

Persistent Systems Limited

BALANCE SHEET AS AT MARCH 31, 2010

	Sch.	As at March 31, 2010 In Rs. Million	As at March 31, 2009 In Rs. Million
Sources of funds			
Shareholders' funds			
Share capital	1	400.00	358.61
Stock options outstanding (Refer note 11 to Schedule 15)		32.02	20.73
Reserves and surplus	2	5,991.56	3,567.43
Deferred payment liabilities		45.11	-
[Due within one year Rs. 8.25 million (Previous year Rs. Nil)]			
		6,468.69	3,946.77
Application of funds			
Fixed assets			
Gross block	3	3,633.72	3,336.67
Less Accumulated depreciation and amortisation		1,843.55	1,543.54
Net block		1,790.17	1,793.13
Capital work-in-progress (including capital advances)		476.08	377.44
		2,266.25	2,170.57
Investments	4	1,757.65	1,067.01
Deferred tax assets (net) (Refer note 9 to Schedule 15)		8.00	16.39
Current assets, loans and advances			
Sundry debtors	5	1,045.09	824.19
Cash and bank balances	6	1,771.87	68.93
Other current assets	7	302.47	117.19
Loans and advances	8	676.42	496.10
	(A)	3,795.85	1,506.41
Less: Current liabilities and provisions			
Current liabilities	9	1,064.63	660.69
Provisions	10	294.43	152.92
	(B)	1,359.06	813.61
Net current assets	(A - B)	2,436.79	692.80
		6,468.69	3,946.77
Notes to accounts	15		

The schedules referred to above and notes to accounts form an integral part of the balance sheet.

As per our report of even date

For S.R. BATLIBOI & Co.
Chartered Accountants

For JOSHI APTE & Co.
Chartered Accountants

For and on behalf of the Board of Directors

per Arvind Sethi
Partner
Membership No. 89802

C.K. Joshi
Partner
Membership No. 30428

Dr. Anand Deshpande
Chairman and
Managing Director

P. B. Kulkarni
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Place: Pune
Date : April 23, 2010

Place: Pune
Date : April 23, 2010

Place: Pune
Date : April 23, 2010

Persistent Systems Limited
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Sch.	For the quarter ended		For the year ended	
		March 31, 2010 In Rs. Million	March 31, 2009 In Rs. Million	March 31, 2010 In Rs. Million	March 31, 2009 In Rs. Million
Income					
Sale of software services and products	11	1,382.11	1,342.62	5,044.13	5,196.91
Other Income	12	129.50	32.81	117.01	73.77
		1,511.61	1,375.43	5,161.14	5,270.68
Expenditure					
Personnel expenses	13	809.41	680.42	2,913.20	2,795.76
Operating and other expenses	14	181.63	456.51	682.31	1,567.87
		991.04	1,136.93	3,595.51	4,363.63
Operating profit before depreciation and amortisation		520.57	238.50	1,565.63	907.05
Depreciation and amortisation	3	83.16	82.39	324.95	294.72
Profit before tax and exceptional items		437.41	156.11	1,240.68	612.33
Provision for tax					
Current tax		73.64	15.50	211.13	63.00
Less: MAT credit entitlement		59.10	12.40	162.38	43.00
Net current tax		14.54	3.10	48.75	20.00
Tax in respect of earlier years		-	-	13.02	-
Deferred tax charge / (credit)		(0.36)	(9.39)	8.39	(18.94)
Fringe benefit tax		-	3.50	-	10.50
Total tax expense		14.18	(2.79)	70.16	11.56
Profit after tax and before exceptional items		423.23	158.90	1,170.52	600.77
Exceptional items (Refer note 16 to Schedule 15)		-	0.27	-	(14.73)
Profit after tax and exceptional items		423.23	159.17	1,170.52	586.04
Balance brought forward from previous year		2,507.02	1,872.71	1,780.71	1,471.02
Profit available for appropriation		2,930.25	2,031.88	2,951.23	2,057.06
Appropriations					
Transfer to general reserve		468.20	234.40	468.20	234.40
Interim dividend		60.00	14.34	77.93	35.86
Proposed final dividend		20.00	-	20.00	-
Tax on dividend		13.59	2.43	16.64	6.09
		-	-	-	-
Surplus carried to balance sheet		2,368.46	1,780.71	2,368.46	1,780.71
Earnings per share (Refer note 7 to Schedule 15)					
Basic [Nominal value of equity shares Rs. 10 (Previous year Rs. 10)]					
Computed on the basis of earnings after tax and exceptional items (Rs.)		12.86	4.98	36.37	18.34
Computed on the basis of earnings after tax and before exceptional items (Rs.)		12.86	4.97	36.37	18.80
Diluted [Nominal value of equity shares Rs. 10 (Previous year Rs. 10)]					
Computed on the basis of earnings after tax and exceptional items (Rs.)		11.77	4.44	32.62	16.34
Computed on the basis of earnings after tax and before exceptional items (Rs.)		11.77	4.43	32.62	16.75

Notes to accounts

15

The schedules referred to above and notes to accounts form an integral part of the profit and loss account.

As per our report of even date

For S.R. BATLIBOI & Co.
Chartered Accountants
For JOSHI APTE & Co.
Chartered Accountants
For and on behalf of the Board of Directors

 per Arvind Sethi
 Partner
 Membership No. 89802

 C.K. Joshi
 Partner
 Membership No. 30428

 Dr. Anand Deshpande
 Chairman and
 Managing Director
 P. B. Kulkarni
 Director

 Rajesh Ghonasgi
 Chief Financial Officer
 Vivek Sadhale
 Company Secretary
 and Head - Legal

 Place: Pune
 Date : April 23, 2010

 Place: Pune
 Date : April 23, 2010

 Place: Pune
 Date : April 23, 2010

Persistent Systems Limited
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

	For the year ended	
	March 31, 2010 In Rs. Million	March 31, 2009 In Rs. Million
Cash flow from operating activities		
Net profit before tax and exceptional items	1,240.68	612.33
Adjustments for:		
Interest income	(6.54)	(6.58)
Dividend income	(42.73)	(43.81)
Depreciation and amortisation	324.95	294.72
Unrealised exchange loss / (gain) (net)	19.41	(3.42)
Exchange (gain) / loss on derivative contracts	(234.47)	162.72
Exchange difference on translation of foreign currency cash and cash equivalents	0.31	0.03
Provision for doubtful debts (net of doubtful debt provision written back)	44.39	87.47
Employee compensation expenses	19.45	14.83
Provision for doubtful deposit written back	(1.50)	(0.10)
Excess provision written back	(17.65)	-
Profit on sale of investments	(0.01)	(0.37)
Profit on sale of fixed assets	(1.46)	(14.92)
Operating profit before working capital changes	1,344.83	1,102.90
Movements in working capital :		
(Increase) in sundry debtors	(284.02)	(283.86)
Decrease/(Increase) in other current assets	33.02	(39.89)
Decrease/(Increase) in loans and advances	26.92	(23.32)
Increase in current liabilities	560.88	5.34
Increase in provisions	50.77	16.97
Operating profit after working capital changes	1,732.40	778.14
Direct taxes paid (net of refunds)	(232.73)	(95.83)
Net cash from operating activities after exceptional item (A)	1,499.67	682.31
Cash flows from investing activities		
Purchase of fixed assets	(421.71)	(482.93)
Proceeds from sale of fixed assets	2.55	15.70
Purchase of investments	(7,029.14)	(5,495.40)
Sale / maturity of investments	6,339.49	5,317.98
Interest income	6.65	6.51
Purchase of investment in subsidiaries	-	(27.32)
Dividends received	42.73	43.81
Net cash (used in) investing activities (B)	(1,059.43)	(621.65)
Cash flows from financing activities		
Proceeds from issuance of share capital	41.39	-
Increase in securities premium	1,241.70	-
Share issue expenses	(37.19)	(14.73)
Deferred payment liabilities	45.11	-
Interim dividends paid	(21.52)	(32.27)
Tax on interim dividend paid	(5.49)	(3.65)
Net cash (used in) financing activities (C)	1,264.00	(50.65)
Net increase in cash and cash equivalents (A + B + C)	1,704.24	10.01
Cash and cash equivalents at the beginning of the year	66.79	56.81
Exchange difference on translation of foreign currency cash and cash equivalents	(0.31)	(0.03)
Cash and cash equivalents at the end of the year	1,770.72	66.79

Persistent Systems Limited**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010**

Components of cash and cash equivalents as at	March 31, 2010	March 31, 2009
Cash in hand	0.21	0.13
With scheduled banks - on current account	1,766.70	58.73
With other banks		
- on current account	3.81	7.28
- on saving account	-	0.65
	1,770.72	66.79

As per our report of even date

For S.R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802

Place: Pune
Date : April 23, 2010

For JOSHI APTE & Co.
Chartered Accountants

C.K. Joshi
Partner
Membership No. 30428

Place: Pune
Date : April 23, 2010

For and on behalf of the Board of Directors

Dr. Anand Deshpande P. B. Kulkarni
Chairman and Director
Managing Director

Rajesh Ghonasgi Vivek Sadhale
Chief Financial Officer Company Secretary
and Head - Legal

Place: Pune
Date : April 23, 2010

Persistent Systems Limited

SCHEDULES FORMING PART OF BALANCE SHEET

	As at March 31, 2010 In Rs. Million	As at March 31, 2009 In Rs. Million
Schedule 1		
Share capital		
Authorised		
100,000,000 (Previous year 100,000,000) equity shares of Rs. 10 each.	1,000.00	1,000.00
	1,000.00	1,000.00
Issued, subscribed and paid-up		
40,000,000 (Previous year 35,861,000) equity shares of Rs. 10 each fully paid.	400.00	358.61
(Of the above 25,615,000 (Previous year 25,615,000) equity shares were allotted as fully paid-up Bonus Shares by capitalisation of Capital Redemption Reserves [Rs. 9.79 million (Previous year Rs. 9.79 million)] and Securities Premium Account [Rs. 246.36 million (Previous year Rs. 246.36 million)])		
	400.00	358.61
Schedule 2		
Reserves and surplus		
Securities premium account		
Opening balance Securities Premium	577.49	577.49
Add : Additions during the year	1,241.70	-
Less: Share issue expenses	80.59	-
Closing balance	(A) 1,738.60	577.49
General reserve		
Opening balance	1,209.23	974.83
Add: Transferred from profit and loss account	468.20	234.40
	1,677.43	1,209.23
Add: Amount adjusted to Advance to PSPL ESOP Management Trust (Refer note 11 to Schedule 15)	47.22	-
Closing balance	(B) 1,724.65	1,209.23
Hedge reserve		
Opening balance	-	-
Add: Additions during the year	159.85	-
	(C) 159.85	-
Profit and loss account		
	(D) 2,368.46	1,780.71
	(A)+(B)+(C)+(D) 5,991.56	3,567.43

Persistent Systems Limited

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 3

Fixed assets

In Rs. Million

Name of the Asset	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
	As at April 1, 2009	Additions during the year	Deductions/ Transfers during the year	As at March 31, 2010	As at April 1, 2009	For the year	Deductions / Transfers during the year	As at March 31, 2010	As at March 31, 2010	As at March 31, 2009
Freehold Land	202.98	-	-	202.98	-	-	-	-	202.98	202.98
Leasehold Land	39.93	-	-	39.93	-	-	-	-	39.93	39.93
Building	1,223.30	34.21	-	1,257.51	175.52	49.86	-	225.38	1,032.13	1,047.78
Computers	649.95	76.78	23.31	703.42	506.49	91.38	23.30	574.57	128.85	143.46
Software	409.26	160.97	-	570.23	363.97	64.05	-	428.02	142.21	45.29
Plant and Machinery	532.01	44.50	2.08	574.43	315.52	83.04	1.01	397.55	176.88	216.49
Furniture and fixtures	274.57	7.43	1.39	280.61	179.23	36.99	1.39	214.83	65.78	95.34
Vehicle	4.67	-	0.06	4.61	2.81	0.45	0.06	3.20	1.41	1.86
As at March 31, 2010	3,336.67	323.89	26.84	3,633.72	1,543.54	325.77	25.76	1,843.55	1,790.17	1,793.13
As at March 31, 2009	2,901.49	449.78	14.60	3,336.67	1,260.60	295.53	12.59	1,543.54	1,793.13	1,640.89
Capital work-in-progress including capital advances										
As at March 31, 2010	377.44	216.40	117.76	476.08					476.08	377.44
As at March 31, 2009	330.75	386.63	339.94	377.44	-	-	-	-	377.44	330.75

Notes:

- 1) Company has entered into a lease agreement with Maharashtra Industrial Development Corporation on February 07, 2006 and November 16, 2007 for unit at MIDC Parsodi, Nagpur. This agreement will be converted into lease agreement for a term of 95 years after completion of stipulated conditions. Amortization of Land will be effective from the date of such lease agreement.
- 2) Company has entered into a lease agreement with Maharashtra Industrial Development Corporation on November 25, 2005 for unit at MIDC Hinjwadi Pur. This agreement will be converted into lease agreement for a term of 95 years after completion of stipulated conditions. Amortization of Land will be effective from date of such lease agreement.
- 3) Depreciation amounting to Rs 0.82 million (previous period Rs. 0.81 million) relating to fixed assets used for construction of fixed assets under construction has been included under capital work-in-progress.
- 4) Capital work in progress includes capital advances of Rs. 83.62 million (Previous year Rs. 67.65 million)

Persistent Systems Limited

SCHEDULES FORMING PART OF BALANCE SHEET

	As at March 31, 2010 In Rs. Million	As at March 31, 2009 In Rs. Million
Schedule 4		
Investments		
Long term investments (At cost)		
Trade (Unquoted)		
In Subsidiary companies (which are also companies under the same management)		
Persistent eBusiness Solutions Ltd. 920,300 (Previous year 920,300) equity shares of Rs. 10 each, fully paid up Less Provision for diminution in value of investment	42.28 42.28	42.28 42.28
	(A)	-
Persistent Systems, Inc. 37,000,000 (Previous year 37,000,000) shares of USD 0.10 each, fully paid.	165.92	165.92
	(B)	165.92
Persistent Systems, Pte Ltd. 500,000 (Previous year 500,000) shares of SGD 1 each, fully paid.	15.50	15.50
	(C)	15.50
Persistent Systems and Solutions Limited 14,50,000 (Previous year 14,50,000) shares of Rs. 10 each, fully paid.	14.50	14.50
	(D)	14.50
	(E)=(A)+(B)+(C)+(D)	195.92
Current Investments (At lower of cost and market value)		
Other than trade (Unquoted)		
Investment in mutual funds (Refer note 12 to Schedule 15)	1,561.73	871.09
	(F)	1,561.73
Aggregate amount of unquoted investments	(E)+(F)	1,757.65
Schedule 5		
Sundry debtors		
(Unsecured unless otherwise stated)		
Debts outstanding for a period exceeding six months		
Considered good	20.09	-
Considered doubtful	147.74	98.96
Other debts		
Considered good	1,025.00	824.19
Considered doubtful	14.00	18.39
	1,206.83	941.54
Less : Provision for doubtful debts	161.74	117.35
	1,045.09	824.19
Included in sundry debtors are dues from companies under the same management as follows:		
Persistent Systems Inc. [Maximum amount outstanding during the year Rs. 130.75 million (Previous year Rs. 52.97 Million)]	103.88	15.19
Persistent eBusiness Solutions Ltd. [Maximum amount outstanding during the year Rs. 29.01 million (Previous year Rs. 34.62 Million)]	18.11	29.01
Persistent Systems and Solutions Ltd. [Maximum amount outstanding during the year Rs. 2.41 million (Previous year Rs. 1.01 Million)]	0.67	0.90

Persistent Systems Limited

SCHEDULES FORMING PART OF BALANCE SHEET

	As at March 31, 2010 In Rs. Million	As at March 31, 2009 In Rs. Million
Schedule 6		
Cash and bank balances		
Cash in hand	0.21	0.13
Balances with scheduled banks		
On current accounts	1,766.70	58.73
On deposit accounts	1.15	2.14
	<u>1,767.85</u>	<u>60.87</u>
Balances with other banks		
On current accounts	3.81	7.28
On saving account	-	0.65
	<u>3.81</u>	<u>7.93</u>
	1,771.87	68.93
Bank balances with others include:		
Bank of Tokyo - Mitsubishi- NS, Japan [Maximum amount outstanding during the period Rs. 0.84 Million (Previous year Rs. 1.09 Million)]	-	0.65
Citibank Canada [Maximum amount outstanding during the period Rs. 8.46 million (Previous year Rs. 7.28 Million)]	3.81	7.28
Schedule 7		
Other current assets		
Interest accrued	0.03	0.14
Forward contracts receivable	218.41	-
Unbilled revenue	82.82	115.84
Fixed Assets held for sale (at net book value or estimated net realisable value whichever is lower)	1.21	1.21
	<u>302.47</u>	<u>117.19</u>
Schedule 8		
Loans and advances		
Unsecured, considered good		
Advance to companies under the same management	20.04	0.83
	<u>(A) 20.04</u>	<u>0.83</u>
Loan to companies under same management	53.65	60.57
	<u>(B) 53.65</u>	<u>60.57</u>
Advances recoverable in cash or kind or for value to be received	56.91	41.05
Advance to PSPL ESOP Management Trust	106.94	153.83
Advance Income Tax [Net of provision for Tax Rs. 444.28 (Previous year Rs. 190.58 Million)]	33.07	27.34
MAT credit entitlement	294.82	132.44
VAT and Service tax receivable [Net of provision Rs. 37.71 (Previous year Rs. 12.66 Million)]	75.87	56.33
Deposits	35.12	23.71
	<u>(C) 602.73</u>	<u>434.70</u>
Unsecured considered doubtful		
Deposits	1.18	2.68
Less: Provision for doubtful recovery	1.18	2.68
	<u>(D) -</u>	<u>-</u>
Loan to companies under same management	25.53	25.53
Less: Provision for doubtful recovery	25.53	25.53
	<u>(E) -</u>	<u>-</u>
	(A)+(B)+(C)+(D)+(E) 676.42	496.10
Included in advances are:		
Persistent Systems Inc. [Maximum amount outstanding during the period Rs. 12.95 million (Previous year Rs. 31.98 million)]	12.18	0.83
Persistent eBusiness Solutions Limited [Maximum amount outstanding during the period Rs. Nil (Previous year Rs. Nil million)]	-	-
Persistent Systems Pte. Ltd. [Maximum amount outstanding during the period Rs. 0.27 (Previous year Rs. Nil million)]	0.27	-
Persistent Systems and Solutions Limited	7.59	-

Persistent Systems Limited

SCHEDULES FORMING PART OF BALANCE SHEET

	As at March 31, 2010 In Rs. Million	As at March 31, 2009 In Rs. Million
[Maximum amount outstanding during the period Rs. 7.59 (Previous year Rs. Nil million)]		
Included in Loans are:		
Dues from companies under the same management		
Persistent eBusiness Solutions Limited [Maximum amount outstanding during the period Rs. 25.53 million (Previous year Rs. 25.53 million)]	25.53	25.53
Persistent Systems Inc. [Maximum amount outstanding during the period Rs. 60.57 million (Previous year Rs. 61.18 Million)]	53.65	60.57
Schedule 9		
Current liabilities		
Advance from customers	84.45	65.73
Sundry creditors		
Micro and small enterprises (Refer note 15 to Schedule 15)	-	-
Others	191.54	126.54
Payable to selling shareholders (Refer note 17 to Schedule 15)	372.08	-
Subsidiary companies	43.94	25.95
Unearned revenue	18.46	28.24
Accrued employee liabilities	311.00	200.35
Unpaid dividend	-	3.59
Provision for derivative contracts	-	175.91
Tax on unpaid dividend	-	2.44
Other liabilities	43.16	31.94
	1,064.63	660.69
Dues to companies under the same management		
Persistent eBusiness Solutions Limited [Maximum amount outstanding during the Year Rs. 3.52 million (Previous year Rs. 6.81 Million)]	1.15	1.10
Persistent Systems and Solutions Limited [Maximum amount outstanding during the year Rs. Nil (Previous year Rs. 0.50 Million)]	-	0.22
Persistent Systems Inc. [Maximum amount outstanding during the Year Rs. 56.46 million (Previous year Rs. 52.16 Million)]	42.57	24.63
Persistent Systems Pte Ltd. [Maximum amount outstanding during the Year Rs. 0.22 million (Previous year Rs. Nil)]	0.22	-
Schedule 10		
Provisions		
Gratuity (Refer Note 5 to Schedule 15)	42.49	1.93
Leave encashment	90.32	87.24
Provision for other long term benefits	68.03	60.90
Proposed dividend	80.00	-
Tax on proposed dividend	13.59	-
Provision for fringe benefit tax [Net of advance tax Rs. Nil million (Previous year Rs. 31.69 million)]	-	2.85
	294.43	152.92

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	For the quarter ended		For the year ended	
	March 31, 2010 In Rs. Million	March 31, 2009 In Rs. Million	March 31, 2010 In Rs. Million	March 31, 2009 In Rs. Million
Schedule 11				
Sale of software services and products				
Overseas	1,294.08	1,312.22	4,739.82	5,026.33
Domestic	88.03	30.40	304.31	170.58
	1,382.11	1,342.62	5,044.13	5,196.91
Schedule 12				
Other Income				
Interest on bank deposits [Tax Deducted at Source Rs. Nil (Previous Year Rs. 0.03 Million)]	-	0.10	0.15	0.16
Interest on inter corporate deposit and others [Tax Deducted at Source Rs. 1.30 Million (Previous year Rs. 1.25 Million)]	1.64	2.29	6.39	6.42
Foreign exchange gains (net)	113.03	-	41.13	-
Profit on sale of assets (net)	0.04	0.00	1.46	14.92
Dividend from non-trade investments	12.21	11.05	42.73	43.81
Profit on sale of investments (net)	0.01	-	0.01	0.37
Excess provision written back	0.95	-	17.65	-
Provision for doubtful deposit written back	0.60	0.10	1.50	0.10
Gratuity [Refer note 5 to Schedule 15]	-	15.30	-	-
Miscellaneous income	1.02	3.97	5.99	7.99
	129.50	32.81	117.01	73.77

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	For the quarter ended		For the year ended	
	March 31, 2010 In Rs. Million	March 31, 2009 In Rs. Million	March 31, 2010 In Rs. Million	March 31, 2009 In Rs. Million
Schedule 13				
Personnel expenses				
Salary and allowances	639.29	568.21	2,358.62	2,323.67
Software professional charges	86.01	64.09	290.13	262.60
Contribution to provident fund	21.09	19.45	79.78	79.16
Gratuity (Refer note 5 to Schedule 15)	18.08	-	40.87	1.87
Contribution to other defined benefit funds	5.77	3.71	23.04	22.27
Staff welfare and benefits	31.22	21.26	101.31	91.36
Employee compensation expenses (Refer note 11 to Schedule 15)	7.95	3.70	19.45	14.83
	809.41	680.42	2,913.20	2,795.76
Schedule 14				
Operating and other expenses				
Travelling and conveyance	53.37	34.15	146.13	175.81
Electricity and fuel	16.86	11.55	73.58	62.56
Internet link charges	4.96	8.18	24.97	28.26
Communication charges	4.27	4.07	16.97	18.58
Recruitment expenses	2.61	0.52	4.11	23.81
Training and seminars	4.81	4.18	14.85	18.49
Purchase of Software licenses and support charges	35.94	23.16	171.41	90.18
Provision for doubtful debts	6.76	19.26	44.39	87.47
Rent	3.09	2.76	10.64	11.45
Insurance	3.07	2.97	11.67	11.24
Rates, fees and profession tax	4.68	2.84	13.39	10.35
Legal and professional fees	4.22	2.31	12.50	11.19
Repairs and maintenance				
-Plant and Machinery	7.57	4.16	25.48	16.50
-Building	0.99	1.36	5.05	6.11
-Others	2.14	2.89	10.05	9.20
Commission on sales to other than sole selling agents	7.14	12.81	30.31	37.80
Advertisements, sponsorship fees	2.27	2.30	6.88	6.78
Computer consumables	2.40	1.21	8.46	5.18
Auditors' remuneration (Refer note 13 to Schedule 15)	0.72	1.01	3.33	3.68
Donations	1.27	14.00	6.35	15.43
Books, memberships, subscriptions	0.62	0.32	1.63	1.36
Foreign exchange loss (net)	-	290.38	-	717.46
Loss on sale of assets	-	0.01	-	-
Loss on sale of investment	-	0.02	-	-
Exchange loss on derivatives	-	-	-	162.72
Directors' sitting fees	0.08	0.06	0.27	0.27
Directors' commission	1.81	0.90	1.81	0.90
Miscellaneous expenses	9.98	9.13	38.08	35.09
	181.63	456.51	682.31	1,567.87

Schedule 15

1. Nature of Operations

Persistent Systems Limited (the "Company") is predominantly engaged in Outsourced Software Product Development services. The Company offers complete product life cycle services.

2. Statement of significant accounting policies

A. Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standard notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. These financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully in 2(B) below, are consistent with those used in the previous period.

B. Change in Accounting Policy

- a. Effective April 1, 2009, the Company has adopted the principles of AS 30 'Financial Instruments: Recognition and Measurement' for forward exchange contracts that are not covered by AS 11 'The effects of changes in foreign exchange rates' and that relate to a firm commitment or a highly probable forecast transaction. In the previous period, the Company had accounted for such contracts in accordance with the guidance in the Announcement of Institute of Chartered Accountant of India (the 'ICAI') dated March 29, 2008. Had the Company accounted for these contracts in accordance with the aforesaid ICAI Announcement, hedge reserve would have been decreased by Rs. 159.85 Million and the forward contracts receivable / payable would have been increased by the same amount.
- b. At the balance sheet date, the Company changed the primary reporting segments to incorporate and reflect the changes in the operating structure. The primary reporting segments are identified based on market review and business dynamics and risk and returns affected by the type or class of customers for the services provided and are set out as follows:
 - a. Infrastructure and Systems:
 - b. Telecom and wireless:
 - c. Life science and Healthcare:

The change in the segment reporting only affects segment composition and has no other impact on the Financial Statements of the Company. The Company has also presented corresponding previous period comparatives to facilitate better comparison.

The secondary segment reporting which has been presented based on geographical location of customers has remained unchanged.

C. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

D. Fixed assets and Intangibles

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable costs of bringing the asset to its working condition for its intended use.

Capital work-in-progress includes cost of fixed assets that are not ready or put to use and advances paid to construct or acquire fixed assets.

Cost relating to software licenses, of enduring nature are capitalised on acquisition and amortised over their estimated useful lives.

E. Depreciation

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.

Software licenses of enduring nature are amortized over a period of three years or over their estimated useful lives whichever is lower.

Depreciation on assets purchased / sold during the period is charged on a pro-rata basis. Individual assets whose cost does not exceed Rs. 5,000 are depreciated at 100%.

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

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

F. Impairment

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 recognised 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 Company makes a reasonable estimate of the value in use.

G. Investments

Investments that are readily realisable and intended to be held for a period 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 an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline, other than temporary decline, in the value of the investments.

H. Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

I. Income from software services

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

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

Revenue from licensing of products is recognised on delivery of products.

Revenue from royalty is recognised on sale of products in accordance with the terms of the relevant agreement.

Revenue from maintenance contracts are recognised on a pro-rata basis over the period of the contract as and when services are rendered.

Unbilled revenue represents revenue recognised 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 recognised as per the terms of contract.

II. Interest

Revenue from interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

III. Dividends

Revenue from dividend is recognised when the Company's right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognised 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.

I. Foreign currency translations

i. Initial recognition

Foreign currency transactions are recorded in the reporting currency, 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

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

iii. Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or expenses in the period in which they arise.

Exchange differences in respect of fixed assets acquired, including foreign currency liabilities relating thereto, are recognised as income or expenses in the period in which they arise.

iv. Forward exchange contracts not intended for trading or speculation purposes covered by notified AS 11

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

v. Options and Forward exchange contracts not intended for trading or speculation purposes, classified as derivative instruments

In respect of derivative contracts entered into on or before March 31, 2009, pursuant to the announcement made by the ICAI regarding "Accounting for Derivatives", are marked to market on a portfolio basis at the balance sheet date. The resultant net losses after considering the offsetting effect on the underlying hedged items are recognised in the Profit and Loss Account on the principle of prudence. The resultant net gains, if any, on such derivative instruments are not recognised in financial statements. Any profit or loss arising on cancellation or renewal of such forward exchange contract is recognised as income or expense for the period.

In respect of derivative instruments entered into on or after April 1, 2009, the Company has adopted the principles of Accounting Standard ('AS') 30, Financial Instruments: Recognition and Measurement'. Accordingly, such derivative instruments, which qualify for hedge accounting are fair valued at balance sheet date and the effective portion of the resultant loss / (gain) is debited / credited to the hedge reserve and the ineffective portion is recognised to the profit and loss account.

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

Hedge Accounting is discontinued when the hedging instrument expires or is sold, or terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognised in hedge reserve is transferred to profit and loss account when the forecasted transaction occurs or when a hedged transaction is no longer expected to occur.

J. Retirement and other employee benefits

i. Gratuity

Gratuity liability represents defined benefit obligation and is provided for based on actuarial valuations, by using the Projected Unit Credit (PUC) method, made at the end of each financial period for employees covered under Group Gratuity Scheme of the Life Insurance Corporation of India.

ii. Superannuation

Superannuation is a defined contribution plan covering eligible employees. The contribution to the superannuation fund managed by Life Insurance Corporation of India equal to the specified percentage of the basic salary of the eligible employees as per the scheme. The contribution to this scheme is charged to the Profit and Loss Account on an accrual basis. There are no other contributions payable other than contribution payable to the respective fund.

iii. Provident fund

Provident Fund is a defined contribution plan covering eligible employees. The Company and the eligible employees make a monthly contribution to the provident fund maintained by the Regional Provident Fund Commissioner equal to the specified percentage of the basic salary of the eligible employees as per the scheme. The employer's contribution is charged to the Profit and Loss Account on an accrual basis. There are no other contributions payable other than contribution payable to the respective fund.

iv. Leave encashment

The short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation by using the Projected Unit Credit (PUC) Method.

v. Long Service Awards

Long service awards are other long term benefits to all eligible employees, as per Company's policy. The short term portion of the above benefit is provided on estimated basis. The Long term portion of the benefits are provided for based on actuarial valuation by using the Projected Unit Credit (PUC) Method.

vi. Actuarial gains and losses

Actuarial gains/ losses are immediately taken to the Profit and Loss Account and are not deferred.

K. Income Taxes

Tax expense comprises of current and deferred. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflect the impact of current period's timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier period.

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 recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

Deferred tax assets or liabilities relating to the timing differences arising and reversing during the tax holiday period under Section 10A of the Income Tax Act, 1961, are not recognised.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised 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 realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

The Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the period in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

L. Segment reporting policies

In accordance with paragraph 4 of Notified Accounting Standard 17 (AS-17) "Segment Reporting" the Company has disclosed segment information only on the basis of the consolidated financial statements which shall be presented together with the unconsolidated financial statements.

M. Earnings per share (EPS)

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of shares used in computing the basic earnings per share are reduced by the shares held by PSPL ESOP Management Trust at the balance sheet date, which are obtained by PSPL ESOP Management Trust from finance provided by the Company.

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

The weighted average number of equity shares outstanding during the period for both basic and diluted EPS are adjusted for issue of bonus shares.

N. 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.

O. Cash and cash equivalents

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

P. Employee stock compensation cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI.

The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortised over the vesting period of the option on a straight line basis if the fair market value of the underlying stock exceeds the exercised price at the measurement date, which typically is the grant date.

Q. Leases

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 recognised as an expense in the Profit and Loss account on a straight-line basis over the lease term.

3. Securities for loans

The export packing credit is secured by hypothecation of present and future receivables of the Company on pari passu basis with Bank of India and Citibank N.A. There is no balance payable as at March 31, 2010 (Previous period and year Rs. Nil)

4. Contingent Liabilities not provided for

(In Rs. Million)

	As at	
	March 31, 2010	March 31, 2009
Claims against the Company not acknowledged as debts		
Legal Claims filed by the ex employee for salary and other benefits	0.18	0.29
ESIC	-	4.92
Income Tax (Note 1)	24.03	-
Total	24.21	5.21

Note 1

Contingent liability of Rs. 24.03 million (Previous period and year Rs. Nil) represents disputed income tax demands pertaining to AY 2002-2003 and AY 2006-2007 arising from disallowances of the Company's claim of tax holiday under section 10A of the Income Tax Act, 1961.

The Company believes that such claims are allowable and is in the process of filing the necessary appeals with relevant authorities. Consequently no provision has been made in the books of accounts in respect of such disputed income tax demands.

5. Gratuity and other post-employment benefit plans:

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days basic salary (last drawn basic salary) subject to a maximum of 30 days basic salary (last drawn basic salary) as per the rules of the Company for each completed year of service. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

Profit and Loss account

Net employee benefit expense (recognised in Employee cost)

(In. Rs. Million)

	For the quarter ended		For the Year ended			
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Current service cost	12.14	6.76	37.15	28.24	28.07	17.61
Interest cost on benefit obligation	1.40	1.07	6.54	6.51	4.05	2.58
Expected return on plan assets	(1.62)	(1.34)	(6.97)	(5.63)	(4.37)	(2.43)
Net actuarial (gain) / loss recognised in the period	6.10	(21.79)	3.83	(27.25)	7.17	3.29
Interest income	-	-	-	-	(4.40)	-
Net benefit expense	18.02	(15.30)	40.55	1.87	30.52	21.05
Actual Return on Net Plan Assets	-	-	-	7.47	4.52	2.70

(In. Rs. Million)

	For the quarter ended		For the Year ended			
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Opening fair value of plan assets	81.04	80.52	86.02	53.88	29.09	31.56
Interest received and accrued during the year	-	-	-	-	-	-
Expected return / adjustment	1.62	1.34	6.97	5.63	4.37	2.43
Contribution by employer	(0.15)	(0.07)	-	30.18	20.35	0.04
Benefits paid	(2.90)	(1.91)	(8.03)	(5.52)	(2.79)	(2.51)
Actuarial gains / (losses)	(1.62)	6.14	(6.97)	1.85	2.86	(2.43)
Closing fair value of plan assets	77.99	86.02	77.99	86.02	53.88	29.09

Changes in the present value of the defined benefit obligation (recognised in Balance Sheet) are as follows:

(In. Rs. Million)

	For the quarter ended		For the Year ended			
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Opening defined benefit obligation	105.35	97.69	87.95	84.13	52.00	33.46
Interest cost	1.40	1.07	6.54	6.51	4.05	2.58
Current service cost	12.14	6.76	37.15	28.24	28.07	17.61
Benefits paid	(2.90)	(1.91)	(8.03)	(5.52)	(2.79)	(2.51)
Actuarial (gains) / losses on obligation	4.48	(15.66)	(3.14)	(25.41)	2.80	0.86
Closing defined benefit obligation	120.47	87.95	120.47	87.95	84.13	52.00

Persistent Systems Limited

Notes forming part of Accounts

Summary statement of provision for gratuity is as follows:

(In. Rs. Million)

	As At			
	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Fair value of plan assets	77.99	86.02	53.88	29.09
Less : Defined benefit obligations	120.47	87.95	84.13	52.00
Less : Unrecognised past service cost	-	-	-	-
Plan asset / (liability)	(42.48)	(1.93)	(30.25)	(22.91)

The Company expects to contribute Rs. 42.48 Million to gratuity fund in financial year 2010-11

The Company maintains gratuity fund, which is being administered by Life Insurance Corporation of India

(In. Rs. Million)

	As At			
	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Investments with insurer including accrued interest	77.99	86.02	53.88	29.09

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining gratuity for the Company's plans are shown below:

	For the quarter ended		For the Year ended			
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Discount rate	8.45%	7.79%	0.08	7.79%	8.00%	8.00%
Expected rate of return on assets	8.50%	8.50%	0.09	8.50%	9.00%	8.00%

Amounts for the current and previous years are as follows:

(In. Rs. Million)

	For the quarter ended		For the Year ended			
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Plan assets	77.99	86.02	77.99	86.02	53.88	29.09
Defined benefit obligation	120.47	87.95	120.47	87.95	84.13	52.00
Surplus / (deficit)	(42.48)	(1.93)	(42.48)	(1.93)	(30.25)	(22.91)
Experience adjustments on plan liabilities	4.48	(15.66)	(3.14)	(25.41)	2.80	0.86
Experience adjustments on plan assets	(1.62)	6.14	(6.97)	1.85	2.86	(2.43)

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

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6. Derivative Instruments and unhedged foreign currency exposure

Forward exchange and option contracts outstanding at the balance sheet date:

(In USD Million)

Particulars	As At	
	March 31, 2010	March 31, 2009
Debtors (1USD = INR 44.91) (Previous period and year 1USD = INR 50.70)	15.00	15.32
Expected future sales	64.00	72.00
Expected future purchase	-	-

Particulars of unhedged foreign currency Exposure as at the balance sheet date

Particulars	As at March 31, 2010			As at March 31, 2009		
	In. Rs. Million	Foreign Currency (In Million)	Foreign Currency Conversion Rate (Rs.)	In. Rs. Million	Foreign Currency (In Million)	Foreign Currency Conversion Rate (Rs.)
Cash and Bank Balances	0.00028	JP ¥ 0.001	0.48	0.65	JP ¥ 1.26	0.51
	0.45	USD 0.01	44.91	0.51	USD 0.01	50.70
	0.54	GBP 0.01	68.07	0.68	GBP 0.01	72.51
	3.81	CAD 0.09	44.26	7.28	CAD 0.18	40.45
Investments	166.2	USD 3.70	44.91	187.59	USD 3.70	50.70
	16.05	SGD 0.50	32.10	16.68	SGD 0.50	33.36
Import Creditors	42.67	USD 0.95	44.92	24.63	USD 0.49	50.72
Inter corporate deposit	53.44	USD 1.19	44.91	60.57	USD 1.19	50.70
Advances	12.13	USD 0.27	44.91	0.83	USD 0.02	50.70
Export Receivables	0.32	SGD 0.30	32.10	15.2	USD 0.30	50.70

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7. Earnings per share

(Amounts In Rs. million unless otherwise as stated)

Particulars		Period Ended		Year Ended	
		March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
Basic Earnings per share (After exceptional Items)					
<u>Numerator for Basic EPS</u>					
Net Profit after Tax and after exceptional items	a	423.23	159.17	1,170.52	586.04
<u>Numerator for Diluted EPS</u>					
Net Profit after tax and after exceptional items	b	423.23	159.17	1,170.52	586.04
<u>Denominator for Basic EPS</u>					
Weighted average number of equity shares	c	32,899,380	31,951,318	32,185,087	31,951,318
<u>Denominator for Diluted EPS</u>					
Weighted average number of equity shares and potential equity shares	d	35,952,978	35,861,000	35,883,680	35,861,000
Basic Earning per share of face value of Rs. 10 each (After exceptional items)	a / c	12.86	4.98	36.37	18.34
Diluted Earning per share of face value of Rs. 10 each (After exceptional items)	b / d	11.77	4.44	32.62	16.34
Basic Earnings per share (Before exceptional Items)					
<u>Numerator for Basic EPS</u>					
Net Profit after Tax and before exceptional items	e	423.23	158.90	1,170.52	600.77
<u>Numerator for Diluted EPS</u>					
Net Profit after tax and before exceptional items	f	423.23	158.90	1,170.52	600.77
<u>Denominator for Basic EPS</u>					
Weighted average number of equity shares as per (c) above	g	32,899,380	31,951,318	32,185,087	31,951,318
<u>Denominator for Diluted EPS</u>					
Weighted average number of equity and potential equity shares (As per (d) above)	h	35,952,978	35,861,000	35,883,680	35,861,000
Basic Earning per share of face value of Rs. 10 each (Before exceptional items)	e / g	12.86	4.97	36.37	18.80
Diluted Earning per share of face value of Rs. 10 each (Before exceptional items)	f / h	11.77	4.43	32.62	16.75

Reconciliation of basic and diluted shares used in computing earnings per share

Particulars	Period Ended		Year Ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
Number of shares considered as basic weighted average shares outstanding	32,899,380	31,951,318	32,185,087	31,951,318
Add: Effect of dilutive issues of stock options	3,053,598	3,909,682	3,698,593	3,909,682
Number of shares considered as weighted average shares and potential shares outstanding	35,952,978	35,861,000	35,883,680	35,861,000

8. Capital Commitments

(In Rs. Million)

Particulars	As at	
	March 31, 2010	March 31, 2009
Estimated amount of contracts remaining to be executed on capital account and not provided	285.79	366.97

9. Deferred Tax

The Company enjoys a tax holiday under section 10A of the Income Tax Act, 1961, up to March 31, 2011. The timing differences arising at March 31, 2010 and not reversing during the tax holiday period have been recognized in the books of accounts as summarized below

(In Rs. million)

Particulars	As at	
	March 31, 2010	March 31, 2009
Differences in depreciation and other differences in a block of fixed assets as per the tax books and financial books	20.41	18.86
Gross deferred tax liabilities (A)	20.41	18.86
Provision for Leave liability and long term employee benefit	28.41	24.88
Provision for doubtful debts	-	10.37
Gross deferred tax assets (B)	28.41	35.25
Net deferred tax liabilities / (assets) (A) - (B)	(8.00)	(16.39)

10. Related party transactions

i. Names of related parties

Subsidiaries:

- i. Persistent eBusiness Solutions Limited
- ii. Persistent Systems, Inc.
- iii. Persistent Systems Pte. Ltd.
- iv. Persistent Systems and Solutions Limited

Key Management Personnel

- i. Dr. Anand S. Deshpande, Chairman and Managing Director
- ii. Suresh P. Deshpande, Non Executive Director (Executive Director upto October 31, 2009)

Relatives of Key Management Personnel:

- i. Chitra Buzruk (Relative of the Chairman and Managing Director and a Director)
- ii. Sulabha Suresh Deshpande (Relative of the Chairman and Managing Director and a Director)
- iii. Sonali Anand Deshpande (Relative of the Chairman and Managing Director)
- iv. Mukund Suresh Deshpande (Relative of the Chairman and Managing Director and a Director)

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Related party transactions

Particulars	Nature of Relationships	For the quarter ended		For the year ended	
		March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
Revenue from services rendered	Subsidiaries				
	Persistent Systems, Inc.	197.47	81.01	456.04	278.86
	Persistent Systems and Solutions Limited	0.75	1.01	3.60	1.01
	Persistent eBusiness Solutions Limited	2.98	16.72	40.29	72.74
	Total	201.20	98.74	499.93	352.61
Reimbursement of project travel expenses and other expenses	Subsidiaries				
	Persistent eBusiness Solutions Limited	0.03	0.90	0.15	1.62
	Persistent Systems, Inc.	0.21	0.51	4.45	2.16
	Total	0.24	1.41	4.60	3.78
Interest received	Subsidiaries				
	Persistent eBusiness Solutions Limited	0.47	0.47	1.91	1.91
	Persistent Systems, Inc.	0.84	1.19	3.82	3.87
	Total	1.31	1.66	5.73	5.78
Services received	Subsidiaries				
	Persistent Systems, Inc.	71.38	51.92	242.69	213.20
	Persistent Systems Pte. Ltd.	0.61	-	0.61	-
	Total	71.99	51.92	243.30	213.20
Commission paid	Subsidiaries				
	Persistent Systems, Inc.	7.11	12.14	27.65	33.00
	Total			27.65	33.00
Project travel expenses and other expenses	Subsidiaries				
	Persistent Systems, Inc.	1.69	2.54	5.02	19.14
	Persistent eBusiness Solutions Limited	-	2.46	-	2.46
	Total	1.69	5.00	5.02	21.60
Remuneration paid	Key Management Personnel				
	Dr. Anand Deshpande	2.07	0.09	7.63	4.99
	S.P.Deshpande	0.12	0.07	1.57	1.93
	Relatives of Key Management Personnel				
	Chitra Buzruk	1.22	0.27	2.60	1.29
	Mukund Deshpande	0.47	0.38	2.34	1.69
Total	3.88	0.81	14.14	9.90	
Dividend paid	Dr. Anand Deshpande	-	4.53	5.69	11.31
	S.P.Deshpande	-	1.52	1.90	3.80
	Chitra Buzruk	-	-	0.01	0.01
	Sonali Anand Deshpande	-	0.03	0.03	0.06
	Sulabha S Deshpande	-	0.11	0.14	0.28
	Total	-	6.19	7.77	15.46
Investments	Subsidiaries				
	Persistent Systems Pte. Ltd.	-	-	-	12.82
	Persistent Systems and Solutions Limited	-	-	-	14.50
	Total	-	-	-	27.32
Intercompany deposits given	Subsidiaries				
	Persistent Systems, Inc.	-	2.34	-	60.84
	Total	-	2.34	-	60.84

11. Employees stock options (ESOP)

The details of various ESOP schemes adopted by the Board of Directors are as follows:

ESOP Scheme	Date of adoption by the Board	Initial Grant Date	Exercise Price Range	Exercise period
Scheme I	December 11, 1999	December 11, 1999	4.08 – 19.13	Note 1
Scheme II	April 23, 2004	April 23, 2004	25.92 – 96.41	10 Years
Scheme III	April 23, 2004	April 23, 2004	25.92 – 96.41	Note 1
Scheme IV	April 23, 2006	April 23, 2006	44.46 – 122.24	10 Years
Scheme V	April 23, 2006	April 23, 2006	44.46 – 88.28	Note 1
Scheme VI	October 31, 2006	October 31, 2006	44.46 – 61.34	10 Years
Scheme VII	April 30, 2007	April 30, 2007	48.34 – 122.24	10 Years
Scheme VIII	July 24, 2007	July 24, 2007	96.41 – 96.41	3 Years
Scheme IX	June 29, 2009	June 29, 2009	109.48 – 109.48	10 Years

Note 1. No contractual life is defined in the scheme

The vesting pattern of scheme I to V, VII and VIII is as follows:

Time Period from the Date of Grant	Cumulative Percentage of Share Vesting		
	Scheme I to V	Scheme VII	Scheme VIII
12 Months	10	20	25
24 Months	30	40	50
36 Months	60	60	75
48 Months	100	80	100
60 Months	NA	100	NA

The vesting pattern of scheme VI is as follows:

Time Period from the Date of Grants	Percentage of Share Vesting
18 Months	30
Every quarter thereafter	5

The vesting pattern of scheme IX is as follows:

Time Period from the Date of Grants	Percentage of Share Vesting
30– 60 Months varying from employee to employee	100

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Persistent Systems Limited

Notes forming part of Accounts

The status of various ESOP schemes is shown in the following table

Particulars		I	II	III	IV	V	VI	VII	VIII	IX	Total
Granted	a	2,280,250	376,600	1,266,650	3,479,125	945,262	608,125	892,487	21,000	687,231	10,556,730
Vested	b	1,605,242	212,878	457,082	882,886	414,121	305,593	233,642	10,500	-	4,121,944
Encashed and Exercised	c	1,598,844	205,001	401,760	818,180	366,904	296,624	195,634	7,000	-	3,889,947
Vested and Not exercised (b-c)	d	6,398	7,877	55,322	64,706	47,217	8,969	38,008	3,500	-	231,997
Lapsed	e	669,201	128,607	375,858	816,542	266,340	215,250	403,900	-	152,738	3,028,436
Not Vested (a – c - d - e)	f	5,807	35,115	433,710	1,779,697	264,801	87,282	254,945	10,500	534,493	3,406,350
Total Outstanding (d + f)	g	12,204	42,991	489,031	1,844,402	312,018	96,251	292,953	14,000	534,493	3,638,343
Weighted Average remaining contractual life (in years)		Note 1	10.92	Note 1	12.44	Note 1	11.74	12.93	4.46	11.4	
Weighted Average Fair Value of Options Granted (Rs.)		9.37	47.52	58.47	83.07	51.06	50.11	117.05	143.57	137.05	

All the numbers provided in this above table are rounded off

Notes:

- No contractual life is defined in the schemes.
- Compensation expense arising from employee share based payment plans are as follows:

(In Rs. Million)

Particulars	Period Ended		Year Ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
Number of shares considered as basic weighted average shares outstanding	7.95	3.70	19.45	14.83

- Advance to the Trust, as on the balance sheet date in respect of shares allotted by the Company to the Trust, amounted to Rs. Nil (Previous period and year Rs. 50.60 million). As illustrated in the example in the appendix to the Guidance Note Guidance Note on accounting for Employee share based payment, issued by the ICAI, had the advance been presented as a reduction from equity, the Equity Share Capital would have been reduced by Rs. Nil (Previous year Rs. 6.06 million) and Share Premium would have been reduced by Rs. Nil (Previous year Rs. 44.54 million)
- The Company has adjusted Rs. 47.22 Million to General Reserve as the difference between the cost incurred by the Trust for the purpose of shares and the exercise price of those shares which have been exercised by the employee during the current year, in accordance with Guidance Note on accounting for Employee share based payment, issued by the ICAI.
- All method of settlement for all the schemes is equity based.

Persistent Systems Limited

Notes forming part of Accounts

ESOP Scheme	Particulars	Quarter ended	Outstanding at the beginning of the quarter	Granted during the quarter	Forfeited during the quarter	Exercised during the quarter	Outstanding at the end of the quarter	Exercisable at the end of the quarter
Scheme I	Number of Options	March 31, 2010	57,773	-	-	45,567	12,204	6,399
	Weighted Average Price	March 31, 2010	11.12	-	-	11.43	9.95	13.38
	Number of Options	March 31, 2009	59,926	-	-	-	59,926	52,978
	Weighted Average Price	March 31, 2009	11.26	-	-	-	11.26	11.58
Scheme II	Number of Options	March 31, 2010	202,108	-	10,501	148,616	42,991	7,877
	Weighted Average Price	March 31, 2010	42.61	-	96.41	26.73	84.36	30.62
	Number of Options	March 31, 2009	212,608	-	-	-	212,608	165,784
	Weighted Average Price	March 31, 2009	42.06	-	-	-	42.06	26.71
Scheme III	Number of Options	March 31, 2010	821,547	-	10,057	322,459	489,031	55,322
	Weighted Average Price	March 31, 2010	55.35	-	63.23	44.75	62.17	52.16
	Number of Options	March 31, 2009	875,755	-	10,868	-	864,887	248,351
	Weighted Average Price	March 31, 2009	55.94	-	65.63	-	55.82	36.72
Scheme IV	Number of Options	March 31, 2010	2,728,083	-	65,501	818,180	1,844,402	64,706
	Weighted Average Price	March 31, 2010	81.04	-	102.35	49.37	94.33	51.99
	Number of Options	March 31, 2009	1,814,985	-	128,958	-	1,686,027	408,604
	Weighted Average Price	March 31, 2009	54.29	-	56.40	-	54.13	48.44
Scheme V	Number of Options	March 31, 2010	683,142	-	4,221	366,904	312,018	47,217
	Weighted Average Price	March 31, 2010	49.88	-	56.10	48.61	51.29	52.48
	Number of Options	March 31, 2009	706,233	-	7,105	-	699,128	208,957
	Weighted Average Price	March 31, 2009	49.89	-	48.05	-	49.91	48.55
Scheme VI	Number of Options	March 31, 2010	392,875	-	-	296,624	96,251	8,969
	Weighted Average Price	March 31, 2010	51.08	-	-	50.05	54.26	52.90
	Number of Options	March 31, 2009	392,875	-	-	-	392,875	255,713
	Weighted Average Price	March 31, 2009	51.08	-	-	-	51.08	49.64
Scheme VII	Number of Options	March 31, 2010	488,587	-	-	195,634	292,953	38,008
	Weighted Average Price	March 31, 2010	72.53	-	-	56.01	83.56	55.42
	Number of Options	March 31, 2009	667,187	-	105,000	-	562,187	161,595
	Weighted Average Price	March 31, 2009	68.18	-	80.05	-	65.96	56.89

Persistent Systems Limited

Notes forming part of Accounts

Scheme VIII	Number of Options	March 31, 2010	21,000	-	-	7,000	14,000	3,500
	Weighted Average Price	March 31, 2010	96.41	-	-	96.41	96.41	96.41
	Number of Options	March 31, 2009	21,000	-	-	-	21,000	5,250
	Weighted Average Price	March 31, 2009	96.41	-	-	-	96.41	96.41
Scheme IX	Number of Options	March 31, 2010	564,731	-	30,238	-	534,493	-
	Weighted Average Price	March 31, 2010	109.48	-	109.48	-	109.48	-
	Number of Options	March 31, 2009	-	-	-	-	-	-
	Weighted Average Price	March 31, 2009	-	-	-	-	-	-

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Stock Options granted

The weighted average fair value of stock options granted during the year was Rs. 48.93. The Binomial tree valuation model has been used for computing the weighted average fair value considering the following inputs:

	March 31, 2010	
	Scheme IV and VII	Scheme IX
Weighted average share price (Rs.)	129.50	137.05
Exercise Price (Rs.)	122.24	109.48
Expected Volatility	61.52%	61.52%
Historical Volatility	31.52% - 61.52%	31.52%-61.52%
Life of the options granted (Vesting and exercise period)	14-15 years	12.50-15 years
Dividend Yield	1.64	1.64
Average risk-free interest rate	5.90%	5.90%
Expected dividend rate	58.00%	58.00%

No grants were granted during the period ended March 31, 2010, period ended March 31, 2009 and year ended March 31, 2009. Accordingly, no disclosure has been made for these periods.

The expected volatility was determined based on historical volatility data. The volatility is calculated as the standard deviation of daily lognormal returns from the stock of the company for a time period of one year. To allow the effect of early exercise of the options the exercise period has been considered as one year after the vesting date where share price is expected to be 2.50 times the exercise price.

Since the enterprise used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method

In March 2005 the ICAI has issued a guidance note on "Accounting for Employees Share Based Payments" applicable to employee based share plan the grant date in respect of which falls on or after April 1, 2005. The said guidance note requires the Proforma disclosures of the impact of the fair value method of accounting of employee stock compensation accounting in the financial statements. Applying the fair value based method defined in the said guidance note, the impact on the reported net profit and earnings per share would be as follows:

	(In Rs. Million)			
	Period ended		Year ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
Profit after tax and exceptional items as reported	423.23	159.17	1,170.52	586.04
Add: Employee stock compensation under intrinsic value method	7.95	3.70	19.45	14.83
Less: Employee stock compensation under fair value method	(9.02)	(11.02)	(36.06)	(44.08)
Proforma profit	422.16	151.85	1,153.91	556.79
Earnings Per Share				
Basic				
- As reported	12.86	4.98	36.37	18.34
- Proforma	12.83	4.75	35.85	17.43
Diluted				
- As reported	11.77	4.44	32.62	16.34
- Proforma	11.74	4.23	32.16	15.53

Persistent Systems Limited

Notes forming part of Accounts

12. Details of Investments

(Amounts In Rs. Millions)

Name of the scheme	Opening balance		Purchases during the Period		Sales during the Period		Closing balance	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount
ICICI Mutual Fund	2,185,582.98	231.09	23,286,451.68	234.88	2,201,303.50	232.75	23,270,731.16	233.22
Kotak Mutual Fund	12,228,188.03	123.26	27,466,353.59	281.40	16,751,622.36	175.01	22,942,919.26	229.65
SBI Mutual Fund	-	-	16,772,018.08	210.10	6,269,128.25	105.02	10,502,889.83	105.08
IDFC Mutual fund	22,612,987.50	226.47	237,657.52	2.38	-	-	22,850,645.02	228.85
HDFC Mutual fund	-	-	122,529,423.62	1,256.25	97,716,886.36	1,008.11	24,812,537.26	248.14
Reliance Mutual fund	224,031.91	224.29	2,658,799.18	82.04	2,842,872.14	266.32	39,958.95	40.01
Birla Mutual Fund	23,350,586.12	233.66	23,632,234.04	236.41	23,483,692.34	234.99	23,499,127.82	235.08
Tata Mutual fund	13,234,881.65	132.82	42,277,902.92	619.69	31,393,225.30	510.81	24,119,559.27	241.70
	73,836,258.19	1,171.59	258,860,840.63	2,923.15	180,658,730.25	2,533.01	152,038,368.57	1,561.73

(Amounts In Rs. Millions)

Name of the Fund	Opening balance		Purchased during the year		Sold during the year		Closing Balance	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount
ICICI Mutual Fund	21,940,489.89	224.19	39,130,784.80	610.37	37,800,543.53	601.34	23,270,731.16	233.22
Kotak Mutual Fund	-	-	65,423,475.14	697.91	42,480,555.88	468.26	22,942,919.26	229.65
SBI Mutual Fund	-	-	16,772,018.08	210.10	6,269,128.25	105.02	10,502,889.83	105.08
IDFC Mutual fund	2,003,211.00	20.04	61,590,240.14	626.88	40,742,806.12	418.07	22,850,645.02	228.85
HDFC Mutual fund	15,691,778.23	158.27	312,074,066.65	3,208.37	302,953,307.62	3,118.50	24,812,537.26	248.14
Reliance Mutual fund	14,141,171.06	241.75	3,264,889.61	337.43	17,366,101.72	539.17	39,958.95	40.01
Birla Mutual Fund	22,671,336.03	226.84	47,530,406.26	475.55	46,702,614.47	467.31	23,499,127.82	235.08
Tata Mutual fund	-	-	55,611,501.85	862.53	31,491,942.59	620.83	24,119,559.27	241.70
	76,447,986.21	871.09	601,397,382.53	7,029.14	525,807,000.18	6,338.50	152,038,368.57	1,561.73

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13. Auditors Remuneration

(In Rs. Million)

Particulars	For Period ended		For the year ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
Audit fee	0.43	0.47	3.03	1.29
Tax audit matters	0.12	-	0.12	0.12
Other matters	4.96	3.96	4.96	6.60
Out of pocket expenses	0.01	0.04	0.02	0.05
	5.52	4.47	8.13	8.06

* Fees for the other matters include Rs. 4.80 Million (Previous year Rs.4.38 Million) towards fees for services rendered in connection with the Initial Public Offer which have been included in share issue expenses

14. Requirement of clause 3, 4C and 4D of Part II to schedule VI of the Companies Act, 1956

The Company is engaged in the development of software and related services. The production and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to give quantitative details of sales and certain information as required under paragraphs 3, 4C and 4D of Part II to schedule VI of the Companies Act, 1956. The information required under clause 4D is given hereunder to the extent considered applicable

15. Dues to Micro and Small enterprises

There were no Micro and Small enterprises to whom amounts are outstanding for more than 45 days, as at March 31, 2010 (Previous period and year Rs. Nil).

As at March 31, 2010, no supplier has intimated the Company about its status as Micro or Small enterprises or its registration with the appropriate authority under 'The Micro, Small and Medium Enterprises Development Act, 2006'.

16. Share issue expenses

The Company had deferred its Initial Public Offer (IPO) during the financial year 2008-09 and therefore, had written off share issue expenses relating to that IPO amounting to Rs. 14.73 Million in 2008-09 as an exceptional item.

17. Utilization Statement

(In Rs. Million)

Utilization of IPO Proceeds	Amount	Amount
Proceeds from IPO*	1,680.11	
Less: Payable to selling Share holders	(397.02)	1,283.09
Less: Share issue expenses (accrual basis)	(105.53)	
Less: Recoverable from selling Share Holders	24.94	(80.59)
Net Proceeds		1,202.50

* The allotment of shares was completed on March 30, 2010 and the Company was yet to be listed on the stock exchanges at March 31, 2010, the proceeds from IPO were pending utilization as at March 31, 2010.

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18. Previous Period Comparatives

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

As per our report of even date

**For S. R. BATLIBOI & Co.
Chartered Accountants**

per Arvind Sethi
Partner
Membership No.: 89802

Place : Pune
Date :

**For JOSHI APTE & Co
Chartered Accountants**

C.K. Joshi
Partner
Membership No.: 30428

Place : Pune
Date :

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

Rajesh Ghonasgi
Chief Finance Officer

Place : Pune
Date :

P. B. Kulkarni
Director

Vivek Sadhale
Company Secretary
and Legal Head