

Persistent Telecom Solutions Inc.**BALANCE SHEET AS AT MARCH 31, 2015**

	Note	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	1	123	123
Reserves and surplus	2	99,334,981	404,144,000
	(A)	99,335,104	404,144,123
Non-current liabilities			
Long-term borrowings	3	281,377,504	198,589,688
Other long term liabilities	4	154,754	199,236
	(B)	281,532,258	198,788,924
Current liabilities			
Short term borrowings	5	23,244,967	24,785,411
Trade payables	6	158,373,318	67,971,817
Other current liabilities	6	103,967,141	112,274,165
Short-term provisions	7	121,456,786	100,162,135
	(C)	407,042,212	305,193,528
TOTAL	(A)+(B)+(C)	787,909,574	908,126,575
ASSETS			
Non-current assets			
Fixed assets			
- Tangible assets	8	27,884,405	55,926,312
- Intangible assets	8	145,230,169	323,387,857
- Capital work-in-progress		-	475,563
		173,114,574	379,789,732
Deferred tax assets (net)	9	259,439,078	115,263,601
Long term loans and advances	10	792,815	930,523
	(A)	433,346,467	495,983,856
Current assets			
Trade receivables	11	168,196,771	161,856,821
Cash and bank balances	12	101,980,198	67,337,249
Short-term loans and advances	13	73,587,243	72,581,801
Other current assets	14	10,798,895	110,366,848
	(B)	354,563,107	412,142,719
TOTAL	(A) + (B)	787,909,574	908,126,575
Summary of significant accounting policies	23		

The accompanying notes are an integral part of the 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 Telecom Solutions Inc.**

per C.K. Joshi
Partner
Membership No. 030428

Dr. Anand Deshpande Nara Rajagopalan
Director President and Director

Place: Pune
Date : April 20, 2015

Place: Pune
Date : April 20, 2015

Place: Santa Clara
Date : April 20, 2015

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2015

	Note	For the year ended	
		March 31, 2015 (In ₹)	March 31, 2014 (In ₹)
Income			
Revenue from operations	15	1,053,544,603	1,262,099,562
Other income	16	6,314,620	1,414,962
		1,059,859,223	1,263,514,524
Expenses			
Employee benefit expenses	17.1	649,833,822	558,247,912
Cost of technical professionals	17.2	199,862,002	149,461,514
Other expenses	18	432,802,752	436,648,203
Finance costs		2,087,660	523,767
Depreciation and amortization expense	8	227,810,411	236,235,913
		1,512,396,647	1,381,117,309
Profit/(Loss) before tax		(452,537,424)	(117,602,785)
Tax expense			
Current tax		-	26,616,695
Deferred tax (credit) / charge		(136,667,130)	(81,854,370)
Tax credit in respect of earlier years		-	(1,587,329)
Total tax expense		(136,667,130)	(56,825,004)
Net Profit/(Loss) after tax		(315,870,294)	(60,777,781)
Earnings per equity share	19		
[nominal value of share \$ 0.001 (previous year \$ 0.001)]			
Basic ₹		(127,367.05)	(24,507.17)
Diluted ₹		(127,367.05)	(24,507.17)
Summary of significant accounting policies	23		

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Chartered Accountants

For and on behalf of the Board of Directors of
Persistent Telecom Solutions Inc.

per C.K. Joshi
Partner
Membership No. 030428

Dr. Anand Deshpande
Director

Nara Rajagopalan
President and Director

Place: Pune
Date : April 20, 2015

Place: Pune
Date : April 20, 2015

Place: Santa Clara
Date : April 20, 2015

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CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2015

	For the year ended	
	March 31, 2015 (In ₹)	March 31, 2014 (In ₹)
Cash flow from operating activities		
Profit/(Loss) before tax	(452,537,424)	(117,602,785)
Adjustments for:		
Foreign Currency Translation Reserve	1,173,938	(7,367,681)
Finance Cost	2,087,660	523,767
Interest income	(56,062)	(21,546)
Depreciation and amortization expense	227,810,411	236,235,913
Provision for doubtful debts (net)	5,800,442	22,096,867
Operating profit before working capital changes	(215,721,035)	133,864,535
Movements in working capital :		
(Increase) in trade receivables	(12,140,392)	(55,765,147)
Decrease/ (Increase) in other current assets	99,567,953	(87,502,183)
Decrease/(Increase) in loans and advances	(867,734)	(4,251,829)
Increase in trade payables and current liabilities	98,536,033	40,329,708
Increase/ (Decrease) in provisions	24,833,057	25,234,491
Operating profit after working capital changes	(5,792,118)	51,909,575
Direct taxes paid (net of refunds)	(3,538,406)	(17,556,964)
Net cash generated from / (used in) operating activities A	(9,330,524)	34,352,611
Cash flows from investing activities		
Payment for capital expenditure	(27,082,325)	(85,038,036)
Interest received	56,062	21,306
Net cash (used in) investing activities B	(27,026,263)	(85,016,730)
Cash flows from financing activities		
Proceeds from long term borrowings	73,172,321	70,149,888
Interest paid	(2,172,585)	(379,362)
Net cash generated from financing activities C	70,999,736	69,770,526
Net increase in cash and cash equivalents (A + B + C)	34,642,949	19,106,407
Cash and cash equivalents at the beginning of the reporting year	67,337,249	48,230,842
Cash and cash equivalents at the end of the reporting year	101,980,198	67,337,249
Components of cash and cash equivalents	March 31, 2015	March 31, 2014
Balances with Banks	101,980,198	67,337,249
Cash and cash equivalents as per note 12	101,980,198	67,337,249

Summary of significant accounting policies 23

The accompanying notes are an integral part of the 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 Telecom Solutions Inc.

per C.K. Joshi
 Partner
 Membership No. 030428

Dr. Anand Deshpande Nara Rajagopalan
 Director President and Director

Place: Pune
 Date : April 20, 2015

Place: Pune Place: Santa Clara
 Date : April 20, 2015 Date : April 20, 2015

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NOTES FORMING PART OF FINANCIAL STATEMENTS

1. Share capital

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
Authorised		
5,000 (Previous year 5,000) Common Shares of \$0.001 each.	US \$ 5	US \$ 5
	US \$ 5	US \$ 5
Issued, subscribed and paid-up		
2,480 (previous year 2,480) common shares of \$0.001 each fully paid up. All shares are held by holding company viz. Persistent Systems Inc.	123	123
	123	123

a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period :

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

2. Reserves and surplus

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
A. Securities premium account		
Balance as per last financial statements	306,930,570	306,930,570
Add: Additions during the year	-	-
(A)	306,930,570	306,930,570
B. Foreign currency translation reserve		
Balance as per last financial statements	75,083,607	30,308,516
Add: Exchange difference during the year on net investment in non-integral foreign operation	11,061,275	44,775,091
(B)	86,144,882	75,083,607
C. Surplus in the statement of profit and loss		
Balance as per last financial statements	22,129,823	82,907,604
Net Profit for the reporting year	(315,870,294)	(60,777,781)
(C)	(293,740,471)	22,129,823
(A+B+C)	99,334,981	404,144,000

3. Long-term borrowings

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
Unsecured		
Borrowings from related parties (Refer Note: 20)		
- Persistent Systems, Inc. (Repayment Terms : After Thirty six months) (Rate of interest: Applicable federal rate)	190,564,000	158,841,000
- Persistent Systems Pte. Ltd. (Repayment Terms : After Thirty six months) (Rate of interest: SIBOR + 2%)	90,813,504	39,748,688
	281,377,504	198,589,688

4. Other long term liabilities

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
Interest accrued but not due on term loans (Refer Note: 20)		
- Persistent Systems, Inc.	154,754	86,166
- Persistent Systems Pte. Ltd.	-	113,070
	154,754	199,236

NOTES FORMING PART OF FINANCIAL STATEMENTS

5. Short term borrowings

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
Loans and advances from related parties		
Unsecured (Refer Note: 20)		
-Persistent Systems, Inc.	22,818,045	24,767,254
-Persistent Systems Ltd.	426,922	18,157
	23,244,967	24,785,411

6. Trade payables and other current liabilities

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
Trade payables*	158,373,318	67,971,817
	158,373,318	67,971,817
Other current liabilities		
Unearned revenue	78,882,552	75,408,700
Capital creditors	-	17,982,000
Advance from customers	247,326	-
Other payables		
- Statutory liabilities	5,300,007	2,967,995
- Accrued employee liabilities	19,537,256	15,915,470
	103,967,141	112,274,165

*Includes dues to related parties (Refer Note: 20)

7. Short-term provisions

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
Provision for employee benefits		
- Leave encashment	26,995,272	20,658,841
- Other employee benefits	85,965,227	67,468,601
Others		
- Provision for income tax (net of advance tax)	8,496,287	12,034,693
	121,456,786	100,162,135

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NOTES FORMING PART OF FINANCIAL STATEMENTS

8. Tangible and Intangible Assets

	(In ₹)							
	Computers	Office Equipment	Furniture & Fixtures	Sub total Tangibles	Software	Others	Sub total Intangibles	Total
Gross Block								
As at April 1, 2014	110,198,421	450,845	149,976	110,799,242	415,370,111	268,839,447	684,209,558	795,008,800
Purchase	8,304,879	662,384	439,632	9,406,895	168,993	-	168,993	9,575,888
Other Adjustments								
- Exchange difference	4,962,947	45,823	12,164	5,020,934	17,610,979	11,392,263	29,003,242	34,024,176
As at March 31, 2015	123,466,247	1,159,052	601,772	125,227,071	433,150,083	280,231,710	713,381,793	838,608,864
Depreciation / Amortization								
As at April 1, 2014	54,718,655	135,388	18,887	54,872,930	271,955,557	88,866,144	360,821,701	415,694,631
Charge for the period	39,125,584	189,630	73,001	39,388,215	121,221,124	67,201,072	188,422,196	227,810,411
Other Adjustments								
- Exchange difference	3,069,942	9,378	2,201	3,081,521	13,851,720	5,056,007	18,907,227	21,989,248
As at March 31, 2015	96,914,181	334,396	94,089	97,342,666	407,028,401	161,123,223	568,151,624	665,494,290
Net Block								
As at March 31, 2015	26,552,066	824,656	507,683	27,884,405	26,121,682	119,108,487	145,230,169	173,114,574
As at March 31, 2014	55,479,766	315,457	131,089	55,926,312	143,414,554	179,973,303	323,387,857	379,314,169
Gross Block								
As at April 01, 2013	97,424,863	391,095	34,438	97,850,396	329,912,360	243,431,115	573,343,475	671,193,871
Additions	2,522,168	19,615	115,999	2,657,782	53,724,175	-	53,724,175	56,381,957
Other Adjustments								
- Exchange differences	10,251,390	40,135	(461)	10,291,064	31,733,576	25,408,332	57,141,908	67,432,972
As at March 31, 2014	110,198,421	450,845	149,976	110,799,242	415,370,111	268,839,447	684,209,558	795,008,800
Depreciation								
As at April 01, 2013	16,798,239	45,131	10,715	16,854,085	127,917,791	20,970,654	148,888,445	165,742,530
charge for the year	36,724,134	86,865	7,162	36,818,161	132,699,074	66,718,678	199,417,752	236,235,913
Other Adjustments								
- Exchange differences	1,196,282	3,392	1,010	1,200,684	11,338,692	1,176,812	12,515,504	13,716,188
As at March 31, 2014	54,718,655	135,388	18,887	54,872,930	271,955,557	88,866,144	360,821,701	415,694,631
Net Block								
As at March 31, 2014	55,479,766	315,457	131,089	55,926,312	143,414,554	179,973,303	323,387,857	379,314,169

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NOTES FORMING PART OF FINANCIAL STATEMENTS

9. Deferred tax assets

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
Deferred tax assets		
Provision for doubtful debts	9,722,524	8,704,677
Provision for leave encashment	9,178,401	8,263,544
Sales commission	5,809,833	-
Differences in depreciation and amortization and other differences in a block of tangible and intangible assets as per the US tax books and financial books	130,902,638	98,295,380
Brought forward losses*	103,825,682	-
Deferred tax asset (net)	259,439,078	115,263,601

*The company along with its holding company have decided to opt for filing consolidated income tax return in compliance with the applicable tax regulations in the United States from financial year 2014-15. This enables the company to set off its business losses against the profits of the holding company. In view of the virtual certainty of the profits in the holding company, full deferred tax asset is recognized in the financial statements of the company.

10. Long term loans and advances

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
Unsecured, considered good		
Advances recoverable in cash or kind or for value to be received	792,815	930,523
	792,815	930,523

11. Trade receivables

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured (considered good)	3,623,931	-
Unsecured (considered doubtful)	28,595,612	21,761,654
	32,219,543	21,761,654
Less : Provision for doubtful debts	28,595,612	21,761,654
	3,623,931	-
Others		
Unsecured (considered good)*	164,572,840	161,856,821
Unsecured (considered doubtful)	-	-
	164,572,840	161,856,821
Less : Provision for doubtful debts	-	-
	164,572,840	161,856,821
	168,196,771	161,856,821

*Includes dues from related parties (Refer Note: 20)

12. Cash and Bank Balance

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
Cash and cash equivalents as presented in cash flow statement		
Balances with banks		
- On current account	101,980,198	67,337,249
	101,980,198	67,337,249

13. Short-term loans and advances

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
Unsecured, considered good		
Other loans and advances		
Deposits	2,326,338	576,945
Advances recoverable in cash or kind or for value to be received	71,260,905	72,004,856
	73,587,243	72,581,801

14. Other current assets

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
Unsecured, considered good		
Unbilled revenue	10,798,895	110,366,848
	10,798,895	110,366,848

NOTES FORMING PART OF FINANCIAL STATEMENTS

15. Revenue from operations

	For the year ended	
	March 31, 2015	March 31, 2014
	(In ₹)	(In ₹)
Sale of licenses (net)	98,112,988	254,501,833
Sale of software services (net) *	955,431,615	1,007,597,729
*(Refer Note: 20)	1,053,544,603	1,262,099,562

16. Other income

	For the year ended	
	March 31, 2015	March 31, 2014
	(In ₹)	(In ₹)
Interest income	56,062	16,466
Interest on income tax refund	-	5,080
Foreign exchange gains (net)	6,180,768	1,359,765
Miscellaneous income	77,790	33,651
	6,314,620	1,414,962

17. Personnel expenses

	For the year ended	
	March 31, 2015	March 31, 2014
	(In ₹)	(In ₹)
17.1 Employee benefit expenses		
Salaries, wages and bonus	645,026,942	555,984,236
Staff welfare and benefits	4,806,880	2,263,676
	649,833,822	558,247,912
17.2 Cost of technical professionals		
- Related Parties (Refer Note: 20)	187,765,510	112,404,105
- Others	12,096,492	37,057,409
	199,862,002	149,461,514
	849,695,824	707,709,426

18. Other expenses

	For the year ended	
	March 31, 2015	March 31, 2014
	(In ₹)	(In ₹)
Travelling and conveyance	33,089,697	35,234,710
Electricity expenses	103,063	13,339
Communication expenses	3,720,924	3,218,802
Recruitment expenses	13,583,167	-
Training and seminars	1,594,456	102,100
Royalty expenses	176,729,512	220,337,942
Third party hosting and software fees	50,119,275	76,983,913
Purchase of software licenses and support expenses	41,715,338	20,775,372
Provision for doubtful debts	5,800,442	22,096,867
Bad Debts	4,912,870	
Rent	11,695,590	11,790,341
Rates, fees and profession tax	969,468	504,628
Legal and professional fees	55,350,320	32,224,571
Repairs and maintenance		
- Plant and machinery	1,224,838	1,825,239
- Others	-	58,951
Advertisement and sponsorship fees	19,156,767	4,879,044
Computer consumables	2,835,051	19,265
Auditors' remuneration (Refer Note: 25)	60,629	56,180
Books, memberships, subscriptions	1,795,300	555,918
Miscellaneous expenses	8,346,045	5,971,021
	432,802,752	436,648,203

NOTES FORMING PART OF FINANCIAL STATEMENTS

19. Earnings per share

		For the year ended	
		March 31, 2015	March 31, 2014
		(In ₹)	(In ₹)
Basic earnings per share			
<u>Numerator</u>			
Net Profit / (loss) after tax	A	(315,870,294)	(60,777,781)
<u>Denominator</u>			
Weighted average number of equity shares	B	2,480	2,480
Basic/Diluted earnings per share	A / B	(127,367.05)	(24,507.17)
(Face value of US \$ 0.001 each)			

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NOTES FORMING PART OF FINANCIAL STATEMENTS

20. Related party transactions

I. Names of related parties

Holding Company:
Persistent Systems Inc.

Ultimate Holding Company:
Persistent Systems Limited

Companies under same Management:
Persistent Systems Pte. Ltd.
Persistent Systems France S.A.S

Key Management Personnel:
Dr. Anand S. Deshpande, Director
Mr. Hari Haran, President (resigned as President w.e.f. November 18, 2013)
Mr. Nara Rajagopalan, President and Director (appointed as President and Director w.e.f. November 18, 2013, however the remuneration is disclosed from April 1, 2013)

II. Related party transactions:

Particulars	Name of the related Party	Relationship with the Related Party	For the year ended	For the year ended
			March 31, 2015 (In ₹)	March 31, 2014 (In ₹)
Income				
Software Professional Services	Persistent Systems Limited Persistent Systems Malaysia Sdn. Bhd.	Ultimate Holding Company Companies under the same management	- 166,938,674	166,842,951
Expenses				
Technical Professional charges	Persistent Systems Limited Persistent Systems, Inc.	Ultimate Holding Company Holding Company	185,038,752 2,726,757	112,404,105 3,135,672
Finance cost	Persistent Systems, Inc. Persistent Systems Pte. Ltd.	Holding Company Companies under the same management	416,675 1,670,985	354,392 169,375
Travel and Conveyance expenses	Persistent Systems, Inc.	Holding Company	1,706,001	
Remuneration #	Nara Rajagopalan	Key Management Personnel	34,350,158	23,396,412
Inter corporate deposit obtained*	Persistent Systems, Inc. Persistent Systems Pte. Ltd.	Holding Company Companies under the same management	62,111,801 55,179,163	62,470,623 40,378,977
Repayment of Inter corporate deposit*	Persistent Systems, Inc.	Holding Company	37,267,081	44,444,444

* These transactions are disclosed at exchange rate of INR-USD as on transaction date.

The remuneration to the key managerial personnel does not include the provisions made for leave benefits as they are determined on an actuarial basis for the company as a whole

III. Related party balances

Particulars	Name of the related Party	Relationship with the Related Party	As at	As at
			March 31, 2015 (In ₹)	March 31, 2014 (In ₹)
Share Capital	Persistent Systems, Inc.	Holding Company	123	123
Trade payables	Persistent Systems Limited Persistent Systems, Inc.	Ultimate Holding Company Holding Company	69,950,859 -	29,583,147 3,088,109
Trade receivables	Persistent Systems Limited Persistent Systems Malaysia Sdn. Bhd.	Ultimate Holding Company Companies under the same management	- 25,248,543	29,002,628 -
Inter corporate deposits taken	Persistent Systems, Inc. Persistent Systems Pte. Ltd.	Holding Company Companies under the same management	190,564,000 90,813,504	158,841,000 39,748,688
Advances received	Persistent Systems, Inc. Persistent Systems Limited	Holding Company Ultimate Holding Company	22,818,045 426,922	24,767,254 18,157
Interest on ICD receivable	Persistent Systems, Inc.	Holding Company	-	-
Interest on ICD payable	Persistent Systems, Inc. Persistent Systems Pte. Ltd.	Holding Company Companies under the same management	154,754 -	86,166 113,070

IV. Related party guarantees

Persistent Systems Inc., holding company of Persistent Telecom Solutions Inc. has given a guarantee of \$250,000 for trade payables of Persistent Telecom Solutions Inc.

21. Nature of operations

Persistent Telecom Solutions, Inc. (the Company) is a wholly owned subsidiary of Persistent Systems, Inc. The company is specializing in software products, services and technology innovation in telecom and Product Lifecycle Management domains.

22. Basis of preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP) to comply in all material respects with the Accounting Standards specified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013. These financial statements are prepared on an accrual basis and under the historical cost convention. The accounting policies are consistently applied by the Company during the year and are consistent with those used in previous year.

23. Statement of significant accounting policies

A. Accounting year

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

B. Functional currency

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

C. Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the management to make 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.

D. Tangible fixed assets

Tangible 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 fixed assets that are not ready to be put to use.

Subsequent expenditure related to an item of fixed asset is added to its book value 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 year during which such expenses are incurred.

Gains or losses arising from de-recognition of fixed assets 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

a) Acquired Intangible assets

Intangible assets including software licenses of enduring nature and acquired contractual rights acquired separately are measured on initial recognition at cost. Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Cost comprises the purchase price and any 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 year in which these are incurred.

Gains or losses arising from de-recognition 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.

b) 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 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 commenced when the development is complete and the asset is available for use.

F. Depreciation and amortization

Depreciation on tangible fixed assets 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 fixed assets as follows:

Assets	Useful lives
Buildings*	25 years
Computers	3 years
Computers - Servers and networks*	3 years
Office equipments	5 years
Plant and equipment*	5 years
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.

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. Impairment of tangible and intangible assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. 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 net selling price 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 Cost:

Borrowing cost includes interest, 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 year in which they occur.

I. Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on category basis.

Long-term investments presented as non-current investments are carried at cost.

J. Revenue recognition

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 licenses and services

Revenue from time and material engagements is recognized on time basis in accordance with the terms of the contracts.

Revenue from fixed price engagements is recognized in accordance with the proportionate completion method as per terms of contracts.

Revenue from licensing of software is recognized upon delivery.

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

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

Unbilled revenue represents revenue recognized in relation to work done on time and material projects and fixed price projects 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 as per the terms of contract.

The company collects sales tax on behalf of Government and, therefore these are not economic benefits flowing to the company, hence they are excluded from revenue.

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

Income from dividend is recognized when the company's right to receive payment is established by the balance sheet date. 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 viz. 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 are translated at the closing rate as at the date of the balance sheet. All current assets and current 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 year.

The exchange difference arising out of the period / year-end conversion is translated to Currency Translation Reserve and the said amount is shown under the head "Reserves and Surplus".

iii. Settlement

Revenue, and 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 year in which the transaction is settled.

L. Retirement and other employee benefits

i. Gratuity

The Company is not liable to pay gratuity as per the payment of Gratuity Act 1972.

ii. Superannuation

The Company does not have any superannuation scheme.

iv. Provident fund

The Company is not liable to pay provident fund as per the Provident Fund Act 1952.

v. 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. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

Persistent Telecom Solutions, Inc.

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 United States of America's tax laws. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

In situation where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each balance sheet date the company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

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. Lease

Where the Company is a lessee

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

Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

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 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 an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined

Persistent Telecom Solutions, Inc.

based on the best estimate required to settle the obligation at the balance sheet date. These 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 event 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.

24. Contingent liability

The Company does not have any contingent liability as on March 31, 2015 (previous year: ₹ Nil)

A US based corporation has filed a suit against the Company, claiming damages for direct and contributory infringement of copyrights and breach of contract. The Company is of the opinion that these claims are without merit. The suit is being defended very vigorously and is currently under discovery stage.

25. Auditors remuneration

Particulars	(Amount in ₹)	
	For the year ended March 31, 2015	For the year ended March 31, 2014
As audit fees	60,629	56,180
TOTAL	60,629	56,180

26. Previous year comparatives

Corresponding previous year comparative figures are regrouped wherever necessary to conform to current year'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 Telecom Solutions Inc.

per C.K. Joshi
Partner
Membership No. 030428

Dr. Anand Deshpande
Director

Nara Rajagopalan
President and Director

Place: Pune
Date: April 20, 2015

Place: Pune
Date: April 20, 2015

Place: Santa Clara
Date: April 20, 2015
