

Persistent Telecom Solutions Inc.

BALANCE SHEET AS AT MARCH 31, 2014

	Note	As at March 31, 2014 (In ₹)	As at March 31, 2013 (In ₹)
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	1	123	123
Reserves and surplus	2	404,144,000	420,146,690
	(A)	404,144,123	420,146,813
Non- current liabilities			
Long-term borrowings	3	198,589,688	124,832,500
Other long term liabilities	4	199,236	16,337,331
	(B)	198,788,924	141,169,831
Current liabilities			
Short term borrowings	5	24,785,411	1,941,328
Trade payables	6	67,971,817	61,653,142
Other current liabilities	6	112,274,165	133,465,278
Short-term provisions	7	100,162,135	67,460,322
	(C)	305,193,528	264,520,070
TOTAL	(A)+(B)+(C)	908,126,575	825,836,714
ASSETS			
Non-current assets			
Fixed assets			
- Tangible assets	8	55,926,312	80,996,311
- Intangible assets	8	323,387,857	424,455,030
- Capital work-in-progress		475,563	79,784
		379,789,732	505,531,125
Deferred tax assets (net)	9	115,263,601	31,375,943
Long term loans and advances	10	930,523	1,791,587
	(A)	495,983,856	538,698,655
Current assets			
Trade receivables	11	161,856,821	128,188,541
Cash and bank balances	12	67,337,249	68,611,105
Short-term loans and advances	13	72,581,801	67,468,908
Other current assets	14	110,366,848	22,869,505
	(B)	412,142,719	287,138,059
TOTAL	(A) + (B)	908,126,575	825,836,714
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 18, 2014

Place: Pune
Date : April 18, 2014

Place: Santa Clara
Date : April 18, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note	For the year ended March 31, 2014 (In ₹)	For the year ended March 31, 2013 (In ₹)
Income			
Revenue from operations	15	1,262,099,562	894,653,052
Other income	16	1,414,962	4,855
		1,263,514,524	894,657,907
Expenses			
Employee benefit expenses	17.1	558,247,912	323,300,613
Cost of technical professionals	17.2	149,461,514	82,423,007
Other expenses	18	436,648,203	180,993,762
Finance costs		523,767	54,998
Depreciation and amortization expense	8	236,235,913	148,314,463
		1,381,117,309	735,086,843
Profit/(Loss) before tax		(117,602,785)	159,571,064
Tax expense			
Current tax		26,616,695	111,715,709
Deferred tax (credit) / charge		(81,854,370)	(25,350,507)
Tax (credit) / charge in respect of earlier years		(1,587,329)	(2,358,082)
Total tax expense		(56,825,004)	84,007,120
Profit/(Loss) after tax		(60,777,781)	75,563,944
Earnings per equity share	19		
[nominal value of share \$ 0.001 (previous year \$ 0.001)]			
Basic ₹		(24,507.17)	30,469.33
Diluted ₹		(24,507.17)	30,469.33
Summary of significant accounting policies	23		

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Place: Pune
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Persistent Telecom Solutions Inc.**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014**

		For the year ended March 31, 2014 (In ₹)	For the year ended March 31, 2013 (In ₹)
Cash flow from operating activities			
Profit before tax		(117,602,785)	159,571,064
Adjustments for:			
Foreign Currency Translation Reserve		(7,402,629)	3,818,509
Finance Cost		523,767	54,998
Interest income		(21,546)	(4,855)
Depreciation and amortization expense		236,235,913	148,314,463
Provision for doubtful debts		22,096,867	-
Operating profit before working capital changes		133,829,587	311,754,179
Movements in working capital :			
(Increase) in trade receivables		(55,765,147)	(110,897,717)
(Increase) in other current assets		(87,502,183)	(7,048,624)
Decrease/ (Increase) in loans and advances		(4,251,829)	(66,408,088)
Increase in trade payables and current liabilities		40,329,706	109,905,972
Increase in provisions		25,234,491	61,947,278
Operating profit after working capital changes		51,874,624	299,253,000
Direct taxes paid (net of refunds)		(17,522,014)	(117,023,270)
Net cash generated from operating activities	A	34,352,610	182,229,730
Cash flows from investing activities			
Payment for capital expenditure		(85,038,036)	(299,427,242)
Interest received		21,306	4,855
Net cash generated (used in) investing activities	B	(85,016,730)	(299,422,387)
Cash flows from financing activities			
Proceeds from long term borrowings		70,149,888	124,887,331
Interest paid		(379,362)	
Net cash generated from financing activities	C	69,770,526	124,887,331
Net increase in cash and cash equivalents (A + B + C)		19,106,407	7,694,674
Cash and cash equivalents at the beginning of the reporting year		48,230,842	40,536,168
Cash and cash equivalents at the end of the reporting year		67,337,249	48,230,842
Components of cash and cash equivalents		March 31, 2014	March 31, 2013
Balances with Banks		67,337,249	48,230,842
Cash and cash equivalents as per note 12		67,337,249	48,230,842

Summary of significant accounting policies

23

As per our report of even date

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

**For and on behalf of the Board of Directors of
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per C.K. Joshi
Partner
Membership No. 030428

Dr. Anand Deshpande
Director

Nara Rajagopalan
President and Director

Place: Pune
Date : April 18, 2014

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Date : April 18, 2014

Place: Santa Clara
Date : April 18, 2014

NOTES FORMING PART OF FINANCIAL STATEMENTS

1. Share capital

	As at March 31, 2014 (In ₹)	As at March 31, 2013 (In ₹)
Authorised		
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.	123	123
All shares are held by holding company viz. Persistent Systems Inc.		
	123	123

2. Reserves and surplus

	As at March 31, 2014 (In ₹)	As at March 31, 2013 (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	30,308,516	8,905,787
Add: Exchange difference during the year on net investment in non-integral foreign operation	44,775,091	21,402,729
(B)	75,083,607	30,308,516
C. Surplus in the statement of profit and loss		
Balance as per last financial statements	82,907,604	7,343,660
Net Profit for the reporting year	(60,777,781)	75,563,944
(C)	22,129,823	82,907,604
(A+B+C)	404,144,000	420,146,690

3. Long-term borrowings

	As at March 31, 2014 (In ₹)	As at March 31, 2013 (In ₹)
Unsecured		
Borrowings from related parties (Refer note 20)		
- Persistent Systems, Inc. (Repayment Terms : After Thirty six months) (Rate of interest: Applicable federal rate)	158,841,000	124,832,500
- Persistent Systems Pte. Ltd. (Repayment Terms : After Thirty six months) (Rate of interest: SIBOR + 2%)	39,748,688	-
	198,589,688	124,832,500

4. Other long term liabilities

	As at March 31, 2014 (In ₹)	As at March 31, 2013 (In ₹)
Interest accrued but not due on term loans (Refer note 20)		
- Persistent Systems, Inc.	86,166	54,831
- Persistent Systems Pte. Ltd.	113,070	-
Capital Creditors	-	16,282,500
	199,236	16,337,331

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

	As at March 31, 2014 (In ₹)	As at March 31, 2013 (In ₹)
Loans and advances from related parties - (Refer note 20)		
Unsecured		
-Persistent Systems Inc.	24,767,254	1,831,900
-Persistent Systems Ltd.	18,157	109,428
	24,785,411	1,941,328

6. Trade payables and other current liabilities

	As at March 31, 2014 (In ₹)	As at March 31, 2013 (In ₹)
Trade payables (*)	67,971,817	61,653,142
	67,971,817	61,653,142

(*) Includes payable to related parties (Refer note 20)

Other current liabilities

Unearned revenue	75,408,700	63,782,201
Capital creditors	17,982,000	50,340,063
Other payables		
- Statutory liabilities	2,967,995	3,290,644
- Accrued employee liabilities	15,915,470	16,052,370
	112,274,165	133,465,278

7. Short-term provisions

	As at March 31, 2014 (In ₹)	As at March 31, 2013 (In ₹)
Provision for employee benefits		
- Leave encashment	20,658,841	11,800,616
- Other employee benefits	67,468,601	51,092,335
Others		
- Provision for income tax (net of advance tax)	12,034,693	4,567,371
	100,162,135	67,460,322

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Persistent Telecom Solutions Inc.

NOTES FORMING PART OF 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, 2012	440,066	-	-	440,066	306,312,840	-	306,312,840	306,752,906
Additions	96,767,062	398,326	34,841	97,200,229	3,131,231	246,159,867	249,291,098	346,491,327
Other Adjustments								
- Exchange difference	217,735	(7,231)	(403)	210,101	20,468,289	(2,728,752)	17,739,537	17,949,638
As at March 31, 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, 2012	8,439	-	-	8,439	16,748,342	-	16,748,342	16,756,781
Charge for the period	16,840,368	45,268	10,748	16,896,384	110,383,557	21,034,522	131,418,079	148,314,463
Other Adjustments								
- Exchange difference	(50,568)	(137)	(33)	(50,738)	785,892	(63,868)	722,024	671,286
As at March 31, 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 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 FINANCIAL STATEMENTS

9. Deferred tax assets

	As at March 31, 2014 (In ₹)	As at March 31, 2013 (In ₹)
Deferred tax assets		
Provision for doubtful debts	8,704,677	-
Provision for leave encashment	8,263,544	4,720,246
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	98,295,380	26,655,697
Deferred tax asset (net)	115,263,601	31,375,943

10. Long term loans and advances

	As at March 31, 2014 (In ₹)	As at March 31, 2013 (In ₹)
Unsecured, considered good		
Advances recoverable in cash or kind or for value to be received	930,523	1,791,587
	930,523	1,791,587

11. Trade receivables

	As at March 31, 2014 (In ₹)	As at March 31, 2013 (In ₹)
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured (considered good)	-	-
Unsecured (considered doubtful)	21,761,654	-
	21,761,654	-
Less : Provision for doubtful debts	21,761,654	-
	-	-
Others (*)		
Unsecured (considered good)	161,856,821	128,188,541
Unsecured (considered doubtful)	-	-
	161,856,821	128,188,541
Less : Provision for doubtful debts	-	-
	161,856,821	128,188,541
	161,856,821	128,188,541

(*) Includes dues from related parties (Refer note 20)

12. Cash and bank balance

	As at March 31, 2014 (In ₹)	As at March 31, 2013 (In ₹)
Cash and cash equivalents as presented in cash flow statement		
Balances with banks		
- On current account	67,337,249	48,230,842
Other bank balances		
- On Escrow account (*)	-	20,380,263
	67,337,249	68,611,105

(*)The company can utilize these balances only towards settlement of specific liability

NOTES FORMING PART OF FINANCIAL STATEMENTS**13. Short-term loans and advances**

	As at March 31, 2014 (In ₹)	As at March 31, 2013 (In ₹)
Unsecured, considered good		
Other loans and advances		
- Deposits	576,945	2,749,029
- Advances recoverable in cash or kind or for value to be received	72,004,856	64,719,879
	72,581,801	67,468,908

14. Other current assets

	As at March 31, 2014 (In ₹)	As at March 31, 2013 (In ₹)
Unsecured, considered good		
Unbilled revenue	110,366,848	22,864,665
Interest accrued but not due (Refer note 20) Persistent Systems Inc.	-	4,840
	110,366,848	22,869,505

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NOTES FORMING PART OF FINANCIAL STATEMENTS
15. Revenue from operations

	For the year ended March 31, 2014 (In ₹)	For the year ended March 31, 2013 (In ₹)
Sale of products (net)	254,501,833	230,950,059
Sale of software services (net)	1,007,597,729	663,702,993
	1,262,099,562	894,653,052

16. Other income

	For the year ended March 31, 2014 (In ₹)	For the year ended March 31, 2013 (In ₹)
Interest income	16,466	4,855
Interest on income tax refund	5,080	-
Foreign exchange gains (net)	1,359,765	-
Miscellaneous income	33,651	-
	1,414,962	4,855

17. Personnel expenses

	For the year ended March 31, 2014 (In ₹)	For the year ended March 31, 2013 (In ₹)
17.1 Employee benefit expenses		
Salaries, wages and bonus	555,984,236	322,404,587
Staff welfare and benefits	2,263,676	896,026
	558,247,912	323,300,613
17.2 Cost of technical professionals		
- Related Parties (Refer Note 20)	112,404,105	52,010,357
- Others	37,057,409	30,412,650
	149,461,514	82,423,007
	707,709,426	405,723,620

18. Other expenses

	For the year ended March 31, 2014 (In ₹)	For the year ended March 31, 2013 (In ₹)
Travelling and conveyance	35,234,710	13,110,884
Electricity expenses	13,339	-
Communication expenses	3,218,802	2,432,413
Training and seminars	102,100	-
Royalty expenses (Refer Note 20)	220,337,942	43,765,684
Third party hosting and software fees	76,983,913	79,889,542
Purchase of software licenses and support expenses	20,775,372	9,808,105
Provision for doubtful debts	22,096,867	-
Rent	11,790,341	3,060,542
Rates, fees and profession tax	504,628	902,813
Legal and professional fees	32,224,571	19,004,142
Repairs and maintenance		
- Plant and machinery	1,825,239	2,577,031
- Others	58,951	-
Advertisement and sponsorship fees	4,879,044	782,208
Computer consumables	19,265	305,383
Auditors' remuneration (Refer note 25)	56,180	33,766
Books, memberships, subscriptions	555,918	415,869
Foreign exchange loss (net)	-	1,504,288
Miscellaneous expenses	5,971,021	3,401,092
	436,648,203	180,993,762

NOTES FORMING PART OF FINANCIAL STATEMENTS**19. Earnings per share**

		For the year ended March 31, 2014 (In ₹)	For the year ended March 31, 2013 (In ₹)
Basic earnings per share			
<u>Numerator</u>			
Net Profit / (loss) after tax	A	(60,777,781)	75,563,944
<u>Denominator</u>			
Weighted average number of equity share	B	2,480	2,480
Basic/Diluted earnings per share (Face value of US \$ 0.001 each)	A / B	(24,507.17)	30,469.33

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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, 2014 (In ₹)	March 31, 2013 (In ₹)
Income				
Software Professional Services Interest	Persistent Systems Limited Persistent Systems, Inc.	Ultimate Holding Company Holding Company	166,842,951 -	142,529,279 4,855
Expenses				
Technical Professional charges	Persistent Systems Limited	Ultimate Holding Company	112,404,105	52,010,357
Finance cost	Persistent Systems, Inc. Persistent Systems Pte. Ltd.	Holding Company Companies under the same management	354,392 169,375	54,998 -
Royalty Expenses	Persistent Systems, Inc.	Holding Company	3,135,672	-
Remuneration	Nara Rajagopalan	Key Management Personnel	23,396,412	-
Inter corporate deposit given*	Persistent Systems, Inc.	Holding Company	-	27,777,777
Receipt of ICD given*	Persistent Systems, Inc.	Holding Company	-	26,455,026
Inter corporate deposit obtained*	Persistent Systems, Inc. Persistent Systems Pte. Ltd.	Holding Company Companies under the same management	62,470,623 40,378,977	134,838,792 -
Repayment of Inter corporate deposit*	Persistent Systems, Inc.	Holding Company	44,444,444	11,111,000

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

III. Related party balances

Particulars	Name of the related Party	Relationship with the Related Party	As at	As at
			March 31, 2014 (In ₹)	March 31, 2013 (In ₹)
Trade payables	Persistent Systems Limited Persistent Systems, Inc.	Ultimate Holding Company Holding Company	29,583,147 3,088,109	23,835,192 -
Trade receivables	Persistent Systems Limited	Ultimate Holding Company	29,002,628	12,850,529
Inter corporate deposits taken	Persistent Systems, Inc. Persistent Systems Pte. Ltd.	Holding Company Companies under the same management	158,841,000 39,748,688	124,832,500 -
Advances received	Persistent Systems, Inc. Persistent Systems Limited	Holding Company Ultimate Holding Company	24,767,254 18,157	1,831,900 109,428
Interest on ICD receivable	Persistent Systems, Inc.	Holding Company	-	4,840
Interest on ICD payable	Persistent Systems, Inc. Persistent Systems Pte. Ltd.	Holding Company Companies under the same management	86,166 113,070	54,831 -

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. 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 are prepared in accordance with generally accepted accounting principles in India (Indian GAAP), to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956 read with general circular 15/2013 dated September 13, 2013, issued by the Ministry of Corporate Affairs, in respect of section 133 of the Companies Act, 2013. These financial statements are prepared under the historical cost convention on an accrual basis.

23. Statement of significant accounting policies

A. Accounting year

The accounting year of the company is from April 01 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.

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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 capitalized expenditure is reflected as intangibles under development.

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

F. Depreciation and amortization

a) On tangible fixed assets

Depreciation is provided using the Straight Line Method ('SLM') as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956, whichever is higher.

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Persistent Telecom Solutions, Inc.

A comparative statement of rates of depreciation followed by the company and applicable rates as per the schedule XIV of the Companies Act, 1956 is as below:

Assets *	Rates (SLM)	Rates as per Schedule XIV (SLM)
Buildings	4.00%	1.63%
Computers	33.33%	16.21%
Plant and machinery	20.00%	4.75%
Furniture and fixtures	20.00%	6.33%
Vehicles	20.00%	9.50%

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

b) On Intangible assets

Intangible assets are amortized on a straight line basis over the period of expected future economic benefits i.e. over their estimated useful lives. A comparative statement of rates of amortization followed by the company and applicable rates as per the schedule XIV of the Companies Act, 1956 is as below:

Assets *	Rates (SLM)	Rates as per Schedule XIV (SLM)
Software	16.66% to 33.33%	16.21%
Acquired contractual rights	16.66% to 33.33%	Not prescribed

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

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.

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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 from subsidiaries is recognized even if such dividend is declared after the balance Sheet date but pertains to period on or before the date of balance sheet as per the requirement of Schedule VI of the Companies Act, 1956.

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 year.

The exchange difference arising out of the 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.

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 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.

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)

The earnings considered in ascertaining EPS comprise the amount attributable to equity shareholders. The number of shares used in computing the basic earnings per share is the weighted average number of shares outstanding during the year.

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 financial statements.

24. Contingent liability

The company does not have any contingent liability as on March 31, 2014 (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. Auditors remuneration

Particulars	(Amount in ₹)	
	For the year ended March 31, 2014	For the year ended March 31, 2013
As auditors	56,180	33,766
TOTAL	56,180	33,766

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 18, 2014

Place: Pune
Date: April 18, 2014

Place: Santa Clara
Date: April 18, 2014