Persistent Systems, Inc.

CONDENSED INTERIM BALANCE SHEET AS AT MARCH 31, 2020

	Notes	As at March 31, 2020 (In ₹ Million)	As at March 31, 2019 (In ₹ Million)
ASSETS			
Non-current assets			
Property, Plant and Equipment	5.1	65.74	80.23
Other Intangible assets	5.2	605.04	1,101.18
Right-of-use Asset	5.3	128.99	-
Intangible assets under development		78.05	96.74
		877.82	1,278.15
Financial assets			
- Investments	6	211.97	365.15
- Loans	7	263.23	97.93
Deferred tax assets (net)	8	424.79	82.70
Other non-current assets	9	1.92	6.43
	(A)	**1,779.73**	**1,830.36**
Current assets			
Financial assets			
- Trade receivables	10	3,849.40	3,315.33
- Cash and cash equivalents	11	838.79	816.09
- Loans	12	85.32	3.35
- Other current financial assets	13	877.81	923.62
Current tax assets (net)		80.83	104.68
Other current assets	14	96.39	144.09
	(B)	**5,828.54**	**5,307.16**
TOTAL	**(A) + (B)**	**7,608.27**	**7,137.52**
EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	4	2,478.01	2,478.01
Other equity		710.74	761.73
	(A)	**3,188.75**	**3,239.74**
LIABILITIES			
Non- current liabilities			
Financial liabilities			
Other long term financial liabilities	15	84.68	-
	(B)	**84.68**	**-**
Current liabilities			
Financial liabilities			
- Trade payables	16	2,552.05	2,264.87
- Other financial liabilities	17	444.78	357.23
Other current liabilities	18	663.40	459.98
Provisions	19	674.61	815.70
	(C)	**4,334.84**	**3,897.78**
TOTAL	**(A)+(B)+(C)**	**7,608.27**	**7,137.52**
Summary of significant accounting policies	3		

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

As per our report of even date

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013

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

Bharat Shetty
Partner
Membership No.: 106815

Dr. Anand Deshpande
Director

Thomas Klein
Director

Place: Mumbai
Date: May 4, 2020

Place: Pune
Date: May 4, 2020

Place: Santa Clara
Date: May 4, 2020

Persistent Systems, Inc.

CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND YEAR ENDED MARCH 31, 2020

	Notes	For the quarter ended		For the year ended	
		March 31, 2020 (In ₹ Million)	March 31, 2019 (In ₹ Million)	March 31, 2020 (In ₹ Million)	March 31, 2019 (In ₹ Million)
Income					
Revenue from operations (net)	20	5,233.27	5,073.60	21,249.64	19,727.60
Other income	21	83.54	6.95	110.16	26.78
Total Income	**(A)**	**5,316.81**	**5,080.55**	**21,359.80**	**19,754.38**
Expenses					
Employee benefits expense	22.1	2,054.45	1,792.45	7,849.10	7,307.34
Cost of technical professionals	22.2	3,182.87	2,529.33	11,246.57	9,387.86
Finance costs (refer note 29)		4.82	0.22	12.89	1.76
Depreciation and amortization expense	5.4	198.67	205.72	795.58	847.05
Other expenses	23	429.84	794.47	1,921.80	2,297.52
Total expenses	**(B)**	**5,870.65**	**5,322.19**	**21,825.94**	**19,841.53**
Loss before tax	**(A - B)**	**(553.84)**	**(241.64)**	**(466.14)**	**(87.15)**
Tax expense					
Current tax (credit) / charge		(17.48)	19.22	24.74	45.32
Tax charge / (credit) in respect of earlier years		0.43	(11.24)	57.51	(1.86)
Deferred tax (credit) / charge		(10.83)	7.22	(227.77)	44.15
Total tax (credit)/ expense		**(27.88)**	**15.20**	**(145.52)**	**87.61**
Net Loss for the period / year	**(C)**	**(525.96)**	**(256.84)**	**(320.62)**	**(174.76)**
Other comprehensive income					
Items that will be reclassified to profit or loss					
- Exchange differences on translating the financial statements of foreign operations		175.35	(30.52)	282.39	196.49
	(D)	**175.35**	**(30.52)**	**282.39**	**196.49**
Total comprehensive (loss) / income for the period / year	**(C + D)**	**(350.61)**	**(287.36)**	**(38.23)**	**21.73**
Earnings per equity share [nominal value of Share $ 0.10] (Previous period/year $0.10)	24				
Basic (In ₹)		(1.31)	(0.64)	(0.80)	(0.43)
Diluted (In ₹)		(1.31)	(0.64)	(0.80)	(0.43)
Summary of significant accounting policies	3				

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

As per our report of even date

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013

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

Bharat Shetty
Partner
Membership No.: 106815

Dr. Anand Deshpande
Director

Thomas Klein
Director

Place: Mumbai
Date: May 4, 2020

Place: Pune
Date: May 4, 2020

Place: Santa Clara
Date: May 4, 2020

Persistent Systems, Inc.

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

(In ₹ Million)

Particulars		For the year ended March 31, 2020	March 31, 2019
Cash flow from operating activities			
Profit / (Loss) before tax		(466.14)	(87.15)
Adjustments for:			
Exchange differences in translating the financial statements		22.96	6.26
Unrealised foreign exchange loss		9.14	-
Interest income		(17.98)	(9.60)
Profit on sale of property, plant and equipment		(0.02)	(0.38)
Depreciation and amortization expense		795.58	847.05
Finance cost		12.89	1.76
(Reversal of impairment loss) / Impairment loss on financial assets carried at amortized cost (net)		(57.10)	232.37
(Reversal of Provision) / Provision for diminution in value of Investment		(153.05)	322.80
Loss on sale of investment		300.10	188.60
Bad debts written off		-	26.07
Provision for doubtful debts (net)		43.21	5.33
Operating profit before working capital changes		**489.59**	**1,533.11**
Movements in working capital :			
(Increase) in trade receivable		(259.84)	(286.76)
(Increase) / decrease in other current assets		57.47	(24.79)
Decrease / (increase) in other non current assets		4.79	(6.43)
Decrease in other current financial assets		124.92	17.32
(Increase) in loans and advances		(0.59)	-
Increase / (decrease) in trade payables and current liabilities		210.06	(315.24)
(Decrease) in provisions		(204.58)	(37.94)
Operating profit after working capital changes		**421.82**	**879.27**
Direct taxes paid (net of refunds)		(58.40)	(36.20)
Net cash flow from operating activities	**A**	**363.42**	**843.07**
Cash flows from investing activities			
Payment on account of Property, plant and equipment, intangible assets and right of use asset (net of sale proceeds)		(208.45)	(247.56)
Intercorporate deposit placed		(157.92)	(89.24)
Intercorporate deposit returned		-	207.51
Investment realised		25.86	-
Investment in other companies		-	(284.53)
Interest received		12.34	8.71
Net cash flow from investing activities	**B**	**(328.17)**	**(405.11)**
Cash flows from financing activities			
Repayment of borrowings (net)		-	(130.34)
Payment of Interest		(12.89)	(1.76)
Net cash flow from financing activities	**C**	**(12.89)**	**(132.10)**
Net increase / (decrease) in cash and cash equivalents (A + B + C)		**22.36**	**305.86**
Cash and cash equivalent transferred from Akshat Corp. on dissolution		**-**	**24.92**
Cash and cash equivalent transferred from Herald Tech. on dissolution		**0.34**	-
Cash and cash equivalents at the beginning of the year		**816.09**	**485.31**
Cash and cash equivalents at the end of the year (Refer Note 11)		**838.79**	**816.09**

Components of cash and cash equivalents as at		**March 31, 2020**	**March 31, 2019**
Cash on hand		0.01	0.01
Balances with Banks		838.78	816.08
Cash and cash equivalents (Refer Note 11)		**838.79**	**816.09**
Summary of significant accounting policies	3		

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

As per our report of even date

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013

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

Bharat Shetty
Partner
Membership No.: 106815

Dr. Anand Deshpande
Director

Thomas Klein
Director

Place: Mumbai
Date: May 4, 2020

Place: Pune
Date: May 4, 2020

Place: Santa Clara
Date: May 4, 2020

Persistent Systems, Inc.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2020

A. Equity share capital
(Refer Note: 4)

(In ₹ Million)

Balance as at April 1, 2019	Changes in equity share capital during the year	Balance as at March 31, 2020
2,478.01	-	2,478.01

(In ₹ Million)

Balance as at April 1, 2018	Changes in equity share capital during the year	Balance as at March 31, 2019
2,478.01	-	2,478.01

(This space is intentionally left blank)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2020

B. Other equity

(In ₹ Million)

Particulars	Retained earnings	Items of other comprehensive income Exchange differences on translating the financial statements of foreign operations*	Total
Balance as at April 1, 2019	406.92	354.81	761.73
Transitional impact on adoption of Ind AS 116	(12.76)	-	(12.76)
Net Loss for the year	(320.62)	-	(320.62)
Change during the year	-	282.39	282.39
Balance at March 31, 2020	**73.54**	**637.20**	**710.74**

(In ₹ Million)

Particulars	Retained earnings	Items of other comprehensive income Exchange differences on translating the financial statements of foreign operations	Total
Balance as at April 1, 2018	581.68	158.32	740.00
Net Loss for the year	(174.76)	-	(174.76)
Change during the year	-	196.49	196.49
Balance at March 31, 2019	**406.92**	**354.81**	**761.73**

***Nature and purpose of reserves:**

Foreign currency translation reserve

The 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, net of taxes and is presented within equity in the foreign currency translation reserve.

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

As per our report of even date

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013

Bharat Shetty
Partner
Membership No.: 106815

Place: Mumbai
Date: May 4, 2020

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

Dr. Anand Deshpande
Director

Place: Pune
Date: May 4, 2020

Thomas Klein
Director

Place: Santa Clara
Date: May 4, 2020

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

1. Nature of operations

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

2. Basis of preparation

The special purpose condensed interim financial statements for the quarter and year ended March 31, 2020 of the Company have been prepared for the purpose of consolidation with the holding company. These condensed interim financial statements have been prepared in accordance with the recognition and measurement principle of Ind AS 34, Interim Financial Reporting (Ind AS 34), as issued under Companies (Indian Accounting Standards) Rules 2015 as amended and notified under Section 133 of the Companies Act, 2013 ("the Act") except for presentation and disclosures requirement as required under the standard.

The Special purpose condensed interim financial statement has been prepared solely to enable the Company's management to provide information for the consolidation with the holding company and for their internal use.

While preparing these condensed interim financial statements, the Company has presented the following:
a. Balance Sheet as at March 31, 2020
b. Statement of Profit and Loss for the quarter and year ended March 31, 2020
c. Statement of Cash Flow for the year then ended
d. Statement of Changes in Equity for the year then ended
e. Selected explanatory notes

Accordingly, these special purpose condensed interim financial statements, among other things, does not include notes and disclosures pertaining to Ind AS 24 (Related Party Disclosures), Ind AS 113 (Fair Value Measurement) and Ind AS 107 (Financial Instrument: Disclosures) which are required to be disclosed in accordance with paragraph 15B and paragraph 16A of Ind AS 34

3. Summary of significant accounting policies

A. Accounting year

The accounting year of the company is from April 1, 2019 to March 31, 2020.

B. Functional currency

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

C. Use of estimates

The preparation of the condensed interim financial statements in conformity with Indian AS requires the management to make, judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the end of reporting year. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

Estimation of uncertainties relating to the global health pandemic from COVID-19:
The Company has evaluated the likely impact of the COVID–19 on the overall business of the Company. Though it is too early to estimate the same in view of the volatility in the global economic conditions pursuant to this pandemic; the Company as at the date of the approval of these financials, has used various available sources of information to analyse the carrying amount of its financial assets

and exposures. The impact of COVID-19 on the Company's financial statements may differ from the estimate as on the date of the approval of the financial statements.

Expected credit loss:
The Company has considered the current and anticipated future economic conditions relating to industries the Company deals with and the countries where it operates. In calculating expected credit loss, the Company has also considered related credit information for its customers to estimate the probability of default in future and has taken into account estimates of possible effect from the pandemic relating to COVID -19 using the forward looking approach prescribed by Ind AS 109.

Impact on revenue:
The Company has re-evaluated the probable revenues from customers in various verticals to assess any possible drops in revenue from any of these verticals due to the economic stress caused by COVID–19. Accordingly, it is the opinion of the Company that the customers could re-prioritise their discretionary spend in the immediate future to conserve resources.
The impact assessment of COVID – 19 is a continuing process given the uncertainties associated with its nature and duration. The Company has considered the same to the extent known currently and has taken steps to measure the cost budgets required to complete its performance obligations in respect of fixed price contracts and incorporated the impact of likely delays and costs in meeting its obligations.

Critical accounting estimates

i. Revenue recognition

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

Further, the Company 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 revenue share 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 Company is required to use its judgement to ascertain the income from revenue share on the basis of historical trends of customer revenue.

ii. Income taxes

The Company's major tax jurisdiction is United States of America, Significant judgements are involved in determining the provision for income taxes

iii. Property, plant and equipment

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

iv. Provisions

Provisions are determined based on the best estimate of the amount 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.

v. Internally generated Intangible assets

During the period, the management continued to assess the recoverability of the company 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 these intangible assets as recoverable.

vi. Leases

Ind AS 116 requires lessees to determine the lease term as the non-cancellable period of a lease adjusted with any option to extend or terminate the lease, if the use of such option is reasonably certain. The Company makes an assessment on the expected lease term on a lease-by-lease basis and thereby assesses whether it is reasonably certain that any options to extend or terminate the contract will be exercised. In evaluating the lease term, the Company considers factors such as any significant leasehold improvements undertaken over the lease term, costs relating to the termination of the lease and the importance of the underlying asset to the Company's operations taking into account the location of the underlying asset and the availability of suitable alternatives. The lease term in future periods is reassessed to ensure that the lease term reflects the current economic circumstances. After considering current and future economic conditions, the Company has concluded that no changes are required to lease periods relating to the existing lease contracts.

D. Property, plant and equipment

Property, plant and equipment assets are stated at cost, less accumulated depreciation and impairment losses, if any. The cost comprises the purchase price and any attributable costs of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. Capital work-in-progress includes cost of 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 increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the 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 derecognized.

E. Intangible assets

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

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 derecognized.

Research and development cost

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

Such development expenditure, until capitalization, is reflected as intangibles under development.

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

F. Depreciation and amortization

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

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

Assets	Useful lives
Computers	3 years
Computers - Servers and networks*	3 years
Office equipments	5 years
Furniture and fixtures*	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

Leasehold improvements are amortized over the period of lease or useful life, whichever is lower.

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

Intangible assets are amortized on a straight-line basis over their estimated useful lives ranging from 3 to 6 years from the day the asset is made available for use.

G. Borrowing Cost:

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

H. 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 instruments at amortized cost or as FVTOCI, is classified as financial instrument at FVTPL. Financial instruments included within the FVTPL category are subsequently measured at fair value with all changes recognized in the statement of profit and loss.

ii. Financial liabilities

Initial recognition and measurement

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to issue of financial liabilities (other than financial assets and 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.

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

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 at fair value through profit or loss if the recognition criteria as per Ind AS 109- "Financial Instruments" are satisfied. Gains or losses on liabilities held for trading are recognized in statement of profit and loss. Fair value gains or losses on liabilities designated as FVTPL attributable to changes in own credit risk are recognized in other comprehensive income. All other changes in fair value of liabilities designated as FVTPL are recognized in the statement of profit and loss. The Company has not designated any financial liability at FVTPL.

Derecognition

The Company derecognizes financial liabilities when the Company'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 recognised in profit or loss.

I. Impairment

i) Financial assets

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

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

ii) Non-financial assets

The carrying amounts of Property, Plant and Equipment are reviewed at each balance sheet date or whenever there is any indication of impairment based on internal/external factors. If any indications exist, the Company estimates the asset's recoverable amount unless the asset does not generate cash flows that are largely independent of those from other assets. In such case, 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 assets under development that is not yet available for use is estimated at least at each financial period end even if there is no indication that the asset is impaired.

J. Revenue recognition

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

i. Income from software services and products

The Company 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 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 t 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.

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 revenue shared is recognized in accordance with the terms of the relevant agreements.

The company 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 Company 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 company 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.

ii. Interest

Income from interest is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. Interest income is included under the head “Other income” in the statement of profit and loss.

iii. Dividends

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

K. Foreign currency transaction and translation

i. Initial recognition

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

ii. Conversion

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

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

iii. Settlement:

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

L. Retirement and other employee benefits

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

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the reporting date. Remeasurements, comprising of actuarial gains and losses are recognized in full in the statement of Profit and Loss in the reporting period in which they occur. Remeasurements are not reclassified to profit and loss subsequently.

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

M. Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the tax laws prevailing in United States. 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.

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.

N. Cash and cash equivalents

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

O. Leases

The Company's lease asset classes primarily consist of leases for office premises. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

i. the contract involves the use of an identified asset;
ii. the Company has substantially all of the economic benefits from use of the asset through the period of the lease; and
iii. the Company has the right to direct the use of the asset

Where the Company is a lessee

The Company 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 leas 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 Company 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 Company 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 Company uses incremental borrowing rate.

The lease payments shall include fixed payments, variable lease payments based on an index or rate, residual value guarantees, exercise price of a purchase option where the Company 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.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or statement of profit and loss if the right-of-use asset is already reduced to zero.

The Company 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 a straight line basis.

Company as a lessor

At the inception of the lease, the Company classifies each of its leases as either an operating lease or a finance lease. The Company recognises lease payments received under operating leases as income over the lease term on a straight line basis.

Transition

Effective April 1, 2019, the Company adopted Ind AS 116 “Leases” and applied the standard to all applicable lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Consequently, the Company recorded the lease liability at the present value of the lease payments discounted at the incremental borrowing rate and the right of use asset at its carrying amount as if the standard had been applied since the commencement date of the lease, but discounted at the Company’s incremental borrowing rate at the date of initial application. Comparatives as at and for the year ended March 31, 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our Report for year ended March 31, 2019.

On transition, the adoption of the new standard resulted in recognition of 'Right of Use' asset of ₹ 149.87 million, and a lease liability of ₹ 185.18 million. The cumulative effect of applying the standard, amounting to ₹ 12.76 million (net of taxes) on transition was debited to retained earnings. The effect of this adoption is insignificant on the profit before tax, profit for the period and earnings per share. Ind AS 116 will result in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments

P. Earnings per share (EPS)

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

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

Q. Provisions

A provision is recognized when the Company has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on the best estimate of the amount 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 Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably.

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

(This space is intentionally left blank)

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

4. Share capital

	As at March 31, 2020	As at March 31, 2019
Authorised (In USD Million)		
650,000,000 (Previous year 650,000,000) Common Shares of $0.10 each	$ 65	$ 65
	$ 65	**$ 65**
Issued, subscribed and paid-up (In ₹ Million)		
402,000,000 (Previous year 402,000,000) Common Shares of $0.10 each fully paid up. All shares are held by Holding Company i.e. Persistent Systems Limited	2,478.01	2,478.01
	2,478.01	**2,478.01**

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

	As At March 31, 2020		As At March 31, 2019	
	No. Of Shares	Amount (In ₹ Million)	No. Of Shares	Amount (In ₹ Million)
No. of Shares at the beginning of the reporting year	402,000,000	2,478.01	402,000,000	2,478.01
Add: Additional Shares issued during the year	-	-	-	-
No. of Shares at the end of the reporting year	**402,000,000**	**2,478.01**	**402,000,000**	**2,478.01**

(This space is intentionally left blank)

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

5.1 Property, plant and equipment

(In ₹ Million)

	Office Equipment	Computers	Furniture & fixtures	Leasehold improvements	Total
Gross block					
As at April 1, 2019	**33.67**	**203.75**	**112.89**	**0.71**	**351.02**
Additions	0.01	30.31	-	-	30.32
Disposals	-	(16.87)	-	-	(16.87)
Effect of foreign currency translation from functional currency to reporting currency	3.19	19.78	10.70	0.07	33.74
As at March 31, 2020	**36.87**	**236.97**	**123.59**	**0.78**	**398.21**
Accumuated depreciation					
As at April 1, 2019	**20.03**	**172.31**	**78.11**	**0.34**	**270.79**
Charge for the period	5.96	26.86	16.76	0.12	49.70
Disposals	-	(16.32)	-	-	(16.32)
Effect of foreign currency translation from functional currency to reporting currency	2.26	17.46	8.54	0.04	28.30
As at March 31, 2020	**28.25**	**200.31**	**103.41**	**0.50**	**332.47**
Net block					
As at March 31, 2020	**8.62**	**36.66**	**20.18**	**0.28**	**65.74**
As at March 31, 2019	**13.64**	**31.44**	**34.78**	**0.37**	**80.23**

(In ₹ Million)

	Office Equipment	Computers	Furniture & fixtures	Leasehold improvements	Total
Gross block					
As at April 1, 2018	**30.53**	**187.80**	**106.45**	**0.67**	**325.45**
Additions	1.95	20.02	-	-	21.97
Additions on merger of Akshat Corporation	-	0.30			0.30
Disposals	(0.68)	(16.17)	-	-	(16.85)
Effect of foreign currency translation from functional currency to reporting currency	1.87	11.80	6.44	0.04	20.15
As at March 31, 2019	**33.67**	**203.75**	**112.89**	**0.71**	**351.02**
Accumuated depreciation					
As at April 1, 2018	**13.43**	**148.62**	**55.34**	**0.21**	**217.60**
Charge for the year	6.25	30.54	19.65	0.12	**56.56**
Accumulated Depreciation on merger of Akshat Corporation	-	0.30	-	-	**0.30**
Disposals	(0.39)	(15.97)	-	-	**(16.36)**
Effect of foreign currency translation from functional currency to reporting currency	0.74	8.82	3.12	0.01	**12.69**
As at March 31, 2019	**20.03**	**172.31**	**78.11**	**0.34**	**270.79**
Net block					
As at March 31, 2019	**13.64**	**31.44**	**34.78**	**0.37**	**80.23**
As at March 31, 2018	**17.10**	**39.18**	**51.11**	**0.46**	**107.85**

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

5.2 Other Intangible assets

(In ₹ Million)

	Software	Acquired contractual rights	Total
Gross block			
As at April 1, 2019	**1,127.28**	**2,791.56**	**3,918.84**
Additions	-	97.75	97.75
Disposals	-	-	-
Effect of foreign currency translation from functional currency to reporting currency	106.88	272.85	379.73
As at March 31, 2020	**1,234.16**	**3,162.16**	**4,396.32**
Accumulated Amortization			
As at April 1, 2019	**1,114.95**	**1,702.71**	**2,817.66**
Charge for the period	12.48	649.20	661.68
Disposals	-	-	-
Effect of foreign currency translation from functional currency to reporting currency	106.56	205.38	311.94
As at March 31, 2020	**1,233.99**	**2,557.29**	**3,791.28**
Net block			
As at March 31, 2020	**0.17**	**604.87**	**605.04**
As at March 31, 2019	**12.33**	**1,088.85**	**1,101.18**

(In ₹ Million)

	Software	Acquired contractual rights	Total
Gross block			
As at April 1, 2018	**1,062.82**	**2,592.80**	**3,655.62**
Additions	0.21	39.61	39.82
Disposals	-	-	-
Effect of foreign currency translation from functional currency to reporting currency	64.25	159.15	223.40
As at March 31, 2019	**1,127.28**	**2,791.56**	**3,918.84**
Accumuated amortization			
As at April 1, 2018	**884.47**	**1,035.76**	**1,920.23**
Charge for the year	179.08	611.41	790.49
Disposals	-	-	-
Effect of foreign currency translation from functional currency to reporting currency	51.40	55.54	106.94
As at March 31, 2019	**1,114.95**	**1,702.71**	**2,817.66**
Net block			
As at March 31, 2019	**12.33**	**1,088.85**	**1,101.18**
As at March 31, 2018	**178.35**	**1,557.04**	**1,735.39**

5.3 Right-of-use Asset

	Office Premises
Gross block	
As at April 1, 2019	-
Additions (Transitional impact on adoption of Ind AS 116)	149.87
Additions	58.90
Disposals	(9.35)
Effect of foreign currency translation from functional currency to reporting currency	18.27
As at March 31, 2020	**217.69**
Accumuated depreciation	
As at April 1, 2019	
Charge for the year	84.20
Disposals	(1.12)
Effect of foreign currency translation from functional currency to reporting currency	5.62
As at March 31, 2020	**88.70**
Net block	
As at March 31, 2020	**128.99**
As at March 31, 2019	**-**

5.4 Depreciation and amortization

	For the quarter ended		For the year ended	
	March 31, 2020 (In ₹ Million)	March 31, 2019 (In ₹ Million)	March 31, 2020 (In ₹ Million)	March 31, 2019 (In ₹ Million)
On Property, plant and equipment	11.20	13.25	49.70	56.56
On Other intangible assets	166.12	192.47	661.68	790.49
On Right-of-use asset	21.35	-	84.20	-
	198.67	**205.72**	**795.58**	**847.05**

Persistent Systems, Inc.

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

6. Non-current financial Assets : Investments

	As at March 31, 2020 (In ₹ Million)	As at March 31, 2019 (In ₹ Million)
Investments carried at cost		
Unquoted investments		
Investments in Equity Instruments		
-In Wholly owned Subsidiary Companies		
Persistent Telecom Solutions, Inc.		
2,480 (Previous year: 2,480) shares of $ 0.001 each, fully paid up	469.11	428.48
Less: Provision for diminution in value of investment	(469.11)	(428.48)
Herald Technologies, Inc.		
Nil (Previous year: 11,427,809 Common equity shares of $0.0001 value each, fully paid up)	-	146.31
Aepona Group Limited		
5,644,820 Class "A" ordinary shares of Euro 0.012 each and 544,417,875,500 "B" ordinary shares of GBP 0.000001 each (Previous year: Nil)	170.77	-
Less: Provision for diminution in value of investment	(170.77)	-
Aepona Holdings Limited Ireland		
Nil (Previous year 5,647,319 "A" ordinary share of Euro 0.012 each and Previous year : 545,245,060,316 "B" ordinary shares of GBP 0.000001 each)	-	305.24
Less: Provision for diminution in value of investment	-	(305.24)
Persistent Systems Israel Limited		
3,867,400 (Previous year: 3,867,400) ordinary shares of 0.1 NIS par value	7.63	6.99
Persistent Systems Mexico, S.A. de C. V	4.09	3.73
99,999 (Previous year 99,999) ordinary shares of 0.1 Pesos par value		
Total carried at cost	**11.72**	**157.03**
Designated as Fair Value Through Profit and Loss		
Unquoted Investments		
Investments in Preferred Stocks		
Hyginex, Inc.		
200,000 (Previous year: 200,000) Preference shares of $ 0.001 each, fully paid up	15.13	13.82
Less: Provision for diminution in value of investment	(15.13)	(13.82)
OpsDataStore, Inc.		
200,000 (Previous year - 200,000) Preferred Stock of $ 0.001 each, fully paid up	15.13	13.82
Less: Provision for diminution in value of investment	(15.13)	(13.82)
Jocata Corporation		
Nil (Previous year: 6000) Preferred Stock of $ 0.001 each, fully paid up	-	25.22
Trunomi, Inc.		
277,778 (Previous year: 277,778) Preferred Stock of $ 0.0002 each, fully paid up	18.92	17.28
Ampool, Inc.		
545,494 (Previous year: 545,494) Preferred Stock of $ 0.4583 each, fully paid up	18.92	17.28
Cazena, Inc.	151.33	138.22
588,638 Common Stock of $ 0.0001 each (Previous year: 353,183 Preferred Stock of $ 0.0001 each)		
Total carried at fair value	**189.17**	**198.00**
Investments in Convertible notes		
In DxNow		
Note of $ 125,000 each, fully paid up (Previous year: $ 125,000)	9.46	8.64
Less: Provision for diminution in value of investment	(9.46)	(8.64)
In Ustyme		
Note of $ 250,000 each, fully paid up (Previous year: $ 250,000)	18.92	17.28
Less: Provision for diminution in value of investment	(18.92)	(17.28)
In Akumina Inc.		
Note of $ 146,429 each, fully paid up (Previous year: $ 146,429)	11.08	10.12
Total investment carried at fair value	**11.08**	**10.12**
Total Investments	**211.97**	**365.15**
Aggregate amount of dimunution in value of investments	698.52	787.28
Aggregate amount of Quoted investments	-	-
Aggregate amount of unquoted investments	910.49	1,152.43

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

7. Non current financial assets : loans

	As at March 31, 2020 (In ₹ Million)	As at March 31, 2019 (In ₹ Million)
Loans to related parties (Unsecured, considered good) at amortised cost		
- Persistent Telecom Solutions, Inc.	-	69.11
(Repayment terms : At the end of three years) (Rate of Interest: US Prime rate + 150 bps)		
- Interest accrued but not due at amortised cost	-	0.36
Less: Credit Impaired	-	(69.47)
	-	-
- Persistent Systems México, S.A. de C.V.	76.17	67.41
(Repayment terms : At the end of three years) (Rate of Interest: Libor + 70 bps)		
- Interest accrued but not due at amortised cost	3.36	2.25
	79.53	69.66
-Aepona Limited, UK	128.63	118.07
(Repayment terms : At the end of three years) (Rate of Interest: Libor + 200 bps)		
- Interest accrued but not due at amortised cost	2.29	0.71
Less: Credit Impaired	(130.92)	(118.78)
	-	-
PARX Consulting GmbH	61.72	-
(Repayment terms : At the end of three years) (Rate of Interest: Libor + 225 bps)		
- Interest accrued but not due at amortised cost	0.27	-
	61.99	-
PARX Werk AG	73.86	-
(Repayment terms : At the end of three years) (Rate of Interest: Libor + 225 bps)		
- Interest accrued but not due at amortised cost	0.88	-
	74.74	-
Youperience GmbH	16.84	-
(Repayment terms : At the end of three years) (Rate of Interest: Libor + 225 bps)		
- Interest accrued but not due at amortised cost	0.22	-
	17.06	-
Loans to Others		
Loan to LHS Solutions, Inc.	24.28	21.20
Security deposits		
Unsecured, considered good	5.63	7.07
	263.23	**97.93**

8. Deferred tax assets / liabilities (net)

	As at March 31, 2020 (In ₹ Million)	As at March 31, 2019 (In ₹ Million)
Deferred tax assets		
Provision for doubtful debts	20.29	5.28
Employee related payments	76.73	55.18
Leave encashment	74.41	62.09
Tax Credit	261.11	180.61
Diminution in Investment	100.69	39.66
ROU Asset and lease liability	4.11	-
Others	5.66	2.78
	543.00	345.60
Deferred tax liabilities		
Accumulated Losses	(21.55)	-
Reversal of Accumulated Losses in US*	-	(77.32)
Differences in book values and tax base values of block of Property, plant and equipment and other intangible assets	(96.66)	(185.58)
Deferred tax asset (net)	**424.79**	**82.70**

*The Company along with its Subsidiary Company – Persistent Telecom Solutions Inc. ("Subsidiary Company") has opted for the consolidated direct tax filing in the United States since FY 2014-15 to optimize the tax liability at a group level.

During the year ended 31 March 2020, after an internal review of the tax benefits obtained by the Company arising out of Subsidiary Company's tax losses in earlier years, the Company has identified a total amount of USD 3,690,868 to be allocated to and settled with Subsidiary Company, through an inter-company arrangement. Accordingly, 'deferred tax liability' of USD 1,089,258 as on 31.3.2019 reflecting a part of the aforesaid balance and differential amount of USD 2,601,610 accounted as 'other expenses' in Note 23 during the year ended 31 March 2020, is now recognized as a payable to the Subsidiary Company.

9. Other non-current assets

	As at March 31, 2020 (In ₹ Million)	As at March 31, 2019 (In ₹ Million)
Unsecured, considered good		
Advances recoverable in cash or kind or for value to be received	1.92	6.43
	1.92	**6.43**

10. Trade receivables

	As at March 31, 2020 (In ₹ Million)	As at March 31, 2019 (In ₹ Million)
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured (considered good)	-	2.09
Trade Receivables Credit Impaired	74.84	26.35
	74.84	28.44
Less : Allowance for doubtful trade receivables	74.84	26.35
	-	**2.09**
Others		
Unsecured (considered good)	3,849.40	3,313.24
Trade Receivables Credit Impaired	-	-
	3,849.40	3,313.24
Less : Allowance for doubtful trade receivables	-	-
	3,849.40	3,313.24
	3,849.40	**3,315.33**

11. Cash and cash equivalents

	As at March 31, 2020 (In ₹ Million)	As at March 31, 2019 (In ₹ Million)
Cash and cash equivalents as presented in cash flow statement		
Cash on hand	0.01	0.01
Balances with banks		
-On current account	838.78	816.08
	838.79	**816.09**

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

12. Current financial assets : loans

	As at March 31, 2020 (In ₹ Million)	As at March 31, 2019 (In ₹ Million)
Carried at amortised cost		
Unsecured considered good		
Loans to related parties		
- Persistent Telecom Solutions, Inc.	78.03	-
(Repayment terms : At the end of three years) (Rate of Interest: US Prime rate + 150 bps)		
Interest accrued on loan to related parties		
- Persistent Telecom Solutions Inc	0.48	-
- Persistent Systems France SAS	0.40	-
Security deposits		
Unsecured, considered good	6.41	3.35
	85.32	**3.35**

13. Other current financial assets

	As at March 31, 2020 (In ₹ Million)	As at March 31, 2019 (In ₹ Million)
Advance to related parties		
Unsecured considered good		
- Persistent Systems France SAS	6.23	0.02
- Valista Limited Ireland	0.04	0.04
- Aepona Limited, UK	45.35	41.43
Less: Credit Impaired	(45.35)	(41.43)
- Persistent Systems Lanka (Private) Limited	0.55	4.14
- Persistent Systems Israel Limited	-	71.42
- Persistent Systems México, S.A. de C.V.	-	0.08
- Persistent Telecom Solutions, Inc.	-	11.15
- PARX Consulting GmbH	3.46	-
- Persistent Systems Germany GmbH	8.60	-
- Persistent Systems Limited	2.80	-
	21.68	**86.85**
Unbilled Revenue	856.13	836.77
	856.13	**836.77**
	877.81	**923.62**

14. Other current assets

	As at March 31, 2020 (In ₹ Million)	As at March 31, 2019 (In ₹ Million)
Advances recoverable in cash or kind or for value to be received	96.39	144.09
	96.39	**144.09**

(This space is intentionally left blank)

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

15. Other long term financial liabilities

	As at March 31, 2020 (In ₹ Million)	As at March 31, 2019 (In ₹ Million)
Lease liabilities	146.33	-
Less: Current maturity of lease liabilities (refer note 17)	(61.65)	
	84.68	**-**

Movement of lease liabilities

	As at March 31, 2020 (In ₹ Million)	As at March 31, 2019 (In ₹ Million)
Opening balance	-	-
Additions (transitional impact on adoption of Ind AS 116)	185.18	-
Addition during the year	64.40	-
Deletion during the year	(9.09)	-
Add: Interest recognised during the year (refer note 29)	12.89	-
Less: Payments made	(107.05)	-
Closing balance	**146.33**	**-**

16. Trade payables

	As at March 31, 2020 (In ₹ Million)	As at March 31, 2019 (In ₹ Million)
Trade payables for goods and services	2,552.05	2,264.87
	2,552.05	**2,264.87**

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

17. Current financial liabilities : Others

	As at March 31, 2020 (In ₹ Million)	As at March 31, 2019 (In ₹ Million)
Accrued employee liabilities	302.29	286.81
Advances from related parties (unsecured, considered good)		
- Persistent Systems Limited	65.25	63.21
- Persistent Systems Germany GmbH	0.98	7.21
- Persistent Telecom Solutions, Inc.	14.44	-
- Persistent Systems Lanka (Private) Limited	0.17	-
Current maturity of lease liabilities (refer note 15)	61.65	-
	444.78	**357.23**

18. Other current liabilities

	As at March 31, 2020 (In ₹ Million)	As at March 31, 2019 (In ₹ Million)
Unearned revenue	462.82	436.57
Advance from customers	198.31	20.95
VAT payable (net)	2.27	2.46
	663.40	**459.98**

19. Provisions

	As at March 31, 2020 (In ₹ Million)	As at March 31, 2019 (In ₹ Million)
Provision for employee benefits		
- Leave encashment	285.16	232.08
- Other employee benefits	389.45	583.62
	674.61	**815.70**

(This space is intentionally left blank)

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

20. Revenue from operations

	For the quarter ended		For the year ended	
	March 31, 2020 (In ₹ Million)	March 31, 2019 (In ₹ Million)	March 31, 2020 (In ₹ Million)	March 31, 2019 (In ₹ Million)
Software licenses	134.04	132.64	342.49	267.97
Software services	5,099.23	4,940.96	20,907.15	19,459.63
	5,233.27	**5,073.60**	**21,249.64**	**19,727.60**

21. Other income

	For the quarter ended		For the year ended	
	March 31, 2020 (In ₹ Million)	March 31, 2019 (In ₹ Million)	March 31, 2020 (In ₹ Million)	March 31, 2019 (In ₹ Million)
Interest on financial assets carried at amortised cost	6.07	2.81	17.98	9.60
Foreign exchange gains/(loss) (net)	75.85	(7.03)	84.59	4.82
Profit on sale of assets (net)	-	-	0.02	0.38
Net gain/(loss) arising on financial assets designated as FVTPL	-	8.03	-	8.03
Miscellaneous income	1.62	3.14	7.57	3.95
	83.54	**6.95**	**110.16**	**26.78**

(This space is intentionally left blank)

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

22. Personnel expenses

	For the quarter ended		For the year ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	(In ₹ Million)	(In ₹ Million)	(In ₹ Million)	(In ₹ Million)
22.1 Employee benefits expense				
Salaries and wages	2,001.48	1,788.15	7,655.54	7,290.09
Share based payments to employees	50.73	-	176.78	-
Staff welfare and benefits	2.24	4.30	16.78	17.25
	2,054.45	**1,792.45**	**7,849.10**	**7,307.34**
22.2 Cost of technical professionals				
Technical professionals - related parties	2,138.04	1,787.21	7,764.71	6,396.11
Technical professionals - Others	1,044.83	742.12	3,481.86	2,991.75
	3,182.87	**2,529.33**	**11,246.57**	**9,387.86**
	5,237.32	**4,321.78**	**19,095.67**	**16,695.20**

23. Other expenses

	For the quarter ended		For the year ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	(In ₹ Million)	(In ₹ Million)	(In ₹ Million)	(In ₹ Million)
Traveling and conveyance	108.76	113.21	513.67	511.48
Electricity expenses	1.76	1.21	6.45	6.28
Internet link expenses	2.26	2.24	11.44	9.24
Communication expenses	6.18	6.57	24.47	20.38
Recruitment expenses	11.35	20.71	52.34	44.37
Training and seminars	3.07	0.46	5.41	5.16
Purchase of software licenses and support expenses	64.83	70.41	318.68	241.70
Bad debts	-	0.08	-	26.07
Provision for doubtful debts (net)	23.84	19.40	43.21	5.33
Rent	4.83	26.22	16.91	103.04
Insurance	2.55	1.35	3.50	2.20
Rates, fees and profession tax	5.76	9.91	18.64	13.96
Legal and professional fees	0.97	35.27	213.45	169.92
Repairs and maintenance				
- Plant and machinery	1.15	0.10	1.89	1.00
- Buildings	-	-	-	0.02
- Others	0.01	0.03	0.08	0.06
Commission on sales	(5.01)	33.30	51.50	109.14
Advertisement and sponsorship fees	28.93	40.15	159.15	95.27
Computer consumables	0.26	0.08	1.44	1.13
Auditors' remuneration	0.25	0.19	1.33	1.00
Donations	-	-	0.21	-
Books, memberships, subscriptions	4.11	8.12	14.26	48.37
Discount Allowed	14.02	12.66	113.49	65.73
Loss on sale of investment	150.07	0.59	300.10	188.60
Provision for diminution / (Reversal of Provision) in value of investment carried at cost-Subsidiaries (net)	55.66	211.28	(153.05)	308.86
Diminution loss on financial assets designated as FVTPL - Others	-	-	13.32	13.94
(Reversal of Impairment loss) / Impairment loss on financial assets carried at amortized cost	(70.42)	162.18	(70.42)	232.37
Inter-co obligation allocation (refer note 8)	(9.94)	-	173.07	-
Miscellaneous expenses	24.59	18.75	87.26	72.90
	429.84	**794.47**	**1,921.80**	**2,297.52**

(This space is intentionally left blank)

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

24. Earnings per share

Particulars		For the quarter ended		For the year ended	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Basic earnings per share					
Numerator					
Net (loss) after tax **(In ₹ Million)**	A	(525.96)	(256.84)	(320.62)	(174.76)
Denominator					
Weighted average number of equity share	B	402,000,000	402,000,000	402,000,000	402,000,000
Denominator for Diluted EPS					
Weighted average number of equity shares	C	402,000,000	402,000,000	402,000,000	402,000,000
Basic earnings per share (In ₹) **(Face value of US $ 0.10 each)**	A / B	(1.31)	(0.64)	(0.80)	(0.43)
Diluted earnings per share (In ₹) **(Face value of US $ 0.10 each)**	A / C	(1.31)	(0.64)	(0.80)	(0.43)

(This space is intentionally left blank)

25. Contingent liability

Persistent Systems, Inc., has given commercial guarantee of 30 million Euros (Previous year: 30 Million Euros) to Tech Data Europe GmbH on behalf of Persistent Systems France SAS. For the said guarantee, Persistent Systems, Inc. has charged guarantee fees of 0.25% of the guarantee amount.

Persistent Systems, Inc., subsidiary of Persistent Systems Limited, has also given a performance guarantee upto $ 3 million to United States Cellular Corporation (USCC) Services and its affiliates towards trade payable of Aepona Limited.

26. 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.

27. 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.

28. Aepona Holdings Limited, Ireland has been dissolved with effect from October 24, 2019. Persistent Systems, Inc., its holding company, took over all the assets and liabilities of Aepona Holdings Limited, Ireland on the date of dissolution.

29. Leases

The table below provides details regarding the contractual maturities of lease liabilities as of March 31, 2020 on an undiscounted basis:

(In ₹ Million)

	As at March 31, 2020
- Less than one year	61.65
- One to five years	99.48
- More than five years	-

The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

Rental expense recorded for short-term leases was ₹ 16.91 million for the year ended March 31, 2020.

Effective April 1, 2019, the Company has adopted Ind AS 116, Leases; and has recognized interest on lease liability of ₹12.89 million under finance costs.

The aggregate depreciation on ROU assets has been included under depreciation and amortisation expense in the Statement of Profit and Loss (Refer note 5.4).

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

30. Corresponding period's / Previous year's comparatives

Previous period/year figures have been regrouped wherever necessary to confirm with the Corresponding period's / current year's classification.

For Walker Chandiok & Co LLP Chartered Accountants Firm Registration No: 001076N/N500013	For and on behalf of the Board of Directors of Persistent Systems, Inc.	
Bharat Shetty Partner Membership No.: 106815	**Dr. Anand Deshpande** Director	**Thomas Klein** Director
Place: Mumbai Date: May 4, 2020	Place: Pune Date: May 4, 2020	Place: Santa Clara Date: May 4, 2020