Persistent Systems Limited

CONDENSED CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 2019

	Notes	As at September 30, 2019 In ₹ Million	As at September 30, 2018 In ₹ Million	As at March 31, 2019 In ₹ Million
ASSETS				
Non-current assets				
Property, plant and equipment	6.1	2,338.71	2,450.98	2,331.24
Capital work-in-progress		6.34	3.15	12.10
Right- of- use assets	6.2	625.11	-	-
Goodwill	6.3	90.06	85.20	81.24
Other Intangible assets	6.4	1,819.07	2,227.99	1,595.41
Intangible assets under development		142.50	243.96	303.54
		5,021.79	5,011.28	4,323.53
Financial assets				
- Investments	7	3,658.58	3,460.35	4,345.71
- Loans	8	146.13	158.00	164.00
-Other non-current financial assets	9	355.45	25.40	344.33
Deferred tax assets (net)	10	613.16	647.26	405.05
Other non-current assets	11	407.45	78.74	68.31
		10,202.56	9,381.03	9,650.93
Current assets				
Financial assets				
- Investments	12	1,522.23	7,382.85	3,295.53
- Trade receivables (net)	13	5,049.74	4,778.08	4,923.01
- Cash and cash equivalents	14	1,350.67	1,080.68	1,739.45
- Other bank balances	15	5,734.38	459.40	4,989.35
- Loans	16	34.41	8.05	7.87
- Other current financial assets	17	2,357.40	3,488.97	2,377.00
Current tax assets (net)		134.70	244.70	185.06
Other current assets	18	1,747.72	1,973.51	1,387.79
		17,931.25	19,416.24	18,905.06
TOTAL		28,133.81	28,797.27	28,555.99
EQUITY AND LIABILITIES				
EQUITY				
Equity share capital	5	764.25	800.00	791.19
Other equity		22,293.43	22,029.11	22,655.61
		23,057.68	22,829.11	23,446.80
LIABILITIES				
Non- current liabilities				
Financial liabilities				
- Borrowings	19	10.61	15.18	11.97
- Other long-term financial liabilities	20	485.50	1.83	1.83
Provisions	21	186.98	153.56	174.94
		683.09	170.57	188.74
Current liabilities				
Financial liabilities				
- Trade payables [(dues of micro and small enterprises ₹ 1.34 million (Corresponding period: ₹ 5.20 million / Previous year: ₹ 15.63 million)]	22	1,403.84	1,917.52	1,517.07
- Other financial liabilities	23	746.87	975.14	441.93
Other current liabilities	24	1,006.65	1,255.26	1,122.44
Provisions	25	1,235.68	1,540.38	1,764.21
Current tax liabilities (net)		-	109.29	74.80
		4,393.04	5,797.59	4,920.45
TOTAL		28,133.81	28,797.27	28,555.99
Summary of significant accounting policies	4			

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

As per our report of even date

For Walker Chandiok & Co LLP
Chartered Accountants
Firm's registration No: 001076N/N500013

Bharat Shetty
Partner
Membership No: 106815

WALKER CHANDIOK & CO LLP
PUNE
CHARTERED ACCOUNTANTS

Place: Pune
Date : November 4, 2019

For and on behalf of the Board of Directors of
Persistent Systems Limited

Dr. Anand Deshpande
Chairman and Managing Director

Kiran Umrootkar
Director

Sunil Sapre
Executive Director and
Chief Financial Officer

Amit Atre
Company Secretary

Place: Pune
Date : November 4, 2019

Persistent Systems

Persistent Systems Limited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2019

	Notes	For the quarter ended		For the half year ended		For the year ended
		September 30, 2019 In ₹ Million	September 30, 2018 In ₹ Million	September 30, 2019 In ₹ Million	September 30, 2018 In ₹ Million	March 31, 2019 In ₹ Million
Income						
Revenue from operations (net)	26	8,846.00	8,355.57	17,167.14	16,698.38	33,659.41
Other income	27	382.46	232.21	682.82	418.96	876.55
Total income (A)		9,228.46	8,587.78	17,849.96	17,117.34	34,535.96
Expenses						
Employee benefits expense	28.1	5,369.71	4,862.36	10,285.96	9,480.73	19,249.53
Cost of professionals	28.2	897.18	877.05	1,757.00	1,721.73	3,490.45
Finance costs (refer note 39)		18.38	1.07	36.88	1.35	3.05
Depreciation and amortization expense	6.5	424.90	398.58	811.07	799.39	1,572.51
Other expenses	29	1,362.66	1,179.93	2,705.81	2,659.10	5,357.03
Total expenses (B)		8,072.83	7,318.99	15,596.72	14,662.30	29,672.57
Profit before tax (A - B)		1,155.63	1,268.79	2,253.24	2,455.04	4,863.39
Tax expense						
Current tax		289.72	422.37	640.27	778.42	1,343.20
Tax charge / (credit) in respect of earlier years		(1.37)	2.90	(1.37)	2.90	88.81
Deferred tax charge / (credit)		6.56	(37.89)	(71.08)	(81.17)	(85.41)
Total tax expense		294.91	387.38	567.82	700.15	1,346.60
Net profit for the period / year (C)		860.72	881.41	1,685.42	1,754.89	3,516.79
Other comprehensive income						
Items that will not be reclassified to profit and loss (D)						
- Remeasurements of the defined benefit liabilities / (asset) (net of tax)		(10.03)	(12.79)	(36.40)	(25.84)	(47.15)
		(10.03)	(12.79)	(36.40)	(25.84)	(47.15)
Items that may be reclassified to profit and loss (E)						
- Effective portion of cash flow hedge (net of tax)		(124.71)	(139.16)	(147.90)	(298.29)	168.43
- Exchange differences in translating the financial statements of foreign operations		83.04	185.91	82.41	337.71	113.82
		(41.67)	46.75	(65.49)	39.42	282.25
Total other comprehensive income for the period / year (D) + (E)		(51.70)	33.96	(101.89)	13.58	235.10
Total comprehensive income for the period / year (C) + (D) + (E)		809.02	915.37	1,583.53	1,768.47	3,751.89
Earnings per equity share [Nominal value of share ₹10 (Corresponding period / Previous year: ₹10)]	30					
Basic (In ₹)		11.26	11.02	21.90	21.94	43.99
Diluted (In ₹)		11.26	11.02	21.90	21.94	43.99
Summary of significant accounting policies	4					

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

As per our report of even date

For Walker Chandiok & Co LLP
Chartered Accountants
Firm's registration No: 001076N/N500013

BHShetty

Bharat Shetty
Partner
Membership No: 106815

WALKER CHANDIOK & Co LLP * PUNE * CHARTERED ACCOUNTANTS

For and on behalf of the Board of Directors of
Persistent Systems Limited

Anand Deshpande

Dr. Anand Deshpande
Chairman and Managing Director

Kiran Umrootkar
Director

Sunil Sapre
Executive Director and
Chief Financial Officer

Amit Atre
Company Secretary

Place: Pune
Date : November 4, 2019

Place: Pune
Date : November 4, 2019

Persistent Systems Ltd. * Pune

Persistent Systems Limited

CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED SEPTEMEBR 30, 2019

		For the half year ended		For the year ended
		September 30, 2019 In ₹ Million	September 30, 2018 In ₹ Million	March 31, 2019 In ₹ Million
Cash flow from operating activities				
Profit before tax		2,253.24	2,455.04	4,863.39
Adjustments for:				
Interest income		(279.52)	(132.58)	(287.72)
Discount allowed		75.54	-	76.92
Finance costs		36.88	1.35	3.05
Dividend income		(13.95)	(83.88)	(180.77)
Depreciation and amortization expense		811.07	799.39	1,572.51
Amortization of lease premium		0.29	0.29	0.58
Unrealised exchange loss/ (gain) (net)		(12.80)	(47.84)	106.52
Change in foreign currency translation reserve		99.34	75.86	(86.85)
Exchange loss/ (gain) on derivative contracts		(61.47)	128.96	20.51
Exchange (gain) / loss on translation of foreign currency cash and cash equivalents		(8.37)	11.99	71.36
Donations in kind		-	-	1.40
Bad debts		-	70.28	71.18
Provision for doubtful receivables (net) / (provision written back)		29.73	(26.34)	(4.89)
Employee stock compensation expenses		93.36	-	-
Provision for doubtful deposits and advances		150.00	-	182.50
Provision for diminution in value of investments		-	-	13.98
Remeasurements of the defined benefit liabilities / asset (before tax effects)		(49.10)	(38.20)	(70.36)
Excess provision in respect of earlier years written (back)		(4.60)	(20.07)	(33.89)
(Gain)/ loss on fair valuation of assets designated at FVTPL		20.47	115.69	68.92
(Profit)/ loss on sale of investments (net)		(144.17)	(213.57)	(366.09)
(Profit) / loss on sale of Property, Plant and Equipment (net)		(0.50)	(1.51)	(4.02)
Operating profit before working capital changes		2,996.44	3,094.86	6,018.23
Movements in working capital :				
(Increase) / Decrease in non-current and current loans		(5.14)	(2.57)	(5.55)
(Increase) / Decrease in other non current assets		(338.58)	(14.17)	(1.68)
(Increase) / Decrease in other current financial assets		(413.07)	(557.23)	(135.26)
(Increase) / Decrease in other current assets		(356.30)	(410.10)	175.62
(Increase) / Decrease in trade receivables		(142.59)	67.16	(322.95)
Increase / (Decrease) in trade payables, current liabilities and non current liabilities		(362.79)	351.24	(180.13)
Increase / (Decrease) in provisions		(516.49)	(65.30)	179.91
Operating profit after working capital changes		860.48	2,463.89	5,728.19
Direct taxes paid (net of refunds)		(661.49)	(790.38)	(1,405.07)
Net cash generated from operating activities	(A)	198.99	1,673.51	4,323.12
Cash flows from investing activities				
Payment towards capital expenditure (including intangible assets)		(429.11)	(186.16)	(379.06)
Proceeds from sale of Property, Plant and Equipment		9.79	1.94	5.04
Acquisition of step-down subsidiary including cash and cash equivalents of ₹ 37.35 million (Previous period / year ₹ 0.35 million)		(435.48)	(148.15)	(148.15)
Purchase of bonds		(171.48)	(529.89)	(1,175.31)
Proceeds from sale/ maturity of bonds		330.38	-	199.43
Purchase of non-current investments		-	(144.96)	(144.96)
Proceeds from sale of non-current investments		25.22	-	-
Investments in mutual funds		(7,780.50)	(11,581.81)	(22,418.13)
Proceeds from sale / maturity of mutual funds		10,212.14	10,369.76	25,010.64
Investments in bank deposits having original maturity over three months		(1,707.95)	(1,650.12)	(8,094.22)
Maturity of bank deposits having original maturity over three months		715.00	2,112.51	4,044.26
Investments in deposits with financial institutions		-	(300.00)	(300.00)
Maturity of deposits with financial institutions		250.00	150.35	650.35
Non current loans placed		-	(14.12)	(16.96)
Interest received		326.08	173.23	327.33
Dividends received		13.95	83.88	180.77
Net cash generated from / (used in) investing activities	(B)	1,358.04	(1,663.64)	(2,268.97)

WALKER CHANDIOK & CO LLP * CHARTERED ACCOUNTANTS * PUNE

Persistent Systems Ltd. * Pune

Persistent Systems Limited

CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED SEPTEMEBR 30, 2019

		For the half year ended September 30, 2019 In ₹ Million	For the half year ended September 30, 2018 In ₹ Million	For the year ended March 31, 2019 In ₹ Million
Cash flows from financing activities				
(Repayment of) long term borrowings		(3.21)	(3.22)	(4.58)
Shares bought back		(1,677.01)	-	(571.41)
Specific project related grant received		3.00	4.50	-
Interest paid		(37.04)	(2.12)	(3.66)
Dividends paid		(229.28)	(241.41)	(881.41)
Tax on dividend paid		(47.99)	(20.18)	(137.41)
Net cash used in financing activities	(C)	(1,991.53)	(262.43)	(1,598.47)

	For the half year ended September 30, 2019 In ₹ Million	For the half year ended September 30, 2018 In ₹ Million	For the year ended March 31, 2019 In ₹ Million
Net increase / (decrease) in cash and cash equivalents (A + B + C)	(434.50)	(252.46)	465.68
Cash and cash equivalents at the beginning of the period / year	1,739.45	1,345.13	1,345.13
Cash and cash equivalents acquired on acquisition	37.35	-	-
Effect of exchange difference on translation of foreign currency cash and cash equivalents	8.37	(11.99)	(71.36)
Cash and cash equivalents at the end of the period / year	1,350.67	1,080.68	1,739.45
Components of cash and cash equivalents			
Cash on hand (Refer note 14)	0.28	0.25	0.22
Cheques on hand (Refer note 14)	-	5.33	-
Balances with banks			
On current accounts* (Refer note 14)	1,162.76	927.77	1,300.93
On saving accounts (Refer note 14)	0.60	20.20	0.91
On Exchange Earner's Foreign Currency accounts (Refer note 14)	187.03	127.13	114.91
On deposit accounts with original maturity less than three months (Refer note 14)	-	-	229.54
On Escrow accounts** (Refer note 14)	-	-	92.94
Cash and cash equivalents	1,350.67	1,080.68	1,739.45

* Out of the cash and cash equivalent balance as at September 30, 2019, the Group can utilise ₹ 5.14 Million (Corresponding period : ₹ 2.98 Million / Previous year: ₹ 2.15 Million) only towards research and development activities specified in the agreement.

** The Parent Company concluded the buyback scheme with effect from June 27, 2019 and minimum balance maintained in Escrow account was released on completion of statutory formalities.

Summary of significant accounting policies - Refer note 4

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

As per our report of even date

For Walker Chandiok & Co LLP
Chartered Accountants
Firm's registration No: 001076N/N500013

Bharat Shetty
Partner
Membership No: 106815

WALKER CHANDIOK & CO LLP * PUNE * CHARTERED ACCOUNTANTS

For and on behalf of the Board of Directors of Persistent Systems Limited

Dr. Anand Deshpande
Chairman and Managing Director

Kiran Umrootkar
Director

Sunil Sapre
Executive Director and Chief Financial Officer

Amit Atre
Company Secretary

Place: Pune
Date : November 4, 2019

Place: Pune
Date : November 4, 2019

Persistent Systems Ltd. * Pune

Persistent Systems Limited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED SEPTEMBER 30, 2019

A. Share capital

(Refer note 5)

(In ₹ Million)

Balance as at April 1, 2019	Changes in equity share capital during the year (refer note 5d)	Balance as at September 30, 2019
791.19	(26.94)	764.25

(In ₹ Million)

Balance as at April 1, 2018	Changes in equity share capital during the period	Balance as at September 30, 2018
800.00	-	800.00

(In ₹ Million)

Balance as at April 1, 2018	Changes in equity share capital during the year (refer note 5d)	Balance as at March 31, 2019
800.00	(8.81)	791.19

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WALKER CHANDIOK & Co LLP
PUNE
CHARTERED ACCOUNTANTS

Persistent Systems Ltd
Pune

Persistent Systems Limited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED SEPTEMBER 30, 2019

B. Other equity

(In ₹ Million)

Particulars	Reserves and surplus							Items of other comprehensive income		Total
	Securities premium	General reserve	Share options outstanding reserve	Gain on bargain purchase	Capital redemption reserve	Special Economic Zone re-investment reserve	Retained earnings	Effective portion of cash flow hedges	Exchange differences on translating the financial statements of foreign operations	
Balance as at April 1, 2019	774.10	10,565.95	76.29	52.71	8.81	70.00	10,657.52	185.06	265.17	22,655.61
Net profit for the period	-	-	-	-	-	-	1,685.42	-	-	1,685.42
Other comprehensive income for the period	-	-	-	-	-	-	(36.40)	(147.90)	82.41	(101.89)
Transfer to capital redemption reserve	-	-	-	-	26.94	-	(26.94)	-	-	-
Transitional impact on adoption of Ind AS 116 (net of taxes)	-	-	-	-	-	-	(123.60)	-	-	(123.60)
Dividend	-	-	-	-	-	-	(229.28)	-	-	(229.28)
Tax on dividend	-	-	-	-	-	-	(47.99)	-	-	(47.99)
Employee stock compensation expenses			93.36					-	-	93.36
Adjustments towards employees stock options	-	25.61	(25.61)	-	-	-	-	-	-	-
Addition on business combination (refer note 45)	-	-	-	-	-	-	-	-	-	-
Utilised towards buy back of shares (refer note 5d)	(774.10)	-	-	-	-	-	(875.97)	-	-	(1,650.07)
Other changes during the year	-	-	0.23	11.64	-	-	-	-	-	11.87
Balance at September 30, 2019	-	10,591.56	144.27	64.35	35.75	70.00	11,002.76	37.16	347.58	22,293.43

(In ₹ Million)

Particulars	Reserves and surplus							Items of other comprehensive income		Total
	Securities premium	General reserve	Share options outstanding reserve	Gain on bargain purchase	Capital redemption reserve	Special Economic Zone re-investment reserve	Retained earnings	Effective portion of cash flow hedges	Exchange differences on translating the financial statements of foreign operations	
Balance as at April 1, 2018	1,336.70	9,306.27	90.52	26.39	-	-	9,544.13	16.63	151.35	20,471.99
Net profit for the period	-	-	-	-	-	-	1,754.89	-	-	1,754.89
Other comprehensive income for the period	-	-	-	-	-	-	(25.84)	(298.29)	337.71	13.58
Dividend	-	-	-	-	-	-	(240.00)	-	-	(240.00)
Tax on dividend	-	-	-	-	-	-	(20.18)	-	-	(20.18)
Adjustments towards employees stock options	-	7.54	(7.54)	-	-	-	-	-	-	-
Addition on business combination (refer note 45)	-	-	-	0.25	-	-	-	-	-	0.25
Other changes during the period	-	-	-	48.58	-	-	-	-	-	48.58
Balance at September 30, 2018	1,336.70	9,313.81	82.98	75.22	-	-	11,013.00	(281.66)	489.06	22,029.11

(In ₹ Million)

Particulars	Reserves and surplus							Items of other comprehensive income		Total
	Securities premium	General reserve	Share options outstanding reserve	Gain on bargain purchase	Capital redemption reserve	Special Economic Zone re-investment reserve	Retained earnings	Effective portion of cash flow hedges	Exchange differences on translating the financial statements of foreign operations	
Balance as at April 1, 2018	1,336.70	9,306.27	90.52	26.39	-	-	9,544.13	16.63	151.35	20,471.99
Net profit for the year	-	-	-	-	-	-	3,516.79	-	-	3,516.79
Other comprehensive income for the year	-	-	-	-	-	-	(47.15)	168.43	113.82	235.10
Dividend	-	-	-	-	-	-	(880.00)	-	-	(880.00)
Tax on dividend	-	-	-	-	-	-	(137.41)	-	-	(137.41)
Transfer to general reserve	-	1,260.03	-	-	-	-	(1,260.03)	-	-	-
Transfer to capital redemption reserve	-	-	-	-	8.81	-	(8.81)	-	-	-
Transfer to Special Economic Zone re-investment reserve	-	-	-	-	-	70.00	(70.00)	-	-	-
Adjustments towards employees stock options	-	14.23	(14.23)	-	-	-	-	-	-	-
Addition on business combination (refer note 45)	-	-	-	0.25	-	-	-	-	-	0.25
Utilised towards buy back of shares (refer note 5d)	(562.60)	-	-	-	-	-	-	-	-	(562.60)
Other changes during the year	-	(14.58)	-	26.07	-	-	-	-	-	11.49
Balance at March 31, 2019	774.10	10,565.95	76.29	52.71	8.81	70.00	10,657.52	185.06	265.17	22,655.61

Summary of significant accounting policies - Refer note 4

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

As per our report of even date

For Walker Chandiok & Co LLP
Chartered Accountants
Firm's registration No: 001076N/N500013

Bharat Shetty
Partner
Membership No: 105815

WALKER CHANDIOK & Co LLP * CHARTERED ACCOUNTANTS * PUNE

Place: Pune
Date : November 4, 2019

For and on behalf of the Board of Directors of
Persistent Systems Limited

Dr. Anand Deshpande
Chairman and Managing Director

Kiran Umrootkar
Director

Sunil Sapre
Executive Director and
Chief Financial Officer

Amit Atre
Company Secretary

Place: Pune
Date : November 4, 2019

Persistent Systems Ltd. * Pune

Notes forming part of condensed consolidated financial statements

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.

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, was a wholly owned subsidiary of Persistent Systems Inc.
Akshat Corporation has been dissolved with effect from December 21, 2018. Persistent Systems Inc, its holding company, took over all the assets and liabilities of Akshat Corporation on the date of dissolution.

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

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. The company is under liquidation.

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.

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. The Company is specializing in software development.

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.

WALKER CHANDIOK & CO LLP
PUNE
CHARTERED ACCOUNTANTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED SEPTEMBER 30, 2019

Nature and purpose of reserves

a) Securities premium

Securities premium is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of Section 52 of the Companies Act, 2013.

b) General reserve

General reserve represents amounts transferred from profit for the year and from Share options outstanding reserve on exercise / expiry of employee share options. It is a free reserve as per section 2 (43) of the Companies Act, 2013.

c) Share options outstanding reserve

Share options outstanding reserve represents the cumulative expense recognized for equity-settled transactions at each reporting date until the employee share options are exercised / expired upon which such amount is transferred to General reserve.

d) Gain on bargain purchase

The excess of the Group's portion of equity of the acquired company over its cost is treated as gain on bargain purchase in the financial statements.

e) Capital redemption reserve

Capital redemption reserve represents the nominal value of the shares bought back; and is created and utilised in accordance with Section 69 of the Companies Act, 2013.

f) Special Economic Zone re-investment reserve

The Special Economic Zone re-investment reserve has been created out of the profit in terms of the provisions of Section 10AA(1)(ii) of the Income tax Act, 1961. The reserve should be utilised by the Group for acquiring new plant and machinery for the purpose of its business in accordance with Section 10AA(2) of the Income tax Act, 1961.

g) Cash flow hedge reserve

The cash flow hedge reserve represents the aggregate effective portion of gains or losses arising on changes in fair value of hedging instruments entered into towards highly probable transactions. Such gains or losses are subsequently recognised in the statement of profit and loss in the period in which the such transaction occurs / hedging instruments are cancelled.

h) Foreign currency translation reserve

The foreign exchange differences arising from the translation of financial statements of foreign operations with functional currency other than Indian rupees is recognised in other comprehensive income and is presented under equity in the foreign currency translation reserve. The amount is transferred to retained earnings upon disposal of investment in foreign operation.

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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 except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

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 half year ended September 30, 2019 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 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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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.

Herald Technologies Inc. (HTI), based in the USA a wholly owned subsidiary of Persistent Systems Inc., was working on implementation of platforms and related IT services for the healthcare industry.
Herald Technologies Inc. has been dissolved with effect from June 24, 2019. Persistent Systems Inc, its holding company, took over all the assets and liabilities of Herald Technologies Inc on the date of dissolution.

Youperience GmbH (a Germany based wholly owned subsidiary of Persistent Systems Germany GmbH) is engaged in Salesforce related implementation services.

Youperience Limited (a United Kingdom based wholly owned subsidiary of Youperience GmbH) is engaged in Salesforce related implementation services.

Klisma e-Services Private Limited was engaged in the business of internet, telecommunications, mobile technology and other media enabling electronic commerce.

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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.

Further, the Group uses significant judgement while determining the transaction price allocated to performance obligations using the expected cost plus margin approach.

In respect of the contracts where the transaction price is payable as royalty at pre-defined percentage of customer revenue and bearing in mind, the time gap between the close of the accounting period and availability of the revenue report from the customer, the Group is required to use its judgement to ascertain the income from royalty on the basis of historical trends of customer revenue.

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.

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

Name of the subsidiary	Ownership Percentage as at			Country of incorporation
	September 30, 2019	September 30, 2018	March 31, 2019	
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) (Dissolved with effect from December 21, 2018) *	-	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%	100%	100%	Switzerland
PARX Consulting GmbH	100%	100%	100%	Germany
Herald Technologies Inc (Dissolved with effect from June 24, 2019)**	-	100%	100%	USA
Youperience GmbH (Acquired with effect from July 1, 2019) (Refer note 41)	100%	-	-	Germany
Youperience Limited (Acquired with effect from July 1, 2019) (Refer note 41)	100%	-	-	United Kingdom
Klisma e-Services India Pvt. Ltd.	50%	50%	50%	India

* Refer note 33.
* Refer note 34.

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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, 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 original cost 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.

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(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:

Assets	Useful lives
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.

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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 derecognizes financial liabilities when the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized 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.

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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.

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In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to 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.

An impairment loss is recognised in the statement of profit and loss.

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.

(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

The Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located.

The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of use assets are determined on the same basis as those of property, plant and equipment.

Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.
The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses incremental borrowing rate.

The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Group recognises the amount of the re-measurement of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in statement of profit and loss.

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The Group has elected not to apply the requirements of Ind AS 116 to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease expenses associated with these leases are recognized in the statement of profit and loss on accrual basis.

Group as a lessor

At the inception of the lease the Group classifies each of its leases as either an operating lease or a finance lease. The Group recognises lease payments received under operating leases as income over the lease term.

(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 sale of software services and products

The Group derives revenues primarily from IT services comprising of software development and related services and from the licensing of software products.
Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration expected to receive in exchange for those products or services.
Arrangements with customers for software related services are either on a time-and-material or a fixed-price basis.

Revenue on time-and-material contracts are recognized as and when the related services are performed. Revenue from fixed-price contracts, where the performance obligations are satisfied over time and where there is no uncertainty as to measurement or collectability of consideration, is recognized as per the percentage-of-completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved.

Revenue from licenses where the customer obtains a "right to use" the licenses is recognized at the time the license is made available to the customer. Revenue from licenses where the customer obtains a "right to access" is recognized over the access period.
The Group has applied the principles under Ind AS 115 to account for revenues from these performance obligations.

When support services are provided in conjunction with the licensing arrangement and the license and the support services have been identified as two separate performance obligations, the transaction price for such contracts are allocated to each performance obligation of the contract based on their relative standalone selling prices Maintenance revenue is recognized proportionately over the period in which the services are rendered.

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

The Group accounts for volume discounts and pricing incentives to customers as a reduction of revenue based on the proportionate allocation of the discounts amount to each of the underlying performance obligation that corresponds to the progress by the customer towards earning the discount. Also, when the level of discount varies with increases in levels of revenue transactions, the Group recognizes the liability based on its estimate of the customer's future purchases. If it is probable that the criteria for the discount will not be met, or if the amount thereof cannot be estimated reliably, then discount is not recognized until the payment is probable and the amount can be estimated reliably. The Group recognizes changes in the estimated amount of obligations for discounts in the period in which the change occurs.

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

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(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) Government grants

Government grants are recognized at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Grants related to purchase of assets are treated as deferred income and allocated to income statement over the useful lives of the related assets while grants related to expenses are deducted in reporting the related expenses in the income statement.

(m) 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.

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(n) 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.

(o) 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.

WALKER CHANDIOK & CO LLP
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CHARTERED ACCOUNTANTS

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