

CONDENSED BALANCE SHEET AS AT SEPTEMBER 30, 2014

	Note	As at September 30, 2014 (In ₹)	As at September 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
EQUITY AND LIABILITIES				
Shareholders' funds				
Share capital	1	123	123	123
Reserves and surplus	2	252,112,865	446,583,701	404,144,000
	(A)	252,112,988	446,583,824	404,144,123
Non- current liabilities				
Long-term borrowings	3	235,499,605	169,910,473	198,589,688
Other long term liabilities	4	368,156	3,405,973	199,236
	(B)	235,867,761	173,316,446	198,788,924
Current liabilities				
Short term borrowings	5	32,870,499	20,754,936	24,785,411
Trade payables	6	100,058,987	50,719,870	67,971,817
Other current liabilities	6	70,856,831	130,068,510	112,274,165
Short-term provisions	7	97,564,632	104,888,739	100,162,135
	(C)	301,350,949	306,432,055	305,193,528
TOTAL	(A)+(B)+(C)	789,331,698	926,332,325	908,126,575
ASSETS				
Non-current assets				
Fixed assets				
- Tangible assets	8	44,803,365	76,906,867	55,926,312
- Intangible assets	8	227,997,820	442,695,603	323,387,857
- Capital work-in-progress		1,871,364	46,969	475,563
		274,672,549	519,649,439	379,789,732
Deferred tax assets (net)	9	151,557,311	51,832,709	115,263,601
Long term loans and advances	10	881,793	930,921	930,523
	(A)	427,111,653	572,413,069	495,983,856
Current assets				
Trade receivables	11	192,260,178	160,235,473	161,856,821
Cash and bank balances	12	111,409,414	73,523,339	67,337,249
Short-term loans and advances	13	43,896,193	31,206,692	72,581,801
Other current assets	14	14,654,260	88,953,752	110,366,848
	(B)	362,220,045	353,919,256	412,142,719
TOTAL	(A) + (B)	789,331,698	926,332,325	908,126,575
Summary of significant accounting policies	22			

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. 030428

Dr. Anand Deshpande
Director

Nara Rajagopalan
President and Director

Place: Pune
Date : October 17, 2014

Place: Pune
Date : October 17, 2014

Place: Santa Clara
Date : October 17, 2014

CONDENSED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2014

	Note	For the quarter ended		For the half year ended		For the year ended
		September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013	March 31, 2014
		(In ₹)	(In ₹)	(In ₹)	(In ₹)	(In ₹)
Income						
Revenue from operations	15	280,445,805	370,556,763	542,080,771	641,618,836	1,262,099,562
Other income	16	65,004	117,788	78,356	1,651,676	1,414,962
		280,510,809	370,674,551	542,159,127	643,270,512	1,263,514,524
Expenses						
Employee benefit expenses	17.1	179,075,538	134,143,806	316,986,469	277,101,288	558,247,912
Cost of technical professionals	17.2	44,200,818	40,595,509	86,978,808	70,423,664	149,461,514
Other expenses	18	120,685,817	119,826,231	207,878,531	210,780,379	436,648,203
Finance costs		361,811	119,013	701,960	201,789	523,767
Depreciation and amortization expense	8	61,871,031	60,537,913	121,918,227	112,682,539	236,235,913
		406,195,015	355,222,472	734,463,995	671,189,659	1,381,117,309
Profit/(Loss) before tax		(125,684,206)	15,452,079	(192,304,868)	(27,919,147)	(117,602,785)
Tax expense						
Current tax		-	21,331,206	-	25,009,345	26,616,695
Deferred tax (credit) / charge		(16,827,130)	(9,149,403)	(31,996,654)	(14,915,211)	(81,854,370)
Tax credit in respect of earlier years		-	(94,239)	-	(1,558,615)	(1,587,329)
Total tax expense		(16,827,130)	12,087,564	(31,996,654)	8,535,519	(56,825,004)
Profit/(Loss) after tax		(108,857,076)	3,364,515	(160,308,214)	(36,454,666)	(60,777,781)
Earnings per equity share	19					
[nominal value of share \$ 0.001 (Corresponding period/previous year \$ 0.001)]						
Basic ₹		(43,893.98)	1,356.66	(64,640.41)	(14,699.46)	(24,507.17)
Diluted ₹		(43,893.98)	1,356.66	(64,640.41)	(14,699.46)	(24,507.17)
Summary of significant accounting policies	22					

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. 030428

Dr. Anand Deshpande
Director

Nara Rajagopalan
President and Director

Place: Pune
Date : October 17, 2014

Place: Pune
Date : October 17, 2014

Place: Santa Clara
Date : October 17, 2014

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CASH FLOW STATEMENT FOR THE HALF YEAR ENDED SEPTEMBER 30, 2014

		For the half year ended September 30, 2014 (In ₹)	September 30, 2013 (In ₹)	For the year ended March 31, 2014 (In ₹)
Cash flow from operating activities				
Profit/(Loss) before tax		(192,304,868)	(27,919,147)	(117,602,785)
Adjustments for:				
Foreign Currency Translation Reserve		1,547,761	(5,960,490)	(7,367,681)
Finance Cost		701,960	201,789	523,767
Interest income		(27,538)	(8,761)	(21,546)
Depreciation and amortization expense		121,918,227	112,682,539	236,235,913
Provision for doubtful debts (net)		-	7,490,415	22,096,867
Provision for doubtful debts written back (net)		(657,120)	-	-
Operating profit before working capital changes		(68,821,578)	86,486,345	133,864,535
Movements in working capital :				
(Increase) in trade receivables		(29,746,237)	(39,537,347)	(55,765,147)
Decrease/ (Increase) in other current assets		95,712,588	(66,083,502)	(87,502,183)
Decrease/(Increase) in loans and advances		28,734,338	37,122,883	(4,251,829)
Increase in trade payables and current liabilities		16,736,924	20,379,881	40,329,708
Increase/ (Decrease) in provisions		3,342,448	17,166,541	25,234,491
Operating profit after working capital changes		45,958,483	55,534,801	51,909,575
Direct taxes paid (net of refunds)		(5,939,951)	(3,183,774)	(17,556,964)
Net cash generated from / (used in) operating activities	A	40,018,532	52,351,027	34,352,611
Cash flows from investing activities				
Payment for capital expenditure		(25,913,032)	(63,336,041)	(85,038,036)
Interest received		27,538	3,681	21,306
Net cash (used in) investing activities	B	(25,885,494)	(63,332,360)	(85,016,730)
Cash flows from financing activities				
Proceeds from long term borrowings		30,487,805	36,273,830	70,149,888
Interest paid		(548,678)	-	(379,362)
Net cash generated from financing activities	C	29,939,127	36,273,830	69,770,526
Net increase in cash and cash equivalents (A + B + C)		44,072,165	25,292,497	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		111,409,414	73,523,339	67,337,249
Components of cash and cash equivalents		September 30, 2014	September 30, 2013	March 31, 2014
Balances with Banks		111,409,414	73,523,339	67,337,249
Cash and cash equivalents as per note 13		111,409,414	73,523,339	67,337,249

Summary of significant accounting policies 22

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
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President and Director

Place: Pune
Date : October 17, 2014

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Place: Santa Clara
Date : October 17, 2014

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

1. Share capital

	As at September 30, 2014 (In ₹)	As at September 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Authorised			
5,000 (Corresponding period/ previous year 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 September 30, 2014 (In ₹)	As at September 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	8,277,079	62,891,677	44,775,091
(B)	83,360,686	93,200,193	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	(160,308,214)	(36,454,666)	(60,777,781)
(C)	(138,178,391)	46,452,938	22,129,823
(A+B+C)	252,112,865	446,583,701	404,144,000

3. Long-term borrowings

	As at September 30, 2014 (In ₹)	As at September 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)	163,664,000	165,956,250	158,841,000
- Persistent Systems Pte. Ltd. (Repayment Terms : After Thirty six months) (Rate of interest: SIBOR + 2%)	71,835,605	3,954,223	39,748,688
	235,499,605	169,910,473	198,589,688

4. Other long term liabilities

	As at September 30, 2014 (In ₹)	As at September 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Interest accrued but not due on term loans			
- Persistent Systems, Inc.	90,755	245,866	86,166
- Persistent Systems Pte. Ltd.	277,401	28,857	113,070
Capital Creditors	-	3,131,250	-
	368,156	3,405,973	199,236

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS
5. Short term borrowings

	As at September 30, 2014 (In ₹)	As at September 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Loans and advances from related parties			
Unsecured			
-Persistent Systems, Inc.	32,864,808	20,547,162	24,767,254
-Persistent Systems Ltd.	5,691	207,774	18,157
	32,870,499	20,754,936	24,785,411

6. Trade payables and other current liabilities

	As at September 30, 2014 (In ₹)	As at September 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Trade payables	100,058,987	50,719,870	67,971,817
	100,058,987	50,719,870	67,971,817
Other current liabilities			
Unearned revenue	47,180,438	68,954,752	75,408,700
Capital creditors	-	34,443,750	17,982,000
Advance from customers	-	305,109	-
Other payables			
- Statutory liabilities	2,661,720	9,614,129	2,967,995
- Accrued employee liabilities	21,014,673	16,750,770	15,915,470
	70,856,831	130,068,510	112,274,165

7. Short-term provisions

	As at September 30, 2014 (In ₹)	As at September 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Provision for employee benefits			
- Leave encashment	24,698,478	23,193,465	20,658,841
- Other employee benefits	66,771,412	56,866,027	67,468,601
Others			
- Provision for income tax (net of advance tax)	6,094,742	24,829,247	12,034,693
	97,564,632	104,888,739	100,162,135

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Persistent Telecom Solutions Inc.
NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS
8. Tangible and Intangible Assets

	Computers	Office Equipment	Furniture & Fixtures	Sub total Tangibles	Software	Others	Sub total Intangibles	Total (In ₹)
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	6,003,116	376,578	9,116	6,388,810	146,421	-	146,421	6,535,231
Other Adjustments								
- Exchange difference	3,709,806	32,488	5,009	3,747,303	12,619,482	8,162,960	20,782,442	24,529,745
As at September 30, 2014	119,911,343	859,911	164,101	120,935,355	428,136,014	277,002,407	705,138,421	826,073,776
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	19,027,736	74,730	14,141	19,116,607	69,683,038	33,118,582	102,801,620	121,918,227
Other Adjustments								
- Exchange difference	2,135,555	5,973	925	2,142,453	9,993,795	3,523,485	13,517,280	15,659,733
As at September 30, 2014	75,881,946	216,091	33,953	76,131,990	351,632,390	125,508,211	477,140,601	553,272,591
Net Block								
As at September 30, 2014	44,029,397	643,820	130,148	44,803,365	76,503,624	151,494,196	227,997,820	272,801,185
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	2,335,972			2,335,972	52,365,583	-	52,365,583	54,701,555
Other Adjustments								
- Exchange difference	15,184,827	60,169	5,299	15,250,295	50,327,582	37,450,940	87,778,522	103,028,817
As at September 30, 2013	114,945,662	451,264	39,737	115,436,663	432,605,525	280,882,055	713,487,580	828,924,243
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	18,165,270	42,543	2,625	18,210,438	61,626,526	32,845,575	94,472,101	112,682,539
Other Adjustments								
- Exchange difference	3,454,518	8,980	1,775	3,465,273	22,631,768	4,799,663	27,431,431	30,896,704
As at September 30, 2013	38,418,027	96,654	15,115	38,529,796	212,176,085	58,615,892	270,791,977	309,321,773
Net Block								
As at September 30, 2013	76,527,635	354,610	24,622	76,906,867	220,429,440	222,266,163	442,695,603	519,602,470
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
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
As at March 31, 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 September 30, 2014 (In ₹)	As at September 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Deferred tax assets			
Provision for doubtful debts	8,699,588	3,139,692	8,704,677
Provision for leave encashment	9,879,401	9,277,417	8,263,544
Sales commission	5,341,706	626,250	-
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	127,636,616	38,789,350	98,295,380
Others	-	-	-
Deferred tax asset (net)	151,557,311	51,832,709	115,263,601

10. Long term loans and advances

	As at September 30, 2014 (In ₹)	As at September 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Unsecured, considered good			
Advances recoverable in cash or kind or for value to be received	881,793	930,921	930,523
	881,793	930,921	930,523

11. Trade receivables

	As at September 30, 2014 (In ₹)	As at September 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)	-	-	-
Unsecured (considered doubtful)	21,748,918	7,849,210	21,761,654
	21,748,918	7,849,210	21,761,654
Less : Provision for doubtful debts	21,748,918	7,849,210	21,761,654
	-	-	-
Others			
Unsecured (considered good)	192,260,178	160,235,473	161,856,821
Unsecured (considered doubtful)	-	-	-
	192,260,178	160,235,473	161,856,821
Less : Provision for doubtful debts	-	-	-
	192,260,178	160,235,473	161,856,821
	192,260,178	160,235,473	161,856,821

12. Cash and Bank Balance

	As at September 30, 2014 (In ₹)	As at September 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	111,409,414	73,523,339	67,337,249
	111,409,414	73,523,339	67,337,249

13. Short-term loans and advances

	As at September 30, 2014 (In ₹)	As at September 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Unsecured, considered good			
Other loans and advances			
Deposits	870,816	3,640,102	576,945
Advances recoverable in cash or kind or for value to be received	43,025,377	27,566,590	72,004,856
	43,896,193	31,206,692	72,581,801

14. Other current assets

	As at September 30, 2014 (In ₹)	As at September 30, 2013 (In ₹)	As at March 31, 2014 (In ₹)
Unsecured, considered good			
Unbilled revenue	14,654,260	88,948,167	110,366,848
Interest accrued but not due			
Persistent Systems Inc.	-	5,585	-
	14,654,260	88,953,752	110,366,848

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

15. Revenue from operations

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013	March 31, 2014
	(In ₹)	(In ₹)	(In ₹)	(In ₹)	(In ₹)
Sale of licenses (net)	26,483,847	102,387,098	50,148,300	124,205,803	254,501,833
Sale of software services (net)	253,961,958	268,169,665	491,932,471	517,413,033	1,007,597,729
	280,445,805	370,556,763	542,080,771	641,618,836	1,262,099,562

16. Other income

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013	March 31, 2014
	(In ₹)	(In ₹)	(In ₹)	(In ₹)	(In ₹)
Interest income	16,129	3,681	27,538	3,681	16,466
Interest on income tax refund	-	307	-	5,080	5,080
Foreign exchange gains (net)	-	87,763	-	1,616,878	1,359,765
Miscellaneous income	48,875	26,037	50,818	26,037	33,651
	65,004	117,788	78,356	1,651,676	1,414,962

17. Personnel expenses

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013	March 31, 2014
	(In ₹)	(In ₹)	(In ₹)	(In ₹)	(In ₹)
17.1 Employee benefit expenses					
Salaries, wages and bonus	177,648,528	133,817,443	314,811,666	276,280,395	555,984,236
Staff welfare and benefits	1,427,010	326,363	2,174,803	820,893	2,263,676
	179,075,538	134,143,806	316,986,469	277,101,288	558,247,912
17.2 Cost of technical professionals					
- Related Parties	43,607,945	22,214,956	85,450,973	43,800,015	112,404,105
- Others	592,873	18,380,553	1,527,835	26,623,649	37,057,409
	44,200,818	40,595,509	86,978,808	70,423,664	149,461,514
	223,276,356	174,739,315	403,965,277	347,524,952	707,709,426

18. Other expenses

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013	March 31, 2014
	(In ₹)	(In ₹)	(In ₹)	(In ₹)	(In ₹)
Travelling and conveyance	7,952,620	8,592,923	16,062,794	17,213,746	35,234,710
Electricity expenses	20,531	-	37,283	-	13,339
Communication expenses	1,605,613	798,135	2,413,438	1,736,621	3,218,802
Training and seminars	139,925	-	139,925	-	102,100
Royalty expenses	49,562,732	59,933,870	90,149,676	106,704,195	220,337,942
Third party hosting and software fees	16,484,023	27,306,603	30,900,428	40,893,184	76,983,913
Purchase of software licenses and support expenses	5,538,970	7,767,690	11,132,071	11,413,012	20,775,372
Provision for doubtful debts	1,797,340	712,413	(657,120)	7,490,415	22,096,867
Rent	2,656,849	2,982,636	4,501,305	5,614,805	11,790,341
Rates, fees and profession tax	59,149	209,664	80,492	206,233	504,628
Legal and professional fees	25,461,030	7,724,808	40,873,718	12,744,451	32,224,571
Repairs and maintenance					
- Plant and machinery	221,467	552,229	687,329	1,128,193	1,825,239
- Others	-	1,476	-	24,421	58,951
Advertisement and sponsorship fees	4,343,204	1,617,551	4,881,410	2,311,447	4,879,044
Computer consumables	1,102,389	1,807	1,358,655	29,881	19,265
Auditors' remuneration	16,220	18,911	30,163	26,860	56,180
Books, memberships, subscriptions	219,179	155,417	416,258	287,928	555,918
Foreign exchange loss (net)	760,988	-	629,359	-	-
Miscellaneous expenses	2,743,588	1,450,098	4,241,347	2,954,987	5,971,021
	120,685,817	119,826,231	207,878,531	210,780,379	436,648,203

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

19. Earnings per share

		For the quarter ended		For the half year ended		For the year ended
		September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013	March 31, 2014
		(In ₹)	(In ₹)	(In ₹)	(In ₹)	(In ₹)
Basic earnings per share						
<u>Numerator</u>						
Net Profit / (loss) after tax	A	(108,857,076)	3,364,515	(160,308,214)	(36,454,666)	(60,777,781)
<u>Denominator</u>						
Weighted average number of equity share	B	2,480	2,480	2,480	2,480	2,480
Basic/Diluted earnings per share (Face value of US \$ 0.001 each)	A / B	(43,893.98)	1,356.66	(64,640.41)	(14,699.46)	(24,507.17)

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20. 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.

21. Basis of preparation

The condensed interim financial statements of the company for the quarter and half year ended September 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. The accounting policies are consistently applied by the Company during the period/year and are consistent with those used in previous period/year.

22. 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 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. 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 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 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.

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.

23. Contingent liability

The company does not have any contingent liability as on September 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.

24. 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. 030428

Dr. Anand Deshpande
Director

Nara Rajagopalan
President and Director

Place: Pune
Date: October 17, 2014

Place: Pune
Date: October 17, 2014

Place: Santa Clara
Date: October 17, 2014
