

Persistent Systems Limited

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2010

| | Sch. | As at December 31, 2010 In Rs. Million | As at December 31, 2009 In Rs. Million | As at March 31, 2010 In Rs. Million |
|--|---------|--|--|---|
| Sources of funds | | | | |
| Shareholders' funds | | | | |
| Share capital | 1 | 400.00 | 358.61 | 400.00 |
| Stock options outstanding (Refer note 13 to Schedule 16) | | 36.38 | 32.23 | 32.02 |
| Reserves and surplus | 2 | 6,743.75 | 4,373.29 | 5,957.90 |
| | | 7,180.13 | 4,764.13 | 6,389.92 |
| | | 35.97 | 51.59 | 45.11 |
| Deferred payment liabilities | | | | |
| [Due within one year Rs. 20.64 million (Previous period Rs. 14.15 million and previous year Rs. 8.25 million)] | | | | |
| | | 7,216.10 | 4,815.72 | 6,435.03 |
| Application of funds | | | | |
| Fixed assets | | | | |
| Gross block | 3 | 4,127.95 | 3,679.14 | 3,714.79 |
| Less: Accumulated depreciation and amortisation | | 2,166.53 | 1,795.52 | 1,881.15 |
| Net block | | 1,961.42 | 1,883.62 | 1,833.64 |
| Capital work-in-progress (including capital advances) | | 551.72 | 458.90 | 484.75 |
| | | 2,513.14 | 2,342.52 | 2,318.39 |
| Investments | 4 | 2,513.23 | 1,188.42 | 1,561.73 |
| Deferred tax assets (net) (Refer note 9 to Schedule 16) | | 13.67 | 5.79 | 6.82 |
| Current assets, loans and advances | | | | |
| Sundry debtors | 5 | 1,596.53 | 1,219.56 | 1,363.25 |
| Cash and bank balances | 6 | 904.52 | 326.57 | 1,917.72 |
| Other current assets | 7 | 202.40 | 217.77 | 339.90 |
| Loans and advances | 8 | 866.32 | 616.78 | 722.73 |
| | (A) | 3,569.77 | 2,380.68 | 4,343.60 |
| Less: Current liabilities and provisions | | | | |
| Current liabilities | 9 | 939.82 | 902.94 | 1,478.79 |
| Provisions | 10 | 453.89 | 198.75 | 316.72 |
| | (B) | 1,393.71 | 1,101.69 | 1,795.51 |
| Net current assets | (A - B) | 2,176.06 | 1,278.99 | 2,548.09 |
| | | 7,216.10 | 4,815.72 | 6,435.03 |
| Notes to accounts | 16 | | | |

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.
Firm registration no. 301003E
Chartered Accountants

For JOSHI APTE & Co.
Firm registration no. 104370W
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 : January 20, 2011

Place: Pune
Date : January 20, 2011

Place: Pune
Date : January 20, 2011

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2010

| | Sch. | For the quarter ended | | For the nine months ended | | For the year ended |
|--|------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|----------------------------------|
| | | December 31, 2010 In Rs. Million | December 31, 2009 In Rs. Million | December 31, 2010 In Rs. Million | December 31, 2009 In Rs. Million | March 31, 2010 In Rs. Million |
| Income | | | | | | |
| Sale of software services and products | 11 | 1,949.32 | 1,583.55 | 5,630.20 | 4,294.13 | 6,011.56 |
| Other Income | 12 | 73.47 | 37.31 | 257.43 | 65.83 | 112.33 |
| | | 2,022.79 | 1,620.86 | 5,887.63 | 4,359.96 | 6,123.89 |
| Expenditure | | | | | | |
| Personnel expenses | 13 | 1,269.98 | 966.96 | 3,679.54 | 2,601.03 | 3,687.42 |
| Operating and other expenses | 14 | 251.59 | 227.43 | 748.47 | 687.69 | 860.49 |
| | | 1,521.57 | 1,194.39 | 4,428.01 | 3,288.72 | 4,547.91 |
| Operating profit before depreciation and amortisation | | 501.22 | 426.47 | 1,459.62 | 1,071.24 | 1,575.98 |
| Depreciation and amortisation | 3 | 106.32 | 90.42 | 304.56 | 247.36 | 335.24 |
| Profit before tax | | 394.90 | 336.05 | 1,155.06 | 823.88 | 1,240.74 |
| Provision for tax | | | | | | |
| Current tax | | 81.05 | 54.75 | 222.20 | 142.23 | 222.50 |
| Less: MAT credit entitlement | | 46.56 | 38.43 | 119.02 | 103.28 | 162.38 |
| Net current tax | | 34.49 | 16.32 | 103.18 | 38.95 | 60.12 |
| Tax in respect of earlier years | | - | 8.15 | (7.29) | 16.78 | 16.74 |
| Deferred tax charge / (credit) | | (2.02) | 2.67 | (5.11) | 14.68 | 13.64 |
| Fringe benefit tax | | - | - | - | - | - |
| Total tax expense | | 32.47 | 27.14 | 90.78 | 70.41 | 90.50 |
| Profit after tax and before prior period items | | 362.43 | 308.91 | 1,064.28 | 753.47 | 1,150.24 |
| Prior period Item - Defered tax credit | | - | - | 1.74 | - | - |
| Profit after tax and after prior period items | | 362.43 | 308.91 | 1,066.02 | 753.47 | 1,150.24 |
| Balance brought forward from previous period / year | | 3,026.54 | 2,179.06 | 2,322.95 | 1,755.48 | 1,755.48 |
| Profit available for appropriation | | 3,388.97 | 2,487.97 | 3,388.97 | 2,508.95 | 2,905.72 |
| Appropriations | | | | | | |
| Transfer to general reserve | | - | - | - | - | 468.20 |
| Interim dividend on equity shares | | 80.00 | - | 80.00 | 17.93 | 77.93 |
| Special dividend | | 80.00 | - | 80.00 | - | - |
| Proposed final dividend | | - | - | - | - | 20.00 |
| Tax on dividend | | 26.58 | - | 26.58 | 3.05 | 16.64 |
| Surplus carried to balance sheet | | 3,202.39 | 2,487.97 | 3,202.39 | 2,487.97 | 2,322.95 |
| Earnings per share | 15 | | | | | |
| Basic | | | | | | |
| [Nominal value of equity shares Rs. 10 (Previous period and previous year Rs. 10)] | | | | | | |
| Computed on the basis of earnings after tax and after prior period items (Rs.) | | 9.59 | 9.67 | 28.31 | 23.58 | 35.74 |
| Computed on the basis of earnings after tax and before prior period items (Rs.) | | 9.59 | 9.67 | 28.26 | 23.58 | 35.74 |
| Diluted | | | | | | |
| [Nominal value of equity shares Rs. 10 (Previous period and previous year Rs. 10)] | | | | | | |
| Computed on the basis of earnings after tax and after prior period items (Rs.) | | 9.06 | 8.61 | 26.65 | 21.01 | 32.06 |
| Computed on the basis of earnings after tax and before prior period items (Rs.) | | 9.06 | 8.61 | 26.61 | 21.01 | 32.06 |
| Notes to accounts | 16 | | | | | |

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.
Firm registration no. 301003E
Chartered Accountants

For JOSHI APTE & Co.
Firm registration no. 104370W
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 : January 20, 2011

Place: Pune
Date : January 20, 2011

Place: Pune
Date : January 20, 2011

CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED DECEMBER 31, 2010

| | For the nine months ended | | For the year ended |
|--|-------------------------------------|-------------------------------------|----------------------------------|
| | December 31, 2010 In Rs. Million | December 31, 2009 In Rs. Million | March 31, 2010 In Rs. Million |
| Cash flow from operating activities | | | |
| Net profit before tax and prior period | 1,155.06 | 823.88 | 1,240.74 |
| Adjustments for: | | | |
| Interest income | (6.49) | (0.47) | (1.01) |
| Dividend income | (82.00) | (30.71) | (42.96) |
| Depreciation and amortisation | 304.56 | 247.36 | 335.24 |
| Unrealised exchange (gain) / loss (net) | 16.52 | 0.24 | 5.46 |
| Exchange loss / (gain) on derivative contracts | 25.43 | (176.21) | (234.47) |
| Exchange difference on translation of foreign currency cash and cash equivalents | 0.15 | 0.04 | 0.31 |
| Bad debts | - | - | 1.72 |
| Provision for doubtful debts (net of doubtful debt provision written back) | 19.50 | 30.19 | 46.46 |
| Employee compensation expenses | 6.02 | 11.50 | 19.45 |
| Provision for doubtful deposit written back | (0.30) | (0.90) | (1.50) |
| Excess provision written back | (2.23) | (16.70) | (17.68) |
| Provision for loss of investment | - | - | 9.00 |
| Profit on sale of investments (net) | (1.06) | - | (0.01) |
| Profit on sale of fixed assets (net) | (8.17) | (1.43) | (1.01) |
| Operating profit before working capital changes | 1,426.99 | 886.79 | 1,359.74 |
| Movements in working capital : | | | |
| (Increase)/Decrease in sundry debtors | (269.04) | (217.23) | (396.53) |
| (Increase)/Decrease in other current assets | 13.99 | (3.93) | 8.78 |
| (Increase)/Decrease/ in loans and advances | 6.46 | (68.25) | (61.82) |
| (Decrease) / Increase in current liabilities | (113.33) | 362.13 | 519.87 |
| Increase in provisions | 44.19 | 31.69 | 56.07 |
| Operating profit after working capital changes | 1,109.26 | 991.20 | 1,486.11 |
| Direct taxes paid (net of refunds) | (234.63) | (154.27) | (247.53) |
| Net cash from operating activities | 874.63 | 836.93 | 1,238.58 |
| Cash flows from investing activities | | | |
| Purchase of fixed assets (including capital work-in-progress) | (499.80) | (411.75) | (476.40) |
| Proceeds from sale of fixed assets | 1.74 | 0.54 | 1.04 |
| Purchase of investments | (13,154.79) | (4,159.97) | (7,089.02) |
| Proceeds from sale / maturity of investments | 11,456.86 | 3,831.45 | 6,378.84 |
| Interest income | 1.47 | 0.27 | 1.01 |
| Dividends received | 78.93 | 30.71 | 42.96 |
| Net cash (used in) investing activities | (2,115.59) | (708.75) | (1,141.57) |
| Cash flows from financing activities | | | |
| Proceeds from issuance of share capital | - | - | 41.39 |
| Increase in securities premium | - | - | 1,241.70 |
| Share issue expenses | (45.30) | - | (37.19) |
| (Payment) / receipt on behalf of selling shareholders in IPO | (372.08) | - | 372.08 |
| Deferred payment liabilities | (9.14) | 51.59 | 45.11 |
| Interim/ final dividends paid | (79.87) | (21.52) | (21.52) |
| Tax on interim/ final dividend paid | (13.52) | (5.49) | (5.49) |
| Net cash (used in) / from financing activities | (519.91) | 24.58 | 1,636.08 |
| Net increase in cash and cash equivalents (A + B + C) | (1,760.87) | 151.86 | 1,733.09 |
| Cash and cash equivalents at the beginning of the period / year | 1,895.96 | 163.18 | 163.18 |
| Exchange difference on translation of foreign currency cash and cash equivalents | (0.15) | (0.04) | (0.31) |
| Cash and cash equivalents at the end of the period / year | 134.94 | 315.00 | 1,895.96 |

CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED DECEMBER 31, 2010

| Components of cash and cash equivalents as at | December 31, 2010 | December 31, 2009 | March 31, 2010 |
|--|--------------------------|--------------------------|-----------------------|
| Cash in hand | 0.35 | 0.21 | 0.22 |
| With scheduled banks - on current account | 35.69 | 176.34 | 1,778.27 |
| With other banks | | | |
| - on current account | 97.21 | 138.45 | 117.47 |
| - on saving account | 1.69 | - | - |
| | 134.94 | 315.00 | 1,895.96 |

As per our report of even date

For S.R. BATLIBOI & Co.
Firm registration no. 301003E
Chartered Accountants

For JOSHI APTE & Co.
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For and on behalf of the Board of Directors

per Arvind Sethi
Partner
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Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Place: Pune
Date : January 20, 2011

Place: Pune
Date : January 20, 2011

Place: Pune
Date : January 20, 2011

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

| | As at December 31, 2010 In Rs. Million | As at December 31, 2009 In Rs. Million | As at March 31, 2010 In Rs. Million |
|--|--|--|---|
| Schedule 1 | | | |
| Share capital | | | |
| Authorised | | | |
| 100,000,000 (Previous period and Previous year 100,000,000) equity shares of Rs. 10 each. | 1,000.00 | 1,000.00 | 1,000.00 |
| | 1,000.00 | 1,000.00 | 1,000.00 |
| Issued, subscribed and paid-up | | | |
| 40,000,000 (Previous period 35,861,000 and Previous year 40,000,000) equity shares of Rs. 10 each fully paid. (Of the above 25,615,000 equity shares were allotted on September 17, 2007 as fully paid-up bonus shares by capitalisation of capital redemption reserves Rs. 9.79 Million and securities premium account Rs. 246.36 Million) | 400.00 | 358.61 | 400.00 |
| | 400.00 | 358.61 | 400.00 |
| Schedule 2 | | | |
| Reserves and surplus | | | |
| Securities premium account | | | |
| Opening balance Securities Premium | 1,738.60 | 577.49 | 577.49 |
| Add : Additions during the year | - | - | 1,241.70 |
| Less: Share issue expenses | 1.90 | - | 80.59 |
| Closing balance Securities Premium | (A) 1,736.70 | 577.49 | 1,738.60 |
| General reserve | | | |
| Opening balance | 1,734.45 | 1,219.03 | 1,219.03 |
| Add: Transferred from profit and loss account | - | - | 468.20 |
| Add: Amount adjusted to Advance to PSPL ESOP Management Trust (Refer note 13(d) to Schedule 16) | 13.13 | - | 47.22 |
| Closing balance General Reserve | (B) 1,747.58 | 1,219.03 | 1,734.45 |
| Foreign Currency Translation Reserve | | | |
| Opening balance | 2.05 | 16.60 | 16.60 |
| (Less)/Add: Exchange difference during the period/year on net investment in non-integral foreign operation | 0.13 | (10.87) | (14.55) |
| Closing balance Foreign currency translation reserve | (C) 2.18 | 5.73 | 2.05 |
| Hedge reserve | (D) 54.90 | 83.07 | 159.85 |
| Profit and loss account | (E) 3,202.39 | 2,487.97 | 2,322.95 |
| (A)+(B)+(C)+(D)+(E) | 6,743.75 | 4,373.29 | 5,957.90 |

Persistent Systems Limited
SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

1000000

Schedule 3
Fixed assets

| Name of the Asset | ←----- GROSS BLOCK -----> | | | | | <--- DEPRECIATION AND AMORTISATION ---> | | | | | < ----- NET BLOCK ----- > | |
|--|---------------------------|-----------------------------|---|---------------------------------|-------------------------|---|----------------|---|---------------------------------|-------------------------|---------------------------|----------------------|
| | As at April 1, 2010 | Additions during the period | Deductions/ Transfers during the period | Currency translation adjustment | As at December 31, 2010 | As at April 1, 2010 | For the period | Deductions/ Transfers during the period | Currency translation adjustment | As at December 31, 2010 | As at December 31, 2010 | As at March 31, 2010 |
| Freehold Land | 202.98 | - | - | - | 202.98 | - | - | - | - | - | 202.98 | 202.98 |
| Leasehold Land | 39.93 | - | - | - | 39.93 | - | 1.77 | - | - | 1.77 | 38.16 | 39.93 |
| Buildings | 1,257.51 | 9.62 | - | - | 1,267.13 | 225.38 | 38.02 | - | - | 263.40 | 1,003.73 | 1,032.13 |
| Computers | 723.57 | 145.41 | 18.25 | (0.05) | 850.68 | 585.37 | 88.24 | 18.25 | (0.07) | 655.29 | 195.39 | 138.20 |
| Softwares | 628.41 | 230.76 | - | (0.20) | 858.97 | 453.07 | 90.64 | - | (0.26) | 543.45 | 315.52 | 175.34 |
| Plant and Machinery | 576.00 | 30.04 | 1.35 | - | 604.69 | 398.46 | 59.56 | 0.90 | - | 457.12 | 147.57 | 177.54 |
| Furniture and fixtures | 281.78 | 11.70 | 0.30 | - | 293.18 | 215.67 | 25.85 | 0.25 | - | 241.27 | 51.91 | 66.11 |
| Vehicles | 4.61 | - | 0.07 | - | 4.54 | 3.20 | 0.34 | 0.07 | - | 3.47 | 1.07 | 1.41 |
| As at December 31, 2010 | 3,714.79 | 433.38 | 19.97 | (0.25) | 4,127.95 | 1,881.15 | 305.18 | 19.47 | (0.33) | 2,166.53 | 1,961.42 | 1,833.64 |
| As at March 31, 2010 | 3,372.42 | 373.68 | 27.54 | (3.77) | 3,714.79 | 1,572.60 | 336.06 | 26.03 | 1.48 | 1,881.15 | 1,833.64 | 1,799.82 |
| Capital work-in-progress including capital advances | | | | | | | | | | | | |
| As at December 31, 2010 | 484.75 | 168.37 | 101.40 | - | 551.72 | - | - | - | - | - | 551.72 | 484.75 |
| As at March 31, 2010 | 377.44 | 225.07 | 117.76 | - | 484.75 | - | - | - | - | - | 484.75 | 377.44 |

| Name of the Asset | ←----- GROSS BLOCK -----> | | | | | <--- DEPRECIATION AND AMORTISATION ---> | | | | | NET BLOCK | |
|--|---------------------------|-----------------------------|---|---------------------------------|-------------------------|---|----------------|---|---------------------------------|-------------------------|-------------------------|--|
| | As at April 1, 2009 | Additions during the period | Deductions/ Transfers during the period | Currency translation adjustment | As at December 31, 2009 | As at April 1, 2009 | For the period | Deductions/ Transfers during the period | Currency translation adjustment | As at December 31, 2009 | As at December 31, 2009 | |
| Freehold Land | 202.98 | - | - | - | 202.98 | - | - | - | - | - | 202.98 | |
| Leasehold Land | 39.93 | - | - | - | 39.93 | - | - | - | - | - | 39.93 | |
| Buildings | 1,223.29 | 34.21 | - | - | 1,257.51 | 175.52 | 37.41 | - | - | 212.93 | 1,044.58 | |
| Computers | 664.01 | 68.95 | 22.73 | (0.42) | 709.82 | 514.22 | 71.40 | 22.71 | (0.34) | 562.57 | 147.25 | |
| Softwares | 429.09 | 183.66 | - | (0.40) | 612.34 | 383.75 | 48.83 | - | (0.49) | 432.09 | 180.25 | |
| Plant and Machinery | 532.96 | 38.34 | 0.01 | (0.03) | 571.26 | 316.30 | 62.42 | 0.01 | (0.02) | 378.69 | 192.57 | |
| Furniture and fixtures | 275.48 | 6.64 | 1.39 | (0.04) | 280.69 | 180.00 | 27.57 | 1.39 | (0.03) | 206.15 | 74.54 | |
| Vehicles | 4.68 | - | 0.06 | - | 4.61 | 2.81 | 0.34 | 0.06 | - | 3.09 | 1.52 | |
| As at December 31, 2009 | 3,372.42 | 331.80 | 24.19 | (0.89) | 3,679.14 | 1,572.60 | 247.97 | 24.17 | (0.88) | 1,795.52 | 1,883.62 | |
| Capital work-in-progress including capital advances | | | | | | | | | | | | |
| As at December 31, 2009 | 377.44 | 188.99 | 107.53 | - | 458.90 | - | - | - | - | - | 458.90 | |

Notes:

1) Depreciation amounting to Rs 0.62 million (Previous Period Rs. 0.62 Million and Previous year Rs. 0.82 Million) relating to fixed assets used for construction of fixed assets under construction has been included under capital work in progress.

2) Capital work in progress includes capital advances of Rs. 116.10 Million (Previous period Rs. 93.28 Million and Previous year Rs. 89.82 Million)

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

| | As at December 31, 2010 In Rs. Million | As at December 31, 2009 In Rs. Million | As at March 31, 2010 In Rs. Million |
|---|--|--|---|
| Schedule 4 | | | |
| Investments | | | |
| <i>Long term investments (At cost)</i> | | | |
| <i>Trade (Unquoted)</i> | | | |
| Ciqua Limited | 9.44 | 9.04 | 8.69 |
| 10,000,000 (Previous period and Previous year 10,000,000) Shares of GBP 0.01 each | | | |
| Less : Provision for diminution in value of investment | 9.44 | - | 8.69 |
| | (A) | 9.04 | - |
| <i>Current Investments (At lower of cost and market value)</i> | | | |
| <i>Other than trade (Unquoted)</i> | | | |
| Investment in mutual funds (Refer note 14 to Schedule 16) | 2,513.23 | 1,179.38 | 1,561.73 |
| | (B) | 1,179.38 | 1,561.73 |
| Aggregate amount of unquoted investments | (A)+(B) | 1,188.42 | 1,561.73 |
| Schedule 5 | | | |
| Sundry debtors | | | |
| (Unsecured unless otherwise stated) | | | |
| Debts outstanding for a period exceeding six months | | | |
| Considered good for more than 6 months | 101.06 | 28.53 | 27.86 |
| Considered doubtful for more than 6 months | 209.52 | 171.28 | 183.32 |
| Other debts | | | |
| Considered good for less than 6 months | 1,495.47 | 1,191.03 | 1,335.39 |
| Considered doubtful for less than 6 months | 5.76 | 6.28 | 14.00 |
| | 1,811.81 | 1,397.12 | 1,560.57 |
| Less : Provision for doubtful debts | 215.28 | 177.56 | 197.32 |
| | 1,596.53 | 1,219.56 | 1,363.25 |

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

| | As at December 31, 2010 In Rs. Million | As at December 31, 2009 In Rs. Million | As at March 31, 2010 In Rs. Million |
|--|--|--|---|
| Schedule 6 | | | |
| Cash and bank balances | | | |
| Cash in hand | 0.35 | 0.21 | 0.22 |
| Balances with scheduled banks | | | |
| On current accounts with scheduled banks | 35.69 | 176.34 | 1,778.27 |
| On deposit accounts | 758.40 | 11.57 | 10.53 |
| | <u>794.09</u> | <u>187.91</u> | <u>1,788.80</u> |
| Balances with other banks | | | |
| On current accounts with other banks | 97.21 | 138.45 | 117.47 |
| On Deposit accounts | 11.18 | - | 11.23 |
| On saving account | 1.69 | - | - |
| | <u>110.08</u> | <u>138.45</u> | <u>128.70</u> |
| | <u>904.52</u> | <u>326.57</u> | <u>1,917.72</u> |
| Bank balances with others include: | | | |
| Bank of Tokyo - Mitsubishi- NS, Japan [Maximum amount outstanding during the period Rs. 8.94 Million (Previous period Rs. 0.84 Million and previous year Rs. 0.84 Million)] | 1.69 | - | - |
| Citibank Canada [Maximum amount outstanding during the period Rs. 7.18 Million (Previous period Rs. 8.46 Million and previous year Rs. 8.46 Million)] | 2.42 | 2.98 | 3.81 |
| Bank of America [Maximum amount outstanding during the period Rs. 0.26 Million (Previous period Rs. 0.29 Million and previous year Rs. 0.29 Million)] | 0.25 | 0.28 | 0.25 |
| Silicon Valley Bank [Maximum amount outstanding during the period Rs. 356.42 Million (Previous period Rs. 223.33 Million and previous year Rs. 223.33 Million)] | 91.57 | 134.55 | 112.87 |
| Citibank NA - Singapore [Maximum amount outstanding during the period Rs. 7.16 Million (Previous period Rs. 12.72 Million and previous year Rs. 12.72 Million)] | 2.96 | 0.61 | 0.52 |
| Wells Fargo Bank [Maximum amount outstanding during the period Rs. 0.02 Million (Previous period Rs. 0.03 Million and previous year Rs. 0.03 Million)] | - | 0.03 | 0.02 |
| Deposit with Wells Fargo Bank [Maximum amount outstanding during the period Rs. 11.62 Million (Previous period Rs. Nil Million and previous year Rs. 11.23 Million)] | 11.18 | - | 11.23 |
| | | | |
| Schedule 7 | | | |
| Other current assets | | | |
| Income accrued | 8.22 | 0.34 | 0.14 |
| Forward contracts receivable | 88.02 | 83.37 | 218.41 |
| Unbilled revenue | 106.16 | 132.85 | 120.14 |
| Fixed assets held for sale (at net book value or estimated net realisable value whichever is lower) | - | 1.21 | 1.21 |
| | <u>202.40</u> | <u>217.77</u> | <u>339.90</u> |
| Schedule 8 | | | |
| Loans and advances | | | |
| Secured, considered good | | | |
| Deposits (Secured by corporate guarantee) | 10.00 | 10.00 | 10.00 |
| (A) | <u>10.00</u> | <u>10.00</u> | <u>10.00</u> |
| Unsecured, considered good | | | |
| Advances recoverable in cash or kind or for value to be received | 182.00 | 94.94 | 154.87 |
| Advance to PSPL ESOP Management Trust | 66.45 | 147.88 | 106.94 |
| Advance Income Tax [Net of provision for Tax Rs. 646.25 Million (Previous period Rs. 386.25 and Previous year Rs. Rs. 468.30 Million)] | 62.98 | 30.23 | 43.26 |
| MAT credit entitlement | 413.83 | 235.72 | 294.82 |
| VAT and Service tax receivable [Net of provision Rs. 107.97 (Previous period Rs. 42.08 Million and Previous year Rs. 43.65 Million)] | 100.55 | 73.45 | 78.72 |
| Deposits | 30.51 | 24.56 | 34.12 |
| (B) | <u>856.32</u> | <u>606.78</u> | <u>712.73</u> |
| Unsecured considered doubtful | | | |
| Deposits - doubtful | 1.03 | 1.78 | 1.18 |
| Less: Provision for non-recoverable deposits | 1.03 | 1.78 | 1.18 |
| (C) | <u>-</u> | <u>-</u> | <u>-</u> |
| (A)+(B)+(C) | <u>866.32</u> | <u>616.78</u> | <u>722.73</u> |

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

| | As at December 31, 2010 In Rs. Million | As at December 31, 2009 In Rs. Million | As at March 31, 2010 In Rs. Million |
|--|--|--|---|
| Schedule 9 | | | |
| Current liabilities | | | |
| Advance from customers | 145.20 | 104.69 | 118.23 |
| Sundry creditors | | | |
| Dues to micro and small enterprises (Refer note 16 to Schedule 16) | - | - | - |
| Dues to other than micro and small enterprises | 252.70 | 233.01 | 398.33 |
| Payable to selling shareholders | - | - | 372.08 |
| Unearned revenue | 73.09 | 72.35 | 83.64 |
| Accrued employee liabilities | 408.90 | 455.31 | 461.99 |
| Unpaid dividend | 0.13 | - | - |
| Tax on unpaid dividend | 0.08 | - | - |
| Other liabilities | 59.72 | 37.58 | 44.52 |
| | 939.82 | 902.94 | 1,478.79 |
| Schedule 10 | | | |
| Provisions | | | |
| Gratuity (Refer note 6 to Schedule 16) - Liability | 52.83 | 24.70 | 43.16 |
| Leave encashment | 149.53 | 111.93 | 111.20 |
| Provision for other long term benefits | 64.96 | 62.12 | 68.77 |
| Proposed dividend | 160.00 | - | 80.00 |
| Tax on proposed dividend | 26.57 | - | 13.59 |
| | 453.89 | 198.75 | 316.72 |
| | 1,393.71 | 1,101.69 | 1,795.51 |

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | For the quarter ended | | For the nine months ended | | For the year ended |
|--|-----------------------|-------------------|---------------------------|-------------------|--------------------|
| | December 31, 2010 | December 31, 2009 | December 31, 2010 | December 31, 2009 | March 31, 2010 |
| | In Rs. Million | In Rs. Million | In Rs. Million | In Rs. Million | In Rs. Million |
| Schedule 11 | | | | | |
| Sale of software services and products | | | | | |
| Overseas | 1,809.98 | 1,434.58 | 5,232.46 | 4,044.17 | 5,698.11 |
| Domestic | 139.34 | 148.97 | 397.74 | 249.96 | 313.45 |
| | 1,949.32 | 1,583.55 | 5,630.20 | 4,294.13 | 6,011.56 |
| Schedule 12 | | | | | |
| Other Income | | | | | |
| Interest on bank deposits [Tax Deducted at Source Rs. Nil (Previous period and Previous year Rs. Nil)] | 4.67 | 0.25 | 4.77 | 0.27 | 0.27 |
| Interest on inter corporate deposit and others [Tax Deducted at Source Rs. 0.18 Million (Previous period Rs. 0.20 Million and Previous year Rs. 1.30 Million)] | 0.84 | 0.13 | 1.72 | 0.20 | 0.74 |
| Foreign exchange gains (net) | 35.19 | - | 144.64 | - | 31.56 |
| Profit on sale of assets (net) | - | 0.01 | 8.17 | 1.43 | 1.01 |
| Dividend from non-trade investments | 28.02 | 11.37 | 82.00 | 30.71 | 42.96 |
| Profit on sale of investments (net) | 0.12 | - | 1.06 | - | 0.01 |
| Provision for doubtful debts written back | 1.95 | 6.10 | 4.14 | 10.64 | 10.57 |
| Excess provision written back | 0.08 | 16.70 | 2.23 | 16.70 | 17.68 |
| Provision for doubtful deposit written back | - | 0.80 | 0.30 | 0.90 | 1.50 |
| Miscellaneous income | 2.60 | 1.95 | 8.40 | 4.98 | 6.03 |
| | 73.47 | 37.31 | 257.43 | 65.83 | 112.33 |

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | For the quarter ended | | For the nine months ended | | For the Year ended |
|--|-----------------------|-------------------|---------------------------|-------------------|--------------------|
| | December 31, 2010 | December 31, 2009 | December 31, 2010 | December 31, 2009 | March 31, 2010 |
| | In Rs. Million | In Rs. Million | In Rs. Million | In Rs. Million | In Rs. Million |
| Schedule 13 | | | | | |
| Personnel expenses | | | | | |
| Salary and allowances | 1,107.39 | 822.23 | 3,219.12 | 2,312.27 | 3,216.81 |
| Software professional charges | 86.66 | 66.11 | 205.75 | 106.27 | 202.45 |
| Contribution to provident fund | 25.29 | 21.20 | 74.98 | 59.35 | 80.91 |
| Gratuity (Refer note 6 to Schedule 16)- | 4.56 | 20.74 | 44.72 | 22.79 | 41.16 |
| Defined contribution to other funds | 6.33 | 6.21 | 19.26 | 17.35 | 23.14 |
| Staff welfare and benefits | 39.22 | 26.12 | 109.69 | 71.50 | 103.50 |
| Employee compensation expenses (Refer note 13 to Schedule 16) | 0.53 | 4.35 | 6.02 | 11.50 | 19.45 |
| | 1,269.98 | 966.96 | 3,679.54 | 2,601.03 | 3,687.42 |
| Schedule 14 | | | | | |
| Operating and other expenses | | | | | |
| Traveling and conveyance | 92.95 | 50.50 | 253.74 | 136.90 | 212.13 |
| Electricity and fuel | 20.80 | 19.46 | 61.03 | 57.65 | 74.20 |
| Internet link charges | 9.57 | 6.94 | 25.58 | 22.41 | 28.17 |
| Communication charges | 8.38 | 6.59 | 24.87 | 19.44 | 26.32 |
| Recruitment expenses | 4.34 | 0.08 | 12.97 | 1.96 | 4.93 |
| Training and seminars | 2.27 | 4.19 | 9.41 | 10.32 | 15.19 |
| Purchase of software licenses and support charges | 31.88 | 79.96 | 106.72 | 145.96 | 183.66 |
| Provision for doubtful debts | 5.07 | 8.55 | 23.64 | 40.83 | 57.03 |
| Rent (Refer note 10 to schedule 16) | 12.08 | 6.27 | 28.01 | 22.60 | 30.41 |
| Insurance | 3.62 | 3.02 | 10.57 | 8.78 | 11.81 |
| Rates, fees and profession tax | 6.35 | 2.49 | 14.04 | 9.62 | 14.80 |
| Legal and professional fees | 11.14 | 10.29 | 27.47 | 29.55 | 41.14 |
| Repairs and maintenance | | | | - | |
| -Plant and Machinery | 8.61 | 7.72 | 23.89 | 17.91 | 25.49 |
| -Building | 2.01 | 1.57 | 7.04 | 4.22 | 5.24 |
| -Others | 2.68 | 3.77 | 7.75 | 8.01 | 10.20 |
| Commission on sales to other than sole selling agents | 1.48 | 0.68 | 4.45 | 2.63 | 2.66 |
| Advertisements, sponsorship fees | 2.80 | 4.80 | 9.73 | 9.01 | 12.35 |
| Computer consumables | 2.87 | 3.40 | 8.69 | 6.42 | 8.94 |
| Auditors' remuneration (Refer note 15 to Schedule 16) | 1.45 | 1.08 | 3.77 | 3.06 | 3.90 |
| Donations | - | - | 10.12 | 5.08 | 6.35 |
| Books, memberships, subscriptions | 0.51 | 0.54 | 1.42 | 1.39 | 2.11 |
| Foreign exchange loss (net) | - | (16.52) | - | 75.00 | - |
| Directors' sitting fees | 0.04 | 0.05 | 0.13 | 0.19 | 0.27 |
| Directors' commission | - | - | - | - | 1.81 |
| Miscellaneous expenses | 20.69 | 20.21 | 73.43 | 46.96 | 70.66 |
| Bad debts | - | 1.79 | - | 1.79 | 1.72 |
| Provision for loss on investments | - | - | - | - | 9.00 |
| | 251.59 | 227.43 | 748.47 | 687.69 | 860.49 |

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

| Particulars | | For the quarter ended | | For the Nine months ended | | For the year ended March 31, 2010 |
|--|-----|-----------------------|-------------------|---------------------------|-------------------|--------------------------------------|
| | | December 31, 2010 | December 31, 2009 | December 31, 2010 | December 31, 2009 | |
| Schedule 15 | | | | | | |
| <u>Earnings per share (after prior period items)</u> | | | | | | |
| <u>Numerator for Basic and Diluted EPS</u> | | | | | | |
| Net Profit after tax and after prior period items (In Rs. Million) | a | 362.43 | 308.91 | 1,066.02 | 753.47 | 1,150.24 |
| <u>Denominator for Basic EPS</u> | | | | | | |
| Weighted average number of equity shares | b | 37,805,645 | 31,951,318 | 37,658,131 | 31,951,318 | 32,185,087 |
| <u>Denominator for Diluted EPS</u> | | | | | | |
| Weighted average number of equity shares and potential equity shares | c | 40,000,000 | 35,861,000 | 40,000,000 | 35,861,000 | 35,883,680 |
| Basic Earning per share of face value of Rs. 10 each (In Rs.) (After exceptional items) | a/b | 9.59 | 9.67 | 28.31 | 23.58 | 35.74 |
| Diluted Earning per share of face value of Rs. 10 each (In Rs.) (After exceptional items) | a/c | 9.06 | 8.61 | 26.65 | 21.01 | 32.06 |
| <u>Earnings per share (before prior period items)</u> | | | | | | |
| <u>Numerator for Basic and Diluted EPS</u> | | | | | | |
| Net Profit after tax and before prior period items (In Rs. Million) | d | 362.43 | 308.91 | 1,064.28 | 753.47 | 1,150.24 |
| <u>Denominator for Basic EPS</u> | | | | | | |
| Weighted average number of equity shares | e | 37,805,645 | 31,951,318 | 37,658,131 | 31,951,318 | 32,185,087 |
| <u>Denominator for Diluted EPS</u> | | | | | | |
| Weighted average number of equity shares and potential equity shares | f | 40,000,000 | 35,861,000 | 40,000,000 | 35,861,000 | 35,883,680 |
| Basic Earnings per share of face value of Rs. 10 each | d/e | 9.59 | 9.67 | 28.26 | 23.58 | 35.74 |
| Diluted Earnings per share of face value of Rs. 10 each | d/f | 9.06 | 8.61 | 26.61 | 21.01 | 32.06 |

| Particulars | For the quarter ended | | For the half year ended | | For the year ended March 31, 2010 |
|--|-----------------------|-------------------|-------------------------|-------------------|--------------------------------------|
| | December 31, 2010 | December 31, 2009 | December 31, 2010 | December 31, 2009 | |
| Number of shares considered as basic weighted average shares outstanding | 37,805,645 | 31,951,318 | 37,658,131 | 31,951,318 | 32,185,087 |
| Add: Effect of dilutive issues of stock options | 2,194,355 | 3,909,682 | 2,341,869 | 3,909,682 | 3,698,593 |
| Number of shares considered as weighted average shares and potential shares outstanding | 40,000,000 | 35,861,000 | 40,000,000 | 35,861,000 | 35,883,680 |

Schedule 16

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.

Persistent Systems, Inc. (PSI) is engaged in software development, professional and marketing services.

Persistent eBusiness Solutions Limited (PeBS) is engaged in software development, consultancy and system integration services.

Persistent Systems Pte. Ltd., (PS Pte.) is engaged in software development, professional and marketing services.

Persistent Systems and Solutions Limited (PSSL) has been set up to inter alia, mainly provide software development services from Special Economic Zone.

2. Principles of Consolidation

The consolidated financial statements for the quarter and nine-month period ended December 31, 2010 of the Company and its subsidiaries (the 'Group') are prepared under historical cost convention in accordance with generally accepted accounting principles applicable in India, and the Accounting Standard 21 (AS-21) on 'Consolidation of Financial Statements', notified by Companies (Accounting Standards) Rules, 2006, (as amended) by to the extent possible in the same format as that adopted by Company (the Company) for its separate financial statements.

The financial statements of the Company and its subsidiary companies have been combined on line by line basis by adding together the book values of like items of assets and liabilities, income and expenses after fully eliminating intra group balances and intra group transactions. Any excess of the cost to the Company of its investment in a subsidiary and the Company's portion of equity of subsidiary at the date, at which investment in the subsidiary is made, is described as goodwill and recognised separately as an asset in the consolidated financial statements.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any, are made in the consolidated financial statements and are presented in the same manner as the Company's unconsolidated financial statements.

The subsidiary companies considered in consolidated financial statements are as follows:

| Name of the subsidiary | Ownership Percentage As at | | | Country of Incorporation |
|--|-------------------------------|----------------------|-------------------|-----------------------------|
| | December 31, 2010 | December 31, 2009 | March 31, 2010 | |
| Persistent Systems Inc. | 100% | 100% | 100% | USA |
| Persistent eBusiness Solutions Limited | 100% | 100% | 100% | India |
| Persistent Systems and Solutions Limited | 100% | 100% | 100% | India |
| Persistent Systems, Pte. Ltd. | 100% | 100% | 100% | Singapore |

3. Statement of significant accounting policies

A. Basis of preparation

The consolidated financial statements for the period ended on December 31, 2010 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 consolidated financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Group during the period and are consistent with those used in the previous year.

B. Use of estimates

The preparation of consolidated 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.

C. Fixed assets

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.

D. 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, as used by the Company, whichever is higher.

Software licenses of enduring nature are amortized over their estimated useful lives of three to five years.

Leasehold land is amortised over lease term.

Depreciation on assets purchased / sold during the year 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 Group and applicable rates as per the schedule XIV of the Companies Act is as below:

| Assets | Rates (SLM) | Rates as per Schedule XIV (SLM) |
|------------------------|---------------|---------------------------------|
| Buildings | 4.00% | 1.63% |
| Computers | 33.33% | 16.21% |
| Software | 20% to 33.33% | 16.21% |
| Plant and Machinery | 20.00% | 4.75% |
| Furniture and fixtures | 20.00% | 6.33% |
| Vehicles | 20.00% | 9.50% |

E. Intangible assets

Acquired intangible assets are stated at cost less 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.

In respect of internally developed assets, research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Company can demonstrate future economic benefits that are attributable to the asset will flow to the Company.

Any expenditure so capitalized is amortized over the period of expected future benefits from the related project i.e. over their estimated useful lives of three to five years on a straight line basis.

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 Group 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 Group 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 the 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 agreements.

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.

J. Interest

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

K. Dividends

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

L. Foreign currency translations

Foreign currency transactions

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 Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or expenses in the year 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 "Accounting Standard ('AS') 11 The effects of changes in Foreign Exchange rates".

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

As per the principles of Accounting Standard ('AS') 30, Financial Instruments: Recognition and Measurement', 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.

vi. Translation of integral and Non-integral foreign operation

In translating the financial statements of a non-integral foreign operation for incorporation in consolidated financial statement, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operation are translated at exchange rates at an average rate for the current period/ year; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment.

The financials statements of the integral foreign operations are translated as if the transactions of the foreign operations have been those of the Company itself.

M. Retirement and other employee benefits

i. Provident fund

The Group has provided for a provident fund scheme defined contribution plan covering eligible employees. The Group 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.

ii. 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/year for employees covered under Group Gratuity Scheme.

iii. Superannuation

The Group has provided for a superannuation scheme as 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.

iv. Leave encashment

The short term compensated absences are provided for applicable 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 Profit and Loss Account and are not deferred.

N. 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 applicable tax laws. Deferred income taxes reflect the impact of current year's timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier period/ years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. 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 Group 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 Group 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.

Deferred tax assets and deferred tax liabilities across various countries of operations are not set off against each other where the Group does not have a legal right to do so.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Group 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 Group 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 'ICAI'), the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT credit entitlement. The Group reviews the MAT credit entitlement at each balance sheet date and writes down the carrying amount to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

O. Segment reporting policies

The Group's operations predominantly relate to providing outsourced software product development services covering full life cycle of product to its customers.

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

The accounting principles consistently used in the preparation of consolidated financial statements are applied to record income and expenses in individual segments.

Income and direct expenses allocable to segments are classified based on items that are individually identifiable to that segment such as salaries and project related travel expenses. The remainder is considered as un-allocable expense and is charged against the total income.

There were no inter-segmental transactions during the period / year.

Segregation of assets, liabilities, depreciation and other non-cash expenses into various reportable segments have not been presented as the assets are used interchangeably between segments and the Group is of the view that it is not practical to reasonably allocate liabilities and other non-cash expenses to individual segments and an ad-hoc allocation will not be meaningful.

P. 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 / year. 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.

Q. Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

R. Cash and cash equivalents

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

S. 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 Group 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 exercise price at the measurement date, which typically is the grant date.

T. Leases

Where the Group is a lessee

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

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

4. Securities for loans

The export packing credit is secured by hypothecation of present and future receivables of the Group on pari passu basis with State Bank of India, Bank of India and Citibank N.A. There is no balance payable as at December 31, 2010, December 31, 2009 and March 31, 2010.

5. Provisions and Contingent Liabilities

Provisions

Accrued employee liabilities includes provision for bonus of Rs. 15.44 million made in previous year, which the management believes is payable during the current year subject to fulfillment of certain continuing performances and other conditions.

Contingent Liabilities not provided for

(In Rs. Million)

| | As at | | |
|---|----------------------|----------------------|-------------------|
| | December 31, 2010 | December 31, 2009 | March 31, 2010 |
| Claims against the Company not acknowledged as debts | | | |
| Legal claims filed by the ex employee for salary and other benefits | 0.18 | 0.29 | 0.18 |
| Income Tax (Note 1) | 81.70 | 24.03 | 24.03 |
| Total | 81.88 | 24.32 | 24.21 |

Note 1

This represents disputed income tax demands arising from partial disallowance of the Company's claim of tax holiday under section 10A of the Income Tax Act, 1961.

The Company has filed / is in the process of filing appeals for respective years with relevant authorities. The management is confident that the matter would be decided in favour of the Company. Consequently no provision has been made in the books of accounts in respect of such disputed income tax demands.

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Persistent Systems Limited

Notes forming part of Consolidated Accounts

6. Gratuity and other post-employment benefit plans:

The Company has a defined benefit gratuity plan. Each employee is eligible for gratuity on completion of minimum five years of service at 15 days basic salary (last drawn basic salary) 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 nine months ended | | For the year ended | | | |
|--|-----------------------|-------------------|---------------------------|-------------------|--------------------|----------------|----------------|----------------|
| | December 31, 2010 | December 31, 2009 | December 31, 2010 | December 31, 2009 | March 31, 2010 | March 31, 2009 | March 31, 2008 | March 31, 2007 |
| Current service cost | 16.66 | 10.41 | 37.89 | 25.12 | 37.54 | 28.43 | 28.07 | 17.61 |
| Interest cost on benefit obligation | 2.41 | 1.78 | 7.42 | 5.15 | 6.55 | 6.51 | 4.05 | 2.58 |
| Expected return on plan assets | (2.04) | (1.75) | (6.33) | (5.36) | (6.98) | (5.63) | (4.37) | (2.43) |
| Net actuarial (gain) / loss recognised in the period | (12.46) | 10.30 | 13.65 | (2.12) | 4.05 | (27.26) | 7.17 | 3.29 |
| Interest income | - | - | (7.91) | - | - | - | (4.40) | - |
| Net benefit expense | 4.56 | 20.74 | 44.72 | 22.79 | 41.16 | 2.05 | 30.52 | 21.05 |
| Actual Return on Net Plan Assets | - | - | - | - | 7.92 | 7.47 | 4.52 | 2.70 |

Changes in the fair value of plan assets (recognised in the Balance Sheet) are as follows:

(In Rs. Million)

| | For the quarter ended | | For the nine months ended | | For the year ended | | | |
|---|-----------------------|-------------------|---------------------------|-------------------|--------------------|----------------|----------------|----------------|
| | December 31, 2010 | December 31, 2009 | December 31, 2010 | December 31, 2009 | March 31, 2010 | March 31, 2009 | March 31, 2008 | March 31, 2007 |
| Opening fair value of plan assets | 115.10 | 82.73 | 78.11 | 86.03 | 86.03 | 53.88 | 29.09 | 31.56 |
| Interest received and accrued during the year | - | - | 7.92 | - | - | - | - | - |
| Expected return / adjustment | 2.03 | 1.75 | 6.32 | 5.36 | 6.98 | 5.63 | 4.37 | 2.43 |
| Contribution by employer | - | - | 35.04 | 0.26 | 0.11 | 30.19 | 20.35 | 0.04 |
| Benefits paid | (3.44) | (1.57) | (9.41) | (5.13) | (8.03) | (5.52) | (2.79) | (2.51) |
| Actuarial gains / (losses) | (2.04) | (1.75) | (6.33) | (5.36) | (6.98) | 1.85 | 2.86 | (2.43) |
| Closing fair value of plan assets | 111.65 | 81.16 | 111.65 | 81.16 | 78.11 | 86.03 | 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 nine months ended | | For the year ended | | | |
|--|-----------------------|-------------------|---------------------------|-------------------|--------------------|----------------|----------------|----------------|
| | December 31, 2010 | December 31, 2009 | December 31, 2010 | December 31, 2009 | March 31, 2010 | March 31, 2009 | March 31, 2008 | March 31, 2007 |
| Opening defined benefit obligation | 163.36 | 86.63 | 121.27 | 88.14 | 88.14 | 84.13 | 52.00 | 33.46 |
| Interest cost | 2.41 | 1.78 | 7.42 | 5.15 | 6.55 | 6.51 | 4.05 | 2.58 |
| Current service cost | 16.66 | 10.41 | 37.89 | 25.12 | 37.54 | 28.43 | 28.07 | 17.61 |
| Benefits paid | (3.44) | (1.57) | (9.41) | (5.13) | (8.03) | (5.52) | (2.79) | (2.51) |
| Actuarial (gains) / losses on obligation | (14.50) | 8.55 | 7.32 | (7.48) | (2.93) | (25.41) | 2.80 | 0.86 |
| Closing defined benefit obligation | 164.49 | 105.80 | 164.49 | 105.80 | 121.27 | 88.14 | 84.13 | 52.00 |

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Persistent Systems Limited

Notes forming part of Consolidated Accounts

Summary statement of provision for gratuity is as follows:

(In Rs. Million)

| | As at | | | | | |
|---------------------------------------|-------------------|-------------------|----------------|----------------|----------------|----------------|
| | December 31, 2010 | December 31, 2009 | March 31, 2010 | March 31, 2009 | March 31, 2008 | March 31, 2007 |
| Fair value of plan assets | 111.65 | 81.16 | 78.11 | 86.03 | 53.88 | 29.09 |
| Less : Defined benefit obligations | (164.49) | (105.80) | (121.27) | (88.14) | (84.13) | (52.00) |
| Less : Unrecognised past service cost | - | - | - | - | - | - |
| Plan asset / (liability) | (52.84) | (24.65) | (43.16) | (2.11) | (30.25) | (22.91) |

The Group expects to contribute Rs. 52.84 Million to gratuity fund in financial year 2011-12

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

(In Rs. Million)

| | As at | | | | | |
|---|-------------------|-------------------|----------------|----------------|----------------|----------------|
| | December 31, 2010 | December 31, 2009 | March 31, 2010 | March 31, 2009 | March 31, 2008 | March 31, 2007 |
| Investments with insurer including accrued interest | 111.65 | 81.16 | 78.11 | 86.03 | 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:

| | As at | | | | | |
|-----------------------------------|-------------------|-------------------|----------------|----------------|----------------|----------------|
| | December 31, 2010 | December 31, 2009 | March 31, 2010 | March 31, 2009 | March 31, 2008 | March 31, 2007 |
| Discount rate | 9.09% | 8.32% | 8.45% | 7.79% | 8.00% | 8.00% |
| Expected rate of return on assets | 8.50% | 8.50% | 8.50% | 8.50% | 9.00% | 8.00% |
| Increment rate | 7.00% | 6.00% | 6.00% | 6.00% | 7.00% | 7.00% |

Amounts for the current and previous years are as follows:

(In Rs. Million)

| | As at | | | | | |
|--|-------------------|-------------------|----------------|----------------|----------------|----------------|
| | December 31, 2010 | December 31, 2009 | March 31, 2010 | March 31, 2009 | March 31, 2008 | March 31, 2007 |
| Plan assets | 111.65 | 81.16 | 78.11 | 86.03 | 53.88 | 29.09 |
| Defined benefit obligation | (164.49) | (105.80) | (121.27) | (88.14) | (84.13) | (52.00) |
| (Deficit) | (52.84) | (24.64) | (43.16) | (2.11) | (30.25) | (22.91) |
| Experience adjustments on plan liabilities | 7.32 | (7.48) | (2.93) | (25.41) | 2.80 | 0.86 |
| Experience adjustments on plan assets | (6.33) | (5.36) | (6.98) | 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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7. Derivative Instruments and Foreign Currency exposures

Forward exchange contracts outstanding at the balance sheet date:

(In USD Million)

| Particulars | As At | | |
|---|-------------------|-------------------|----------------|
| | December 31, 2010 | December 31, 2009 | March 31, 2010 |
| Debtors (1USD = Rs. 44.70) (Previous period 1USD = Rs. 46.52 Previous Year 1USD = Rs. 44.91) | 14.00 | 13.00 | 15.00 |
| Expected future sales | 65.50 | 64.75 | 64.00 |

Particulars of Unhedged foreign Currency Exposures as at the balance sheet date:

| Particulars | For the period ended | | | | | | For the Year ended | | |
|------------------|----------------------|-------------------------------|--|-------------------|-------------------------------|--|--------------------|-------------------------------|--|
| | December 31, 2010 | | | December 31, 2009 | | | March 31, 2010 | | |
| | In Rs. Million | Foreign Currency (In Million) | Foreign Currency Conversion Rate (Rs.) | In. Rs. Million | Foreign Currency (In Million) | Foreign Currency Conversion Rate (Rs.) | In. Rs. Million | Foreign Currency (In Million) | Foreign Currency Conversion Rate (Rs.) |
| Bank Balances | 1.69 | JP ¥ 3.0746 | 0.5496 | 0.000504 | JP ¥ 0.001 | 0.5040 | 0.00028 | JP ¥ 0.001 | 0.48 |
| | 0.45 | USD 0.01 | 44.70 | 135.56 | USD 2.91 | 46.52 | 0.45 | USD 0.01 | 44.91 |
| | 5.22 | GBP 0.08 | 69.36 | 1.31 | GBP 0.02 | 75.33 | 0.54 | GBP 0.01 | 68.07 |
| | 1.01 | SGD 0.29 | 34.87 | 10.34 | SGD 0.311 | 33.39 | 0.51 | SGD 0.01 | 32.10 |
| | 2.42 | CAD 0.05 | 44.80 | 2.98 | CAD 0.07 | 44.42 | 3.81 | CAD 0.09 | 44.26 |
| Import creditors | 2.24 | USD 0.05 | 44.72 | 25.86 | USD 0.56 | 46.53 | 42.67 | USD 0.95 | 44.92 |
| | 3.99 | SGD 0.11 | 34.87 | NIL | SGD 0.00 | 33.19 | 0.22 | SGD 0.01 | 32.10 |
| Advances | 29.29 | USD 0.66 | 44.70 | 2.32 | USD 0.05 | 46.52 | 12.13 | USD 0.27 | 44.91 |

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8. Capital commitments

(In Rs. Million)

| Particulars | As at | | |
|--|-------------------|-------------------|----------------|
| | December 31, 2010 | December 31, 2009 | March 31, 2010 |
| Estimated amount of contracts remaining to be executed on capital account and not provided | 272.24 | 150.52 | 301.22 |

9. Deferred tax

The group enjoys a tax holiday under section 10A of the Income Tax Act, 1961, up to March 31, 2011. The timing differences arising at December 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 | | |
|---|-------------------|-------------------|----------------|
| | December 31, 2010 | December 31, 2009 | March 31, 2010 |
| Differences in depreciation and other differences in a block of fixed assets as per the tax books and financial books | 38.02 | 15.33 | 20.56 |
| Provision for doubtful debts written back | - | 1.73 | 1.03 |
| Gross deferred tax liabilities (A) | 38.02 | 17.06 | 21.59 |
| Provision for Leave liability and long term employee benefit | (39.86) | 22.85 | 28.41 |
| Provision for doubtful debts | (11.83) | - | - |
| Gross deferred tax assets (B) | (51.69) | 22.85 | 28.41 |
| Net deferred tax liabilities / (assets) (A) - (B) | (13.67) | (5.79) | (6.82) |

In case of Persistent Systems Inc. the group has not recognized deferred tax asset, as there is no virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. This is consistent with the Notified Accounting Standard 22 (AS-22), "Accounting for Taxes on Income".

In case of Persistent Systems Pte. Ltd., no deferred tax asset/liability is recognised as there are no material timing differences arising at balance sheet date.

The Company believes that the gratuity liability as at December 31, 2010 would be paid before the due date of filing of the return of income and hence such outstanding amount would be eligible for a deduction within the tax holiday period. Accordingly, no deferred tax has been recognised.

10. Operating Leases

The Group has taken office premises under non-cancellable operating lease agreements for a period of 3 years and 10 years. There are no restrictions imposed by the lease agreements. The Group has an option to renew the lease agreements at the end of the lease period. Maximum obligation on long-term non-cancellable operating lease payable as per the rentals stated in respective agreement is as follows:

(In Rs. Million)

| Particulars | Nine months ended | | Year Ended |
|---|-------------------|-------------------|----------------|
| | December 31, 2010 | December 31, 2009 | March 31, 2010 |
| Lease Rentals during the period / year | 10.32 | - | - |
| Obligation on non- cancellable operating leases | | | |
| Not later than one year | 23.16 | - | - |
| Later than one year and not later than five years | 80.46 | - | - |
| Later than five years | 71.39 | | |

Lease rentals during the quarter ended December 31, 2010 amounted to Rs. 5.23 million (Previous period NIL)

11. Segment Information

The Group changed the primary reporting segments to incorporate and reflect the changes in the operating structure from March 31, 2010. 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 related disclosures and has no other impact on the consolidated financial statements of the Group. The Group has also presented corresponding previous period/year comparatives to facilitate better comparison.

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

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Persistent Systems Limited

Notes forming part of Consolidated Accounts

11. Segment Information

(in Rs. Million)

| Particulars | Period | | Telecom and Wireless | Life Science and Healthcare | Infrastructure and Systems | Total |
|--------------------------------|-------------------|-----------|----------------------|-----------------------------|----------------------------|------------|
| Revenue | Nine months ended | 31-Dec-10 | 1,159.12 | 602.52 | 3,868.56 | 5,630.20 |
| | Nine months ended | 31-Dec-09 | 1,026.76 | 497.00 | 2,770.37 | 4,294.13 |
| | Quarter ended | 31-Dec-10 | 450.33 | 227.28 | 1,271.71 | 1,949.32 |
| | Quarter ended | 31-Dec-09 | 364.74 | 177.58 | 1,041.23 | 1,583.55 |
| | Year ended | 31-Mar-10 | 1,375.43 | 668.57 | 3,967.56 | 6,011.56 |
| Identifiable Expense | Nine months ended | 31-Dec-10 | (564.14) | (229.05) | (1,984.74) | (2,777.93) |
| | Nine months ended | 31-Dec-09 | (457.32) | (165.40) | (1,297.55) | (1,920.27) |
| | Quarter ended | 31-Dec-10 | (199.47) | (81.50) | (687.23) | (968.20) |
| | Quarter ended | 31-Dec-09 | (183.22) | (58.58) | (514.22) | (756.02) |
| | Year ended | 31-Mar-10 | (597.25) | (230.77) | (1,836.18) | (2,664.20) |
| Segmental Operating Income | Nine months ended | 31-Dec-10 | 594.98 | 373.47 | 1,883.82 | 2,852.27 |
| | Nine months ended | 31-Dec-09 | 569.44 | 331.60 | 1,472.82 | 2,373.86 |
| | Quarter ended | 31-Dec-10 | 250.86 | 145.78 | 584.48 | 981.12 |
| | Quarter ended | 31-Dec-09 | 181.52 | 119.00 | 527.01 | 827.53 |
| | Year ended | 31-Mar-10 | 778.18 | 437.80 | 2,131.38 | 3,347.36 |
| Unallocable Expenses | Nine months ended | 31-Dec-10 | | | | (1,954.64) |
| | Nine months ended | 31-Dec-09 | | | | (1,615.81) |
| | Quarter ended | 31-Dec-10 | | | | (659.69) |
| | Quarter ended | 31-Dec-09 | | | | (528.79) |
| | Year ended | 31-Mar-10 | | | | (2,218.95) |
| Operating Income | Nine months ended | 31-Dec-10 | | | | 897.63 |
| | Nine months ended | 31-Dec-09 | | | | 758.05 |
| | Quarter ended | 31-Dec-10 | | | | 321.43 |
| | Quarter ended | 31-Dec-09 | | | | 298.74 |
| | Year ended | 31-Mar-10 | | | | 1,128.41 |
| Other Income (Net of Expenses) | Nine months ended | 31-Dec-10 | | | | 257.43 |
| | Nine months ended | 31-Dec-09 | | | | 65.83 |
| | Quarter ended | 31-Dec-10 | | | | 73.47 |
| | Quarter ended | 31-Dec-09 | | | | 37.31 |
| | Year ended | 31-Mar-10 | | | | 112.33 |
| Profit before Taxes | Nine months ended | 31-Dec-10 | | | | 1,155.06 |
| | Nine months ended | 31-Dec-09 | | | | 823.88 |
| | Quarter ended | 31-Dec-10 | | | | 394.90 |
| | Quarter ended | 31-Dec-09 | | | | 336.05 |
| | Year ended | 31-Mar-10 | | | | 1,240.74 |
| Income Tax | Nine months ended | 31-Dec-10 | | | | 90.78 |
| | Nine months ended | 31-Dec-09 | | | | 70.41 |
| | Quarter ended | 31-Dec-10 | | | | 32.47 |
| | Quarter ended | 31-Dec-09 | | | | 27.14 |
| | Year ended | 31-Mar-10 | | | | 90.50 |

| Particulars | Period | | Telecom and Wireless | Life Science and Healthcare | Infrastructure and Systems | Total |
|--|-------------------|-----------|----------------------|-----------------------------|----------------------------|----------|
| Profit after Tax | Nine months ended | 31-Dec-10 | | | | 1,064.28 |
| | Nine months ended | 31-Dec-09 | | | | 753.47 |
| | Quarter ended | 31-Dec-10 | | | | 362.43 |
| | Quarter ended | 31-Dec-09 | | | | 308.91 |
| | Year ended | 31-Mar-10 | | | | 1,150.24 |
| Prior Period Item- Deferred Tax Credit | Nine months ended | 31-Dec-10 | | | | 1.74 |
| | Nine months ended | 31-Dec-09 | | | | - |
| | Quarter ended | 31-Dec-10 | | | | - |
| | Quarter ended | 31-Dec-09 | | | | - |
| | Year ended | 31-Mar-10 | | | | - |
| Profit After Prior Period Items | Nine months ended | 31-Dec-10 | | | | 1,066.02 |
| | Nine months ended | 31-Dec-09 | | | | 753.47 |
| | Quarter ended | 31-Dec-10 | | | | 362.43 |
| | Quarter ended | 31-Dec-09 | | | | 308.91 |
| | Year ended | 31-Mar-10 | | | | 1,150.24 |

Geographical Segments

The following table shows the distribution of the Group's consolidated sales by geographical market regardless of where the goods were produced

(in Rs. Million)

| Particulars | Period | | North America | Europe | Asia Pacific | Total |
|-------------|-------------------|-----------|---------------|--------|--------------|----------|
| Revenue | Nine months ended | 31-Dec-10 | 4,789.86 | 331.88 | 508.46* | 5,630.20 |
| | Nine months ended | 31-Dec-09 | 3,649.68 | 347.40 | 297.05 | 4,294.13 |
| | Quarter ended | 31-Dec-10 | 1,675.92 | 101.86 | 171.54* | 1,949.32 |
| | Quarter ended | 31-Dec-09 | 1,297.30 | 129.70 | 156.55 | 1,583.55 |
| | Year ended | 31-Mar-10 | 5,098.68 | 493.70 | 419.18 | 6,011.56 |

(*) Note: Revenue under the segment Asia Pacific for the period and quarter ended December 31, 2010 includes revenue of Rs. 7.08 Million generated in South Africa.

12. Related party

Names of related parties

Key Management Personnel

- i. Dr. Anand S. Deshpande, Chairman and Managing Director
- ii. Suresh P. Deshpande, Non Executive Director (Executive Director up to October 31, 2009)
- iii. Mr. T M Vijayaraman, Chief Technology Officer and Director, Persistent Systems Inc., USA
- iv. Mr. Hariharan, President, Persistent Systems Inc., USA

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)

Related party transactions

(In Rs. Million)

| Particulars | Name of the related party | For the quarter Ended | | For the nine months Ended | | For the year ended |
|---|-----------------------------|-----------------------|-------------------|---------------------------|-------------------|--------------------|
| | | December 31, 2010 | December 31, 2009 | December 31, 2010 | December 31, 2009 | March 31, 2010 |
| Remuneration to Key Management personnel | Dr. Anand Deshpande | 3.45 | 1.85 | 6.74 | 5.56 | 7.63 |
| | Mr. S. P. Deshpande | - | 0.01 | - | 1.45 | 1.57 |
| | Mr. T M Vijayaraman* | - | 3.00 | 2.96 | 8.28 | 10.42 |
| | Mr. Hari Haran** | 5.04 | 6.52 | 18.85 | 15.74 | 21.06 |
| | Dr. Srikanth Sundararajan** | 3.97 | - | 14.05 | - | - |
| | | 12.46 | 11.38 | 42.60 | 31.03 | 40.68 |
| Remuneration to relative of Key Management personnel | Mrs. Chitra Buzruk | 0.63 | 0.49 | 1.64 | 1.38 | 2.60 |
| | Dr. Mukund Deshpande | 0.76 | 0.65 | 2.10 | 1.87 | 2.34 |
| | | 1.39 | 1.14 | 3.74 | 3.25 | 4.94 |
| Dividend paid | Dr. Anand Deshpande | - | 5.69 | 22.75 | 5.69 | 5.69 |
| | Mr. S. P. Deshpande | - | 1.90 | 7.60 | 1.90 | 1.90 |
| | Mrs. Chitra Buzruk | - | 0.01 | 0.05 | 0.01 | 0.01 |
| | Mrs. Sonali A. Deshpande | - | 0.03 | 0.11 | 0.03 | 0.03 |
| | Mrs. Sulabha S. Deshpande | - | 0.14 | 0.56 | 0.14 | 0.14 |
| | Mr. T M Vijayaraman | - | 0.03 | 0.08 | 0.03 | - |
| | | - | 7.80 | 31.15 | 7.80 | 7.77 |

Outstanding Balances

(In Rs. Million)

| Particulars | Name of the Related party | As at | | |
|-------------------------|---------------------------|----------------------|----------------------|-------------------|
| | | December 31, 2010 | December 31, 2009 | March 31, 2010 |
| Dividend payable | Dr. Anand Deshpande | 45.50 | - | 22.75 |
| | S.P.Deshpande | 15.24 | - | 7.60 |
| | Chitra Buzruk | 0.11 | - | 0.05 |
| | Sonali Anand Deshpande | 0.22 | - | 0.11 |
| | Sulabha S Deshpande | 1.13 | - | 0.56 |
| | Mr. T M Vijayaraman | 0.35 | - | 0.08 |
| | Total | | 62.55 | - |

* Mr. T.M. Vjjayaraman retired as Director w.e.f. July 1, 2010.

**Although Dr. Srikanth Sundararajan and Mr. Hari Haran were appointed on May 19, 2010 in the Capacity of Director of Persistent Systems, Inc., their salary is disclosed from April 1, 2010.

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13. 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/Members | 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 |
| Scheme X | June 10, 2010 | October 29, 2010 | 403.25 – 403.25 | 3 Years |

Note 1. No contractual life is defined in the scheme

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

| Time Period from the Date of Grant | Cumulative Percentage of Share Vesting | | |
|------------------------------------|--|------------|-------------|
| | Scheme I to V & X | 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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Status of various ESOP schemes is shown in the following table

| Plan -----> | | I | II | III | IV | V | VI | VII | VIII | IX | X | Total |
|--|---|-----------|-----------|------------|-----------|----------|-----------|------------|-------------|-----------|----------|--------------|
| Granted | a | 2,280,250 | 376,600 | 1,266,650 | 3,479,125 | 945,262 | 608,125 | 892,487 | 21,000 | 687,231 | 517,925 | 11,074,655 |
| Vested | b | 1,606,239 | 230,177 | 636,395 | 1,335,035 | 562,329 | 342,999 | 298,087 | 14,000 | 27,196 | - | 5,052,457 |
| Encashed and Exercised | c | 1,600,877 | 214,625 | 473,545 | 1,014,534 | 437,782 | 296,624 | 212,784 | 10,500 | 2,187 | - | 4,263,458 |
| Vested & Not exercised (b-c) | d | 5,362 | 15,552 | 162,850 | 320,501 | 124,547 | 46,375 | 85,303 | 3,500 | 25,009 | - | 788,999 |
| Lapsed | e | 672,704 | 138,057 | 402,706 | 914,892 | 275,939 | 215,250 | 408,800 | 3,500 | 202,051 | - | 3,233,899 |
| Not Vested (a - c - d - e) | f | 1,307 | 8,366 | 227,549 | 1,229,198 | 106,994 | 49,876 | 185,600 | 3,500 | 457,984 | 517,925 | 2,788,299 |
| Outstanding (d + f) | g | 6,669 | 23,918 | 390,399 | 1,549,699 | 231,541 | 96,251 | 270,903 | 7,000 | 482,993 | 517,925 | 3,577,298 |
| Weighted Average remaining contractual life (in years) | | Note1 | 9.73 | Note1 | 11.91 | Note1 | 10.99 | 12.26 | 3.71 | 12.40 | 6.83 | |
| 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 | 403.25 | |

All the numbers provided in this above table are rounded off.

Notes:

- i. No contractual life is defined in the schemes.
- ii. Compensation expense arising from employee share based payment plans for the nine months ended December 31, 2010 amounted to Rs. 6.02 million (Previous period Rs. 11.50 million, Previous year Rs. 19.45 million) and for the quarter ended December 31, 2010 amounted to Rs. 0.53 million (Previous quarter Rs. 4.35 million)
- iii. 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 Rs. 44.65 million, Previous year Rs. Nil). As illustrated in the example in the appendix to the 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 period Rs. 5.35 million, Previous year Rs. Nil) and Share Premium would have been reduced by Rs. Nil (Previous period Rs. 39.30 million, Previous year Rs. Nil)
- iv. The Company has adjusted Rs. 13.13 Million (Previous period Rs. Nil, Previous year 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.
- v. All method of settlement for all the schemes is equity based.

Movement for the nine month ended December 31, 2010

| ESOP Scheme | Particulars | Nine month period ended | Outstanding at the beginning of the nine month period | Granted during the nine month period | Forfeited during the nine month period | Exercised during the nine month period | Outstanding at the end of the nine month period | Exercisable at the end of the nine month period |
|-------------|------------------------------|-------------------------|---|--------------------------------------|--|--|---|---|
| Scheme I | Number of Options | December 31,2010 | 12,204 | - | 3,503 | 2,033 | 6,669 | 5,432 |
| | Weighted Average Price (Rs.) | December 31,2010 | 9.95 | - | 4.77 | 11.36 | 12.16 | 12.93 |
| | Number of Options | December 31,2009 | 59,926 | - | 2,153 | - | 57,773 | 53,925 |
| | Weighted Average Price (Rs.) | December 31,2009 | 11.26 | - | 15.22 | - | 11.11 | 11.42 |
| Scheme II | Number of Options | December 31,2010 | 42,991 | - | 9,450 | 9,624 | 23,918 | 15,552 |
| | Weighted Average Price (Rs.) | December 31,2010 | 84.36 | - | 96.41 | 96.41 | 74.74 | 63.09 |
| | Number of Options | December 31,2009 | 212,608 | - | 10,500 | - | 202,108 | 155,968 |
| | Weighted Average Price (Rs.) | December 31,2009 | 42.06 | - | 31.45 | - | 42.61 | 26.70 |
| Scheme III | Number of Options | December 31,2010 | 489,031 | - | 26,848 | 71,785 | 390,398 | 162,867 |
| | Weighted Average Price (Rs.) | December 31,2010 | 62.17 | - | 65.49 | 58.59 | 62.60 | 61.51 |
| | Number of Options | December 31,2009 | 864,887 | - | 43,340 | - | 821,547 | 374,123 |
| | Weighted Average Price (Rs.) | December 31,2009 | 55.82 | - | 64.83 | - | 55.34 | 45.64 |
| Scheme IV | Number of Options | December 31,2010 | 1,844,402 | - | 98,350 | 196,354 | 1,549,699 | 320,501 |
| | Weighted Average Price (Rs.) | December 31,2010 | 94.33 | - | 108.48 | 49.40 | 99.13 | 70.21 |
| | Number of Options | December 31,2009 | 1,686,027 | 1,081,975 | 39,920 | - | 2,728,083 | 740,592 |
| | Weighted Average Price (Rs.) | December 31,2009 | 54.13 | 122.24 | 61.06 | - | 81.04 | 48.38 |
| Scheme V | Number of Options | December 31,2010 | 312,018 | - | 9,599 | 70,878 | 231,541 | 124,547 |
| | Weighted Average Price (Rs.) | December 31,2010 | 51.29 | - | 58.45 | 46.04 | 52.60 | 46.81 |
| | Number of Options | December 31,2009 | 699,128 | - | 15,987 | - | 683,142 | 335,648 |
| | Weighted Average Price (Rs.) | December 31,2009 | 49.91 | - | 51.29 | - | 49.88 | 47.26 |
| Scheme VI | Number of Options | December 31,2010 | 96,251 | - | - | - | 96,251 | 46,375 |
| | Weighted Average Price (Rs.) | December 31,2010 | 54.26 | - | - | - | 54.26 | 52.71 |
| | Number of Options | December 31,2009 | 392,875 | - | - | - | 392,875 | 293,124 |
| | Weighted Average Price (Rs.) | December 31,2009 | 51.08 | - | - | - | 51.08 | 50.03 |
| Scheme VII | Number of Options | December 31,2010 | 292,953 | - | 4,900 | 17,150 | 270,904 | 85,303 |
| | Weighted Average Price (Rs.) | December 31,2010 | 83.56 | - | 61.34 | 57.63 | 85.61 | 61.74 |
| | Number of Options | December 31,2009 | 562,187 | 114,000 | 187,600 | - | 488,588 | 228,970 |
| | Weighted Average Price (Rs.) | December 31,2009 | 65.96 | 122.24 | 83.05 | - | 72.37 | 55.59 |
| Scheme VIII | Number of Options | December 31,2010 | 14,000 | - | 3,500 | 3,500 | 7,000 | 3,500 |
| | Weighted Average Price (Rs.) | December 31,2010 | 96.41 | - | 96.41 | 96.41 | 96.41 | 96.41 |
| | Number of Options | December 31,2009 | 21,000 | - | - | - | 21,000 | 10,500 |
| | Weighted Average Price (Rs.) | December 31,2009 | 96.41 | - | - | - | 96.41 | 96.41 |
| Scheme IX | Number of Options | December 31,2010 | 534,493 | - | 49,313 | 2,187 | 482,993 | 25,009 |
| | Weighted Average Price (Rs.) | December 31,2010 | 109.48 | - | 109.48 | 109.48 | 109.48 | 109.48 |

| ESOP Scheme | Particulars | Nine month period ended | Outstanding at the beginning of the nine month period | Granted during the nine month period | Forfeited during the nine month period | Exercised during the nine month period | Outstanding at the end of the nine month period | Exercisable at the end of the nine month period |
|--------------------|------------------------------|--------------------------------|--|---|---|---|--|--|
| | Number of Options | December 31,2009 | - | 687,231 | - | - | - | - |
| | Weighted Average Price (Rs.) | December 31,2009 | - | 109.48 | - | - | - | - |
| Scheme X | Number of Options | December 31,2010 | - | 517,925 | - | - | 517,925 | - |
| | Weighted Average Price (Rs.) | December 31,2010 | - | 403.25 | - | - | 403.25 | - |
| | Number of Options | December 31,2009 | - | - | - | - | - | - |
| | Weighted Average Price (Rs.) | December 31,2009 | - | - | - | - | - | - |

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Movement for the quarter ended December 31, 2010

| 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 | December 31,2010 | 7,667 | - | - | 997 | 6,669 | 5,432 |
| | Weighted Average Price (Rs.) | December 31,2010 | 11.50 | - | - | 7.10 | 12.16 | 12.93 |
| | Number of Options | December 31,2009 | 59,926 | - | 2,153 | - | 57,773 | 53,925 |
| | Weighted Average Price (Rs.) | December 31,2009 | 11.26 | - | 15.22 | - | 11.11 | 11.42 |
| Scheme II | Number of Options | December 31,2010 | 30,917 | - | 4,200 | 2,799 | 23,918 | 15,552 |
| | Weighted Average Price (Rs.) | December 31,2010 | 79.65 | - | 96.41 | 96.41 | 74.74 | 63.09 |
| | Number of Options | December 31,2009 | 212,608 | - | 10,500 | - | 202,108 | 155,968 |
| | Weighted Average Price (Rs.) | December 31,2009 | 42.06 | - | 31 | - | 42.61 | 26.70 |
| Scheme III | Number of Options | December 31,2010 | 421,937 | - | 9,434 | 22,105 | 390,398 | 162,867 |
| | Weighted Average Price (Rs.) | December 31,2010 | 62.57 | - | 65.25 | 60.93 | 62.60 | 61.51 |
| | Number of Options | December 31,2009 | 838,899 | - | 17,353 | - | 821,547 | 374,123 |
| | Weighted Average Price (Rs.) | December 31,2009 | 55.53 | - | 64.26 | - | 55.34 | 45.64 |
| Scheme IV | Number of Options | December 31,2010 | 1,640,857 | - | 32,300 | 58,858 | 1,549,699 | 320,501 |
| | Weighted Average Price (Rs.) | December 31,2010 | 97.71 | - | 113.48 | 51.80 | 99.13 | 70.21 |
| | Number of Options | December 31,2009 | 1,666,410 | 1,081,975 | 20,302 | - | 2,728,083 | 740,592 |
| | Weighted Average Price (Rs.) | December 31,2009 | 54.03 | 122.24 | 59.65 | - | 81.04 | 48.38 |
| Scheme V | Number of Options | December 31,2010 | 255,441 | - | 1,649 | 22,252 | 231,541 | 124,547 |
| | Weighted Average Price (Rs.) | December 31,2010 | 52.04 | - | 53.31 | 46.08 | 52.60 | 46.81 |
| | Number of Options | December 31,2009 | 688,513 | - | 5,371 | - | 683,142 | 335,648 |
| | Weighted Average Price (Rs.) | December 31,2009 | 49.94 | - | 57.30 | - | 49.88 | 47.26 |
| Scheme VI | Number of Options | December 31,2010 | 96,251 | - | - | - | 96,251 | 46,375 |
| | Weighted Average Price (Rs.) | December 31,2010 | 54.26 | - | - | - | 54.26 | 52.71 |
| | Number of Options | December 31,2009 | 392,875 | - | - | - | 392,875 | 293,124 |
| | Weighted Average Price (Rs.) | December 31,2009 | 51.08 | - | - | - | 51.08 | 50.03 |
| Scheme VII | Number of Options | December 31,2010 | 285,580 | - | - | 14,677 | 270,904 | 85,303 |
| | Weighted Average Price (Rs.) | December 31,2010 | 84.14 | - | - | 57.00 | 85.61 | 61.74 |
| | Number of Options | December 31,2009 | 562,187 | 114,000 | 187,600 | - | 488,588 | 228,970 |
| | Weighted Average Price (Rs.) | December 31,2009 | 65.96 | 122.24 | 83.05 | - | 72.37 | 55.59 |
| Scheme VIII | Number of Options | December 31,2010 | 7,000 | - | - | - | 7,000 | 3,500 |
| | Weighted Average Price (Rs.) | December 31,2010 | 96.41 | - | - | - | 96.41 | 96.41 |
| | Number of Options | December 31,2009 | 21,000 | - | - | - | 21,000 | 10,500 |
| | Weighted Average Price (Rs.) | December 31,2009 | 96.41 | - | - | - | 96.41 | 96.41 |
| Scheme IX | Number of Options | December 31,2010 | 522,472 | - | 38,233 | 1,246 | 482,993 | 34 of 325,009 |

| 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 |
|-------------|------------------------------|------------------|---|----------------------------|------------------------------|------------------------------|---------------------------------------|---------------------------------------|
| | Weighted Average Price (Rs.) | December 31,2010 | 109.48 | - | 109.48 | 109.48 | 109.48 | 109.48 |
| | Number of Options | December 31,2009 | 687,231 | - | - | - | - | - |
| | Weighted Average Price (Rs.) | December 31,2009 | 109.48 | - | - | - | - | - |
| Scheme X | Number of Options | December 31,2010 | - | 517,925 | - | - | 517,925 | - |
| | Weighted Average Price (Rs.) | December 31,2010 | - | 403.25 | - | - | 403.25 | - |
| | Number of Options | December 31,2009 | - | - | - | - | - | - |
| | Weighted Average Price (Rs.) | December 31,2009 | - | - | - | - | - | - |

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Stock Options granted

The weighted average fair value of the stock options granted during the current period is Rs. 403.25. The Binomial tree valuation model has been used for computing the weighted average fair value considering the following inputs:

| | Nine months ended December 31,2010 | Nine months ended December 31,2009 and Year ended March 31,2010 | | |
|---|------------------------------------|---|-------------------|------------------|
| | Scheme X | Scheme IX | Scheme IV and VII | Scheme IX |
| Weighted average share price (Rs.) | 403.25 | 137.05 | 129.50 | 137.05 |
| Exercise Price (Rs.) | 403.25 | 109.48 | 122.24 | 109.48 |
| Expected Volatility | 32.72% | 61.52% | 61.52% | 61.52% |
| Historical Volatility | 32.72% | 31.52% - 61.52% | 31.52% - 61.52% | 31.52%-61.52% |
| Life of the options granted (Vesting and exercise period) | 7 years | 12.50 - 15 years | 14 - 15 years | 12.50 - 15 years |
| Dividend Yield | 1.64 | 1.64 | 1.64 | 1.64 |
| Average risk-free interest rate | 8.01% | 5.90% | 5.90% | 5.90% |
| Expected dividend rate | 58.00% | 58.00% | 58.00% | 58.00% |

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/ comparable companies. To allow the effect of early exercise of the options the exercise period has been considered as one year after the vesting date where the share price is expected to be 2.50 times the exercise price.

Proforma disclosures by applying fair value method

Since the Company uses intrinsic value method as required by the Guidance Note on Accounting for Employee Share-based Payments issued by ICAI, the impact on reported net profit and Earnings Per Share by applying the fair value method is set out as follows:

| | Quarter ended | | Nine months ended | | Year Ended March 31, 2010 |
|---|------------------|------------------|-------------------|------------------|---------------------------|
| | December 31,2010 | December 31,2009 | December 31,2010 | December 31,2009 | |
| Profit after tax | 362.43 | 308.91 | 1,066.02 | 753.47 | 1,150.24 |
| Add: Employee stock compensation under intrinsic value method | 0.53 | 4.35 | 6.02 | 11.50 | 19.45 |
| Less: Employee stock compensation under fair value method | (12.41) | (7.18) | (31.78) | (18.73) | (36.06) |
| Proforma profit | 350.55 | 306.08 | 1040.26 | 746.24 | 1,133.63 |
| Earnings Per Share | | | | | |
| Basic | | | | | |
| - As reported | 9.59 | 9.67 | 28.31 | 23.58 | 35.74 |
| - Pro forma | 9.27 | 9.58 | 27.62 | 23.36 | 35.22 |
| Diluted | | | | | |
| - As reported | 9.06 | 8.61 | 26.65 | 21.01 | 32.06 |
| - Pro forma | 8.76 | 8.54 | 26.01 | 20.81 | 31.59 |

14. Investments

Details of investment movement are as follows:

(In Rs. Million)

| Name of the Fund | Opening Balance | | Purchase | | Sales | | Closing Balance | |
|----------------------|-----------------------|-----------------|-----------------------|------------------|-----------------------|------------------|-----------------------|-----------------|
| | Units | Amount | Units | Amount | Units | Amount | Units | Amount |
| DSP Liquid Fund | - | - | 19,096,403.32 | 1,155.99 | 1,041,413.40 | 920.96 | 18,054,989.92 | 235.03 |
| Grindlays Cash Fund | 22,850,645.02 | 228.85 | 23,648,900.16 | 386.32 | 23,499,545.18 | 385.17 | 23,000,000.00 | 230.00 |
| HDFC Liquid Fund | 24,812,537.27 | 248.12 | 49,993,766.50 | 503.83 | 54,844,228.98 | 551.94 | 19,962,074.79 | 200.01 |
| HDFC Savings Fund | - | - | 13,933,736.00 | 143.64 | 12,925,280.00 | 133.52 | 1,008,456.00 | 10.12 |
| ICICI Liquid Fund | 23,270,731.16 | 233.22 | 29,343,799.13 | 782.31 | 52,014,668.26 | 955.54 | 599,862.03 | 59.99 |
| Templeton India Fund | - | - | 22,458,854.21 | 664.62 | 22,264,517.85 | 440.72 | 194,336.36 | 223.90 |
| DWS Money Plus Fund | - | - | 75,847,517.08 | 760.80 | 65,847,517.08 | 660.80 | 10,000,000.00 | 100.00 |
| Birla Cash Plus Fund | 23,499,127.82 | 235.08 | 47,265,260.55 | 482.39 | 47,520,677.35 | 475.46 | 23,243,711.02 | 242.01 |
| Tata Liquid Fund | 24,119,559.26 | 241.70 | 39,652,070.21 | 446.51 | 49,368,485.46 | 544.18 | 14,403,144.01 | 144.03 |
| Reliance Liquid plus | 39,958.95 | 40.01 | 27,754,192.19 | 386.38 | 4,689,463.71 | 180.24 | 23,104,687.43 | 246.15 |
| Religare Mutual Fund | - | - | 115,099,646.85 | 1,152.12 | 100,099,646.85 | 1,002.12 | 15,000,000.00 | 150.00 |
| SBI Mutual Fund | 10,502,889.83 | 105.09 | 127,313,645.52 | 1,532.31 | 114,816,535.35 | 1,407.40 | 23,000,000.00 | 230.00 |
| Kotak Liquid Fund | 22,942,919.26 | 229.66 | 68,677,396.39 | 710.59 | 78,513,908.83 | 807.66 | 13,106,406.82 | 132.59 |
| Canara Robeco | - | - | 97,194,868.54 | 1,116.84 | 97,194,868.54 | 1,116.84 | - | - |
| Sundaram BNP | - | - | 84,328,832.08 | 847.69 | 74,328,832.08 | 747.69 | 10,000,000.00 | 100.00 |
| Axis Mutual Fund | - | - | 491,645.90 | 491.65 | 491,645.90 | 491.65 | - | - |
| UTI Mutual Fund | - | - | 17,749,816.98 | 576.25 | 7,476,985.47 | 366.85 | 10,272,831.51 | 209.40 |
| Fidelity Mutual Fund | - | - | 25,716,272.29 | 257.21 | 25,716,272.29 | 257.21 | - | - |
| | 152,038,368.57 | 1,561.73 | 885,566,623.90 | 12,397.45 | 832,654,492.58 | 11,445.95 | 204,950,499.89 | 2,513.23 |

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15. Auditors' Remuneration

(In Rs. Million)

| Particulars | For the quarter ended | | For the nine months ended | | For the year ended |
|------------------------|-----------------------|-------------------|---------------------------|-------------------|--------------------|
| | December 31, 2010 | December 31, 2009 | December 31, 2010 | December 31, 2009 | March 31, 2010 |
| Audit fee | 1.05 | 1.08 | 3.11 | 3.02 | 3.49 |
| Tax audit matters | 0.04 | - | 0.14 | - | 0.18 |
| Other matters* | 0.35 | - | 0.45 | 0.03 | 5.00 |
| Out of pocket expenses | 0.01 | - | 0.07 | 0.01 | 0.03 |
| | 1.45 | 1.08 | 3.77 | 3.06 | 8.70 |

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

16. 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 December 31, 2010 (Previous period and previous year Rs. Nil).

As at December 31, 2010, no supplier has intimated the Group 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'.

17. Utilisation Statement

The status of utilization of net proceeds of IPO up to December 31, 2010 is as under:

(In Rs. Million)

| Activity | Funds allocated for the activity as per Prospectus | Actual utilization as on December 31, 2010 | Unutilized Money as on December 31, 2010 |
|--|--|--|--|
| Establishment of development facilities | 760.20 | 118.97 | 641.23 |
| Capitalize our Subsidiaries for establishing development facilities in SEZ | 29.59 | 25.42 | 4.17 |
| Procuring hardware | 204.50 | 73.01 | 131.49 |
| Fund expenditure for general corporate purposes | 206.31 | 11.14 | 195.17 |
| Total | 1,200.60 | 228.54 | 972.06 |

Note

The above utilization statement excludes amounts due to selling shareholders Rs. Nil (Previous period Rs. Nil and previous year Rs. 372.08 million).

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18. Previous Period/ Year Comparatives

Previous period/ year's figures have been regrouped where necessary to conform to current period's classification.

As per our report of even date

For S. R. BATLIBOI & Co.
Firm registration no. 301003E
Chartered Accountants

For JOSHI APTE & Co
Firm registration no. 104370W
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 Finance Officer

Vivek Sadhale
Company Secretary
and Legal Head

Place : Pune
Date : January 20, 2011

Place : Pune
Date : January 20, 2011

Place : Pune
Date : January 20, 2011