc. The remainder is considered as un-allocable expense and is charged against the total income.

**(iii) Unallocated items**

Unallocated items include general corporate income and expense items which are not allocated to any business segment.

Segregation of assets, liabilities, depreciation and amortization and other non-cash expenses into various reportable segments have not been presented except for trade receivables as these items are used interchangeably between segments and the Group is of the view that it is not practical to reasonably allocate these items to individual segments and an ad-hoc allocation will not be meaningful.

**(iv) Inter-segment transfers**

There are no inter-segments transactions.

**(v) Segment accounting policies**

The Group prepares its segment information in conformity with accounting policies adopted for preparing and presenting the financial statements of the Group as a whole.

**(p) 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. Further, the weighted average number of equity shares used in computing the basic earnings per share is reduced by the shares held by PSPL ESOP Management Trust at the balance sheet date, which were obtained by subscription to the shares from finance provided by the Group.

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.

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**(q) Provisions**

A provision is recognized when the Group 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.

**(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 Group 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.

**(s) 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.

**(t) Employee stock compensation expenses**

Employees of the Group receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments granted (equity-settled transactions).

In accordance with Ind AS 102 – “Share Based Payments”, the cost of equity-settled transactions is determined by the fair value of the options at the date of the grant and recognized as employee compensation cost over the vesting period. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest.

The expense or credit recognized in the statement of profit and loss for a period / year represents the movement in cumulative expense recognized as at the beginning and end of that period / year and is recognized in employee benefits expense. In case of the employee stock option schemes having a graded vesting schedule, each vesting tranche having different vesting period has been considered as a separate option grant and accounted for accordingly.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

*(This space is intentionally left blank)*

**5. Share capital**

|  | As at<br>December 31,<br>2017<br>In ₹ Million | As at<br>December 31,<br>2016<br>In ₹ Million | As at<br>March 31, 2017<br>In ₹ Million |
|--|---|---|---|
| <b>Authorized shares (No. in million)</b>                            |   |   |   |
| 200 (Previous period /Previous year: 200) equity shares of ₹ 10 each | 2,000.00                                      | 2,000.00                                      | 2,000.00                                |
|  | <b>2,000.00</b>                               | <b>2,000.00</b>                               | <b>2,000.00</b>                         |
| <b>Issued, subscribed and fully paid-up shares (No. in million)</b>  |   |   |   |
| 80 (Previous period /Previous year: 80) equity shares of ₹ 10 each   | 800.00  | 800.00  | 800.00                                  |
| <b>Issued, subscribed and fully paid-up share capital</b>            | <b>800.00</b>                                 | <b>800.00</b>                                 | <b>800.00</b>                           |

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

The reconciliation of the number of shares outstanding and the amount of share capital is set out below:

|  | (In Million)               |               |                            |               |                         |               |
|--|----------------------------|---------------|----------------------------|---------------|-------------------------|---------------|
|  | As at<br>December 31, 2017 |               | As at<br>December 31, 2016 |               | As at<br>March 31, 2017 |               |
|  | No of<br>shares            | Amount        | No of<br>shares            | Amount        | No of<br>shares         | Amount        |
| Number of shares at the beginning of the period/ year  | 80.00                      | 800.00        | 80.00                      | 800.00        | 80.00                   | 800.00        |
| Add : Bonus shares issued                              | -                          | -             | -                          | -             | -                       | -             |
| <b>Number of shares at the end of the period/ year</b> | <b>80.00</b>               | <b>800.00</b> | <b>80.00</b>               | <b>800.00</b> | <b>80.00</b>            | <b>800.00</b> |

**b) Terms / rights attached to equity shares**

The Group has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Group declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Parent Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**c) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date**

|   | For the period of<br>five years ended<br>December 31,<br>2017<br>No in Million | For the period of<br>five years ended<br>December 31,<br>2016<br>No in Million | For the period of five<br>years ended<br>March 31, 2017<br>No in Million |
|---|--|--|--|
| Equity shares allotted on March 12, 2015 as fully paid bonus shares by capitalization of securities premium ₹ 400 million | 40.00  | 40.00  | 40.00  |

*(This space is intentionally left blank)*

**d) Details of shareholders holding more than 5% shares in the Group**

| Name of the shareholder*                                     | As at December 31, 2017 |           | As at December 31, 2016 |           | As at March 31, 2017 |           |
|--|-------------------------|-----------|-------------------------|-----------|----------------------|-----------|
|  | No. in million          | % Holding | No. in million          | % Holding | No. in million       | % Holding |
| Dr. Anand Deshpande jointly with Mrs. Sonali Anand Deshpande | 22.93                   | 28.66     | 22.93                   | 28.66     | 22.93                | 28.66     |
| Saif Advisors Mauritius Limited                              | 4.27                    | 5.33      | 4.27                    | 5.33      | 4.27                 | 5.33      |

\* The shareholding information is based on legal ownership of shares and has been extracted from the records of the Group including register of shareholders / members.

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**Persistent Systems Limited**

Notes forming part of condensed consolidated financial statements

**7 a) Details of fair value of investment in long term Mutual Funds (Quoted)**

|                              | As at December 31, 2017<br>In ₹ Million | As at December 31, 2016<br>In ₹ Million | As at March 31, 2017<br>In ₹ Million |
|------------------------------|---|---|--------------------------------------|
| IDFC Mutual Fund             | 107.62                                  | 205.67                                  | 210.24                               |
| ICICI Prudential Mutual Fund | 594.49                                  | 639.66                                  | 568.17                               |
| Birla Sun Life Mutual Fund   | 105.35                                  | -                                       | 100.54                               |
| SBI Mutual Fund              | 116.39                                  | 539.55                                  | 545.68                               |
| HDFC Mutual Fund             | 158.38                                  | -                                       | 151.07                               |
| UTI Mutual Fund              | 57.98                                   | -                                       | 55.31                                |
| Reliance Mutual Fund         | 52.84                                   | -                                       | 50.38                                |
| Kotak Mutual Fund            | 180.31                                  | -                                       | 143.25                               |
|                              | <b>1,373.36</b>                         | <b>1,384.88</b>                         | <b>1,824.64</b>                      |

**7 b) Details of fair value of current portion of long term Mutual Funds (Quoted)**

|                              | As at December 31, 2017<br>In ₹ Million | As at December 31, 2016<br>In ₹ Million | As at March 31, 2017<br>In ₹ Million |
|------------------------------|---|---|--------------------------------------|
| ICICI Prudential Mutual Fund | -                                       | 128.24                                  | -                                    |
| SBI Mutual Fund              | -                                       | 128.46                                  | 130.37                               |
|                              | -                                       | <b>256.70</b>                           | <b>130.37</b>                        |

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**Persistent Systems Limited**

Notes forming part of condensed consolidated financial statements

**8. Non-current financial assets : Loans**

|                                       | As at<br>December 31, 2017<br>In ₹ Million | As at<br>December 31, 2016<br>In ₹ Million | As at<br>March 31, 2017<br>In ₹ Million |
|---------------------------------------|--|--|---|
| <b>Carried at amortised cost</b>      |  |  |   |
| <b>Security deposits</b>              |  |  |   |
| Unsecured, considered good            | 133.03                                     | 130.07                                     | 131.31                                  |
| Unsecured, considered doubtful        | 2.19                                       | 2.19                                       | 2.19                                    |
|                                       | <b>135.22</b>                              | <b>132.26</b>                              | <b>133.50</b>                           |
| Less: Impairment of non-current loans | (2.19)                                     | (2.19)                                     | (2.19)                                  |
|                                       | <b>133.03</b>                              | <b>130.07</b>                              | <b>131.31</b>                           |
| <b>Other loans and advances</b>       |  |  |   |
| <b>Inter corporate deposits</b>       |  |  |   |
| Unsecured, considered good            | 0.03                                       | 0.22                                       | 0.18                                    |
| Unsecured, considered doubtful        | 0.58                                       | 0.58                                       | 0.58                                    |
|                                       | <b>0.61</b>                                | <b>0.80</b>                                | <b>0.76</b>                             |
| Less: Impairment of non-current loans | (0.58)                                     | (0.58)                                     | (0.58)                                  |
|                                       | <b>0.03</b>                                | <b>0.22</b>                                | <b>0.18</b>                             |
|                                       | <b>133.06</b>                              | <b>130.29</b>                              | <b>131.49</b>                           |

**9. Other non current financial assets**

|  | As at<br>December 31, 2017<br>In ₹ Million | As at<br>December 31, 2016<br>In ₹ Million | As at<br>March 31, 2017<br>In ₹ Million |
|--|--|--|---|
| Non-current bank balances (Refer note 15)                                    | 1.53                                       | 522.12                                     | 529.13                                  |
| Add: Interest accrued but not due on non-current bank deposits               | 0.18                                       | 73.88                                      | 89.11                                   |
| Non-current deposits with banks (Carried at amortised cost)                  | <b>1.71</b>                                | <b>596.00</b>                              | <b>618.24</b>                           |
| Deposits with financial institutions   | 300.00                                     | 335.00                                     | 300.00                                  |
| Add: Interest accrued but not due on deposit with financial institutions     | 21.92                                      | 21.88                                      | 4.12                                    |
| Non-current deposits with financial institutions (Carried at amortised cost) | <b>321.92</b>                              | <b>356.88</b>                              | <b>304.12</b>                           |
|  | <b>323.63</b>                              | <b>952.88</b>                              | <b>922.36</b>                           |

**10. Deferred tax asset/ liability (net) \***

|   | As at<br>December 31, 2017<br>In ₹ Million | As at<br>December 31, 2016<br>In ₹ Million | As at<br>March 31, 2017<br>In ₹ Million |
|---|--|--|---|
| <b>Deferred tax liabilities</b>   |  |  |   |
| Differences in book values and tax base values of block of Property, Plant and Equipment and intangible assets            | 131.15                                     | 105.38                                     | 111.63                                  |
| Capital gains   | 98.94                                      | 91.76                                      | 90.68                                   |
| Others  | 40.61                                      | 48.42                                      | 110.31                                  |
|   | <b>270.70</b>                              | <b>245.56</b>                              | <b>312.62</b>                           |
| <b>Deferred tax assets</b>  |  |  |   |
| Provision for leave encashment  | 122.46                                     | 144.66                                     | 139.83                                  |
| Provision for long service awards   | 98.10                                      | 92.11                                      | 91.89                                   |
| Provision for doubtful debts  | 85.03                                      | 117.93                                     | 99.52                                   |
| Differences in book values and tax base values of block of Property, Plant and Equipment and intangible assets (overseas) | 1.17                                       | 57.53                                      | 66.79                                   |
| Brought forward and current period / year losses  | 74.90                                      | 68.74                                      | 48.74                                   |
| Tax credits   | 154.24                                     | -  | 46.11                                   |
| Others  | 64.67                                      | 8.04                                       | 15.38                                   |
|   | <b>600.57</b>                              | <b>489.01</b>                              | <b>508.26</b>                           |
| <b>Deferred tax liabilities after set off</b>   | <b>-</b>                                   | <b>-</b>                                   | <b>110.75</b>                           |
| <b>Deferred tax assets after set off</b>  | <b>329.87</b>                              | <b>243.45</b>                              | <b>306.39</b>                           |

\* Deferred tax assets and deferred tax liabilities have been offset wherever the Group has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. In all other cases the same have been separately disclosed.

**11. Other non-current assets**

|  | As at<br>December 31, 2017<br>In ₹ Million | As at<br>December 31, 2016<br>In ₹ Million | As at<br>March 31, 2017<br>In ₹ Million |
|--|--|--|---|
| Capital advances (Unsecured, considered good)                    | 7.82                                       | 14.37                                      | 10.70                                   |
| Advances recoverable in cash or kind or for value to be received | 54.68                                      | 72.17                                      | 61.15                                   |
|  | <b>62.50</b>                               | <b>86.54</b>                               | <b>71.85</b>                            |

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**Persistent Systems Limited**

Notes forming part of condensed consolidated financial statements

**12. Current financial assets : Investments**

|  | As at<br>December 31, 2017<br>In ₹ Million | As at<br>December 31, 2016<br>In ₹ Million | As at<br>March 31, 2017<br>In ₹ Million |
|--|--|--|---|
| <b>Designated as fair value through profit and loss</b>                      |  |  |   |
| <b>- Quoted investments</b>  |  |  |   |
| <b>Investments in mutual funds</b>   |  |  |   |
| Fair value of current mutual funds (Refer Note 12a)                          | 5,532.19                                   | 4,359.92                                   | 4,369.29                                |
| Add: Fair value of current portion of long term mutual funds (Refer Note 7b) | -  | 256.70                                     | 130.37                                  |
|  | <b>5,532.19</b>                            | <b>4,616.62</b>                            | <b>4,499.66</b>                         |
| <b>Total carrying amount of investments</b>                                  | <b>5,532.19</b>                            | <b>4,616.62</b>                            | <b>4,499.66</b>                         |
| <b>Aggregate amount of quoted investments</b>                                | <b>5,532.19</b>                            | <b>4,616.62</b>                            | <b>4,499.66</b>                         |
| <b>Aggregate amount of unquoted investments</b>                              | -  | -  | -                                       |

**12 a) Details of fair value of current investment in mutual funds (Quoted)**

|  | As at<br>December 31, 2017<br>In ₹ Million | As at<br>December 31, 2016<br>In ₹ Million | As at<br>March 31, 2017<br>In ₹ Million |
|--|--|--|---|
| IDFC Mutual Fund   | 463.50                                     | 340.18                                     | 344.35                                  |
| HDFC Mutual Fund   | 509.56                                     | 636.39                                     | 493.41                                  |
| ICICI Prudential Mutual Fund                                   | 220.41                                     | 79.19                                      | 210.66                                  |
| Birla Sun Life Mutual Fund                                     | 888.59                                     | 573.68                                     | 474.22                                  |
| Tata Mutual Fund   | 691.56                                     | 576.96                                     | 585.51                                  |
| Reliance Mutual Fund   | 295.95                                     | 562.19                                     | 518.25                                  |
| Kotak Mutual Fund  | 163.79                                     | 304.56                                     | 197.64                                  |
| UTI Mutual Fund  | 712.37                                     | 271.18                                     | 274.48                                  |
| L&T Mutual Fund  | 725.37                                     | 215.29                                     | 463.10                                  |
| DHFL Pramerica Mutual Fund (formerly known as DWS Mutual Fund) | 366.45                                     | 354.97                                     | 357.48                                  |
| Axis Mutual Fund   | 494.64                                     | 445.33                                     | 450.19                                  |
|  | <b>5,532.19</b>                            | <b>4,359.92</b>                            | <b>4,369.29</b>                         |

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**Persistent Systems Limited**

Notes forming part of condensed consolidated financial statements

**13. Trade receivables**

|   | As at<br>December 31, 2017<br>In ₹ Million | As at<br>December 31, 2016<br>In ₹ Million | As at<br>March 31, 2017<br>In ₹ Million |
|---|--|--|---|
| <b>Outstanding for a period exceeding six months from the date they are due for payment</b> |  |  |   |
| Unsecured, considered good  | 11.41                                      | 8.43                                       | 14.15                                   |
| Unsecured, considered doubtful  | 273.85                                     | 361.72                                     | 283.62                                  |
|   | <b>285.26</b>                              | <b>370.15</b>                              | <b>297.77</b>                           |
| Less : Allowance for credit loss  | (273.85)                                   | (361.72)                                   | (283.62)                                |
|   | <b>11.41</b>                               | <b>8.43</b>                                | <b>14.15</b>                            |
| <b>Others</b>   |  |  |   |
| Unsecured, considered good  | 4,993.66                                   | 4,956.22                                   | 4,739.68                                |
| Unsecured, considered doubtful  | -  | -  | -                                       |
|   | <b>4,993.66</b>                            | <b>4,956.22</b>                            | <b>4,739.68</b>                         |
| Less : Allowance for credit loss  | -  | -  | -                                       |
|   | <b>4,993.66</b>                            | <b>4,956.22</b>                            | <b>4,739.68</b>                         |
|   | <b>5,005.07</b>                            | <b>4,964.65</b>                            | <b>4,753.83</b>                         |

**14. Cash and cash equivalents**

|  | As at<br>December 31, 2017<br>In ₹ Million | As at<br>December 31, 2016<br>In ₹ Million | As at<br>March 31, 2017<br>In ₹ Million |
|--|--|--|---|
| <b>Cash and cash equivalents as presented in cash flow statement</b> |  |  |   |
| Cash in hand   | 0.32                                       | 0.09                                       | 0.09                                    |
| Cheques on hand  | -  | -  | 9.93                                    |
| Balances with banks  |  |  |   |
| On current accounts *  | 1,585.31                                   | 1,120.88                                   | 1,240.02                                |
| On saving accounts   | 0.60                                       | 1.95                                       | 0.24                                    |
| On Exchange Earner's Foreign Currency accounts                       | 195.29                                     | 192.81                                     | 211.10                                  |
|  | <b>1,781.52</b>                            | <b>1,315.73</b>                            | <b>1,461.38</b>                         |

\* Out of the balance, the Group can utilise ₹ Nil (Corresponding period / Previous year: ₹ 0.07 million) only towards research and development activities specified in the loan agreement.

**15. Other bank balances**

|  | As at<br>December 31, 2017<br>In ₹ Million | As at<br>December 31, 2016<br>In ₹ Million | As at<br>March 31, 2017<br>In ₹ Million |
|--|--|--|---|
| On deposit account with original maturity more than twelve months *  | 575.12                                     | 563.33                                     | 572.15                                  |
| Add: Interest accrued but not due on deposits with banks   | 119.19                                     | 78.93                                      | 93.14                                   |
| Deposits with banks (Carried at amortised cost)  | <b>694.31</b>                              | <b>642.26</b>                              | <b>665.29</b>                           |
| Less: Deposits with maturity more than twelve months from the balance sheet date disclosed under other non-current financial assets (Refer note 9) | (1.53)                                     | (522.12)                                   | (529.13)                                |
| Less: Interest accrued but not due on non-current deposits with banks  | (0.18)                                     | (73.88)                                    | (89.11)                                 |
|  | <b>692.60</b>                              | <b>46.26</b>                               | <b>47.05</b>                            |
| Balances with banks On unpaid dividend accounts**  | 1.48                                       | 0.90                                       | 1.20                                    |
|  | <b>694.08</b>                              | <b>47.16</b>                               | <b>48.25</b>                            |

\* Out of the balance, fixed deposits of ₹ 62.56 million (Corresponding period : ₹ 57.75 million / Previous year : ₹ 59.36 million) have been earmarked against bank guarantees availed by the Group.

\*\* The Group can utilize these balances only towards settlement of the respective unpaid dividend.

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**Persistent Systems Limited**

Notes forming part of condensed consolidated financial statements

**16. Current financial assets : Loans**

|   | As at<br>December 31, 2017<br>In ₹ Million | As at<br>December 31, 2016<br>In ₹ Million | As at<br>March 31, 2017<br>In ₹ Million |
|---|--|--|---|
| <b>Carried at amortised cost</b>                                |  |  |   |
| <b>Loan to related parties (Unsecured, considered doubtful)</b> |  |  |   |
| Klisma e-Services Private Limited                               | 27.43                                      | 27.43                                      | 27.43                                   |
|   | <b>27.43</b>                               | <b>27.43</b>                               | <b>27.43</b>                            |
| Less: Impairment of current loans                               | (27.43)                                    | (27.43)                                    | (27.43)                                 |
|   | -  | -  | -                                       |
| <b>Loan to others (Unsecured, considered good)</b>              |  |  |   |
| LHS Solution Inc.   | 4.16                                       | 4.41                                       | 4.22                                    |
|   | <b>4.16</b>                                | <b>4.41</b>                                | <b>4.22</b>                             |
| <b>Security deposits</b>  |  |  |   |
| Unsecured, considered good                                      | 8.24                                       | 6.37                                       | 9.78                                    |
|   | <b>8.24</b>                                | <b>6.37</b>                                | <b>9.78</b>                             |
|   | <b>12.40</b>                               | <b>10.78</b>                               | <b>14.00</b>                            |

**17. Other current financial assets**

|  | As at<br>December 31, 2017<br>In ₹ Million | As at<br>December 31, 2016<br>In ₹ Million | As at<br>March 31, 2017<br>In ₹ Million |
|--|--|--|---|
| <b>Fair value of derivatives designated and effective as hedging instruments</b> |  |  |   |
| Forward contracts receivable   | 163.33                                     | 167.68                                     | 412.80                                  |
| <b>Advances to suppliers</b>   |  |  |   |
| Unsecured, considered good   | -  | -  | 0.91                                    |
| Unsecured, considered doubtful   | 0.81                                       | 0.81                                       | 0.81                                    |
| Less: Impairment of current financial assets                                     | (0.81)                                     | (0.81)                                     | (0.81)                                  |
|  | -  | -  | <b>0.91</b>                             |
| Deposit with financial institutions  | 540.35                                     | 100.00                                     | 135.00                                  |
| Add: Interest accrued but not due on deposit with financial institutions         | 6.56                                       | 3.28                                       | 5.44                                    |
| Deposits with financial institutions (Carried at amortised cost)                 | <b>546.91</b>                              | <b>103.28</b>                              | <b>140.44</b>                           |
| SEIS Incentive receivable  | 44.13                                      | -  | -                                       |
| Unbilled revenue   | 2,044.83                                   | 2,226.04                                   | 1,761.88                                |
|  | <b>2,799.20</b>                            | <b>2,497.00</b>                            | <b>2,316.03</b>                         |

**18. Other current assets**

|  | As at<br>December 31, 2017<br>In ₹ Million | As at<br>December 31, 2016<br>In ₹ Million | As at<br>March 31, 2017<br>In ₹ Million |
|--|--|--|---|
| <b>Advances to suppliers (Unsecured, considered good)</b>        |  |  |   |
| Advances recoverable in cash or kind or for value to be received | 422.96                                     | 340.74                                     | 648.20                                  |
| <b>Other advances (Unsecured, considered good)</b>               |  |  |   |
| VAT receivable (net)   | 47.29                                      | 90.11                                      | 84.93                                   |
| Service tax and GST receivable (net) (Refer note 36)             | 833.33                                     | 131.18                                     | 122.26                                  |
|  | <b>880.62</b>                              | <b>221.29</b>                              | <b>207.19</b>                           |
|  | <b>1,303.58</b>                            | <b>562.03</b>                              | <b>855.39</b>                           |

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**Persistent Systems Limited**

Notes forming part of condensed consolidated financial statements

**19. Non-current financial liabilities : Borrowings**

|  | As at<br>December 31, 2017<br>In ₹ Million | As at<br>December 31, 2016<br>In ₹ Million | As at<br>March 31, 2017<br>In ₹ Million |
|--|--|--|---|
| <b>Unsecured Borrowings carried at amortised cost</b>  |  |  |   |
| Term loans   |  |  |   |
| Indian rupee loan from others  | 22.49                                      | 27.07                                      | 25.71                                   |
| Interest accrued but not due on term loans   | 0.87                                       | 1.62                                       | 1.53                                    |
|  | <b>23.36</b>                               | <b>28.69</b>                               | <b>27.24</b>                            |
| Less: Current maturity of long-term borrowings transferred to other current financial liabilities (Refer note 22)                      | (4.58)                                     | (4.58)                                     | (4.58)                                  |
| Less: Current maturity of interest accrued but not due on term loan transferred to other current financial liabilities (Refer note 22) | (0.87)                                     | (0.90)                                     | (0.95)                                  |
|  | <b>(5.45)</b>                              | <b>(5.48)</b>                              | <b>(5.53)</b>                           |
|  | <b>17.91</b>                               | <b>23.21</b>                               | <b>21.71</b>                            |

The term loans from Government departments have the following terms and conditions:

Loan I - amounting to ₹ 9.55 million (Corresponding period ₹ 12.28 million / Previous year ₹ 10.92 million) with interest payable @ 2% per annum guaranteed by a bank guarantee by the Group and repayable in ten equal semi annual instalments over a period of five years commencing from March 2016.

Loan II - amounting to ₹ 12.94 million (Corresponding period / Previous year ₹ 14.79 million) with Interest payable @ 3% per annum repayable in ten equal annual instalments over a period of ten years commencing from September 2015.

**20. Non current liabilities : Provisions**

|                                 | As at<br>December 31, 2017<br>In ₹ Million | As at<br>December 31, 2016<br>In ₹ Million | As at<br>March 31, 2017<br>In ₹ Million |
|---------------------------------|--|--|---|
| Provision for employee benefits |  |  |   |
| - Gratuity                      | 17.07                                      | 17.41                                      | 10.23                                   |
| - Long service awards           | 141.85                                     | 140.55                                     | 135.91                                  |
|                                 | <b>158.92</b>                              | <b>157.96</b>                              | <b>146.14</b>                           |

**21. Trade payables**

|                                       | As at<br>December 31, 2017<br>In ₹ Million | As at<br>December 31, 2016<br>In ₹ Million | As at<br>March 31, 2017<br>In ₹ Million |
|---------------------------------------|--|--|---|
| Trade payables for goods and services | 1,506.38                                   | 1,024.98                                   | 1,209.36                                |
|                                       | <b>1,506.38</b>                            | <b>1,024.98</b>                            | <b>1,209.36</b>                         |

**22. Other current financial liabilities**

|  | As at<br>December 31, 2017<br>In ₹ Million | As at<br>December 31, 2016<br>In ₹ Million | As at<br>March 31, 2017<br>In ₹ Million |
|--|--|--|---|
| Capital creditors  | 23.39                                      | 72.08                                      | 71.75                                   |
| Current maturity of long-term borrowings (Refer note 19)             | 4.58                                       | 4.58                                       | 4.58                                    |
| Current maturity of interest on long-term borrowings (Refer note 19) | 0.87                                       | 0.90                                       | 0.95                                    |
| Accrued employee liabilities   | 436.19                                     | 377.79                                     | 372.74                                  |
| Unpaid dividend*   | 1.48                                       | 0.90                                       | 1.20                                    |
| Other liabilities  | 0.42                                       | -  | 1.50                                    |
| Payable to selling shareholders                                      | -  | 1.95                                       | -                                       |
|  | <b>466.93</b>                              | <b>458.20</b>                              | <b>452.72</b>                           |

\* Unpaid dividend is credited to Investor Education and Protection Fund as and when due.

**23. Other current liabilities**

|                         | As at<br>December 31, 2017<br>In ₹ Million | As at<br>December 31, 2016<br>In ₹ Million | As at<br>March 31, 2017<br>In ₹ Million |
|-------------------------|--|--|---|
| Unearned revenue        | 926.14                                     | 1,031.86                                   | 919.75                                  |
| Advance from customers  | 25.83                                      | 21.22                                      | 32.32                                   |
| Other payables          |  |  |   |
| - Statutory liabilities | 262.61                                     | 210.24                                     | 163.37                                  |
| - Other liabilities     | 4.72                                       | 8.47                                       | 3.31                                    |
|                         | <b>1,219.30</b>                            | <b>1,271.79</b>                            | <b>1,118.75</b>                         |

**24. Current liabilities : Provisions**

|                                 | As at<br>December 31, 2017<br>In ₹ Million | As at<br>December 31, 2016<br>In ₹ Million | As at<br>March 31, 2017<br>In ₹ Million |
|---------------------------------|--|--|---|
| Provision for employee benefits |  |  |   |
| - Gratuity                      | (18.35)                                    | 149.93                                     | 10.32                                   |
| - Leave encashment              | 459.95                                     | 460.83                                     | 450.05                                  |
| - Long service awards           | 23.88                                      | 16.95                                      | 26.34                                   |
| - Other employee benefits       | 985.40                                     | 882.84                                     | 904.36                                  |
|                                 | <b>1,450.88</b>                            | <b>1,510.55</b>                            | <b>1,391.07</b>                         |

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**Persistent Systems Limited**

Notes forming part of condensed consolidated financial statements

**25. Revenue from operations (net)**

|                   | For the quarter ended |                   | For the nine months ended |                   | For the year ended |
|-------------------|-----------------------|-------------------|---------------------------|-------------------|--------------------|
|                   | December 31, 2017     | December 31, 2016 | December 31, 2017         | December 31, 2016 | March 31, 2017     |
|                   | In ₹ Million          | In ₹ Million      | In ₹ Million              | In ₹ Million      | In ₹ Million       |
| Software services | 7,196.49              | 7,310.29          | 21,608.01                 | 21,186.39         | 28,095.40          |
| Software licenses | 722.41                | 145.06            | 1,203.56                  | 326.92            | 688.99             |
|                   | <b>7,918.90</b>       | <b>7,455.35</b>   | <b>22,811.57</b>          | <b>21,513.31</b>  | <b>28,784.39</b>   |

**26. Other income**

|  | For the quarter ended |                   | For the nine months ended |                   | For the year ended |
|--|-----------------------|-------------------|---------------------------|-------------------|--------------------|
|  | December 31, 2017     | December 31, 2016 | December 31, 2017         | December 31, 2016 | March 31, 2017     |
|  | In ₹ Million          | In ₹ Million      | In ₹ Million              | In ₹ Million      | In ₹ Million       |
| Interest income  |                       |                   |                           |                   |                    |
| On financial assets carried at amortised cost                      | 12.13                 | 12.34             | 35.24                     | 36.83             | 52.89              |
| On others  | 29.17                 | 23.15             | 77.24                     | 71.47             | 91.80              |
| Foreign exchange gain (net)  | 49.63                 | 174.49            | 436.77                    | 296.12            | 268.50             |
| Profit on sale of fixed assets (net)                               | 0.74                  | 0.26              | 1.87                      | 0.84              | 1.68               |
| Dividend income from investments                                   | 41.85                 | 47.05             | 129.23                    | 149.45            | 188.98             |
| Profit on sale of investments (net)                                | 45.07                 | -                 | 174.60                    | 38.58             | 94.14              |
| Net gain/(loss) arising on financial assets designated as at FVTPL | (57.42)               | 50.77             | (72.54)                   | 201.19            | 190.61             |
| Excess provision in respect of earlier period / years written back | 4.54                  | 2.61              | 4.33                      | 2.61              | 3.00               |
| Advances written back  | 0.01                  | -                 | 23.76                     | -                 | -                  |
| Miscellaneous income   | 67.04                 | 7.31              | 86.51                     | 18.08             | 66.85              |
|  | <b>192.76</b>         | <b>317.98</b>     | <b>897.01</b>             | <b>815.17</b>     | <b>958.45</b>      |

**27. Personnel expenses**

|   | For the quarter ended |                   | For the nine months ended |                   | For the year ended |
|---|-----------------------|-------------------|---------------------------|-------------------|--------------------|
|   | December 31, 2017     | December 31, 2016 | December 31, 2017         | December 31, 2016 | March 31, 2017     |
|   | In ₹ Million          | In ₹ Million      | In ₹ Million              | In ₹ Million      | In ₹ Million       |
| <b>27.1 Employee benefits expense</b>     |                       |                   |                           |                   |                    |
| Salaries, wages and bonus                 | 4,474.76              | 4,442.21          | 13,009.82                 | 12,655.83         | 16,620.95          |
| Contribution to provident and other funds | 101.75                | 86.89             | 280.46                    | 250.99            | 338.85             |
| Gratuity expenses                         | 47.49                 | 33.99             | 129.58                    | 88.67             | 114.10             |
| Defined contribution to other funds       | 46.71                 | 27.92             | 86.30                     | 87.34             | 114.75             |
| Staff welfare and benefits                | 116.47                | 97.22             | 321.85                    | 292.10            | 400.79             |
| Employee stock compensation expenses      | -                     | 15.51             | 3.80                      | 48.50             | 59.53              |
|   | <b>4,787.18</b>       | <b>4,703.74</b>   | <b>13,831.81</b>          | <b>13,423.43</b>  | <b>17,648.97</b>   |
| <b>27.2 Cost of professionals</b>         | 775.55                | 478.46            | 2,313.95                  | 1,521.60          | 2,177.66           |
|   | <b>5,562.73</b>       | <b>5,182.20</b>   | <b>16,145.76</b>          | <b>14,945.03</b>  | <b>19,826.63</b>   |

**Persistent Systems Limited**

Notes forming part of condensed consolidated financial statements

**28. Other expenses**

|   | For the quarter ended |                   | For the nine months ended |                   | For the year ended |
|---|-----------------------|-------------------|---------------------------|-------------------|--------------------|
|   | December 31, 2017     | December 31, 2016 | December 31, 2017         | December 31, 2016 | March 31, 2017     |
|   | In ₹ Million          | In ₹ Million      | In ₹ Million              | In ₹ Million      | In ₹ Million       |
| Travelling and conveyance   | 193.15                | 230.04            | 641.65                    | 751.15            | 1,019.46           |
| Electricity expenses (net)  | 30.04                 | 29.57             | 81.17                     | 110.15            | 138.73             |
| Internet link expenses  | 16.66                 | 14.27             | 47.91                     | 57.05             | 73.35              |
| Communication expenses  | 23.40                 | 27.29             | 94.84                     | 86.70             | 118.43             |
| Recruitment expenses  | 17.07                 | 11.40             | 66.50                     | 69.72             | 79.78              |
| Training and seminars   | 7.86                  | 4.31              | 15.14                     | 12.64             | 17.56              |
| Royalty expenses  | 16.39                 | 48.23             | 50.75                     | 114.43            | 127.48             |
| Purchase of software licenses and support expenses  | 195.65                | 203.26            | 690.21                    | 556.37            | 814.59             |
| Bad debts   | (0.94)                | 28.58             | 39.28                     | 64.11             | 114.56             |
| Provision for doubtful receivables/ (provision for doubtful receivables written back) (net) | 6.17                  | 51.43             | (16.75)                   | 90.82             | 25.64              |
| Rent  | 115.57                | 110.91            | 341.99                    | 329.21            | 430.25             |
| Insurance   | 4.65                  | 5.43              | 18.10                     | 19.08             | 24.58              |
| Rates and taxes   | 23.88                 | 19.61             | 90.16                     | 45.66             | 66.86              |
| Legal and professional fees   | 127.61                | 107.37            | 344.69                    | 341.82            | 466.95             |
| Repairs and maintenance   |                       |                   |                           |                   |                    |
| - Plant and Machinery   | 34.63                 | 28.82             | 90.74                     | 81.35             | 108.35             |
| - Buildings   | 6.35                  | 6.09              | 19.50                     | 15.55             | 21.44              |
| - Others  | 7.09                  | 4.68              | 16.66                     | 13.91             | 18.33              |
| Commission on sales   | 5.27                  | 4.38              | 27.62                     | 14.68             | 16.57              |
| Advertisement, conference and sponsorship fees  | 29.48                 | 35.42             | 90.41                     | 139.70            | 198.10             |
| Computer consumables  | 2.82                  | 2.92              | 5.02                      | 7.61              | 10.95              |
| Auditors' remuneration  | 5.49                  | 2.86              | 12.43                     | 9.19              | 12.39              |
| Donations   | 18.21                 | 37.94             | 56.40                     | 58.83             | 79.78              |
| Books, memberships, subscriptions   | 19.90                 | 15.21             | 54.27                     | 48.15             | 64.56              |
| Directors' sitting fees   | 0.67                  | 0.80              | 2.92                      | 2.25              | 2.88               |
| Directors' commission   | 2.40                  | 2.80              | 6.77                      | 8.40              | 11.20              |
| Impairment of non current investments   | 12.92                 | 0.03              | 29.02                     | 8.39              | 8.39               |
| Miscellaneous expenses  | 58.61                 | 52.98             | 171.85                    | 159.51            | 233.13             |
|   | <b>981.00</b>         | <b>1,086.63</b>   | <b>3,089.25</b>           | <b>3,216.43</b>   | <b>4,304.29</b>    |

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**Persistent Systems Limited**

Notes forming part of condensed consolidated financial statements

**29. Earnings per share**

|  |              | For the quarter ended |                   | For the nine months ended |                   | For the year ended |
|--|--------------|-----------------------|-------------------|---------------------------|-------------------|--------------------|
|  |              | December 31, 2017     | December 31, 2016 | December 31, 2017         | December 31, 2016 | March 31, 2017     |
| <b><u>Numerator for Basic and Diluted EPS</u></b>  |              |                       |                   |                           |                   |                    |
| Net Profit after tax (In ₹ Million)  | (A)          | 916.70                | 818.91            | 2,493.82                  | 2,286.70          | 3,014.65           |
| <b><u>Denominator for Basic EPS</u></b>  |              |                       |                   |                           |                   |                    |
| Weighted average number of equity shares   | (B)          | 80,000,000            | 80,000,000        | 80,000,000                | 80,000,000        | 80,000,000         |
| <b><u>Denominator for Diluted EPS</u></b>  |              |                       |                   |                           |                   |                    |
| Number of equity shares  | (C)          | 80,000,000            | 80,000,000        | 80,000,000                | 80,000,000        | 80,000,000         |
| <b>Basic Earnings per share of face value of ₹ 10 each (In ₹)</b>                              | <b>(A/B)</b> | <b>11.46</b>          | <b>10.24</b>      | <b>31.17</b>              | <b>28.58</b>      | <b>37.68</b>       |
| <b>Diluted Earnings per share of face value of ₹ 10 each (In ₹)</b>                            | <b>(A/C)</b> | <b>11.46</b>          | <b>10.24</b>      | <b>31.17</b>              | <b>28.58</b>      | <b>37.68</b>       |
| <hr/>  |              |                       |                   |                           |                   |                    |
|  |              | For the quarter ended |                   | For the nine months ended |                   | For the year ended |
|  |              | December 31, 2017     | December 31, 2016 | December 31, 2017         | December 31, 2016 | March 31, 2017     |
| Number of shares considered as basic weighted average shares outstanding                       |              | 80,000,000            | 80,000,000        | 80,000,000                | 80,000,000        | 80,000,000         |
| Add: Effect of dilutive issues of stock options  |              | -                     | -                 | -                         | -                 | -                  |
| <b>Number of shares considered as weighted average shares and potential shares outstanding</b> |              | <b>80,000,000</b>     | <b>80,000,000</b> | <b>80,000,000</b>         | <b>80,000,000</b> | <b>80,000,000</b>  |

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**Persistent Systems Limited**

Notes forming part of condensed consolidated financial statements

**30. Financial assets and liabilities**

The carrying values and fair values of financial instruments by categories are as follows:

| Financial assets/ financial liabilities               | Basis of measurement | (In ₹ million)          |                  |                         |                  |                      |                  | Fair value hierarchy |
|---|----------------------|-------------------------|------------------|-------------------------|------------------|----------------------|------------------|----------------------|
|   |                      | As at December 31, 2017 |                  | As at December 31, 2016 |                  | As at March 31, 2017 |                  |                      |
|   |                      | Carrying value          | Fair value       | Carrying value          | Fair value       | Carrying value       | Fair value       |                      |
| <b>Assets:</b>  |                      |                         |                  |                         |                  |                      |                  |                      |
| Investments in associates (net)                       | Equity accounting    | -                       | -                | -                       | -                | -                    | -                |                      |
| Investments in equity instruments                     | Fair value           | 76.14                   | 76.14            | 111.09                  | 111.09           | 106.28               | 106.28           | Level 3              |
| Investments in tax free bonds*                        | Amortised cost       | 1,049.95                | 1,054.09         | 795.71                  | 821.43           | 538.89               | 543.07           |                      |
| Investments in mutual funds                           | Fair value           | 6,905.55                | 6,905.55         | 5,744.80                | 5,744.80         | 6,193.93             | 6,193.93         | Level 1              |
| Loans   | Amortised cost       | 145.46                  | 145.46           | 141.07                  | 141.07           | 146.40               | 146.40           |                      |
| Deposit with banks and financial institutions         | Amortised cost       | 1,563.14                | 1,563.14         | 1,102.42                | 1,102.42         | 1,109.85             | 1,109.85         |                      |
| Cash and cash equivalents (including unpaid dividend) | Amortised cost       | 1,783.00                | 1,783.00         | 1,316.63                | 1,316.63         | 1,462.58             | 1,462.58         |                      |
| Trade receivables (net)                               | Amortised cost       | 5,005.07                | 5,005.07         | 4,964.65                | 4,964.65         | 4,753.83             | 4,753.83         |                      |
| Forward contracts                                     | Fair value           | 163.33                  | 163.33           | 167.68                  | 167.68           | 412.80               | 412.80           | Level 2              |
| Unbilled revenue                                      | Amortised cost       | 2,044.83                | 2,044.83         | 2,226.04                | 2,226.04         | 1,761.88             | 1,761.88         |                      |
| Other current financial assets                        | Amortised cost       | 44.13                   | 44.13            | -                       | -                | -                    | -                |                      |
| <b>Total</b>  |                      | <b>18,780.60</b>        | <b>18,784.74</b> | <b>16,570.09</b>        | <b>16,595.81</b> | <b>16,486.44</b>     | <b>16,490.62</b> |                      |
| <b>Liabilities:</b>                                   |                      |                         |                  |                         |                  |                      |                  |                      |
| Borrowings (including accrued interest)               | Amortised cost       | 23.36                   | 23.36            | 28.69                   | 28.69            | 27.24                | 27.24            |                      |
| Trade payables and deferred payment liabilities       | Amortised cost       | 1,506.38                | 1,506.38         | 1,026.70                | 1,026.70         | 1,229.96             | 1,229.96         |                      |
| Other financial liabilities (excluding borrowings)    | Amortised cost       | 461.48                  | 461.48           | 452.72                  | 452.72           | 447.19               | 447.19           |                      |
| <b>Total</b>  |                      | <b>1,991.22</b>         | <b>1,991.22</b>  | <b>1,508.11</b>         | <b>1,508.11</b>  | <b>1,704.39</b>      | <b>1,704.39</b>  |                      |

\* Fair value includes interest accrued

**Fair value hierarchy:**

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and consists of the following three levels:

Level 1 — Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 — Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 — Inputs are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

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**Persistent Systems Limited**
**Notes forming part of condensed consolidated financial statements**
**31. Segment Information**

Operating segments are components of an enterprise for which discrete financial information is available that is evaluated regularly by the chief operating decision maker, in deciding how to allocate resources and assessing performance. The Group's chief operating decision maker is the Chairman and Managing Director.

The Group organised itself into four business units, which form the operating segments for segment reporting. The operating segments are:

- Services
- Digital
- Alliance
- Accelerite (Products)

| Particulars                                   |                   |             | (In ₹ Million) |          |          |                       |           |
|---|-------------------|-------------|----------------|----------|----------|-----------------------|-----------|
|   |                   |             | Services       | Digital  | Alliance | Accelerite (Products) | Total     |
| Revenue                                       | Quarter ended     | Dec-31-2017 | 3,320.23       | 1,744.37 | 2,341.49 | 512.81                | 7,918.90  |
|   | Quarter ended     | Dec-31-2016 | 3,274.35       | 1,260.34 | 2,281.87 | 638.79                | 7,455.35  |
|   | Nine months ended | Dec-31-2017 | 9,883.77       | 4,647.78 | 6,547.13 | 1,732.89              | 22,811.57 |
|   | Nine months ended | Dec-31-2016 | 9,898.14       | 3,327.66 | 6,462.46 | 1,825.05              | 21,513.31 |
|   | Year ended        | Mar-31-2017 | 13,086.58      | 4,704.91 | 8,466.11 | 2,526.79              | 28,784.39 |
| Identifiable expense                          | Quarter ended     | Dec-31-2017 | 1,948.28       | 1,192.24 | 1,415.48 | 335.95                | 4,891.95  |
|   | Quarter ended     | Dec-31-2016 | 1,931.62       | 833.63   | 1,503.92 | 352.04                | 4,621.21  |
|   | Nine months ended | Dec-31-2017 | 5,966.34       | 3,159.93 | 4,265.10 | 1,018.68              | 14,410.05 |
|   | Nine months ended | Dec-31-2016 | 5,695.10       | 2,316.17 | 4,483.51 | 1,050.05              | 13,544.83 |
|   | Year ended        | Mar-31-2017 | 7,561.76       | 3,214.67 | 5,906.32 | 1,423.68              | 18,106.43 |
| Segmental result                              | Quarter ended     | Dec-31-2017 | 1,371.95       | 552.13   | 926.01   | 176.86                | 3,026.95  |
|   | Quarter ended     | Dec-31-2016 | 1,342.73       | 426.71   | 777.95   | 286.75                | 2,834.14  |
|   | Nine months ended | Dec-31-2017 | 3,917.43       | 1,487.85 | 2,282.03 | 714.21                | 8,401.52  |
|   | Nine months ended | Dec-31-2016 | 4,203.04       | 1,011.49 | 1,978.95 | 775.00                | 7,968.48  |
|   | Year ended        | Mar-31-2017 | 5,524.82       | 1,490.24 | 2,559.79 | 1,103.11              | 10,677.96 |
| Unallocable expenses                          | Quarter ended     | Dec-31-2017 |                |          |          |                       | 2,044.55  |
|   | Quarter ended     | Dec-31-2016 |                |          |          |                       | 2,034.33  |
|   | Nine months ended | Dec-31-2017 |                |          |          |                       | 5,989.41  |
|   | Nine months ended | Dec-31-2016 |                |          |          |                       | 5,713.42  |
|   | Year ended        | Mar-31-2017 |                |          |          |                       | 7,629.68  |
| Operating income                              | Quarter ended     | Dec-31-2017 |                |          |          |                       | 982.40    |
|   | Quarter ended     | Dec-31-2016 |                |          |          |                       | 799.81    |
|   | Nine months ended | Dec-31-2017 |                |          |          |                       | 2,412.11  |
|   | Nine months ended | Dec-31-2016 |                |          |          |                       | 2,255.06  |
|   | Year ended        | Mar-31-2017 |                |          |          |                       | 3,048.28  |
| Other income (net of expenses)                | Quarter ended     | Dec-31-2017 |                |          |          |                       | 192.76    |
|   | Quarter ended     | Dec-31-2016 |                |          |          |                       | 317.98    |
|   | Nine months ended | Dec-31-2017 |                |          |          |                       | 897.01    |
|   | Nine months ended | Dec-31-2016 |                |          |          |                       | 815.17    |
|   | Year ended        | Mar-31-2017 |                |          |          |                       | 958.45    |
| Profit before taxes (after exceptional items) | Quarter ended     | Dec-31-2017 |                |          |          |                       | 1,175.16  |
|   | Quarter ended     | Dec-31-2016 |                |          |          |                       | 1,117.79  |
|   | Nine months ended | Dec-31-2017 |                |          |          |                       | 3,309.12  |
|   | Nine months ended | Dec-31-2016 |                |          |          |                       | 3,070.23  |
|   | Year ended        | Mar-31-2017 |                |          |          |                       | 4,006.73  |
| Tax expense                                   | Quarter ended     | Dec-31-2017 |                |          |          |                       | 258.46    |
|   | Quarter ended     | Dec-31-2016 |                |          |          |                       | 298.88    |
|   | Nine months ended | Dec-31-2017 |                |          |          |                       | 815.30    |
|   | Nine months ended | Dec-31-2016 |                |          |          |                       | 783.53    |
|   | Year ended        | Mar-31-2017 |                |          |          |                       | 992.08    |
| Profit after tax                              | Quarter ended     | Dec-31-2017 |                |          |          |                       | 916.70    |
|   | Quarter ended     | Dec-31-2016 |                |          |          |                       | 818.91    |
|   | Nine months ended | Dec-31-2017 |                |          |          |                       | 2,493.82  |
|   | Nine months ended | Dec-31-2016 |                |          |          |                       | 2,286.70  |
|   | Year ended        | Mar-31-2017 |                |          |          |                       | 3,014.65  |

Note: Costs related to research and development are included under identifiable expenses for the purpose of segment reporting.

| Particulars                 |       |             | (In ₹ Million) |          |          |                       |           |
|-----------------------------|-------|-------------|----------------|----------|----------|-----------------------|-----------|
|                             |       |             | Services       | Digital  | Alliance | Accelerite (Products) | Total     |
| Segmental trade receivables | As at | Dec-31-2017 | 2,241.34       | 1,319.91 | 758.47   | 685.35                | 5,005.07  |
|                             | As at | Dec-31-2016 | 2,387.25       | 1,065.94 | 769.26   | 742.20                | 4,964.65  |
|                             | As at | Mar-31-2017 | 2,109.80       | 1,318.83 | 717.31   | 607.89                | 4,753.83  |
| Unallocated assets          | As at | Dec-31-2017 | -              | -        | -        | -                     | 20,926.48 |
|                             | As at | Dec-31-2016 | -              | -        | -        | -                     | 18,321.65 |
|                             | As at | Mar-31-2017 | -              | -        | -        | -                     | 18,709.90 |

Segregation of assets (other than trade receivables), liabilities, depreciation and amortization and other non-cash expenses into various reportable segments have not been presented as the assets are used interchangeably between segments and the Group is of the view that it is not practical to reasonably allocate the other assets, liabilities and other non-cash expenses to individual segments and an ad-hoc allocation will not be meaningful.

**Persistent Systems Limited**

Notes forming part of condensed consolidated financial statements

**31. Segment Information****Geographical Information**

The following table shows the distribution of the Group's consolidated sales by geographical market regardless of from where the services were rendered

| Particulars |                   |             | (In ₹ Million) |               |                   | Total     |
|-------------|-------------------|-------------|----------------|---------------|-------------------|-----------|
|             |                   |             | India          | North America | Rest of the World |           |
| Revenue     | Quarter ended     | Dec-31-2017 | 461.11         | 6,679.25      | 778.54            | 7,918.90  |
|             | Quarter ended     | Dec-31-2016 | 412.41         | 6,455.64      | 587.30            | 7,455.35  |
|             | Nine months ended | Dec-31-2017 | 1,315.78       | 19,250.70     | 2,245.09          | 22,811.57 |
|             | Nine months ended | Dec-31-2016 | 1,184.85       | 18,572.77     | 1,755.69          | 21,513.31 |
|             | Year ended        | Mar-31-2017 | 1,593.61       | 24,859.52     | 2,331.26          | 28,784.39 |

The revenue from a single customer in excess of ten percent of total revenue of the Group is ₹ 2,216.02 million for the quarter ended December 31, 2017 (corresponding period: ₹ 2,201.63 million), ₹ 6,221.84 million for the nine months ended December 31, 2017 (corresponding period: ₹ 6,234.05 million), (previous year : ₹ 8,159.37 million).

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32. On July 02, 2015, the Company, through its wholly owned subsidiary Persistent Systems Inc., acquired the entire equity capital of US based Akshat Corporation (d.b.a. RGen Solutions in USA). In addition to the upfront purchase consideration, the stock purchase agreement 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 fair value of the contingent consideration is estimated to be Nil as on the date of acquisition. The contingent consideration would be recorded, as and when the contingency is resolved and the consideration is payable.
33. Persistent Systems Inc. (a wholly owned subsidiary of Persistent Systems Limited) acquired Digital Content Management Solution product from the US based Akumina Inc. on November 9, 2015. In addition to the upfront purchase consideration, the asset purchase agreement provides for additional consideration, contingent upon certain conditions being met in future years. The additional contingent consideration payable to Akumina Inc., is subject to maximum amount of USD 5.00 million. The fair value of the contingent consideration is estimated to be Nil as on the date of acquisition. The contingent consideration would be recorded, as and when the contingency is resolved and the consideration is payable.
34. Persistent Telecom Solutions Inc. (a wholly owned subsidiary of Persistent Systems Inc.) acquired a cloud platform open source software from Citrix on February 28, 2016. In addition to the upfront purchase consideration, the asset purchase agreement provides for additional consideration, contingent upon certain conditions being met in future years. The fair value of the contingent consideration is estimated to be Nil as on the date of acquisition. The contingent consideration would be recorded, as and when the contingency is resolved and the consideration is payable.
35. a) On August 1, 2017, Persistent Systems Germany GmbH (a wholly owned subsidiary of Persistent Systems Limited) acquired the entire equity capital of a Switzerland based Company PARX Werk AG along with its fully owned subsidiary PARX Consulting GmbH (collectively referred to as 'PARX' hereinafter). PARX is a Salesforce Certified Platinum Partner in DACH market. The Company acquired 100% voting equity interest in PARX through share purchase agreement.  
The acquisition strengthens the Company's Salesforce practice through entry into new markets as well as provides new capabilities to support customers on their digital transformation initiatives.
- b) The amount of consideration is ₹ 577.57 million which is paid/ payable in cash.  
The fair value of assets acquired and liabilities assumed as on the date of acquisition are as follows:

(In ₹ Million)

| Particulars                     | PARX Werk AG  | PARX Consulting GmbH | Total         |
|---------------------------------|---------------|----------------------|---------------|
| <b>Current Assets</b>           |               |                      |               |
| Cash and & cash equivalents     | 127.35        | 41.87                | 169.22        |
| Trade receivables               | 61.27         | 77.09                | 138.36        |
| Other current assets            | 16.25         | 1.89                 | 18.14         |
| <b>Non-current assets</b>       |               |                      |               |
| Property, Plant and Equipment   | 7.87          | 7.3                  | 15.17         |
| Contractual rights and Goodwill | 474.49        | -                    | 474.49        |
| Other non-current assets        | 2.34          | 0.41                 | 2.75          |
|                                 |               |                      |               |
| <b>Current liabilities</b>      |               |                      |               |
| Trade and other payables        | 195.62        | 44.94                | 240.56        |
|                                 |               |                      |               |
| <b>Net assets</b>               | <b>493.95</b> | <b>83.62</b>         | <b>577.57</b> |

The goodwill arising on acquisition is ₹ 0.77 million.

Acquisition related costs amounting to ₹ 5.57 million have been excluded from the consideration transferred and have been recognised as expenses in the statement of profit and loss under "other expenses."

- c) Net cash outflow on acquisition of subsidiaries

| Particulars                                      | Amount in ₹ million |
|--|---------------------|
| Consideration paid/ payable in cash              | 577.57              |
| Less: cash and cash equivalent balances acquired | (169.22)            |
|  | <b>408.35</b>       |

- d) Revenue of ₹ 57.88 million for the quarter ended December 31, 2017 (₹ 130.89 million for the nine months ended December 31, 2017) of PARX Werk AG and revenue of ₹ 164.16 million for the quarter ended December 31, 2017 (₹ 213.87 million for the nine months ended December 31, 2017) of PARX Consulting GmbH is included in the consolidated financial statements. The consolidated profit included for both these subsidiaries for the quarter and nine months ended December 31, 2017 is ₹ Nil.

Had the business combination been effected on April 1, 2017, the revenue for the nine months ended December 31, 2017 for the Group from the continuing operations would have been ₹ 23,055.72 million and there would have been no impact on the net profit.

36. Persistent Systems Limited (“the Parent Company”) had received a show cause notice from the Commissioner of Service Tax on December 19, 2016 for non-payment of service tax of ₹ 452.15 million under import of services on reverse charge basis, excluding interest and penalty, if applicable. The issue relates to the professional and technical services rendered by overseas subsidiaries on behalf of the Parent Company to its overseas customers for the period 2011-12 to 2014-15. Post representations made by the Parent Company, the Learned Principal Commissioner of Service Tax, Pune, adjudicated the aforesaid show-cause notice and issued an order on May 29, 2017, reducing the demand to ₹ 165.51 million based on the period of limitation and as a result of that, the said demand now covers financial year 2014-15. The Parent Company believes that since the said services rendered by the overseas subsidiaries have been performed outside India, the same do not fall under import of services accordingly, the Parent Company has filed an appeal before the appellate authorities. The Parent Company has obtained an independent legal opinion in respect of the above matter, and believes that the liability is not likely to arise and therefore, no provision is considered necessary in the financial statements.

The GST department has filed an appeal on October 11, 2017 with appellate authorities against the Order passed by Learned Principal Commissioner of Service Tax, Pune. Though the GST department has acknowledged the ground of revenue neutrality, the said appeal mainly questions non-application of extended period of limitation. The Parent Company has filed reply to this appeal on December 18, 2017.

Considering the view of the Service Tax Authorities, based on legal advice, and due prudence, the Parent Company has deposited, an amount of ₹ 647.36 million towards service tax in respect of the above matter, for the period from April 01, 2014 to June 30, 2017, under protest. The Parent Company will be able to utilize credit against the service tax so paid and/or seek refund / rebate of the same.

37. The financial statements are presented in ₹ million and decimal thereof except for per share information or as otherwise stated.
38. Previous year's / period's figures have been regrouped where necessary to conform to current period's classification.

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