

Persistent Telecom Solutions Inc.

CONDENSED BALANCE SHEET AS AT JUNE 30, 2014

	Note	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
EQUITY AND LIABILITIES				
Shareholders' funds				
Share capital	1	123	123	123
Reserves and surplus	2	353,984,716	417,554,216	404,144,000
	(A)	353,984,839	417,554,339	404,144,123
Non- current liabilities				
Long-term borrowings	3	199,384,842	161,106,329	198,589,688
Other long term liabilities	4	542,340	9,054,528	199,236
	(B)	199,927,182	170,160,857	198,788,924
Current liabilities				
Short term borrowings	5	27,644,078	2,501,665	24,785,411
Trade payables	6	115,835,732	83,998,205	67,971,817
Other current liabilities	6	103,805,469	144,410,733	112,274,165
Short-term provisions	7	96,613,748	61,023,365	100,162,135
	(C)	343,899,027	291,933,968	305,193,528
TOTAL	(A)+(B)+(C)	897,811,048	879,649,164	908,126,575
ASSETS				
Non-current assets				
Fixed assets				
- Tangible assets	8	51,733,015	80,357,570	55,926,312
- Intangible assets	8	273,783,415	419,306,433	323,387,857
- Capital work-in-progress		-	3,597,834	475,563
		325,516,430	503,261,837	379,789,732
Deferred tax assets (net)	9	130,990,857	40,424,716	115,263,601
Long term loans and advances	10	659,981	1,275,947	930,523
Other non-current assets	11	-	5,296	-
	(A)	457,167,268	544,967,796	495,983,856
Current assets				
Trade receivables	12	304,686,637	241,626,002	161,856,821
Cash and bank balances	13	45,607,776	19,383,888	67,337,249
Short-term loans and advances	14	73,820,343	65,665,688	72,581,801
Other current assets	15	16,529,024	8,005,790	110,366,848
	(B)	440,643,780	334,681,368	412,142,719
TOTAL	(A) + (B)	897,811,048	879,649,164	908,126,575
Summary of significant accounting policies	23			

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 Telecom Solutions Inc.**

per C.K. Joshi
Partner
Membership No. 30428

Dr. Anand Deshpande
Director

Nara Rajagopalan
President and Director

Place: Pune
Date : July 26, 2014

Place: Pune
Date : July 26, 2014

Place: Santa Clara
Date : July 26, 2014

CONDENSED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER ENDED JUNE 30, 2014

	Note	For the quarter ended		For the year ended
		June 30, 2014	June 30, 2013	March 31, 2014
		(In ₹)	(In ₹)	(In ₹)
Income				
Revenue from operations	16	261,634,966	271,062,073	1,262,099,562
Other income	17	2,599,441	1,533,888	1,414,962
		264,234,407	272,595,961	1,263,514,524
Expenses				
Employee benefit expenses	18.1	137,910,931	142,957,482	558,247,912
Cost of technical professionals	18.2	42,777,990	29,828,155	149,461,514
Other expenses	19	89,778,803	90,954,148	436,648,203
Finance costs		340,149	82,776	523,767
Depreciation and amortization expense	8	60,047,196	52,144,626	236,235,913
		330,855,069	315,967,187	1,381,117,309
Profit/(Loss) before tax		(66,620,662)	(43,371,226)	(117,602,785)
Tax expense				
Current tax		-	3,678,139	26,616,695
Deferred tax (credit) / charge		(15,169,524)	(5,765,808)	(81,854,370)
Tax credit in respect of earlier years		-	(1,464,376)	(1,587,329)
Total tax expense		(15,169,524)	(3,552,045)	(56,825,004)
Profit/(Loss) after tax		(51,451,138)	(39,819,181)	(60,777,781)
Earnings per equity share				
[nominal value of share \$ 0.001 (Corresponding period/ previous year \$ 0.001)]	20			
Basic ₹		(20,746.43)	(16,056.12)	(24,507.17)
Diluted ₹		(20,746.43)	(16,056.12)	(24,507.17)
Summary of significant accounting policies	23			

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

As per our report of even date

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

per C.K. Joshi
Partner
Membership No. 30428

Dr. Anand Deshpande Nara Rajagopalan
Director President and Director

Place: Pune
Date : July 26, 2014

Place: Pune Place: Santa Clara
Date : July 26, 2014 Date : July 26, 2014

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CASH FLOW STATEMENT FOR THE QUARTER ENDED JUNE 30, 2014

	For the quarter ended		For the year ended
	June 30, 2014	June 30, 2013	March 31, 2014
	(In ₹)	(In ₹)	(In ₹)
Cash flow from operating activities			
Profit/(Loss) before tax	(66,620,662)	(43,371,226)	(117,602,785)
Adjustments for:			
Foreign Currency Translation Reserve	321,794	994,197	(7,367,681)
Finance Cost	340,149	82,776	523,767
Interest income	(11,409)	(4,773)	(21,546)
Depreciation and amortization expense	60,047,196	52,144,626	236,235,913
Provision for doubtful debts (net)		6,778,002	22,096,867
Provision for doubtful debts written back (net)	(2,454,460)	-	-
Operating profit before working capital changes	(8,377,392)	16,623,602	133,864,535
Movements in working capital :			
(Increase) in trade receivables	(140,375,356)	(120,215,463)	(55,765,147)
Decrease/ (Increase) in other current assets	93,837,824	14,858,419	(87,502,183)
(Increase)/ Decrease in loans and advances	(968,000)	2,318,860	(4,251,829)
Increase in trade payables and current liabilities	51,208,886	50,344,318	40,329,708
Increase/ (Decrease) in provisions	2,547,485	(4,571,792)	25,234,491
Operating profit after working capital changes	(2,126,553)	(40,642,056)	51,909,575
Direct taxes paid (net of refunds)	(6,095,872)	(4,074,155)	(17,556,964)
Net cash generated / (used) from operating activities A	(8,222,425)	(44,716,211)	34,352,611
Cash flows from investing activities			
Payment for capital expenditure	(13,518,457)	(8,663,072)	(85,038,036)
Interest received	11,409	-	21,306
Net cash (used in) investing activities B	(13,507,048)	(8,663,072)	(85,016,730)
Cash flows from financing activities			
Proceeds from long term borrowings	-	24,532,329	70,149,888
Interest paid	-	-	(379,362)
Net cash generated from financing activities C	-	24,532,329	69,770,526
Net increase in cash and cash equivalents (A + B + C)	(21,729,473)	(28,846,954)	19,106,407
Cash and cash equivalents at the beginning of the reporting period/ year	67,337,249	48,230,842	48,230,842
Cash and cash equivalents at the end of the reporting period/ year	45,607,776	19,383,888	67,337,249
Components of cash and cash equivalents	June 30, 2014	June 30, 2013	March 31, 2014
Balances with Banks	45,607,776	19,383,888	67,337,249
Cash and cash equivalents as per note 13	45,607,776	19,383,888	67,337,249

Summary of significant accounting policies 23

As per our report of even date

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

per C.K. Joshi
 Partner
 Membership No. 30428

Place: Pune
 Date : July 26, 2014

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

Dr. Anand Deshpande
 Director

Place: Pune
 Date : July 26, 2014

Nara Rajagopalan
 President and Director

Place: Santa Clara
 Date : July 26, 2014

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

1. Share capital

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Authorised			
5,000 Common Shares of \$0.001 each.	US \$ 5	US \$ 5	US \$ 5
	US \$ 5	US \$ 5	US \$ 5
Issued, subscribed and paid-up			
2,480 (Corresponding period/ previous year 2,480) common shares of \$0.001 each fully paid up.	123	123	123
All shares are held by holding company viz. Persistent Systems Inc.			
	123	123	123

2. Reserves and surplus

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
A. Securities premium account			
Balance as per last financial statements	306,930,570	306,930,570	306,930,570
Add: Additions during the period/ year	-	-	-
(A)	306,930,570	306,930,570	306,930,570
B. Foreign currency translation reserve			
Balance as per last financial statements	75,083,607	30,308,516	30,308,516
Add: Exchange difference during the period/ year on net investment in non-integral foreign operation	1,291,854	37,226,707	44,775,091
(B)	76,375,461	67,535,223	75,083,607
C. Surplus in the statement of profit and loss			
Balance as per last financial statements	22,129,823	82,907,604	82,907,604
Net Profit for the reporting period/ year	(51,451,138)	(39,819,181)	(60,777,781)
(C)	(29,321,315)	43,088,423	22,129,823
(A+B+C)	353,984,716	417,554,216	404,144,000

3. Long-term borrowings

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Unsecured, considered good			
Borrowings from related parties			
- Persistent Systems, Inc. (Repayment Terms : After Thirty six months) (Rate of interest: Applicable federal rate)	159,477,000	157,357,000	158,841,000
- Persistent Systems Pte. Ltd. (Repayment Terms : After Thirty six months) (Rate of interest: SIBOR + 2%)	39,907,842	3,749,329	39,748,688
	199,384,842	161,106,329	198,589,688

4. Other long term liabilities

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Interest accrued but not due on term loans			
- Persistent Systems, Inc.	173,983	144,634	86,166
- Persistent Systems Pte. Ltd.	368,357	2,894	113,070
Capital Creditors	-	8,907,000	-
	542,340	9,054,528	199,236

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

5. Short term borrowings

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Loans and advances from related parties			
Unsecured			
-Persistent Systems, Inc.	27,622,037	2,364,962	24,767,254
-Persistent Systems Ltd.	22,041	136,703	18,157
	27,644,078	2,501,665	24,785,411

6. Trade payables and other current liabilities

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Trade payables	115,835,732	83,998,205	67,971,817
	115,835,732	83,998,205	67,971,817
Other current liabilities			
Unearned revenue	73,694,328	84,158,113	75,408,700
Capital creditors	9,027,000	33,846,600	17,982,000
Advance from customers	226,277	79,866	-
VAT Payable	676,351	6,421,436	-
Other payables			
- Statutory liabilities	2,897,939	1,947,670	2,967,995
- Accrued employee liabilities	17,283,574	17,957,048	15,915,470
	103,805,469	144,410,733	112,274,165

7. Short-term provisions

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Provision for employee benefits			
- Leave encashment	22,715,614	18,266,112	20,658,841
- Other employee benefits	67,959,313	40,055,047	67,468,601
Others			
- Provision for income tax (net of advance tax)	5,938,821	2,702,206	12,034,693
	96,613,748	61,023,365	100,162,135

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NOTES FORMING PART OF CONDENSED 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	4,506,904	376,579	9,116	4,892,599	146,421	-	146,421	5,039,020
Other Adjustments								
- Exchange difference	501,489	10,489	811	512,789	1,666,520	1,076,435	2,742,955	3,255,744
As at June 30, 2014	115,206,814	837,913	159,903	116,204,630	417,183,052	269,915,882	687,098,934	803,303,564
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	9,280,486	32,515	6,859	9,319,860	34,383,678	16,343,658	50,727,336	60,047,196
Other Adjustments								
- Exchange difference	277,958	748	119	278,825	1,306,998	459,484	1,766,482	2,045,307
As at June 30, 2014	64,277,099	168,651	25,865	64,471,615	307,646,233	105,669,286	413,315,519	477,787,134
Net Block								
As at June 30, 2014	50,929,715	669,262	134,038	51,733,015	109,536,819	164,246,596	273,783,415	325,516,430
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 1, 2013	97,424,863	391,095	34,438	97,850,396	329,912,360	243,431,115	573,343,475	671,193,871
Additions	600,395	-	-	600,395	1,055,925	-	1,055,925	1,656,320
Other Adjustments								
- Exchange difference	9,221,580	36,786	3,240	9,261,606	31,132,894	22,896,653	54,029,547	63,291,153
As at June 30, 2013	107,246,838	427,881	37,678	107,712,397	362,101,179	266,327,768	628,428,947	736,141,344
Depreciation / Amortization								
As at April 1, 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 period	8,409,238	19,876	1,226	8,430,340	28,368,801	15,345,483	43,714,284	52,144,624
Other Adjustments								
- Exchange difference	2,063,936	5,388	1,078	2,070,402	13,664,238	2,855,547	16,519,785	18,590,187
As at June 30, 2013	27,271,413	70,395	13,019	27,354,827	169,950,830	39,171,684	209,122,514	236,477,341
Net Block								
As at June 30, 2013	79,975,425	357,486	24,659	80,357,570	192,150,349	227,156,084	419,306,433	499,664,003

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Persistent Telecom Solutions Inc.

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, 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 difference	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 / Amortization								
As at April 1, 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 period	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 difference	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
As at April 1, 2013	80,626,624	345,964	23,723	80,996,311	201,994,569	222,460,461	424,455,030	505,451,341

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

9. Deferred tax assets

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Deferred tax assets			
Provision for doubtful debts	7,751,521	2,867,223	8,704,677
Provision for leave encashment	9,086,241	7,306,448	8,263,544
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	109,866,613	30,251,045	98,295,380
Others	4,286,482	-	-
Deferred tax asset (net)	130,990,857	40,424,716	115,263,601

10. Long term loans and advances

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Unsecured, considered good			
Advances recoverable in cash or kind or for value to be received	659,981	1,275,947	930,523
	659,981	1,275,947	930,523

11. Other non-current assets

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Interest accrued but not due			
Persistent Systems Inc.	-	5,296	-
	-	5,296	-

12. Trade receivables

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (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)	2,298,154	-	-
Unsecured (considered doubtful)	19,378,798	7,168,057	21,761,654
	21,676,952	7,168,057	21,761,654
Less : Provision for doubtful debts	19,378,798	7,168,057	21,761,654
	2,298,154	-	-
Others			
Unsecured (considered good)	302,388,483	241,626,002	161,856,821
Unsecured (considered doubtful)	-	-	-
	302,388,483	241,626,002	161,856,821
Less : Provision for doubtful debts	-	-	-
	302,388,483	241,626,002	161,856,821
	304,686,637	241,626,002	161,856,821

13. Cash and Bank Balance

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Cash and cash equivalents as presented in cash flow statement			
Balances with banks			
- On current account	45,607,776	19,383,888	67,337,249
	45,607,776	19,383,888	67,337,249

14. Short-term loans and advances

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Unsecured, considered good			
Advance to related parties (Unsecured, considered good)			
- CloudSquads, Inc.	5,053	-	-
Other loans and advances			
Deposits	352,053	3,007,597	576,945
Advances recoverable in cash or kind or for value to be received	73,463,237	62,658,091	72,004,856
	73,820,343	65,665,688	72,581,801

15. Other current assets

	As at June 30, 2014 (In ₹)	As at June 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Unsecured, considered good			
Unbilled revenue	16,529,024	8,005,790	110,366,848
	16,529,024	8,005,790	110,366,848

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

16. Revenue from operations

	For the quarter ended		For the year ended
	June 30, 2014 (In ₹)	June 30, 2013 (In ₹)	March 31, 2014 (In ₹)
Sale of products (net)	23,664,453	21,818,705	254,501,833
Sale of software services (net)	237,970,513	249,243,368	1,007,597,729
	261,634,966	271,062,073	1,262,099,562

17. Other income

	For the quarter ended		For the year ended
	June 30, 2014 (In ₹)	June 30, 2013 (In ₹)	March 31, 2014 (In ₹)
Interest income	11,409	-	16,466
Provision for doubtful debts written back	2,454,460	-	-
Interest on income tax refund	-	4,773	5,080
Foreign exchange gains (net)	131,629	1,529,115	1,359,765
Miscellaneous income	1,943	-	33,651
	2,599,441	1,533,888	1,414,962

18. Personnel expenses

	For the quarter ended		For the year ended
	June 30, 2014 (In ₹)	June 30, 2013 (In ₹)	March 31, 2014 (In ₹)
18.1 Employee benefit expenses			
Salaries, wages and bonus	137,163,138	142,462,952	555,984,236
Staff welfare and benefits	747,793	494,530	2,263,676
	137,910,931	142,957,482	558,247,912
18.2 Cost of technical professionals			
- Related Parties	41,843,028	21,585,059	112,404,105
- Others	934,962	8,243,096	37,057,409
	42,777,990	29,828,155	149,461,514
	180,688,921	172,785,637	707,709,426

19. Other expenses

	For the quarter ended		For the year ended
	June 30, 2014 (In ₹)	June 30, 2013 (In ₹)	March 31, 2014 (In ₹)
Travelling and conveyance	8,110,174	8,620,823	35,234,710
Electricity expenses	16,752	-	13,339
Communication expenses	807,825	938,486	3,218,802
Training and seminars	-	-	102,100
Royalty expenses	40,586,944	46,770,325	220,337,942
Third party hosting and software fees	14,416,405	13,586,581	76,983,913
Purchase of software licenses and support expenses	5,593,101	3,645,322	20,775,372
Provision for doubtful debts	-	6,778,002	22,096,867
Rent	1,844,456	2,632,169	11,790,341
Rates, fees and profession tax	21,343	-	504,628
Legal and professional fees	15,412,688	5,019,643	32,224,571
Repairs and maintenance			
- Plant and machinery	465,862	575,964	1,825,239
- Others	-	22,945	58,951
Advertisement and sponsorship fees	538,206	693,896	4,879,044
Computer consumables	256,266	28,074	19,265
Auditors' remuneration	13,943	7,949	56,180
Books, memberships, subscriptions	197,079	132,511	555,918
Miscellaneous expenses	1,497,759	1,501,458	5,971,021
	89,778,803	90,954,148	436,648,203

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS**20. Earnings per share**

		For the quarter ended		For the year ended
		June 30, 2014	June 30, 2013	March 31, 2014
		(In ₹)	(In ₹)	(In ₹)
Basic earnings per share				
<u>Numerator</u>				
Net Profit / (loss) after tax	A	(51,451,138)	(39,819,181)	(60,777,781)
<u>Denominator</u>				
Weighted average number of equity share	B	2,480	2,480	2,480
Basic/Diluted earnings per share (Face value of US \$ 0.001 each)	A / B	(20,746.43)	(16,056.12)	(24,507.17)

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21. Nature of operations

Persistent Telecom Solutions, Inc. 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 condensed interim financial statements of the company for the quarter ended June 30, 2014 have been prepared in accordance with Accounting Standard 25 'Interim Financial Reporting' notified by Companies (Accounting Standards) Rules, 2006 (as amended). The form and content in these condensed financial statements conforms to the requirements as applicable to annual complete set of financial statements.

The condensed financial statements of the Company are prepared in accordance with generally accepted accounting principles in India (Indian GAAP) to comply in all material respects with the Accounting Standard notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 2013 (to the extent notified). These condensed financial statements are prepared on an accrual basis and under the historical cost convention except derivative financial instruments which have been measured at fair value. The accounting policies are consistently applied by the Company during the period and are consistent with those used in previous period/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 condensed 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 period/year. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

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 period/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 period/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 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. 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.

I. 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 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 products is recognized on delivery of products.

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

Revenue from royalty is recognized on sale of products 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.

J. 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 period/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 period/year in which the transaction is settled.

K. 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.

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.

L. 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 period/year timing differences between taxable income and accounting income for the period/year and reversal of timing differences of earlier period/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.

M. 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.

N. Lease

Where the company is a lessee, assets acquired as leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

O. 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 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.

P. 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 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.

Q. 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 condensed financial statements.

24. Contingent liability

The company does not have any contingent liability as on June 30, 2014 (corresponding period/ 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 and intends to defend the claims vigorously.

25. Previous period / year comparatives

Corresponding period/previous year comparative figures are regrouped wherever necessary to conform to current period/years 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. 30428

Dr. Anand Deshpande
Director

Nara Rajagopalan
President and Director

Place: Pune
Date: July 26, 2014

Place: Pune
Date: July 26, 2014

Place: Santa Clara
Date: July 26, 2014
