

Persistent Systems México, S.A. de C.V.**CONDENSED BALANCE SHEET AS AT SEPTEMBER 30, 2017**

	Notes	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
ASSETS				
Non-current assets				
Property, Plant and Equipment	5.1	44,324,759	-	45,949,630
Capital work-in-progress		-	257,044	86,630
		44,324,759	257,044	46,036,260
Financial assets				
- Loans	6	164,711	-	-
Deferred tax assets (net)	7	7,888,390	1,995,592	6,901,232
Other non-current assets	8	-	-	519,556
		52,377,860	2,252,636	53,457,048
Current assets				
Financial assets				
- Trade receivables	9	55,757,633	54,991,482	29,028,061
- Cash and cash equivalents	10	2,923,829	1,432,347	5,882,047
- Other financial assets	11	21,474,885	-	35,238,452
Other current assets	12	14,168,275	2,067,259	10,352,764
		94,324,622	58,491,088	80,501,324
TOTAL		146,702,482	60,743,724	133,958,372
EQUITY AND LIABILITIES				
EQUITY				
Equity share capital	4	3,646,800	3,646,800	3,646,800
Other equity		12,826,418	(560,550)	5,892,776
		16,473,218	3,086,250	9,539,576
Non-current liabilities				
Financial liabilities				
Borrowings	13	105,617,229	-	106,712,213
		105,617,229	-	106,712,213
LIABILITIES				
Current liabilities				
Financial liabilities				
- Trade payables	14	3,827,026	705,335	3,660,170
- Other financial liabilities	15	684,314	45,419,264	3,567,999
Other current liabilities	16	10,124,274	3,020,077	4,202,391
Provisions	17	8,852,635	6,651,972	5,824,733
Current tax liabilities (net)		1,123,786	1,860,826	451,290
		24,612,035	57,657,474	17,706,583
TOTAL		146,702,482	60,743,724	133,958,372

Summary of significant accounting policies

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

As per our report of even date

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

For and on behalf of the Board of Directors of
Persistent Systems México, S.A. de C.V.

per C.K. Joshi
Partner
Membership No. 030428

Thomas Klein
Director

Sunil Sapre
Director

Place: Pune
Date : October 14, 2017

Place: Santa Clara, USA
Date : October 14, 2017

Place: Pune
Date : October 14, 2017

Persistent Systems México, S.A. de C.V.
CONDENSED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2017

	Notes	For the quarter ended		For half year ended		For the year ended
		September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	March 31, 2017
		(In ₹)	(In ₹)	(In ₹)	(In ₹)	(In ₹)
Income						
Revenue from operations	18	44,372,623	25,840,976	87,926,008	54,991,482	126,312,496
Other income	19	-	-	7,761,688	-	12,797,930
Total income (A)		44,372,623	25,840,976	95,687,696	54,991,482	139,110,426
Expenses						
Employee benefits expense	20	32,809,860	23,291,090	64,576,527	49,322,935	103,712,958
Finance costs		478,660	-	984,128	-	876,139
Depreciation and amortization expense	5.2	4,163,757	-	7,917,935	-	2,368,428
Other expenses	21	6,339,465	3,543,951	12,286,780	6,117,763	23,456,567
Total expenses (B)		43,791,742	26,835,041	85,765,370	55,440,698	130,414,092
Profit/ (loss) before tax (A - B)		580,881	(994,065)	9,922,326	(449,216)	8,696,334
Tax expense						
Current tax		1,229,563	642,762	4,078,441	1,860,826	9,516,890
Deferred tax charge / (credit)		(956,163)	(941,320)	(718,803)	(1,995,592)	(6,901,232)
Total tax expense		273,400	(298,558)	3,359,638	(134,766)	2,615,658
Net profit/ (loss) for the period/year (C)		307,481	(695,507)	6,562,688	(314,450)	6,080,676
Other comprehensive income						
Items that will not be reclassified to profit or loss (D)						
- Remeasurements of the defined benefit liabilities / (asset)		-	-	-	-	-
- Tax effect on remeasurements of the defined benefit liabilities / (asset)		-	-	-	-	-
Items that will be reclassified to profit or loss (E)						
- Exchange differences in translating the financial statements of foreign operations		30,619	(246,100)	370,954	(246,100)	(187,900)
Total other comprehensive income for the period/year (D) + (E)		30,619	(246,100)	370,954	(246,100)	(187,900)
Total comprehensive income for the period/year (C) + (D) + (E)		338,100	(941,607)	6,933,642	(560,550)	5,892,776
Earnings per equity share	22					
[Nominal value of share MXN 1 (Previous period/year : Nil)]						
Basic (In ₹)		0.31	(0.79)	6.56	(0.71)	8.12
Diluted (In ₹)		0.31	(0.79)	6.56	(0.71)	8.12
Summary of significant accounting policies	3					

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

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Persistent Systems México, S.A. de C.V.
CONDENSED CASH FLOW STATEMENT FOR HALF YEAR ENDED SEPTEMBER 30, 2017

	For half year ended		For the year ended
	September 30, 2017	September 30, 2016	March 31, 2017
	(In ₹)	(In ₹)	(In ₹)
Cash flow from operating activities			
Profit before tax	9,922,326	(449,216)	8,696,334
Adjustments for:			
Depreciation and amortization expense	7,917,935	-	2,368,428
Unrealised exchange (gain)/loss	1,640,275	3,504,433	4,489,956
Finance costs	984,128	-	876,139
Operating profit before working capital changes	20,464,664	3,055,217	16,430,857
Movements in working capital :			
(Increase) / Decrease in trade receivables	(26,729,572)	(54,991,482)	(64,266,513)
Decrease / (Increase) in other current assets	9,783,345	(2,067,259)	(10,352,764)
Increase /(Decrease) Increase in trade payables and current liabilities (including short term borrowings)	6,333,667	45,394,143	8,738,700
Increase/(Decrease) in provisions	3,027,902	6,651,972	5,824,733
Operating profit after working capital changes	12,880,006	(1,957,409)	(43,624,987)
Direct taxes paid (net of refunds)	(3,405,945)	-	(9,065,600)
Net cash generated from operating activities	(A) 9,474,061	(1,957,409)	(52,690,587)
Cash flow from investing activities			
Payment towards capital expenditure	(6,591,975)	(257,044)	(46,232,384)
Net cash (used in) investing activities	(B) (6,591,975)	(257,044)	(46,232,384)
Cash flow from financing activities			
Proceeds from issuance of share capital	-	3,646,800	3,646,800
Intercompany Deposit received	51,582,712	-	101,158,218
Repayment of inter corporate deposits	(55,944,622)	-	-
Payment of interest on intercompany deposits	(1,478,394)	-	-
Net cash generated from financing activities	(C) (5,840,304)	3,646,800	104,805,018
Net increase in cash and cash equivalents (A + B + C)	(2,958,218)	1,432,347	5,882,047
Cash and cash equivalents as at beginning of the reporting period/year	5,882,047	-	-
Cash and cash equivalents at the end of the reporting period/year	2,923,829	1,432,347	5,882,047

	For half year ended		For the year ended
	September 30, 2017	September 30, 2016	March 31, 2017
	(In ₹)	(In ₹)	(In ₹)
Components of cash and cash equivalents			
Cash on hand	46	-	-
Balances with banks			
- on current account	2,923,783	1,432,347	5,882,047
Cash and cash equivalents as per note 10	2,923,829	1,432,347	5,882,047

Summary of significant accounting policies. (refer note 3)

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

As per our report of even date

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

For and on behalf of the Board of Directors of
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per C.K. Joshi
Partner
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Place: Pune
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A. Equity Share Capital (Refer Note 4)

(In ₹)

Balance as at April 1, 2017	Changes in equity share capital during the period	Balance as at September 30, 2017
3,646,800	-	3,646,800
3,646,800	-	3,646,800

(In ₹)

Balance as at April 1, 2016	Changes in equity share capital during the period	Balance as at September 30, 2016
-	3,646,800	3,646,800
-	3,646,800	3,646,800

(In ₹)

Balance as at April 1, 2016	Changes in equity share capital during the period	Balance as at March 31, 2017
-	3,646,800	3,646,800
-	3,646,800	3,646,800

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Persistent Systems México, S.A. de C.V.**STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED SEPTEMBER 30, 2017****B. Other Equity**

(In ₹)

Particulars	<u>Reserves and surplus</u>	<u>Items of other comprehensive income</u>	Total
	Retained earnings	Foreign currency translation reserve	
Balance as at April 1, 2017	6,080,676	(187,900)	5,892,776
Net profit/ (loss) for the period	6,562,688	370,954	6,933,642
Balance at September 30, 2017	12,643,364	183,054	12,826,418

(In ₹)

Particulars	<u>Reserves and surplus</u>	<u>Items of other comprehensive income</u>	Total
	Retained earnings	Foreign currency translation reserve	
Balance as at April 1, 2016	-	-	-
Net profit for the period	(314,450)	(246,100)	(560,550)
Balance at September 30, 2016	(314,450)	(246,100)	(560,550)

(In ₹)

Particulars	<u>Reserves and surplus</u>	<u>Items of other comprehensive income</u>	Total
	Retained earnings	Foreign currency translation reserve	
Balance as at April 1, 2016	-	-	-
Net profit for the period	6,080,676	(187,900)	5,892,776
Balance at March 31, 2017	6,080,676	(187,900)	5,892,776

As per our report of even date

For JOSHI APTE & Co.
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For and on behalf of the Board of Directors of
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Place: Pune
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1. Nature of operations

Persistent Systems México, S.A. de C.V. was incorporated on March 1, 2016 as a wholly owned subsidiary of Persistent Systems Inc. The Company 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. The Company commenced its operations from April 1, 2016.

2. Basis of preparation

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

Statement of compliance

These financial statements have been prepared in accordance with Ind AS 34 Interim Financial Reporting as notified under the Companies (Indian Accounting Standards) Rules, 2015 read with Section 133 of the Companies Act, 2013.

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

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

Critical accounting estimates**i. Revenue recognition**

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

ii. Income taxes

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

iii. Property, plant and equipment

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

iv. Provisions

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

(b) Accounting year

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

(c) Functional currency

The Company's functional currency is Mexican Peso.

(d) Property, Plant and Equipment

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

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

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

(e) Intangible assets

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

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

Research and development cost

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Company can demonstrate:

- technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the asset;
- its ability to use or sell the asset;
- how the asset will generate probable future economic benefits;
- the availability of adequate resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during development.

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

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

(f) Depreciation and amortization

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

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

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

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

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

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

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

(g) Financial instruments

i) Financial assets

Initial recognition and measurement

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

Subsequent measurement

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

- Financial assets at amortized cost

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

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

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

- Financial liabilities at amortized cost

Financial liabilities such as loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. The change in measurements are recognized as finance costs in the statement of profit and loss.

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

Financial liabilities include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss if the recognition criteria as per Ind AS 109 are satisfied. Gains or losses on liabilities held for trading are recognized in statement of profit and loss. Fair value gains or losses on liabilities

designated as FVTPL attributable to changes in own credit risk are recognized in other comprehensive income. All other changes in fair value of liabilities designated as FVTPL are recognized in the statement of profit and loss. The Company has not designated any financial liability as at FVTPL.

iii) Impairment**i) Financial assets**

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

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

ii) Non-financial assets

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

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

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

(h) 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.

(i) Leases***Where the Company is a lessee***

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

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

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

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

(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

Revenue from time and material engagements is recognized on time proportion basis as and when the services are

rendered in accordance with the terms of the contracts with customers.

In case of fixed price contracts, revenue is recognized based on the milestones achieved as specified in the contracts, on proportionate completion basis.

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

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

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

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

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

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

(ii) Interest

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

(iii) Dividend

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

(k) Foreign currency translation

(i) Foreign currency transactions and balances

Initial recognition

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

Conversion

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

Exchange differences

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

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

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

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

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

Translation of foreign operations

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

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

(l) Retirement and other employee benefits**(i) Leave encashment**

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

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

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

(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 the Mexico. 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.

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

(n) Earnings per share (EPS)

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

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

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

(o) Provisions

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

(p) 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.

(q) Cash and cash equivalents

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

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4. Share capital

	As at September 30, 2017 In ₹	As at September 30, 2016 In ₹	As at March 31, 2017 In ₹
Authorized shares			
2,000,000 Ordinary shares of Mexican Peso 1 each.	MXN 2,000,000	MXN 2,000,000	MXN 2,000,000
	MXN 2,000,000	MXN 2,000,000	MXN 2,000,000
Issued, subscribed and paid-up 1,000,000 Ordinary shares of Mexican Peso 1 each.	3,646,800	3,646,800	3,646,800
Issued, subscribed and fully paid-up share capital	3,646,800	3,646,800	3,646,800

999,999 Ordinary shares of Mexican Peso 1 each are held by Persistent Systems Inc.

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

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

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Persistent Systems México, S.A. de C.V.

Notes forming part of condensed financial statements

5.1 Tangible assets

	Plant and equipment	Leasehold improvements	Furniture and fixtures	Computers	Total
(In ₹)					
Gross block (At cost)					
As at April 1, 2017	1,919,207	19,023,220	8,715,395	18,660,236	48,318,058
Additions	135,771	213,711	-	4,156,819	4,506,301
- Exchange differences	74,630	739,721	338,900	725,608	1,878,859
As at September 30, 2017	2,129,608	19,976,652	9,054,295	23,542,663	54,703,218

Depreciation and amortization

As at April 1, 2017	67,962	322,957	147,961	1,829,548	2,368,428
Charge for the period	316,095	1,995,650	907,411	4,698,779	7,917,935
- Exchange differences	2,642	12,558	5,754	71,142	92,096
As at September 30, 2017	386,699	2,331,165	1,061,126	6,599,469	10,378,459

Net block

As at September 30, 2017	1,742,909	17,645,487	7,993,169	16,943,194	44,324,759
As at March 31, 2017	1,851,245	18,700,263	8,567,434	16,830,688	45,949,630

	Plant and equipment	Leasehold improvements	Furniture and fixtures	Computers	Total
(In ₹)					
Gross block (At cost)					
As at April 1, 2016	-	-	-	-	-
Additions	-	-	-	-	-
- Exchange differences	-	-	-	-	-
As at September 30, 2016	-	-	-	-	-

Depreciation and amortization

As at April 1, 2016	-	-	-	-	-
Charge for the period	-	-	-	-	-
- Exchange differences	-	-	-	-	-
As at September 30, 2016	-	-	-	-	-

Net block

As at September 30, 2016	-	-	-	-	-
As at March 31, 2016	-	-	-	-	-

	Plant and equipment	Leasehold improvements	Furniture and fixtures	Computers	Total
(In ₹)					
Gross block (At cost)					
As at April 1, 2016	-	-	-	-	-
Additions	1,919,207	19,023,220	8,715,395	18,660,236	48,318,058
- Exchange differences	-	-	-	-	-
As at March 31, 2017	1,919,207	19,023,220	8,715,395	18,660,236	48,318,058

Depreciation and amortization

As at April 1, 2016	-	-	-	-	-
Charge for the period	67,962	322,957	147,961	1,829,548	2,368,428
- Exchange differences	-	-	-	-	-
As at March 31, 2017	67,962	322,957	147,961	1,829,548	2,368,428

Net block

As at March 31, 2017	1,851,245	18,700,263	8,567,434	16,830,688	45,949,630
As at March 31, 2016	-	-	-	-	-

5.2 Depreciation and amortization

	For the quarter ended		For half year ended		For the year ended
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	March 31, 2017
	(In ₹)	(In ₹)	(In ₹)	(In ₹)	(In ₹)
Property, Plant and Equipment	4,163,757	-	7,917,935	-	2,368,428
	4,163,757	-	7,917,935	-	2,368,428

Persistent Systems México, S.A. de C.V.**Notes forming part of condensed financial statements****6. Loans**

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Security deposit			
Unsecured, considered good	164,711	-	-
Unsecured, considered doubtful	-	-	-
	164,711	-	-
Less: Provision for doubtful deposits	-	-	-
	164,711	-	-

7. Deferred tax assets (net)

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Deferred tax liabilities			
Differences in book values and tax base values of property, plant and equipment and other intangible assets.	1,205,579	-	-
Others	-	-	-
	1,205,579	-	-
Deferred tax assets			
Differences in book values and tax base values of property, plant and equipment and other intangible assets.		-	382,499
Others	7,925,830	-	4,771,310
Provision for leave encashment	603,885	459,347	440,498
Performance and retention bonus	564,254	1,536,245	1,306,925
	9,093,969	1,995,592	6,901,232
Deferred tax assets (net)	7,888,390	1,995,592	6,901,232

8. Other non current assets

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Capital advances (Unsecured, considered good)	-	-	519,556
	-	-	519,556

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Persistent Systems México, S.A. de C.V.

Notes forming part of condensed financial statements

9. Trade receivables

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Outstanding for a period less than six months from the date they are due for payment			
Unsecured, considered good	55,757,633	54,991,482	29,028,061
Unsecured, considered doubtful	-	-	-
	55,757,633	54,991,482	29,028,061
Less : Provision for doubtful receivables	-	-	-
	55,757,633	54,991,482	29,028,061

10. Cash and cash equivalents

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Cash and cash equivalents as presented in cash flow statement			
Cash on hand	46	-	-
Balances with banks			
On current accounts	2,923,783	1,432,347	5,882,047
	2,923,829	1,432,347	5,882,047

11. Other financial assets

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Unbilled revenue	21,474,885	-	35,238,452
	21,474,885	-	35,238,452

12. Other current assets

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Advances recoverable in cash or kind or for value to be received	3,912,069	1,398,029	1,838,137
VAT receivable (net)	10,256,206	669,230	8,514,627
	14,168,275	2,067,259	10,352,764

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13. Borrowings

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Borrowings from related parties			
Intercompany Deposit			
- Persistent Systems Inc	105,617,229	-	106,712,213
(Repayment terms: After 36 months @ Libor plus 70 basis points)			
	105,617,229	-	106,712,213

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Persistent Systems México, S.A. de C.V.

Notes forming part of condensed financial statements

14. Trade payables

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Trade payables for goods and services	3,827,026	705,335	3,660,170
	3,827,026	705,335	3,660,170

15. Other financial liabilities

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Capital creditors*	-	-	2,691,860
Interest accrued and due on borrowings	439,386	-	876,139
Advance from related parties (Unsecured, considered good)			
Persistent Systems Inc.	-	45,419,264	-
Persistent Systems Ltd	244,928	-	
	684,314	45,419,264	3,567,999
* includes dues to Persistent Systems Inc	-	-	1,917,710

16. Other current liabilities

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Statutory liabilities	10,124,274	3,020,077	4,202,391
	10,124,274	3,020,077	4,202,391

17. Provisions

	As at September 30, 2017 (In ₹)	As at September 30, 2016 (In ₹)	As at March 31, 2017 (In ₹)
Provision for employee benefits			
- Leave encashment	2,394,545	1,531,155	1,468,321
- Other employee benefits	6,458,090	5,120,817	4,356,412
	8,852,635	6,651,972	5,824,733

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18. Revenue from operations

	For the quarter ended		For half year ended		For the year ended
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	March 31, 2017
	(ln ₹)	(ln ₹)	(ln ₹)	(ln ₹)	(ln ₹)
Software services	44,372,623	25,840,976	87,926,008	54,991,482	126,312,496
	44,372,623	25,840,976	87,926,008	54,991,482	126,312,496

19. Other income

	For the quarter ended		For half year ended		For the year ended
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	March 31, 2017
	(ln ₹)	(ln ₹)	(ln ₹)	(ln ₹)	(ln ₹)
Foreign exchange gain (net)	-	-	7,761,688	-	-
Miscellaneous income	-	-	-	-	12,797,930
	-	-	7,761,688	-	12,797,930

20. Employee benefits expense

	For the quarter ended		For half year ended		For the year ended
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	March 31, 2017
	(ln ₹)	(ln ₹)	(ln ₹)	(ln ₹)	(ln ₹)
Employee benefits expense					
Salaries, wages and bonus	24,942,270	18,580,974	49,205,657	38,746,237	80,738,356
Contribution to provident and other funds	6,788,173	4,044,892	13,338,259	8,683,216	19,492,650
Staff welfare and benefits	1,079,417	665,224	2,032,611	1,893,482	3,481,952
	32,809,860	23,291,090	64,576,527	49,322,935	103,712,958

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21. Other expenses

	For the quarter ended		For half year ended		For the year ended
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	March 31, 2017
	(In ₹)	(In ₹)	(In ₹)	(In ₹)	(In ₹)
Travelling and conveyance	332,775	(350)	364,914	4,831	113,946
Electricity expenses (net)	165,245	-	299,075	-	-
Internet link expenses	318,992	-	636,019	-	160,342
Communication expenses	2	(76,934)	603	4,081	9,452
Recruitment expenses	124,744	187,379	721,555	187,379	708,016
Training and seminars	7,739	-	63,105	-	-
Purchase of software licenses and support expenses	246,669	-	671,747	-	58,073
Rent	2,295,970	(9,112)	4,198,472	125,913	8,005,972
Insurance	343,699	-	401,802	-	-
Rates, Fees and professional tax	(69,565)	(15,979)	137,430	142,280	221,034
Legal and professional fees	654,923	466,192	3,332,558	1,298,139	7,561,397
Repairs and maintenance					
- Buildings	66	-	21,149	-	-
Advertisement and sponsorship fees	858	-	277,668	-	-
Computer consumables	-	-	-	-	655,406
Auditors' remuneration	17,700	135,547	17,700	272,302	34,500
Donations	(68)	-	(21,920)	-	24,558
Books, memberships, subscriptions	298,855	-	628,758	-	44,447
Foreign exchange loss (net)	1,351,874	2,708,788	-	3,751,021	4,769,093
Miscellaneous expenses	248,987	148,420	536,145	331,817	1,090,331
	6,339,465	3,543,951	12,286,780	6,117,763	23,456,567

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22. Earnings per equity share

		For the quarter ended		For half year ended		For the year ended
		September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	March 31, 2017
<u>Numerator for Basic and Diluted EPS</u>						
Net Profit/ (loss) after tax (In ₹)	(A)	307,481	(695,507)	6,562,688	(314,450)	6,080,676
<u>Denominator for Basic EPS</u>						
Weighted average number of equity shares	(B)	1,000,000	880,435	1,000,000	442,623	748,493
<u>Denominator for Diluted EPS</u>						
Number of equity shares	(C)	1,000,000	880,435	1,000,000	442,623	748,493
Basic Earnings per share of face value of MXN 1 each (In ₹)	(A/B)	0.31	(0.79)	6.56	(0.71)	8.12
Diluted Earnings per share of face value of MXN 1 each (In ₹)	(A/C)	0.31	(0.79)	6.56	(0.71)	8.12

	For the quarter ended		For half year ended		For the year ended
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	March 31, 2017
Number of shares considered as basic weighted average shares outstanding	1,000,000	880,435	1,000,000	442,623	748,493
Add: Effect of dilutive issues of stock options	-	-	-	-	-
Number of shares considered as weighted average shares and potential shares outstanding	1,000,000	880,435	1,000,000	442,623	748,493

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23. Contingent liabilities:

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

24. Capital Commitments:

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

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

26. Previous period's figures have been regrouped where necessary to conform to current period's classification.

As per our report of even date

For Joshi Apte & Co.,
Firm registration no. 104370W
Chartered Accountants

For and on behalf of the Board of Directors of
Persistent Systems México, S.A. de C.V.

per C.K. Joshi
Partner
Membership No.030428

Thomas Klein
Director

Sunil Sapre
Director

Place: Pune
Date: October 14, 2017

Place: Santa Clara, USA
Date: October 14, 2017

Place: Pune
Date: October 14, 2017
