

# Persistent Systems Limited

## CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 2010

	Sch.	As at September 30, 2010 In Rs. Million	As at September 30, 2009 In Rs. Million	As at March 31, 2010 In Rs. Million
<b>Sources of funds</b>				
<b>Shareholders' funds</b>				
Share capital	1	400.00	358.61	400.00
Stock options outstanding (Refer note 13 to Schedule 16)		36.81	27.88	32.02
Reserves and surplus	2	6,565.95	3,992.08	5,957.90
<b>Deferred payment liabilities</b>		41.87	-	45.11
[Due within one year Rs. 18.87 million (Previous period Rs. Nil and previous year Rs. 8.25 million)]				
		<b>7,044.63</b>	<b>4,378.57</b>	<b>6,435.03</b>
<b>Application of funds</b>				
<b>Fixed assets</b>				
Gross block	3	3,955.13	3,523.93	3,714.79
Less: Accumulated depreciation and amortisation		2,060.12	1,705.49	1,881.15
Net block		<b>1,895.01</b>	<b>1,818.44</b>	<b>1,833.64</b>
Capital work-in-progress (including capital advances)		489.04	415.85	484.75
		<b>2,384.05</b>	<b>2,234.29</b>	<b>2,318.39</b>
<b>Investments</b>	4	3,029.41	1,054.33	1,561.73
<b>Deferred tax assets (net)</b> (Refer note 9 to Schedule 16)		11.65	8.46	6.82
<b>Current assets, loans and advances</b>				
Sundry debtors	5	1,409.69	955.79	1,363.25
Cash and bank balances	6	323.87	187.05	1,917.72
Other current assets	7	241.13	227.37	339.90
Loans and advances	8	774.70	608.76	722.73
	(A)	<b>2,749.39</b>	<b>1,978.97</b>	<b>4,343.60</b>
<b>Less: Current liabilities and provisions</b>				
Current liabilities	9	880.19	705.60	1,478.79
Provisions	10	249.68	191.88	316.72
	(B)	<b>1,129.87</b>	<b>897.48</b>	<b>1,795.51</b>
<b>Net current assets</b>	(A - B)	<b>1,619.52</b>	<b>1,081.49</b>	<b>2,548.09</b>
		<b>7,044.63</b>	<b>4,378.57</b>	<b>6,435.03</b>
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

S. P. Deshpande  
Director

Rajesh Ghonasgi  
Chief Financial Officer

Vivek Sadhale  
Company Secretary  
and Head - Legal

Place: Pune  
Date : October 21, 2010

Place: Pune  
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Date : October 21, 2010

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2010**

	Sch.	For the quarter ended		For the half year ended		For the year ended
		September 30, 2010 In Rs. Million	September 30, 2009 In Rs. Million	September 30, 2010 In Rs. Million	September 30, 2009 In Rs. Million	March 31, 2010 In Rs. Million
<b>Income</b>						
Sale of software services and products	11	1,869.99	1,390.15	3,680.88	2,710.58	6,011.56
Other Income	12	59.38	10.82	183.96	28.52	112.33
		<b>1,929.37</b>	<b>1,400.97</b>	<b>3,864.84</b>	<b>2,739.10</b>	<b>6,123.89</b>
<b>Expenditure</b>						
Personnel expenses	13	1,190.90	828.46	2,409.56	1,634.07	3,687.42
Operating and other expenses	14	248.75	190.45	496.88	460.26	860.49
		<b>1,439.65</b>	<b>1,018.91</b>	<b>2,906.44</b>	<b>2,094.33</b>	<b>4,547.91</b>
<b>Operating profit before depreciation and amortisation</b>		<b>489.72</b>	<b>382.06</b>	<b>958.40</b>	<b>644.77</b>	<b>1,575.98</b>
Interest		-	-	-	-	-
Depreciation and amortisation	3	100.68	80.67	198.24	156.94	335.24
<b>Profit before tax</b>		<b>389.04</b>	<b>301.39</b>	<b>760.16</b>	<b>487.83</b>	<b>1,240.74</b>
Provision for tax						
Current tax		70.15	66.45	141.15	87.48	222.50
Less: MAT credit entitlement		34.62	53.89	72.46	64.85	162.38
Net current tax		<b>35.53</b>	<b>12.56</b>	<b>68.69</b>	<b>22.63</b>	<b>60.12</b>
Tax in respect of earlier years		-	4.81	(7.29)	8.63	16.74
Deferred tax charge / (credit)		(4.80)	17.74	(3.09)	12.01	13.64
Fringe benefit tax		-	(3.01)	-	-	-
<b>Total tax expense</b>		<b>30.73</b>	<b>32.10</b>	<b>58.31</b>	<b>43.27</b>	<b>90.50</b>
<b>Profit after tax and before prior period items</b>		<b>358.31</b>	<b>269.29</b>	<b>701.85</b>	<b>444.56</b>	<b>1,150.24</b>
Prior period Item - Deferred tax credit		-	-	1.74	-	-
<b>Profit after tax and after prior period items</b>		<b>358.31</b>	<b>269.29</b>	<b>703.59</b>	<b>444.56</b>	<b>1,150.24</b>
Balance brought forward from previous period / year		2,668.23	1,930.75	2,322.95	1,755.48	1,755.48
<b>Profit available for appropriation</b>		<b>3,026.54</b>	<b>2,200.04</b>	<b>3,026.54</b>	<b>2,200.04</b>	<b>2,905.72</b>
<b>Appropriations</b>						
Transfer to general reserve		-	-	-	-	468.20
Interim dividend		-	17.93	-	17.93	77.93
Proposed final dividend		-	-	-	-	20.00
Tax on dividend		-	3.05	-	3.05	16.64
<b>Surplus carried to balance sheet</b>		<b>3,026.54</b>	<b>2,179.06</b>	<b>3,026.54</b>	<b>2,179.06</b>	<b>2,322.95</b>
<b>Earnings per share</b>	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.)		9.51	8.43	18.72	13.91	35.74
Computed on the basis of earnings after tax and before prior period items (Rs.)		9.51	8.43	18.67	13.91	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.)		8.96	7.51	17.59	12.40	32.06
Computed on the basis of earnings after tax and before prior period items (Rs.)		8.96	7.51	17.55	12.40	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

S. P. Deshpande  
Director

Rajesh Ghonasgi  
Chief Financial Officer

Vivek Sadhale  
Company Secretary  
and Head - Legal

Place: Pune  
Date : October 21, 2010

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**CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED SEPTEMBER 30, 2010**

	For the half year ended September 30, 2010 In Rs. Million	September 30, 2009 In Rs. Million	For the year ended March 31, 2010 In Rs. Million
<b>Cash flow from operating activities</b>			
<b>Net profit before tax and prior period</b>	<b>760.16</b>	<b>487.83</b>	<b>1,240.74</b>
Adjustments for:			
Interest income	(0.98)	(0.09)	(1.01)
Dividend income	(53.98)	(19.34)	(42.96)
Depreciation and amortisation	198.24	156.94	335.24
Unrealised exchange (gain) / loss (net)	(22.43)	(3.67)	5.46
Exchange loss / (gain) on derivative contracts	24.80	(175.91)	(234.47)
Exchange difference on translation of foreign currency cash and cash equivalents	0.18	0.10	0.31
Bad debts	-	-	1.72
Provision for doubtful debts (net of doubtful debt provision written back)	16.38	32.28	46.46
Employee compensation expenses	5.49	7.15	19.45
Provision for doubtful deposit written back	(0.30)	(0.10)	(1.50)
Excess provision written back	(2.15)	-	(17.68)
Provision for loss of investment	-	-	9.00
Profit on sale of investments (net)	(0.94)	-	(0.01)
Profit on sale of fixed assets (net)	(8.17)	(1.42)	(1.01)
<b>Operating profit before working capital changes</b>	<b>916.30</b>	<b>483.77</b>	<b>1,359.74</b>
<b>Movements in working capital :</b>			
(Increase)/Decrease in sundry debtors	(42.51)	52.08	(396.53)
(Increase)/Decrease in other current assets	(26.80)	(90.78)	8.78
(Increase)/Decrease/ in loans and advances	31.33	(111.31)	(61.82)
(Decrease) / Increase in current liabilities	(172.23)	84.02	519.87
Increase in provisions	26.55	3.84	56.07
<b>Operating profit after working capital changes</b>	<b>732.64</b>	<b>421.62</b>	<b>1,486.11</b>
Direct taxes paid (net of refunds)	(136.14)	(78.40)	(247.53)
<b>Net cash from operating activities</b>	<b>596.50</b>	<b>343.22</b>	<b>1,238.58</b>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets (including capital work-in-progress)	(264.37)	(155.19)	(476.40)
Proceeds from sale of fixed assets	1.74	0.96	1.04
Purchase of investments	(10,223.92)	(1,690.41)	(7,089.02)
Proceeds from sale / maturity of investments	8,759.42	1,500.05	6,378.84
Interest income	0.73	0.08	1.01
Dividends received	52.42	19.34	42.96
<b>Net cash (used in) investing activities</b>	<b>(1,673.98)</b>	<b>(325.17)</b>	<b>(1,141.57)</b>
<b>Cash flows from financing activities</b>			
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
Proceeds from borrowings	-	-	-
Deferred payment liabilities	(3.24)	-	45.11
Interim dividends paid	(79.87)	(3.59)	(21.52)
Tax on interim dividend paid	(13.51)	(2.44)	(5.49)
<b>Net cash (used in) / from financing activities</b>	<b>(514.00)</b>	<b>(6.03)</b>	<b>1,636.08</b>
<b>Net increase in cash and cash equivalents (A + B + C)</b>	<b>(1,591.48)</b>	<b>12.02</b>	<b>1,733.09</b>
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	(0.18)	(0.10)	(0.31)
<b>Cash and cash equivalents at the end of the period / year</b>	<b>304.30</b>	<b>175.10</b>	<b>1,895.96</b>

**CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED SEPTEMBER 30, 2010**

<b>Components of cash and cash equivalents as at</b>	<b>September 30, 2010</b>	<b>September 30, 2009</b>	<b>March 31, 2010</b>
Cash in hand	0.23	0.13	0.22
With scheduled banks - on current account	143.66	70.41	1,778.27
With other banks			
- on current account	160.37	104.56	117.47
- on saving account	0.04	-	-
	<b>304.30</b>	<b>175.10</b>	<b>1,895.96</b>

As per our report of even date

**For S.R. BATLIBOI & Co.**  
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Company Secretary  
and Head - Legal

Place: Pune  
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**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

	As at September 30, 2010 In Rs. Million	As at September 30, 2009 In Rs. Million	As at March 31, 2010 In Rs. Million
<b>Schedule 1</b>			
<b>Share capital</b>			
<b>Authorised</b>			
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
	<b>1,000.00</b>	<b>1,000.00</b>	<b>1,000.00</b>
<b>Issued, subscribed and paid-up</b>			
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
	<b>400.00</b>	<b>358.61</b>	<b>400.00</b>
<b>Schedule 2</b>			
<b>Reserves and surplus</b>			
<b>Securities premium account</b>			
Opening balance	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	(A) 1,736.70	577.49	1,738.60
<b>General reserve</b>			
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 to Schedule 16)	7.92	-	47.22
Closing balance	(B) 1,742.37	1,219.03	1,734.45
<b>Foreign Currency Translation Reserve</b>			
Opening balance	2.05	16.60	16.60
(Less)/Add: Exchange difference during the year on net investment in non-integral foreign operation	(0.21)	(6.41)	(14.55)
Closing balance	(C) 1.84	10.19	2.05
<b>Hedge reserve</b>	(D) 58.50	6.31	159.85
<b>Profit and loss account</b>	(E) 3,026.54	2,179.06	2,322.95
	<b>(A)+(B)+(C)+(D)+(E) 6,565.95</b>	<b>3,992.08</b>	<b>5,957.90</b>

**Persistent Systems Limited**
**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**
**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 September 30, 2010	As at April 1, 2010	For the period	Deductions/ Transfers during the period	Currency translation adjustment	As at September 30, 2010	As at September 30, 2010	As at March 31, 2010
Freehold Land	202.98	-	-	-	202.98	-	-	-	-	-	202.98	202.98
Leasehold Land	39.93	-	-	-	39.93	-	-	-	-	-	39.93	39.93
Buildings	1,257.51	-	-	-	1,257.51	225.38	25.25	-	-	250.63	1,006.88	1,032.13
Computers	723.57	111.16	18.25	-	816.48	585.37	57.76	18.29	(0.01)	624.83	191.65	138.20
Softwares	628.41	115.92	-	0.01	744.34	453.07	56.02	-	(0.16)	508.93	235.41	175.34
Plant and Machinery	576.00	20.37	1.35	-	595.02	398.46	41.21	0.90	-	438.77	156.25	177.54
Leasehold Improvements	-	5.85	-	-	5.85	-	0.44	-	-	0.44	5.41	-
Furniture and fixtures	281.78	7.00	0.30	-	288.48	215.67	17.75	0.25	-	233.17	55.31	66.11
Vehicles	4.61	-	0.07	-	4.54	3.20	0.22	0.07	-	3.35	1.19	1.41
<b>As at September 30, 2010</b>	<b>3,714.79</b>	<b>260.30</b>	<b>19.97</b>	<b>0.01</b>	<b>3,955.13</b>	<b>1,881.15</b>	<b>198.65</b>	<b>19.51</b>	<b>(0.17)</b>	<b>2,060.12</b>	<b>1,895.01</b>	<b>1,833.64</b>
<b>As at March 31, 2010</b>	<b>3,372.42</b>	<b>373.68</b>	<b>27.54</b>	<b>(3.77)</b>	<b>3,714.79</b>	<b>1,572.60</b>	<b>336.06</b>	<b>26.03</b>	<b>1.48</b>	<b>1,881.15</b>	<b>1,833.64</b>	<b>1,799.82</b>
<b>Capital work-in-progress including capital advances</b>												
<b>As at September 30, 2010</b>	<b>484.75</b>	<b>434.26</b>	<b>429.97</b>	<b>-</b>	<b>489.04</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>489.04</b>	<b>484.75</b>
<b>As at March 31, 2010</b>	<b>377.44</b>	<b>225.07</b>	<b>117.76</b>	<b>-</b>	<b>484.75</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>484.75</b>	<b>377.44</b>

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 September 30, 2009	As at April 1, 2009	For the period	Deductions/ Transfers during the period	Currency translation adjustment	As at September 30, 2009	As at September 30, 2009	
Freehold Land	202.98	-	-	-	202.98	-	-	-	-	-	202.98	
Leasehold Land	39.93	-	-	-	39.93	-	-	-	-	-	39.93	
Buildings	1,223.30	14.56	-	-	1,237.86	175.52	24.73	-	-	200.25	1,037.61	
Computers	664.02	36.68	22.55	(0.25)	677.90	514.22	46.93	22.52	(0.20)	538.43	139.47	
Softwares	429.08	89.94	-	(0.27)	518.75	383.75	26.05	-	(0.26)	409.54	109.21	
Plant and Machinery	532.96	29.19	-	(0.02)	562.13	316.30	41.18	-	(0.01)	357.47	204.66	
Furniture and fixtures	275.48	5.70	1.39	(0.02)	279.77	180.00	18.23	1.39	(0.02)	196.82	82.95	
Vehicles	4.67	-	0.06	-	4.61	2.81	0.22	0.05	-	2.98	1.63	
<b>As at September 30, 2009</b>	<b>3,372.42</b>	<b>176.07</b>	<b>24.00</b>	<b>(0.56)</b>	<b>3,523.93</b>	<b>1,572.60</b>	<b>157.34</b>	<b>23.96</b>	<b>(0.49)</b>	<b>1,705.49</b>	<b>1,818.44</b>	
<b>Capital work-in-progress including capital advances</b>												
<b>As at September 30, 2009</b>	<b>377.44</b>	<b>122.17</b>	<b>83.76</b>	<b>-</b>	<b>415.85</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>415.85</b>	

**Notes:**

- Company has entered into a lease agreement with Maharashtra Industrial Development Corporation on February 07, 2006 and November 16, 2007 for unit at MIDC Parsodi, Nagpur. This agreement will be converted into lease agreement for a term of 95 years after completion of stipulated conditions. Amortization of Land will be effective from the date of such lease agreement.
- Company has entered into a lease agreement with Maharashtra Industrial Development Corporation on November 25, 2005 for unit at MIDC Hinjwadi Pune. This agreement will be converted into lease agreement for a term of 95 years after completion of stipulated conditions. Amortization of Land will be effective from date of such lease agreement.
- Depreciation amounting to Rs 0.41 million (Previous period Rs. 0.40 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
- Capital work in progress includes capital advances of Rs. 64.02 million (Previous period Rs. 93.04 million and previous year Rs. 89.82 million)

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

	As at September 30, 2010 In Rs. Million	As at September 30, 2009 In Rs. Million	As at March 31, 2010 In Rs. Million
<b>Schedule 4</b>			
<b>Investments</b>			
<i>Long term investments (At cost)</i>			
<i>Trade (Unquoted)</i>			
Ciqal Limited	9.25	9.21	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	9.25	-	8.69
	<b>(A)</b>	<b>9.21</b>	<b>-</b>
 <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)	3,029.41	1,045.12	1,561.73
	<b>(B)</b>	<b>1,045.12</b>	<b>1,561.73</b>
Aggregate amount of unquoted investments	<b>(A)+(B)</b>	<b>1,054.33</b>	<b>1,561.73</b>
 <b>Schedule 5</b>			
<b>Sundry debtors</b>			
(Unsecured unless otherwise stated)			
<b>Debts outstanding for a period exceeding six months</b>			
Considered good	41.47	28.02	27.86
Considered doubtful	200.69	160.28	183.32
<b>Other debts</b>			
Considered good	1,368.22	927.77	1,335.39
Considered doubtful	13.05	20.05	14.00
	<b>1,623.43</b>	<b>1,136.12</b>	<b>1,560.57</b>
Less : Provision for doubtful debts	213.74	180.33	197.32
	<b>1,409.69</b>	<b>955.79</b>	<b>1,363.25</b>

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

	As at September 30, 2010 In Rs. Million	As at September 30, 2009 In Rs. Million	As at March 31, 2010 In Rs. Million
<b>Schedule 6</b>			
<b>Cash and bank balances</b>			
Cash in hand	0.23	0.13	0.22
Balances with scheduled banks			
On current accounts	143.66	70.41	1,778.27
On deposit accounts	8.33	11.95	10.53
	<u>151.99</u>	<u>82.36</u>	<u>1,788.80</u>
Balances with other banks			
On current accounts	160.37	104.56	117.47
On Deposit accounts	11.24	-	11.23
On saving account	0.04	-	-
	<u>171.65</u>	<u>104.56</u>	<u>128.70</u>
	<b><u>323.87</u></b>	<b><u>187.05</u></b>	<b><u>1,917.72</u></b>
Bank balances with others include:			
Bank of Tokyo - Mitsubishi- NS, Japan [Maximum amount outstanding during the period Rs. 2.85 Million (Previous period Rs. 0.84 Million and previous year Rs. 0.84 Million)]	0.04	-	-
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 )]	3.01	4.99	3.81
Bank of America [ Maximum amount outstanding during the period Rs. 0.27 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. 264.39 Million (Previous period Rs. 98.60 Million and previous year Rs. 223.33 Million)]	152.61	98.60	112.87
Citibank NA - Singapore [ Maximum amount outstanding during the period Rs. 10.04 Million (Previous period Rs. 12.72 Million and previous year Rs. 12.72 Million)]	4.50	0.66	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)]	11.24	-	11.23
<b>Schedule 7</b>			
<b>Other current assets</b>			
Income accrued	1.93	0.15	0.14
Forward contracts receivable	92.26	6.31	218.41
Unbilled revenue	146.94	219.70	120.14
Fixed assets held for sale (at net book value or estimated net realisable value whichever is lower)	-	1.21	1.21
	<u>241.13</u>	<u>227.37</u>	<u>339.90</u>
<b>Schedule 8</b>			
<b>Loans and advances</b>			
Secured, considered good			
Deposits (Secured by corporate guarantee)	10.00	-	-
(A)	<u>10.00</u>	<u>-</u>	<u>-</u>
Unsecured, considered good			
Advances recoverable in cash or kind or for value to be received	144.61	154.08	154.87
Advance to PSPL ESOP Management Trust	74.17	151.23	106.94
Advance Income Tax [Net of provision for Tax Rs. 565.41 Million (Previous period Rs. 323.51 and Previous year Rs. Rs. 468.30 Million)]	45.54	17.26	43.26
MAT credit entitlement	367.27	197.29	294.82
VAT and Service tax receivable [Net of provision Rs. 78.32 (Previous period Rs. 22.61 Million and Previous year Rs. 43.65 Million)]	101.14	63.76	78.72
Deposits	31.97	25.14	44.12
(B)	<u>764.70</u>	<u>608.76</u>	<u>722.73</u>
<b>Unsecured considered doubtful</b>			
Deposits	1.08	2.58	1.18
Less: Provision for non-recoverable deposits	1.08	2.58	1.18
(C)	<u>-</u>	<u>-</u>	<u>-</u>
(A)+(B)+(C)	<b><u>774.70</u></b>	<b><u>608.76</u></b>	<b><u>722.73</u></b>

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

	As at September 30, 2010 In Rs. Million	As at September 30, 2009 In Rs. Million	As at March 31, 2010 In Rs. Million
<b>Schedule 9</b>			
<b>Current liabilities</b>			
Advance from customers	126.56	94.73	118.23
Sundry creditors		-	
Dues to micro and small enterprises (Refer note 16 to Schedule 16)	-	-	-
Dues to other than micro and small enterprises	252.03	272.41	398.33
Payable to selling shareholders	-	-	372.08
Unearned revenue	55.97	24.47	83.64
Accrued employee liabilities	395.99	278.91	461.99
Unpaid dividend	0.13	-	-
Tax on unpaid dividend	0.08	-	-
Other liabilities	49.43	35.08	44.52
	<b>880.19</b>	<b>705.60</b>	<b>1,478.79</b>
<b>Schedule 10</b>			
<b>Provisions</b>			
Gratuity (Refer note 6 to Schedule 16)	48.27	3.90	43.16
Leave encashment	140.08	107.51	111.20
Provision for other long term benefits	61.33	59.49	68.77
Proposed dividend	-	17.93	80.00
Tax on proposed dividend	-	3.05	13.59
	<b>249.68</b>	<b>191.88</b>	<b>316.72</b>

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009	March 31, 2010
	In Rs. Million	In Rs. Million	In Rs. Million	In Rs. Million	In Rs. Million
<b>Schedule 11</b>					
<b>Sale of software services and products</b>					
Overseas	1,736.17	1,344.57	3,422.48	2,609.59	5,698.11
Domestic	133.82	45.58	258.40	100.99	313.45
	<b>1,869.99</b>	<b>1,390.15</b>	<b>3,680.88</b>	<b>2,710.58</b>	<b>6,011.56</b>
<b>Schedule 12</b>					
<b>Other Income</b>					
Interest on bank deposits [Tax Deducted at Source Rs. Nil (Previous period and Previous year Rs. Nil)]	(0.02)	-	0.10	0.02	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)]	0.47	0.05	0.88	0.07	0.74
Foreign exchange gains (net)	18.24	-	109.45	-	31.56
Profit on sale of assets (net)	6.89	-	8.17	1.42	1.01
Dividend from non-trade investments	29.25	9.55	53.98	19.34	42.96
Profit on sale of investments (net)	0.03	-	0.94	-	0.01
Provision for doubtful debts written back	(0.62)	0.28	2.19	4.54	10.57
Excess provision written back	-	-	2.15	-	17.68
Provision for doubtful deposit written back	0.10	(0.25)	0.30	0.10	1.50
Miscellaneous income	5.04	1.19	5.80	3.03	6.03
	<b>59.38</b>	<b>10.82</b>	<b>183.96</b>	<b>28.52</b>	<b>112.33</b>

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT**

	For the quarter ended		For the half year ended		For the Year ended
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009	March 31, 2010
	In Rs. Million	In Rs. Million	In Rs. Million	In Rs. Million	In Rs. Million
<b>Schedule 13</b>					
<b>Personnel expenses</b>					
Salary and allowances	1,085.74	752.67	2,111.73	1,490.04	3,216.81
Software professional charges	44.98	26.40	119.09	40.16	202.45
Contribution to provident fund	25.42	19.01	49.69	38.15	80.91
Gratuity (Refer note 6 to Schedule 16)	(10.23)	(0.58)	40.16	2.05	41.16
Defined contribution to other funds	6.39	5.41	12.93	11.14	23.14
Staff welfare and benefits	36.90	20.50	70.47	45.38	103.50
Employee compensation expenses (Refer note 13 to Schedule 16)	1.70	5.05	5.49	7.15	19.45
	<b>1,190.90</b>	<b>828.46</b>	<b>2,409.56</b>	<b>1,634.07</b>	<b>3,687.42</b>
<b>Schedule 14</b>					
<b>Operating and other expenses</b>					
Traveling and conveyance	81.83	37.20	160.79	86.40	212.13
Electricity and fuel	19.29	16.53	40.23	38.19	74.20
Internet link charges	8.11	8.15	16.01	15.47	28.17
Communication charges	7.25	6.62	16.49	12.85	26.32
Recruitment expenses	4.89	1.35	8.63	1.88	4.93
Training and seminars	4.62	2.95	7.14	6.13	15.19
Purchase of software licenses and support charges	36.35	37.04	74.84	66.00	183.66
Provision for doubtful debts	5.26	5.34	18.57	32.28	57.03
Rent (Refer note 10 to schedule 16)	8.46	7.40	15.93	16.33	30.41
Insurance	3.59	3.04	6.95	5.76	11.81
Rates, fees and profession tax	3.52	4.28	7.69	7.13	14.80
Legal and professional fees	9.14	12.66	16.33	19.26	41.14
Repairs and maintenance					
-Plant and Machinery	8.48	5.61	15.28	10.19	25.49
-Building	2.42	1.10	5.03	2.65	5.24
-Others	2.74	1.99	5.07	4.24	10.20
Commission on sales to other than sole selling agents	2.18	0.71	2.97	1.95	2.66
Advertisements, sponsorship fees	4.16	2.35	6.93	4.21	12.35
Computer consumables	2.78	1.10	5.82	3.02	8.94
Auditors' remuneration (Refer note 15 to Schedule 16)	1.08	0.94	2.32	1.98	3.90
Donations	10.06	5.08	10.12	5.08	6.35
Books, memberships, subscriptions	0.50	0.50	0.91	0.85	2.11
Foreign exchange loss (net)	-	14.57	-	91.52	-
Directors' sitting fees	0.02	0.12	0.09	0.14	0.27
Directors' commission	-	-	-	-	1.81
Miscellaneous expenses	22.02	13.82	52.74	26.75	70.66
Bad debts	-	-	-	-	1.72
Provision for loss on investments	-	-	-	-	9.00
	<b>248.75</b>	<b>190.45</b>	<b>496.88</b>	<b>460.26</b>	<b>860.49</b>

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT**

Particulars		For the quarter ended		For the half year ended		For the year ended
		September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009	March 31, 2010
<b>Schedule 15</b>						
<b><u>Earnings per share (after prior period items)</u></b>						
<b><u>Numerator for Basic and Diluted EPS</u></b>						
Net Profit after tax and after prior period items (In Rs. Million)	a	358.31	269.29	703.59	444.56	1,150.24
<b><u>Denominator for Basic EPS</u></b>						
Weighted average number of equity shares	b	37,660,212	31,951,318	37,586,259	31,951,318	32,185,087
<b><u>Denominator for Diluted EPS</u></b>						
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
<b>Basic Earning per share of face value of Rs. 10 each (In Rs.)</b>	a/b	<b>9.51</b>	<b>8.43</b>	<b>18.72</b>	<b>13.91</b>	<b>35.74</b>
<b>Diluted Earning per share of face value of Rs. 10 each (In Rs.)</b>	a/c	<b>8.96</b>	<b>7.51</b>	<b>17.59</b>	<b>12.40</b>	<b>32.06</b>
<b><u>Earnings per share (before prior period items)</u></b>						
<b><u>Numerator for Basic and Diluted EPS</u></b>						
Net Profit after tax and before prior period items (In Rs. Million)	d	358.31	269.29	701.85	444.56	1,150.24
<b><u>Denominator for Basic EPS</u></b>						
Weighted average number of equity shares	e	37,660,212	31,951,318	37,586,259	31,951,318	32,185,087
<b><u>Denominator for Diluted EPS</u></b>						
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
<b>Basic Earnings per share of face value of Rs. 10 each</b>	d/e	<b>9.51</b>	<b>8.43</b>	<b>18.67</b>	<b>13.91</b>	<b>35.74</b>
<b>Diluted Earnings per share of face value of Rs. 10 each</b>	d/f	<b>8.96</b>	<b>7.51</b>	<b>17.55</b>	<b>12.40</b>	<b>32.06</b>

Particulars	For the quarter ended		For the half year ended		For the year ended
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009	March 31, 2010
Number of shares considered as basic weighted average shares outstanding	37,660,212	31,951,318	37,586,259	31,951,318	32,185,087
Add: Effect of dilutive issues of stock options	2,339,788	3,909,682	2,413,741	3,909,682	3,698,593
<b>Number of shares considered as weighted average shares and potential shares outstanding</b>	<b>40,000,000</b>	<b>35,861,000</b>	<b>40,000,000</b>	<b>35,861,000</b>	<b>35,883,680</b>

**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 three-month and six-month periods ended September 30, 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
	September 30, 2010	September 30, 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 September 30, 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 and except for the changes in accounting policy discussed more fully in 3(B) below, 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 and Intangibles

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

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

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

#### 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 amortised over a period of three years or over their estimated useful lives whichever is lower.

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)
Computers	33.33%	16.21%
Softwares	33.33%	16.21%
Plant and Machinery	20.00%	4.75%
Furniture and fixtures	20.00%	6.33%
Vehicles	20.00%	9.50%
Buildings	4.00%	1.63%

**E. 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.

**F. 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.

**G. 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.

**H. 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 agreement.

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

Unbilled revenue represents revenue recognised in relation to work done on time and material projects and fixed price projects until the balance sheet date for which billing has not taken place.

Unearned revenue represents the billing in respect of contracts for which the revenue is not recognised as per the terms of contract.

**I. Interest**

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

**J. Dividends**

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

**K. 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 AS 11.**

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

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

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 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.

**L. Retirement and other employee benefits**

**i. Gratuity**

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

**ii. 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.

**iii. 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.

**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.

**M. 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 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 same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Group will pay normal Income Tax during the specified period.

#### **N. 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.

#### **O. 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.

**P. Provisions**

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

**Q. 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.

**R. 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 exercised price at the measurement date, which typically is the grant date.

**S. Leases**

Where the Group is a lessee, assets acquired as leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease.

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

**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 September 30, 2010, September, 2009 and March 31, 2010.

**5. Provisions and Contingent Liabilities**

**Provisions**

Accrued employee liabilities includes provision for bonus of Rs. 55.44 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		
	September 30, 2010	September 30, 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
ESIC	-	4.92	-
Income Tax (Note 1)	24.03	-	24.03
<b>Total</b>	<b>24.21</b>	<b>5.21</b>	<b>24.21</b>

**Note 1**

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

The Company has filed an appeal with relevant authorities. 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 Accounts

**6. Gratuity and other post-employment benefit plans:**

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

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

**Profit and Loss account**

Net employee benefit expense (recognised in Employee cost)

(In Rs. Million)

	For the quarter ended		For the six months ended		For the year ended			
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Current service cost	10.08	5.19	21.23	14.71	37.54	28.43	28.07	17.61
Interest cost on benefit obligation	2.48	1.68	5.01	3.37	6.55	6.51	4.05	2.58
Expected return on plan assets	(2.12)	(1.66)	(4.29)	(3.61)	(6.98)	(5.63)	(4.37)	(2.43)
Net actuarial (gain) / loss recognised in the period	(20.68)	(5.79)	26.11	(12.42)	4.05	(27.26)	7.17	3.29
Interest income	7.91	-	-	-	-	-	(4.40)	-
Net benefit expense	(2.32)	(0.58)	48.07	2.05	41.16	2.05	30.52	21.05
Actual Return on Net Plan Assets	-	-	-	-	-	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 half year ended		For the year ended			
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Opening fair value of plan assets	118.36	83.95	78.11	86.03	86.03	53.88	29.09	31.56
Interest received and accrued during the year	0.01	-	7.92	-	-	-	-	-
Expected return / adjustment	2.12	1.81	4.29	3.61	6.98	5.63	4.37	2.43
Contribution by employer	-	0.26	35.04	0.26	0.11	30.19	20.35	0.04
Benefits paid	(3.26)	(1.47)	(5.97)	(3.56)	(8.03)	(5.52)	(2.79)	(2.51)
Actuarial gains / (losses)	(2.13)	(1.82)	(4.29)	(3.61)	(6.98)	1.85	2.86	(2.43)
Closing fair value of plan assets	<b>115.10</b>	<b>82.73</b>	<b>115.10</b>	<b>82.73</b>	<b>78.11</b>	<b>86.03</b>	<b>53.88</b>	<b>29.09</b>

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 half year ended		For the year ended			
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Opening defined benefit obligation	176.86	88.84	121.27	88.14	88.14	84.13	52.00	33.46
Interest cost	2.48	1.68	5.01	3.37	6.55	6.51	4.05	2.58
Current service cost	10.08	5.19	21.23	14.71	37.54	28.43	28.07	17.61
Benefits paid	(3.26)	(1.47)	(5.97)	(3.56)	(8.03)	(5.52)	(2.79)	(2.51)
Actuarial (gains) / losses on obligation	(22.80)	(7.61)	21.82	(16.03)	(2.93)	(25.41)	2.80	0.86
Closing defined benefit obligation	<b>163.36</b>	<b>86.63</b>	<b>163.36</b>	<b>86.63</b>	<b>121.27</b>	<b>88.14</b>	<b>84.13</b>	<b>52.00</b>

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**Persistent Systems Limited**

Notes forming part of Accounts

Summary statement of provision for gratuity is as follows:

(In Rs. Million)

	As at					
	September 30, 2010	September 30, 2009	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Fair value of plan assets	115.10	82.73	78.11	86.03	53.88	29.09
Less : Defined benefit obligations	(163.36)	(86.63)	(121.27)	(88.14)	(84.13)	(52.00)
Less : Unrecognised past service cost	-	-	-	-	-	-
Plan asset / (liability)	(48.26)	(3.90)	(43.16)	(2.11)	(30.25)	(22.91)

The Company expects to contribute Rs. 48.26 Million to gratuity fund in financial year 2011-12

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

(In Rs. Million)

	As at					
	September 30, 2010	September 30, 2009	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Investments with insurer including accrued interest	115.10	82.73	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					
	September 30, 2010	September 30, 2009	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Discount rate	8.59%	8.23%	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					
	September 30, 2010	September 30, 2009	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Plan assets	115.10	82.73	78.11	86.03	53.88	29.09
Defined benefit obligation	(163.36)	(86.63)	(121.27)	(88.14)	(84.13)	(52.00)
(Deficit)	(48.26)	(3.90)	(43.16)	(2.11)	(30.25)	(22.91)
Experience adjustments on plan liabilities	21.82	(16.03)	(2.93)	(25.41)	2.80	0.86
Experience adjustments on plan assets	(4.29)	(3.61)	(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 assets

Forward exchange contracts outstanding at the balance sheet date:

(In USD Million)

Particulars	As At		
	September 30, 2010	September 30, 2009	March 31, 2010
Debtors (1USD = Rs. 43.93) (Previous period 1USD = Rs. 48.10 Previous Year 1USD = Rs. 44.91)	14.00	13.50	15.00
Expected future sales	58.50	64.50	64.00

Particulars of Unhedged foreign Currency Exposure as at the balance sheet date

Particulars	For the period ended						For the Year ended		
	September 30, 2010			September 30, 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	0.044178790	JP¥0.08224	0.54	0.00267264	JP ¥ 0.00499	0.5356	0.00028	JP ¥ 0.001	0.48
	169.11	US \$ 3.76	44.93	99.35	USD 2.07	48.10	0.45	USD 0.01	44.91
	2.76	GBP 0.04	70.92	1.21	GBP 0.02	77.07	0.54	GBP 0.01	68.07
	6.01	SGD 0.18	34.16	10.57	SGD 0.311	34.02			
	3.01	CAD 0.07	43.80	4.99	CAD 0.11	44.48	3.81	CAD 0.09	44.26

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8. Capital commitments

(In Rs. Million)

Particulars	As at		
	September 30, 2010	September 30, 2009	March 31, 2010
Estimated amount of contracts remaining to be executed on capital account and not provided	220.38	182.80	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 September 30, 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		
	September 30, 2010	September 30, 2009	March 31, 2010
Differences in depreciation and other differences in a block of fixed assets as per the tax books and financial books	33.54	10.81	20.56
Provision for doubtful debts	-	1.06	1.03
<b>Gross deferred tax liabilities (A)</b>	<b>33.54</b>	<b>11.87</b>	<b>21.59</b>
Provision for Leave liability and long term employee benefit	33.58	20.33	28.41
Provision for doubtful debts	11.59	-	-
Provision for rent	0.02	-	-
<b>Gross deferred tax assets (B)</b>	<b>45.19</b>	<b>20.33</b>	<b>28.41</b>
<b>Net deferred tax liabilities / (assets) (A) - (B)</b>	<b>(11.65)</b>	<b>(8.46)</b>	<b>(6.82)</b>

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 September 30, 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 agreement for a period of 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. Millions)

Particulars	Half year ended		Year Ended
	September 30, 2010	September 30, 2009	March 31, 2010
Rent paid during the period / year	15.93	16.33	30.41
Obligation on non- cancellable operating leases			
Not later than one year	16.98	0.05	1.14
Later than one year and not later than five years	67.91	-	-
Later than five years	79.05	-	-

## 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	Half year ended	30-Sep-10	708.79	375.24	2,596.85	3,680.88
	Half year ended	30-Sep-09	662.02	319.42	1,729.14	2,710.58
	Quarter ended	30-Sep-10	373.19	198.72	1,298.08	1,869.99
	Quarter ended	30-Sep-09	344.79	156.01	889.35	1,390.15
	Year ended	31-Mar-10	1,375.43	668.57	3,967.56	6,011.56
Identifiable Expense	Half year ended	30-Sep-10	(364.67)	(147.55)	(1,297.51)	(1,809.73)
	Half year ended	30-Sep-09	(274.10)	(106.82)	(783.33)	(1,164.25)
	Quarter ended	30-Sep-10	(206.48)	(79.79)	(726.10)	(1,012.37)
	Quarter ended	30-Sep-09	(148.49)	(51.82)	(406.32)	(606.63)
	Year ended	31-Mar-10	(597.25)	(230.77)	(1,836.18)	(2,664.20)
Segmental Operating Income	Half year ended	30-Sep-10	344.12	227.69	1,299.34	1,871.15
	Half year ended	30-Sep-09	387.92	212.60	945.81	1,546.33
	Quarter ended	30-Sep-10	166.71	118.93	571.98	857.62
	Quarter ended	30-Sep-09	196.30	104.19	483.03	783.52
	Year ended	31-Mar-10	778.18	437.80	2,131.38	3,347.36
Unallocable Expenses	Half year ended	30-Sep-10				(1,294.95)
	Half year ended	30-Sep-09				(1,087.02)
	Quarter ended	30-Sep-10				(527.96)
	Quarter ended	30-Sep-09				(492.95)
	Year ended	31-Mar-10				(2,218.95)
Operating Income	Half year ended	30-Sep-10				576.20
	Half year ended	30-Sep-09				459.31
	Quarter ended	30-Sep-10				329.66
	Quarter ended	30-Sep-09				290.57
	Year ended	31-Mar-10				1,128.41
Other Income (Net of Expenses)	Half year ended	30-Sep-10				183.96
	Half year ended	30-Sep-09				28.52
	Quarter ended	30-Sep-10				59.38
	Quarter ended	30-Sep-09				10.82
	Year ended	31-Mar-10				112.33
Profit before Taxes	Half year ended	30-Sep-10				760.16
	Half year ended	30-Sep-09				487.83
	Quarter ended	30-Sep-10				389.04
	Quarter ended	30-Sep-09				301.39
	Year ended	31-Mar-10				1,240.74
Income Tax	Half year ended	30-Sep-10				58.31
	Half year ended	30-Sep-09				43.27
	Quarter ended	30-Sep-10				30.73
	Quarter ended	30-Sep-09				32.10
	Year ended	31-Mar-10				90.50

Particulars	Period		Telecom and Wireless	Life Science and Healthcare	Infrastructure and Systems	Total
Profit after Tax	Half year ended	30-Sep-10				701.85
	Half year ended	30-Sep-09				444.56
	Quarter ended	30-Sep-10				358.31
	Quarter ended	30-Sep-09				269.29
	Year ended	31-Mar-10				1,150.24
Prior Period Item- Deferred Tax Credit	Half year ended	30-Sep-10				1.74
	Half year ended	30-Sep-09				-
	Quarter ended	30-Sep-10				-
	Quarter ended	30-Sep-09				-
	Year ended	31-Mar-10				-
Profit After Prior Period Items	Half year ended	30-Sep-10				703.59
	Half year ended	30-Sep-09				444.56
	Quarter ended	30-Sep-10				358.31
	Quarter ended	30-Sep-09				269.29
	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	Half year ended	30-Sep-10	3,113.94	230.02	336.92	3,680.88
	Half year ended	30-Sep-09	2,352.38	217.70	140.50	2,710.58
	Quarter ended	30-Sep-10	1,598.33	111.97	159.69	1,869.99
	Quarter ended	30-Sep-09	1,209.95	101.72	78.48	1,390.15
	Year ended	31-Mar-10	5,098.68	493.70	419.18	6,011.56

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. Dr. 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 six months Ended		For the year ended March 31, 2010
		September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009	
<b>Remuneration to Key Management personnel</b>	Dr. Anand Deshpande	1.05	1.84	3.29	3.71	7.63
	Mr. S. P. Deshpande	-	0.72	-	1.44	1.57
	Mr. T M Vijayaraman*	0.12	2.48	2.95	5.28	10.42
	Mr. Hari Haran**	8.70	4.63	13.81	9.22	21.06
	Dr. Srikanth Sundararajan**	5.71	-	10.09	-	-
		<b>15.58</b>	<b>9.67</b>	<b>30.14</b>	<b>19.65</b>	<b>40.68</b>
<b>Remuneration to relative of Key Management personnel</b>	Mrs. Chitra Buzruk	0.42	0.34	1.01	0.89	2.60
	Dr. Mukund Deshpande	0.54	0.47	1.34	1.22	2.34
		<b>0.96</b>	<b>0.81</b>	<b>2.35</b>	<b>2.11</b>	<b>4.94</b>
<b>Dividend paid</b>	Dr. Anand Deshpande	5.69	-	22.75	-	5.69
	Mr. S. P. Deshpande	1.90	-	7.60	-	1.90
	Mrs. Chitra Buzruk	0.01	-	0.05	-	0.01
	Mrs. Sonali A. Deshpande	0.03	-	0.11	-	0.03
	Mrs. Sulabha S. Deshpande	0.14	-	0.56	-	0.14
	Mr. T M Vijayaraman	0.04	-	0.17	-	-
		<b>7.81</b>	<b>-</b>	<b>31.24</b>	<b>-</b>	<b>7.77</b>

**Outstanding Balances**

(In Rs. Million)

Particulars	Name of the Related party	As at		
		September 30, 2010	September 30, 2009	March 31, 2010
<b>Dividend payable</b>	Dr. Anand Deshpande	-	5.69	-
	S.P.Deshpande	-	1.90	-
	Chitra Buzruk	-	0.01	-
	Sonali Anand Deshpande	-	0.03	-
	Sulabha S Deshpande	-	0.14	-
	Mr. T M Vijayaraman	-	0.03	-
	<b>Total</b>	-	<b>7.80</b>	

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

\*\*Although Dr. Srikanth Sundararajan and Mr. Hari Haran were appointed 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	Initial Grant Date	Exercise Price Range	Exercise period
Scheme I	December 11, 1999	December 11, 1999	4.08 – 19.13	Note 1
Scheme II	April 23, 2004	April 23, 2004	25.92 – 96.41	10 Years
Scheme III	April 23, 2004	April 23, 2004	25.92 – 96.41	Note 1
Scheme IV	April 23, 2006	April 23, 2006	44.46 – 122.24	10 Years
Scheme V	April 23, 2006	April 23, 2006	44.46 – 88.28	Note 1
Scheme VI	October 31, 2006	October 31, 2006	44.46 – 61.34	10 Years
Scheme VII	April 30, 2007	April 30, 2007	48.34 – 122.24	10 Years
Scheme VIII	July 24, 2007	July 24, 2007	96.41 – 96.41	3 Years
Scheme IX	June 29, 2009	June 29, 2009	109.48 – 109.48	10 Years

Note 1. No contractual life is defined in the scheme.

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

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

The vesting pattern of scheme VI is as follows:

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

The vesting pattern of scheme IX is as follows:

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

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Status of various ESOP schemes is shown in the following table

<b>Plan -----&gt;</b>		<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>V</b>	<b>VI</b>	<b>VII</b>	<b>VIII</b>	<b>IX</b>	<b>Total</b>
Granted	a	2,280,250	376,600	1,266,650	3,479,125	945,262	608,125	892,487	21,000	687,231	10,556,730
Vested	b	1,605,242	230,177	630,141	1,230,042	560,719	330,530	275,537	14,000	9,696	4,886,084
Encashed and Exercised	c	1,599,880	211,826	451,440	955,676	415,530	296,624	198,107	10,500	941	4,140,524
Vested & Not exercised (b-c)	d	5,362	18,351	178,701	274,366	145,189	33,906	77,430	3,500	8,755	745,560
Lapsed	e	672,703	133,857	393,273	882,592	274,291	215,250	408,800	3,500	163,818	3,148,084
Not Vested (a - c - d - e)	f	2,305	12,566	243,236	1,366,491	110,252	62,345	208,150	3,500	513,717	2,522,562
Outstanding (d + f )	g	7,667	30,917	421,937	1,640,857	255,441	96,251	285,580	7,000	522,472	3,268,122
Weighted Average remaining contractual life (in years)		Note 1	10.20	Note 1	12.09	Note 1	11.24	12.45	3.96	12.68	
Weighted Average Fair Value of Options Granted (Rs.)		9.37	47.52	58.47	83.07	51.06	50.11	117.05	143.57	137.05	

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

Notes:

1. No contractual life is defined in the schemes.
2. Compensation expense arising from employee share based payment plans amounted to Rs. 5.49 million (Previous period Rs. 7.15 million, Previous year Rs. 19.45 million).
3. 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. 48.00 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. Nil, Previous year Rs. Nil) and Share Premium would have been reduced by Rs. Nil (Previous period Rs. Nil, Previous year Rs. Nil)
4. The Company has adjusted Rs. 7.22 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.
5. All method of settlement for all the schemes is equity based.

**Persistent Systems Limited**

Notes forming part of Consolidated Accounts

Movement for the half year ended September 30, 2010

ESOP Scheme	Particulars	Half year ended	Outstanding at the beginning of the period	Granted during the period	Forfeited during the period	Exercised during the period	Outstanding at the end of the period	Exercisable at the end of the period
Scheme I	Number of Options	September 30, 2010	12,204	-	3,502	1,036	7,667	5,362
	Weighted Average Price Rs.	September 30, 2010	9.95	-	4.76	15.45	11.50	12.93
	Number of Options	September 30, 2009	59,926	-	-	-	59,926	55,515
	Weighted Average Price Rs.	September 30, 2009	11.26	-	-	-	11.26	11.36
Scheme II	Number of Options	September 30, 2010	42,991	-	5,250	6,825	30,917	18,351
	Weighted Average Price Rs.	September 30, 2010	84.36	-	96.41	96.41	79.65	68.17
	Number of Options	September 30, 2009	212,608	-	-	-	212,608	166,468
	Weighted Average Price Rs.	September 30, 2009	42.06	-	-	-	42.06	27.00
Scheme III	Number of Options	September 30, 2010	489,031	-	17,414.50	49,680.00	421,937	178,701
	Weighted Average Price Rs.	September 30, 2010	62.17	-	65.62	57.54	62.57	60.73
	Number of Options	September 30, 2009	864,887	-	25,988	-	838,899	369,870
	Weighted Average Price Rs.	September 30, 2009	55.82	-	65.22	-	55.53	44.75
Scheme IV	Number of Options	September 30, 2010	1,844,402	-	66,050.00	137,496	1,640,858	274,366
	Weighted Average Price Rs.	September 30, 2010	94.33	-	106.04	48.37	97.71	49.96
	Number of Options	September 30, 2009	1,686,027	-	19,617	-	1,666,410	719,491
	Weighted Average Price Rs.	September 30, 2009	54.13	-	62.51	-	54.03	47.73
Scheme V	Number of Options	September 30, 2010	312,018	-	7,950.50	48,626.00	255,441	145,189
	Weighted Average Price Rs.	September 30, 2010	51.29	-	59.51	46.02	52.04	46.72
	Number of Options	September 30, 2009	699,128	-	10,615	-	688,513	334,253
	Weighted Average Price Rs.	September 30, 2009	49.91	-	48.25	-	49.94	47.26
Scheme VI	Number of Options	September 30, 2010	96,251	-	-	-	96,251	33,906
	Weighted Average Price Rs.	September 30, 2010	54.26	-	-	-	54.26	52.73
	Number of Options	September 30, 2009	392,875	-	-	-	392,875	280,654
	Weighted Average Price Rs.	September 30, 2009	51.08	-	-	-	51.08	49.91
Scheme VII	Number of Options	September 30, 2010	292,953	-	4,900	2,473	285,580	77,430
	Weighted Average Price Rs.	September 30, 2010	83.56	-	61	61.34	84.14	55.28
	Number of Options	September 30, 2009	562,187	-	-	-	562,187	244,090
	Weighted Average Price Rs.	September 30, 2010	65.96	-	-	-	65.96	49.03
Scheme VIII	Number of Options	September 30, 2010	14,000	-	3,500.00	3,500.00	7,000	3,500
	Weighted Average Price Rs.	September 30, 2010	96.41	-	96.41	96.41	96.41	96.41

**Persistent Systems Limited**

Notes forming part of Consolidated Accounts

<b>ESOP Scheme</b>	<b>Particulars</b>	<b>Half year ended</b>	<b>Outstanding at the beginning of the period</b>	<b>Granted during the period</b>	<b>Forfeited during the period</b>	<b>Exercised during the period</b>	<b>Outstanding at the end of the period</b>	<b>Exercisable at the end of the period</b>
	Number of Options	September 30, 2009	21,000	-	-	-	21,000	10,500
	Weighted Average Price Rs.	September 30, 2009	96.41	-	-	-	96.41	96.41
Scheme IX	Number of Options	September 30, 2010	534,493	-	11,080.00	941.00	522,472	8,755
	Weighted Average Price Rs.	September 30, 2010	109.48	-	109.48	109.48	109.48	109.48
	Number of Options	September 30, 2009	-	687,231	-	-	687,231	-
	Weighted Average Price Rs.	September 30, 2009	-	109.48	-	-	109.48	-

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Movement for the quarter ended September 30, 2010

ESOP Scheme	Particulars	Quarter ended	Outstanding at the beginning of the period	Granted during the period	Forfeited during the period	Exercised during the period	Outstanding at the end of the period	Exercisable at the end of the period
Scheme I	Number of Options	September 30, 2010	8,442	-	-	774	7,667	5,362
	Weighted Average Price Rs.	September 30, 2010	11.81	-	-	14.80	11.50	12.93
	Number of Options	September 30, 2009	59,926	-	-	-	59,926	55,515
	Weighted Average Price Rs.	September 30, 2009	11.26	-	-	-	11.26	11.36
Scheme II	Number of Options	September 30, 2010	37,742	-	-	6,825	30,917	18,351
	Weighted Average Price Rs.	September 30, 2010	82.68	-	-	96.41	79.65	68.17
	Number of Options	September 30, 2009	212,608	-	-	-	212,608	166,467
	Weighted Average Price Rs.	September 30, 2009	42.06	-	-	-	42.06	27.00
Scheme III	Number of Options	September 30, 2010	460,544	-	11,499	27,108	421,937	178,701
	Weighted Average Price Rs.	September 30, 2010	62.41	-	65.58	58.53	62.57	60.73
	Number of Options	September 30, 2009	850,187	-	11,288	-	838,899	369,871
	Weighted Average Price Rs.	September 30, 2009	53.45	-	66.53	-	55.53	44.75
Scheme IV	Number of Options	September 30, 2010	1,748,149	-	24,625	82,667	1,640,857	274,366
	Weighted Average Price Rs.	September 30, 2010	95.54	-	107.15	48.97	97.71	49.96
	Number of Options	September 30, 2009	1,694,410	-	28,000	-	1,666,410	719,491
	Weighted Average Price Rs.	September 30, 2009	51.37	-	51.76	-	54.03	47.73
Scheme V	Number of Options	September 30, 2010	287,126	-	7,040	24,645	255,441	145,189
	Weighted Average Price Rs.	September 30, 2010	51.69	-	60.11	45.72	52.04	46.72
	Number of Options	September 30, 2009	695,453	-	6,940	-	688,513	334,253
	Weighted Average Price Rs.	September 30, 2009	49.92	-	48.42	-	49.94	47.26
Scheme VI	Number of Options	September 30, 2010	96,251	-	-	-	96,251	33,906
	Weighted Average Price Rs.	September 30, 2010	54.26	-	-	-	54.26	52.73
	Number of Options	September 30, 2009	392,875	-	-	-	392,875	280,654
	Weighted Average Price Rs.	September 30, 2009	51.08	-	-	-	51.08	49.91
Scheme VII	Number of Options	September 30, 2010	292,953	-	4,900	2,473	285,580	77,430
	Weighted Average Price Rs.	September 30, 2010	83.56	-	61.34	61.34	84.14	55.28
	Number of Options	September 30, 2009	562,187	-	-	-	562,187	244,090
	Weighted Average Price Rs.	September 30, 2009	65.96	-	-	-	65.96	49.03

**Persistent Systems Limited**

Notes forming part of Consolidated Accounts

<b>ESOP Scheme</b>	<b>Particulars</b>	<b>Quarter ended</b>	<b>Outstanding at the beginning of the period</b>	<b>Granted during the period</b>	<b>Forfeited during the period</b>	<b>Exercised during the period</b>	<b>Outstanding at the end of the period</b>	<b>Exercisable at the end of the period</b>
Scheme VIII	Number of Options	September 30, 2010	14,000	-	3,500	3,500	7,000	3,500
	Weighted Average Price Rs.	September 30, 2010	96.41	-	96.41	96.41	96.41	96.41
	Number of Options	September 30, 2009	21,000	-	-	-	21,000	10,500
	Weighted Average Price Rs.	September 30, 2009	96.41	-	-	-	96.41	96.41
Scheme IX	Number of Options	September 30, 2010	527,543	-	4,130	941	522,472	8,755
	Weighted Average Price Rs.	September 30, 2010	109.48	-	109.48	109.48	109.48	109.48
	Number of Options	September 30, 2009	687,231	-	-	-	687,231	-
	Weighted Average Price Rs.	September 30, 2009	109.48	-	-	-	109.48	-

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**Stock Options granted**

There were no stock options granted during the current period. Accordingly, no disclosure has been made for the period ended September 30, 2010. The Binomial tree valuation model has been used for computing the weighted average fair value considering the following inputs:

	Quarter and half year ended September 30, 2009	Year ended March 31, 2010	
	Scheme IX	Scheme IV and VII	Scheme IX
Weighted average share price (Rs.)	137.05	129.50	137.05
Exercise Price (Rs.)	109.48	122.24	109.48
Expected Volatility	61.52%	61.52%	61.52%
Historical Volatility	31.52% - 61.52%	31.52% - 61.52%	31.52%-61.52%
Life of the options granted (Vesting and exercise period)	12.50 - 15 years	14 - 15 years	12.50 - 15 years
Dividend Yield	1.64	1.64	1.64
Average risk-free interest rate	5.90%	5.90%	5.90%
Expected dividend rate	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 for a time period of one year. To allow the effect of early exercise of the options the exercise period has been considered as one year after the vesting date where the share price is expected to be 2.50 times the exercise price.

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

In March 2005 the ICAI has issued a guidance note on “Accounting for Employees Share Based Payments” applicable to employee based share plan the grant date in respect of which falls on or after April1, 2005. The said guidance note requires the Proforma disclosures of the impact of the fair value method of accounting of employee stock compensation accounting in the consolidated financial statements. Applying the fair value based method defined in the said guidance note, the impact on the reported net profit and earnings per share would be as follows:

(In Rs. Million)

	Quarter ended		Half year ended		Year Ended March 31, 2010
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009	
Profit after tax and prior period items as reported	358.31	269.29	703.59	444.56	1,150.24
Add: Employee stock compensation under intrinsic value method	1.70	5.05	5.49	7.15	19.45
Less: Employee stock compensation under fair value method	(9.17)	(7.17)	(19.37)	(11.55)	(36.06)
<b>Proforma profit</b>	<b>350.84</b>	<b>267.17</b>	<b>689.71</b>	<b>440.16</b>	<b>1,133.63</b>
<b>Earnings Per Share</b>					
<b>Basic</b>					
- As reported	9.51	8.43	18.72	13.91	35.74
- Pro forma	9.31	8.36	18.35	13.78	35.22
<b>Diluted</b>					
- As reported	8.96	7.51	17.59	12.40	32.06
- Pro forma	8.77	7.45	17.24	12.27	31.59

14. Investments

(In Rs. Million)

Name of the Fund	Opening Balance		Purchase		Sales		Closing Balance	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount
DSP Liquid Fund	-	-	15,844,977.77	960.02	844,977.77	810.02	15,000,000.00	150.00
Grindlays Cash Fund	22,850,645.02	228.85	23,418,860.16	384.02	23,269,505.18	382.87	23,000,000.00	230.00
HDFC Liquid Fund	24,812,537.26	248.12	33,692,830.04	339.49	32,835,040.24	333.86	25,670,327.06	253.75
ICICI Liquid Fund	23,270,731.16	233.22	28,709,598.17	718.89	49,587,789.85	712.80	2,392,539.48	239.31
Templeton India Fund	-	-	22,457,966.73	663.59	22,264,517.85	440.72	193,448.88	222.87
DWS Money Plus Fund	-	-	63,251,830.59	634.21	46,771,667.00	469.09	16,480,163.59	165.12
Birla Cash Plus Fund	23,499,127.82	235.08	47,105,302.54	480.72	47,520,677.35	475.46	23,083,753.01	240.34
Tata Liquid Fund	24,119,559.27	241.70	29,039,497.00	340.00	28,624,662.64	336.35	24,534,393.63	245.35
Reliance Liquid plus	39,958.95	40.01	27,558,852.67	384.31	4,689,463.71	180.24	22,909,347.91	244.08
Religare Mutual Fund	-	-	110,084,284.12	1,101.88	95,084,284.12	951.88	15,000,000.00	150.00
SBI Mutual Fund	10,502,889.83	105.09	127,238,263.66	1,531.54	114,741,153.49	1,406.63	23,000,000.00	230.00
Kotak Liquid Fund	22,942,919.26	229.66	33,591,073.38	339.05	43,495,140.77	436.80	13,038,851.87	131.91
Canara Robeco	-	-	71,909,693.29	835.88	63,115,843.18	726.77	8,793,850.11	109.11
Sundaram BNP	-	-	25,091,419.78	251.91	15,091,419.78	151.91	10,000,000.00	100.00
Axis Mutual Fund	-	-	491,645.90	491.65	491,645.90	491.65	-	-
UTI Mutual Fund	-	-	17,510,127.08	503.36	377,317.27	271.10	17,132,809.81	232.26
Fidelity Mutual Fund	-	-	25,627,640.09	256.32	17,099,531.56	171.02	8,528,108.53	85.30
	<b>152,038,368.57</b>	<b>1,561.73</b>	<b>702,623,862.97</b>	<b>10,216.84</b>	<b>605,904,637.66</b>	<b>8,749.17</b>	<b>248,757,593.88</b>	<b>3,029.40</b>

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15. Auditors' Remuneration

(In Rs. Millions)

Particulars	For the quarter ended		For the period ended		For the year ended
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009	March 31, 2010
Audit fee	0.76	0.90	1.87	1.94	3.49
Tax audit matters	0.05	0.02	0.10	0.02	0.18
Other matters*	0.24	0.01	0.29	0.01	5.00
Out of pocket expenses	0.03	0.01	0.06	0.01	0.03
	<b>1.08</b>	<b>0.94</b>	<b>2.32</b>	<b>1.98</b>	<b>8.70</b>

\*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 September 30, 2010 (Previous period and previous year Rs. Nil).

As at September 30, 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 September 30, 2010 is as under:

(In Rs. Million)

Activity	Funds allocated for the activity as per Prospectus	Actual utilization as on September 30, 2010	Unutilized Money as on September 30, 2010
Establishment of development facilities	760.20	67.02	693.18
Capitalize our Subsidiaries for establishing development facilities in SEZ	29.59	17.45	12.14
Procuring hardware	204.50	38.84	165.66
Fund expenditure for general corporate purposes	206.31	6.10	200.21
<b>Total</b>	<b>1,200.60</b>	<b>129.41</b>	<b>1071.19</b>

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

S. P. Deshpande  
Director

Rajesh Ghonasgi  
Chief Finance Officer

Vivek Sadhale  
Company Secretary  
and Legal Head

Place : Pune  
Date : October 21, 2010

Place : Pune  
Date : October 21, 2010

Place : Pune  
Date : October 21, 2010