Persistent Systems Limited

Eighteenth Annual Report 2007-2008

PERSISTENT

We are Different

PERSISTENT

We are Different

- First Company to operate from the Software Technology Park (STP) in Pune
- First Company to export software under the STPI scheme
- Singularly focused on Outsourced Software Product Development (OPD) for 18 years
- Compounded Annual Growth Rate in revenue (INR) of 53.06% for the last 5 years
- Distinguished for being a profitable company since inception and paying dividend for the last 17 years
- 80% of our employees are Computer Science graduates, and 15+ are PhDs
- 27% women employees
- Voluntarily follows Corporate Governance norms

Chairman and Managing Director

- Dr. Anand Deshpande

Directors

- Mr. S. P. Deshpande - Executive Director
- Mr. Ram Gupta
- Dr. Promod Haque
- Mr. P. B. Kulkarni
- Prof. Krithivasan Ramamritham

Company Secretary and Head - Legal

- Mr. Vivek Sadhale

Auditors

- M/s. S. R. Batliboi & Company
- M/s. Joshi Apte & Company

Bankers

- Bank of India
- Citibank N.A.
- State Bank of India
- Syndicate Bank
- HDFC Bank Ltd.
- Bank of Tokyo-Mitsubishi

Registered Office

'Bhageerath',
402, Senapati Bapat Road,
Pune 411 016, India.

Contact Info

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FROM THE CHAIRMAN'S DESK

Delivering Value through Innovation

Scaling the business continued to be our focus this year. We grew more than 51% year-on-year in dollar terms and crossed the important USD 100 million revenue mark this year. It has taken us eighteen years to get to this milestone. We are on the right track and will continue to pursue aggressive growth this year as well.

Focus has been an important attribute for Persistent Systems. We started in the early '90s by working with product companies with an offshore centric model focused on technology excellence. As our unique differentiator, we have continued to develop and refine our expertise in this area and have built leadership in Outsourced Software Product Development (OPD).

We are relentless in our pursuit of delivering highest quality software to our customers. This has helped us in growing our existing customers and has also helped us to start new projects. During the year, we started offering to our customers very specific offerings, depending on the stage of the product in the technology adoption life-cycle. In this context, our service offerings around product innovations, time-to-market accelerators, product engineering, deployment and professional services and end-of-life gained significant traction. Our approach of taking the responsibility to create value for our customers through these service offerings has helped us create partnerships that have long term potential.

Our employees are critical to our success. Our focus on product development helps us to attract and retain those who have a passion for building products. During the year, we implemented a role-based organization. This has provided growth opportunities for individuals who choose to specialize in specific areas of expertise.

We continue to strengthen our management team and have added Yeshwanth Subramanian as the Chief Marketing Officer and Rajesh Ghonasgi as the Chief Financial Officer. We also conducted a year-long program to build and nurture the next generation of managers. The Arjuna program was designed and conducted by Dr. Ashok Korwar. This program has helped the top-50 leaders of the Company to understand the intricacies of business and to operate under difficult conditions while nurturing Persistent's core values.

The coming year will be challenging. Financial markets in the US are going through hard times and that has had an effect on the global market. Inflation in the local market is a source of concern and the sharp rise in fuel prices has had an impact across all sectors of the market.

Difficult times also provide opportunities for those who can grab them. Speed will be of essence. We will continue in our pursuit of delivering value to our customers through innovative technology and business models.

Best regards,

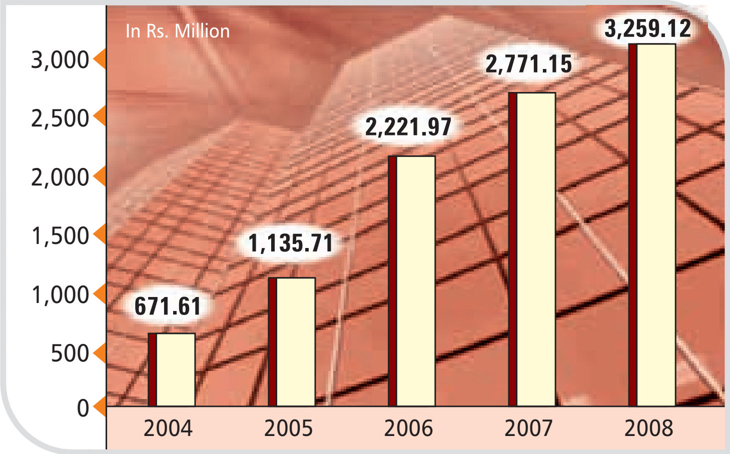
Anand Deshpande
Founder, Chairman and Managing Director

HIGHLIGHTS*

Profit After Tax

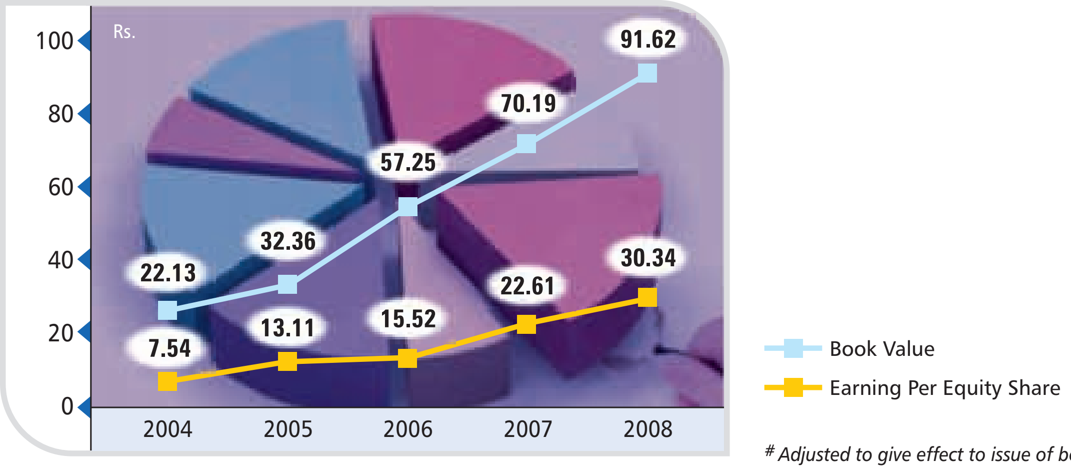
Financial year ending March 31
(after extraordinary items)

Fixed Assets



Financial year ended March 31
(including Capital work-in-progress)

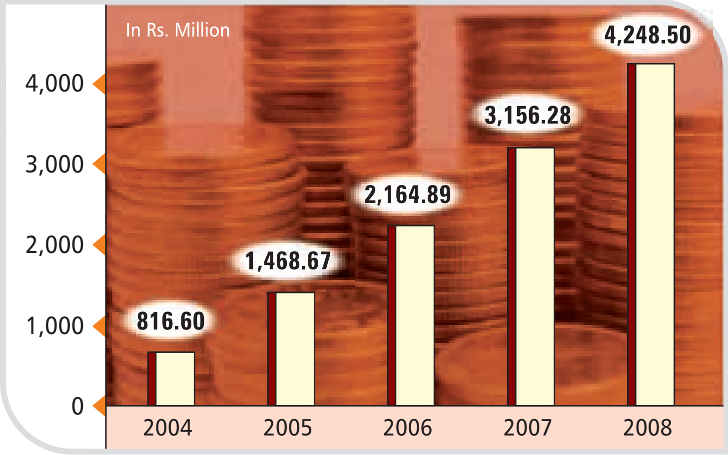
Book Value# and Earning Per Equity Share (Basic)#



Financial year ending March 31

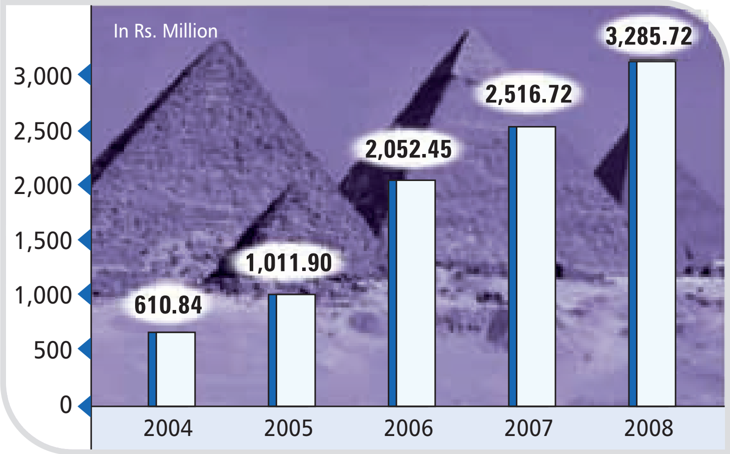
 # Adjusted to give effect to issue of bonus shares and conversion of preference shares into equity shares.

Total Revenue



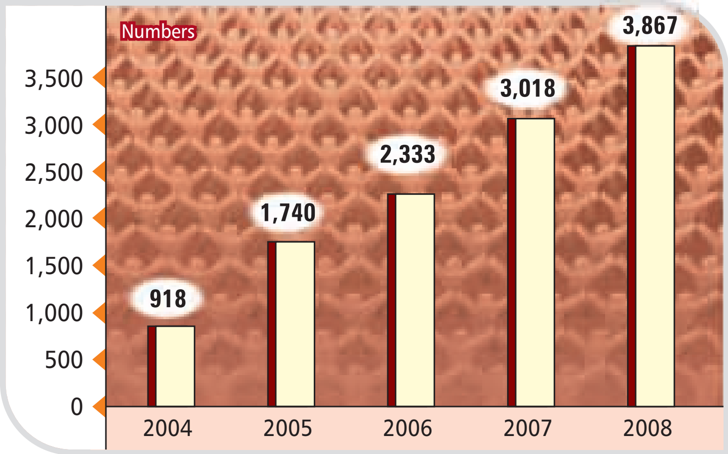
Financial year ending March 31

Net Worth



Financial year ended March 31

Human Resource Strength

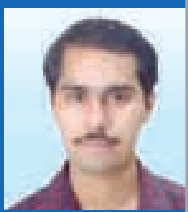


Financial year ending March 31 (including trainees and associates)

** Based on consolidated figures.*

PERSISTENT

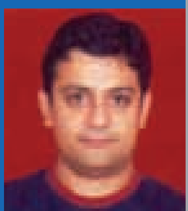
VOICES



"The employee comes first, that's what I love about Persistent.
I look at Persistent as an organisation with opportunities.
It is upto you to grab one, own it and take it to completion. The beauty is that the Company allows you to do all that and supports you whole heartedly.
When I joined Persistent in 1999, we were close to 100 employees and I always used to have this fear of losing the great family environment if we expanded and became a big organisation. Today, we are 3800+ employees and I am glad to find out that I was wrong. We are still a close family."

Hemant Ramnani
Manager - Business Developmant

Hemant joined Persistent in 1999 as a fresh engineer from Pune Institute of Computer Technology. He re-joined the delivery unit in Persistent after completing his MS from the University of Minnesota in 2003. Currently, Hemant is with the Sales Team in USA.



"It has been an enriching and exciting journey for me at Persistent over the past 9 years. My learning curve has been tremendous. I have seen immense personal growth as the Company has gone from strength to strength. There have been opportunities to set up new competencies and gain hands-on experience of expanding into new domains, and we really appreciate that."

Kaushal Kapadia
Domain Expert

Kaushal works with Security Practice and leads a team of Ethical Hackers working in the area of Network Penetration Testing / Web Application Vulnerability Assessment. Kaushal has over 12 years of experience in the IT industry. He is a subject-matter expert in the area of Security and Identity Management.

CORE COMPETENCE, NICHE EXCELLENCE

Focus on Innovation

Persistent is different from most of outsourcing firms because we are focus exclusively on the software product development. This singular focus has allowed the Company to innovate on three fronts.

- **Expertise aligned with the entire product life cycle**

  Persistent offers an entire array of service offerings that match the client's situation, from product conception to end-of-life.

- **Time-to-market accelerators**

  Persistent has developed asset-based process accelerators that leverage both domain expertise and development best practices.

- **Value-focused business model**

  Persistent works with the clients to find the right approach for a given product effort, including revenue share models that align product investment with market demand.

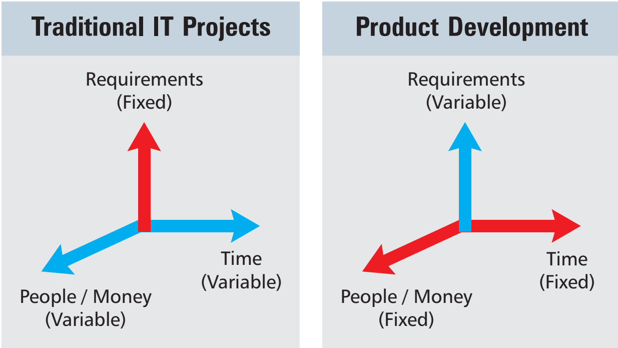
Strengths

- Outsourced Software Product Development (OPD) specialist with deep rooted product development culture
- Broad product development service offerings including value added products and services
- Depth of experience and knowledge in targeted industry segments
- Track record of well established sophisticated processes
- Long-term relationship with customers
- ISO 27001:2005 certified Company
- Strong team of highly skilled professionals
- Management which nurtures a long term vision

We are different

OPD is different from IT services outsourcing. Typically, IT projects start with well defined requirements. Given these fixed requirements, vendors use time and money as variables to arrive at a reasonable cost estimate for the project. After completion, the project goes into a maintenance mode.

In product development, requirements are less clearly defined. Instead, most product developers are given ship dates for the product that are typically determined by external factors. Once the ship-dates are decided, the budgets for the product are frozen. So, unlike a typical IT project where requirements are fixed and time and money are variables, a product development project starts with fixed time and money, thus leaving requirements as the only variable. So essentially, the product development team's task is to produce the best set of requirements within a fixed time and budget.



Thus, in product development projects, all requirements can never be completely fulfilled in a particular version. As a result, most product companies plan multiple product versions for their product. While product teams must focus on developing the best product for the current release, every team member on the product development team must have an overall vision of the product direction. Each team member must contribute not only to building the features for the current release, but also by providing enhancements and providing feedback for future releases of the product.

Poised to achieve new heights

Our goal is to be a leading global provider of OPD services. We intend to accomplish this by:

- Maintaining our leading position in OPD
- Growing our business with existing clients
- Growing our business through intellectual property capabilities
- Partnering with players across the software product development industry
- Focusing on small and medium sized markets
- Pursuing strategic acquisitions and other inorganic initiatives
- Investing in people and culture

CROSSING MILESTONES

1990-91
- Incorporated : 30 May 1990.
- Starts operations from Software Technology Park, Pune.

1991-92
- First contract signed with GIP ALTAIR-02 Technology, France.
- Microsoft becomes customer.

1992-93
- Declares maiden dividend.

1993-94
- Hewlett Packard becomes customer.
- Annual turnover crosses Rs. 5 Million.

1994-95
- 'Kapilvastu', the first owned development centre of the Company, becomes operational.

1995-96
- Annual turnover crosses Rs. 10 Million.

1996-97
- Takes over Intrix Systems Pvt. Ltd., a 100% subsidiary of Intrix Systems Group, USA.

1997-98
- Rated among 15 emerging IT companies in special issue of 'Dataquest'.
- First Prize from Government of Maharashtra, Small Scale Division, for Export Performance.
- Develops first-ever product PS 'EnList ', followed by PS 'EnSure' and PS 'EnQuire'.

1998-99
- Owned development centre 'Panini' becomes operational.
- Dr. Anand Deshpande gets 'Software Professional of the Year' Award from Computer Society of India, Pune Chapter.
- Human Resource strength crosses 100 mark.

1999-00
- Employees Stock Option scheme introduced.
- Annual turnover crosses Rs. 100 Million.

2000-01
- Investment from Intel IA-64 Fund, a venture capital firm.
- Formed Persistent eBusiness Solutions Pvt. Ltd., a virtually 100% Indian subsidiary.
- Independent Directors appointed.
- Starts operations at 'Bhageerath', new state-of-the-art owned development centre.

2001-02
- Formed wholly owned subsidiary, Persistent Systems Inc., at Santa Clara, California, USA.

2002-03

- Persistent product 'EnList Report Server' wins CSI-Infosys Award 2001 for best shrink-wrapped software product.
- Annual turnover of the Group crosses Rs. 500 Million.
- Human Resource strength of the Group crosses 500 mark.

2003-04

- Acquires land at Infotech Park, Pune.
- Branch office at Edinburgh, Scotland, UK.
- Nagpur development centre becomes operational.

2004-05

- Ranked 11th fastest growing Indian company in 'The Technology Fast Asia Pacific 2004' report of Deloitte.
- Joins Microsoft RFID Partners Council, the only Indian and non-US RFID company.
- Branch office at Tokyo, Japan.
- 'Inventor' classification by Forrester Research.
- Bangalore branch office becomes operational.
- Annual turnover of the Group crosses Rs. 1,000 Million.
- Human Resource strength of the Group crosses 1,000 mark.

2005-06

- Starts operations at 'Pingala-Aryabhata', new state-of-the-art owned development centre.
- Acquires ControlNet (India) Pvt. Ltd. in Goa.
- Norwest Venture Partners (NVP) and Gabriel Venture Partners (GVP) make joint investment.
- Follow-up investment from Intel Capital Fund.
- Annual turnover of the Group crosses Rs. 2,000 Million.
- Human resource strength of the Group crosses 2,000 mark.

2006-07

- 'Product Development Specialist' classification by Forrester Research.
- Becomes Google's 'Search Appliance Partner'.
- Ranked among the Top 50 fastest growing Indian technology companies by Deloitte Touche, Asia Pacific, 2006.
- Annual turnover of the Group crosses Rs. 3,000 Million.
- Human Resource strength of the Group crosses 3,000 mark.

2007-08

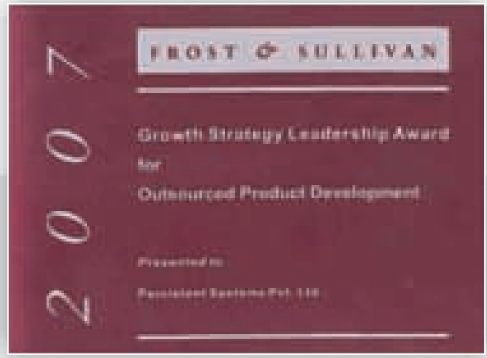
- Company converted into Public Limited.
- Receives ISO27001:2005 Certification.
- Wins the 'Red Herring 100 Global 2007.
- Dun & Bradstreet's India's Top IT Companies 2008.
- Wins 'Market Growth Strategy Award' for OPD Market by Frost & Sullivan.
- Deloitte Technology Fast 500 Asia Pacific 2007.
- Govt. of Maharashtra Award for 'IT Leadership in Nagpur' 2007.
- Company ranked amongst the Top 100 Companies by 'Electronics For You (EFY)'.
- Formed wholly owned subsidiary, Persistent Systems Pte. Ltd., in Singapore.
- Annual turnover of the Group crosses Rs. 4,000 Million.
- Branch office at The Netherlands & Canada.
- Acquires people and assets of Metrikus (India) Pvt. Ltd., and starts operations in Hyderabad.

2008-09

Distinguished by Honours

- Dun & Bradstreet's India's Top IT Companies 2008
- Red Herring 100 Global 2007
- Deloitte Technology Fast 500 Asia Pacific 2007
- Frost & Sullivan Growth Strategy Leadership Award for OPD 2007
- Govt. of Maharashtra Award for 'IT Leadership in Nagpur' 2007
- Electronics For You - Top 100 Companies 2007

CERTIFICATES



PERSISTENT

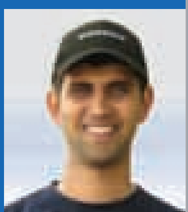
VOICES

"Persistent taught me real work and opened up a lot of avenues which, as a fresh engineer out of college, I'd never imagined! I have every opportunity and resources to ensure that I have a successful career. We get encouragement to go for various certifications and even higher studies. Indeed, this is an organisation that truly cares for and values employees and their individual development.
We have a great work environment. Everyone is a team player and willing to lend a helping hand whenever needed. One is able to take his or her competence to its high level and learn from the best in the industry."

Ruchi Tibrewala
Software Engineer

Ruchi joined Persistent in 2007 as a fresh engineer from Cummins College of Engineering, Pune. She is currently working in the Virtualization Domain.

"When I joined as the 100th employee at the Nagpur centre, I had no idea how special it was, until I received an e-mail from Anand, our CMD. Ever since then, each day at the office has been special in some way or the other. I was amazed by the culture Persistent follows right from day one. In my journey with Persistent, the organisation has helped me to grow as a team player. I appreciate the liberty which the Company gave me to choose the right opportunities at the right time.
Moving forward, we'll work to take Persistent to the next level."



Mayur Karmarkar
Module Lead

Mayur joined Persistent in 2005. Currently, he is a Module Lead in the Telecom Business Unit at the Nagpur Development Center.

DIRECTORS' PROFILE

Dr. Anand Deshpande
Founder, Chairman and Managing Director

Dr. Deshpande earned a Bachelor's Degree (Hons.) in Technology in Computer Science and Engineering from the Indian Institute of Technology, Kharagpur in 1984. He also earned a Doctorate in Computer Science from the Indiana University, Bloomington, Indiana (USA) in 1989.

He worked at Hewlett-Packard Laboratories as a Member of the technical staff in Palo Alto, California from 1989 to 1990 and has been a member of our Board since he founded our Company in 1990.

He is a member of the Association for Computing Machinery (ACM), Institute of Electrical and Electronics Engineers (IEEE), Computer Society of India (CSI) and the Young Presidents' Organisation (YPO). He currently serves on the executive committee of the National Association of Software and Services Companies (NASSCOM) and Mahratta Chamber of Commerce Industries and Agriculture (MCCIA). He has been the president of Software Exporters' Association of Pune for 2005-06 and 2006-07 and Chairman of the Pune Chapter of the Computer Society of India for 2003-04 and 2004-05. He is presently an active member of the database community and has served as the Industrial Program Committee Chairman for Very Large Data Bases 2007 in Vienna and was responsible for organising the said conference in Mumbai, in 1996. He also served as the Industrial Program Committee Chairman for the International Conference on Data Engineering, 2005 in Tokyo and was actively involved in organising the 2003 edition of the above conference in Bangalore, India. He was the Organising Chair of the Conference on Management of Data in 2005 at Goa, India. He has been selected as the Technical Chair of the Conference on Database Systems for Advanced Applications held in January 2008, in New Delhi.

He has been awarded the 'Ninad Award' for Outstanding Contributions to Science and Technology by the Ninad Foundation, Pune in 2007. He has also been awarded the Wisitex International Excellence Award 'Corporate Ratna' for furthering the growth of Information Technology in India and especially in Maharashtra. He received a recognition from SPIN for software process improvement in 2003 and was recognised by the Department of Engineering and Information Technology, Government of India for presenting a paper on 'Emerging Trends in Database Technology'. He has been awarded the Computer Society of India Fellowship Award in 2007 for outstanding achievement in the field of information technology. Dr. Deshpande was elected as the Vice Chairman for Confederation of Indian Industry (CII), Pune Zonal Council in the month of March 2008.

He has been further awarded the Entrepreneur Award, in recognition of his contribution to the Information Technology sector at the Brihan Maharashtra Mandal Convention in Atlanta, USA in 2005 and was also awarded the Rotary Excellence Award by Rotary Club, Pune for his vision and leadership in the growth of the IT sector.

S. P. Deshpande
Founder and Executive Director

Mr. Deshpande earned a Bachelor's Degree (Hons.) in Electrical Engineering from Jabalpur Engineering College, India in 1958.

He joined Bharat Heavy Electricals Limited (BHEL), Bhopal, India, as a graduate apprentice in 1958. He worked with BHEL for 23 years. During that period, he worked in a number of product and service departments, specialising in transportation systems and electronic control systems, as applicable to transportation, in particular. He worked with Kirloskar Pneumatic Company Limited for a period of eight and a half years. He held important positions in materials division, quality analysis, manufacturing services and research and development. He joined as associate vice president in March 1982 and retired from Kirloskar Pneumatic Company Limited as vice president in October 1990.

He founded the Software Exporters' Association of Pune in 1998 to foster better interaction among software export units in Pune and help them resolve their problems in operations.

He heads the administrative functions of our Company, including general administration, human resource, purchase, accounts, finance, secretarial, legal and facilities functions since inception.

He has been a member of our Board since inception except for the period from April 1991 to October 1991.

Ram Gupta

Non-Executive Independent Director

Mr. Gupta earned Bachelors' Degrees in Electrical and Electronics Engineering from Birla Institute of Technology and Sciences, Pilani and a Master's Degree in Computer Science from the University of Massachusetts, Amherst.

He worked as the Director of Engineering at Silicon Graphics, Inc. from 1994 to 1997 and as a senior vice president and general manager of the Web MD Corporation from 1997 to 2000. He served as the executive vice president of Peoplesoft from 2000 to 2004 and has served as the president and chief executive officer of Cast Iron Systems from 2005 to 2007. Presently, he is the chairman of Cast Iron Systems, Inc. He has over 20 years of experience in the fields of strategy and execution for technology companies.

He has been awarded the 'Search for the Heroes Award' by the Smithsonian Computer World in 2000.

He has been a member of our Board since September 14, 2007.

Dr. Promod Haque

Non-Executive Director

Dr. Haque earned a Bachelor's degree in Science in Electrical Engineering from the University of Delhi, India in 1969. He earned a Doctorate in Electrical Engineering from Northwestern University in 1974 and a Master's degree in Business and Administration from Northwestern's Kellogg Graduate School of Management in 1976, where he serves on the advisory board.

He has over 17 years of experience in the venture capital industry and currently serves as Managing Partner at Norwest Venture Partners (Norwest), which he joined in 1990.

Prior to joining Norwest, he spent 18 years in various operational roles, ranging from product development, marketing, and as chief operating officer and chief executive officer at various companies which included EMI Medical, Inc., from 1976 to 1981, Emergent Corporation as chief operating officer from 1981 to 1983 and Dimensional Medicine, Inc., as chief executive officer from 1983 to 1988. He has been ranked as a top dealmaker on the annual Forbes Midas List from 2002 to 2007 and, in 2004, Forbes named him as the number one venture capitalist, based on performance over the last decade. In 2006, he was presented with a Global Leadership award from the National Association of Software and Services Companies.

He has been a member of our Board since 2005.

P. B. Kulkarni

Non-Executive Independent Director

Mr. Kulkarni earned Bachelors' Degrees in Commerce and Arts in 1955 and 1956, respectively, and a Post Graduate Degree in Commerce from Pune University in 1957. He is also a Chartered Associate of the Indian Institute of Bankers and is a fellow of the Economic Development Institute of the World Bank, Washington D.C.

He worked with the Reserve Bank of India from the period 1957 to 1993 in various positions including as executive director. During this time he served on deputation with the Asian Development Bank, Manila from 1967 to 1970 as operations officer, the Bangladesh Shilpa Bank intermittently for the period 1974 to 1977 as a consultant, the Myanmar Economic Bank, Yangon from 1978 to 1979 as chief of mission, and was the chairman and managing director of the Bank of Maharashtra from 1993 to 1995. He has also served as a chairman of the local advisory board for the Bank of Bahrain & Kuwait, B.S.C from 1997 to 2005. He has been a director on the boards of the Punjab and Sind Bank, Bank of India and Central Bank of India and was an alternate director on the Board of Asian Clearing Union. He has over fifty years of experience in the fields of banking and finance and currently renders advisory and consultancy services in finance and banking areas.

He has served as a chairman of the finance sector sub-committee of the Mahratta Chamber of Commerce, Industries and Agriculture from 1996 to 2003 and is a past member of the editorial board of the journal of the National Institute of Bank Management. He has been a member of Planning and Monitoring Board, Gokhale Institute of Politics and Economics and was a Chairman of the committee to monitor code of ethics of the Indian Banks Association. He is a member of the Centre for Advanced Strategic Studies, Pune, the English Speaking Union, Pune and the Vision Committee of Pune University. He is the Chief Trustee of the Suparn Charitable Trust and serves on the Arbitration Committee of Mahratta Chamber of Commerce Industries and Agriculture and serves on the Grievance Committee of the Pune Stock Exchange.

He has been a member of our Board since 2001.

Prof. Krithivasan Ramamritham

Non-Executive Independent Director

Prof. Ramamritham earned a Bachelor's Degree in Technology in Electrical Engineering from the Indian Institute of Technology, Madras in 1976 and a Master's Degree in Technology in Computer Science from the Indian Institute of Technology, Madras in 1978 and a Doctorate in Computer Science from the University of Utah in 1981.

He is presently the Dean of Research and Development at the Indian Institute of Technology, Bombay and holds the Vijay and Sita Vashee Chair in its computer science department. He was a professor at the University of Massachusetts from 1981 to 2001. He has also been a visiting fellow at the Science and Engineering Research Council, UK, from September 1987 to June 1988 at the University of Newcastle-upon-Tyne, UK, and has also held visiting positions at the Technical University of Vienna, Austria from June 1988 to August 1988, and at the Indian Institute of Technology, Madras, from September 1987 to June 1988.

He is a fellow of the Association for Computing Machinery and the Institute of Electrical and Electronics Engineers. He is a member of the board of the Very Large Database Foundation, and is an advisory board member to TTTech Computertechnik AG, Vienna, Austria (TTTech, Vienna), Microsoft Research India, Bangalore, India, the Technology Board of Tata Consultancy Service Limited and is a member of the Advisory Council of the Indian Institute of Information Technology, Hyderabad and Association for Computing Machinery Special Interest Group on Management of Data, New York, USA (ACM Sigmod).

He received the Distinguished Alumnus Award from the Indian Institute of Technology, Madras in 2006 and has received the Doctor of Science (Honoris Causa) from the University of Sydney, Australia in May 2007.

He has been a member of our Board since 2001.

PERSISTENT

We Value, We Care

Corporate Values

- To create real value for customers
- To cultivate the right kind of learning environment
- To promote integrity at the institutional level

Corporate Social Responsibility

- Participated in CII 'Zero Load Shedding' Program in Pune
- Provided Technical Assistance to the Pune Municipal Corporation to upgrade its websites
- Conducted 'Train the Trainer' Program for engineering faculty in partnership with CSI Pune Chapter and SEAP
- Donations to institutions involved in Education, Health, and upliftment of Underprivileged Children
- Set up a Cyber Lab for Pune Police in collaboration with NASSCOM

Report of the Directors

Your Directors are pleased to present the Eighteenth Annual Report of your Company together with the audited statement of accounts for the financial year ended March 31, 2008.

Business overview

The year under report was an excellent year for the growth of your Company. On a consolidated basis, the revenues grew in US Dollar terms by 51.23% year-on-year amounting to USD 105.81 Million and in Rupee terms the revenue growth was 34.60% year-on-year amounting to Rs. 4,248.50 Million. The profits of your Company in Rupee terms grew by 49.82% during the year amounting to Rs. 831.74 Million. This increase can be attributed to the growth in business with Company's existing customers and also growth due to acquisition of new customers.

The performance of your Company during the year is creditable considering the sharp appreciation of the Indian Rupee as compared to US Dollar. Profitability was ensured mainly by improvement in the utilisation of billed resources, as well as improvement in the billing rates and through improved efficiency of the general administration expenses achieved by way of leverage of scale.

During the year under report, Mr. Ram Gupta joined your Company's Board as an Independent Director. Mr. Sandeep Johri and Mr. Frederick W. W. Bolander resigned from your Board and your Board takes this opportunity to thank them for their valuable contribution during their association with your Company.

Your Company continued to strengthen the management team during the year under report. Mr. Yeshwanth Subramanian was inducted as the Chief Marketing Officer, Persistent Systems, Inc. and Mr. Rajesh Ghonasgi was appointed as the Chief Financial Officer of your Company.

During the year under report, to enhance the international presence, your Company set up a subsidiary in Singapore and opened branch offices in The Netherlands and in Canada.

During the year, through the US based wholly owned subsidiary of your Company, several sales offices were added across the US. The Company now has offices in Silicon Valley, Seattle, Boston, New York, Chicago and Dallas.

Your Company continued to invest in tracking new technology and in internal research and development. Through these efforts, your Company has created well-defined best practices that enable your Company to reduce the cost of product development significantly while reducing the risk of engineering failures. The investment made during the year under report in building connectors and other time to market accelerators is getting good traction in the market with some key partnerships already in place. It is expected that this investment will fetch good returns in the next few years.

Financial results

During the financial year 2007-08, your Company continued its track record of growth coupled with robust financials. Your Company successfully achieved its targets set for the financial year 2007-08 in challenging business environment.

During the month of February 2008, the consolidated revenues exceeded USD 10 Million in a single month for the first time in the history. Further, the total income during the financial year 2007-08 exceeded USD 100 Million for the first time in the history of your Company.

The total income of your Company amounted to Rs. 4,098.87 Million (USD 102.06 Million) registering a growth of 37% over the previous year (in rupee terms) and the net profit after extra ordinary items grew to Rs. 837.12 Million (USD 20.84 Million), a growth of 42% over the previous year (in rupee terms).

The highlights of the financial performance for the year ended March 31, 2008 are as under

Particulars	(In USD Million except EPS and Book Value) 2007-08	2006-07	(In Rs. Million except EPS and Book Value) 2007-08	2006-07	% Change
Total income	102.06	66.67	4,098.87	2,993.48	37%
Profit before interest, depreciation and taxes	29.19	19.14	1172.27	859.35	36%
Depreciation	6.92	5.96	277.97	267.46	4%
Provision for taxes	0.55	0.40	22.00	18.18	21%
Net profit for the year before exceptional and prior period items	21.72	12.75	872.30	572.59	52%
Net profit for the year after exceptional and prior period items	20.84	13.16	837.12	590.72	42%
Transfer to general reserve	8.34	5.26	334.90	236.30	42%
Net worth	84.21	57.93	3,381.95	2,601.27	30%
Earning per share (basic) (EPS)					
Including exceptional and prior period items	0.73	0.55	29.30	24.90	18%
Excluding exceptional and prior period items	0.76	0.54	30.53	24.13	27%
Earning per shares (diluted) (EPS)					
Including exceptional and prior period items	0.58	0.37	23.34	16.48	42%
Excluding exceptional and prior period items	0.61	0.36	24.33	15.97	52%
Book value per equity share (BV)	2.35	1.62	94.31	72.55	30%

[Conversion Rate: USD 1= Rs. 40.16 (2007-08) and USD 1 = Rs. 44.90 (2006-07)]

[The BV as on March 31, 2007 is computed considering the impact of bonus shares and conversion of Series A Participatory Cumulative Optionally Convertible Preference Shares into Equity Shares as described in Share Capital below.]

On a consolidated basis, the total income of your Company and its subsidiaries amounted to Rs. 4,517.85 Million (USD 112.50 Million) and the net profit after extraordinary items amounted to Rs. 831.74 Million (USD 20.71 Million).

Liquidity

Your Company continues to be a debt free company, and maintains sufficient cash to meet your Company's strategic objective. Your Company has ensured the liquidity in the Balance Sheet to balance between earning adequate returns and the need to cover financial and business risks. As at March 31, 2008, your Company had liquid assets, which include investments in liquid mutual funds of Rs. 691.35 Million as against Rs. 246.52 Million as at March 31, 2007.

Dividend

Your Directors declared Interim Dividend two times during the financial year 2007-08. First Interim Dividend was declared at 5% [on enhanced capital (pre-Bonus effective rate of 17.5%)] on the total paid up equity share capital on a pro-rata basis. Your Directors declared second interim dividend at 7% [on enhanced capital (pre-Bonus effective rate of 24.5%)] on the total paid up share capital on a pro-rata basis. The total dividend declared by your Directors for the financial year 2007-08 is 12% [on enhanced capital (pre-Bonus effective rate of 42%)] amounting to Rs. 43.03 Million and dividend tax was Rs. 7.31 Million. Total outflow on account of dividend payout including dividend tax was Rs. 50.34 Million out of the net profits of the Company.

Your Directors consider the same as adequate and recommend no further dividend for the financial year 2007-08. During the financial year 2007-08, your Company did not have any unclaimed dividend out of dividend declared till date.

Conversion of your Company from private limited to public limited company

Pursuant to the shareholders' approval at the Extra-ordinary General Meeting on September 17, 2007, your Company was converted from a private limited company to a public limited company. Consequently, the name of your Company was changed from "Persistent Systems Private Limited" to "Persistent Systems Limited". Upon change of name, your Company received a fresh Certificate of Incorporation consequent on conversion, dated September 28, 2007 from the Registrar of Companies, Maharashtra, Pune.

Share Capital

During the financial year 2007-08, the following alterations were made to the Authorised Share Capital of your Company

1. The Authorised Share Capital of the Company was increased from Rs. 125.00 Million divided into 10,000,000 (Ten Million) Equity Shares of Rs. 10 (Rupees Ten only) each and 250,000 (Two Hundred Fifty Thousand) Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 (Rupees One Hundred only) each to Rs. 1,000.00 Million divided into 97,500,000 (Ninety Seven Million Five Hundred Thousand) Equity Shares of Rs. 10 (Rupees Ten only) each and 250,000 (Two Hundred Fifty Thousand) Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 (Rupees One Hundred only) each by creation of additional 87,500,000 (Eighty Seven Million Five Hundred Thousand) Equity Shares of Rs. 10 (Rupees Ten only) each ranking pari passu with existing Equity Shares of the Company in all respects.

2. Authorised Share Capital was reclassified from Rs. 1,000.00 Million divided into 97,500,000 (Ninety Seven Million Five Hundred Thousand) Equity Shares of Rs. 10 (Rupees Ten only) each and 250,000 (Two Hundred Fifty Thousand) Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 (Rupees One Hundred only) each to Rs. 1,000.00 Million divided into 100,000,000 (One Hundred Million) Equity Shares of Rs. 10 (Rupees Ten only) each.

The Company converted 209,045 (Two Hundred Nine Thousand Forty Five) Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 (Rupees One Hundred only) each fully paid up issued to holders of Series A Participatory Cumulative Optionally Convertible Preference Shares into 2,090,450 (Two Million Ninety Thousand Four Hundred Fifty) Equity Shares of Rs. 10 (Rupees Ten Only) each fully paid up in the ratio of 10 (Ten) Equity Shares of Rs. 10 (Rupees Ten only) each for every 1 (One) Series A Participatory Cumulative Optionally Convertible Preference Share of Rs. 100 (Rupees One Hundred only) each held by such Shareholders.

The Company issued the following new shares during the financial year 2007-08

1. 1,500 (One Thousand Five Hundred) Equity Shares of Rs. 10 (Rupees Ten Only) each at a premium of Rs. 204.70 (Rupees Two Hundred and Four and Paise Seventy Only) to its three Independent Non-Executive Directors (these include 500 shares issued to Mr. Sandeep Johri who ceased to be the director of your Company since May 10, 2007) on a preferential basis;

2. 25,615,000 (Twenty Five Million Six Hundred Fifteen Thousand) Bonus Equity Shares in the ratio of 5 (five) fully paid Equity Shares of Rs. 10 each for every 2 (two) Equity Shares of Rs. 10 each held by the existing shareholders as on the date of the Bonus Issue.

Employee stock option plans

Your Company has various stock option plans for its employees. During the year under report, your Company introduced an employee stock option scheme for Non – Executive Independent Directors, Chief Executive Officio level employees and employees of its subsidiaries and branch offices abroad. Details of the options granted under various employee stock option schemes form part of the Corporate Governance report and Notes to Accounts.

Dematerialisation of shares

In furtherance of good investor protection measure, your Company has dematerialised its shares additionally with the National Securities Depository Limited (NSDL) along with the existing depository, the Central Depository Services (India) Limited (CDSL).

As at March 31, 2008, 35,677,569 (Thirty Five Million and Six Hundred Seventy Seven Thousand Five Hundred Sixty Nine) Equity Shares comprising 99.49% of your Company's shares were held in electronic form and remaining 183,431(One Hundred Eighty Three Thousand and Four Hundred Thirty One) Equity Shares comprising 0.51% of your Company's shares were held in physical form.

Subsidiary Companies

Your Company had three subsidiaries viz. Persistent Systems, Inc., USA, Persistent eBusiness Solutions Limited, India and Persistent Systems Pte. Ltd., Singapore as on March 31, 2008.

Persistent Systems, Inc.

Persistent Systems, Inc. (PSI) is the US based wholly owned subsidiary of your Company formed in October 2001. PSI is engaged in providing professional services and solutions to the US based customers. PSI further provides business development and marketing support to Persistent Systems group companies.

During the financial year 2007-08, PSI recorded a turnover of Rs. 709.38 Million (USD 17.66 Million) [previous year Rs. 453.66 Million (USD 10.10 Million)] and a Loss of Rs. 17.82 Million (USD 0.44 Million) [previous year loss of Rs. 40.69 Million (USD 0.91 Million)].

Persistent eBusiness Solutions Limited

Persistent eBusiness Solutions Limited (PeBS) is an India based wholly owned subsidiary of your Company formed in May 2000. PeBS is formed mainly to cater to software services and solutions to the India based clients. During the financial year 2007-08, PeBS was converted from private limited company to a public limited company pursuant to the members' resolution passed at the extra-ordinary general meeting of PeBS held on September 17, 2007.

During the financial year 2007-08, PeBS recorded a total income of Rs. 36.82 Million (USD 0.92 Million) [previous year Rs. 13.75 Million (USD 0.31 Million)] and a net profit of Rs. 9.77 Million (USD 0.24 Million) [previous year Rs. 5.30 Million (USD 0.12 Million)].

Persistent Systems Pte. Ltd.

Persistent Systems Pte. Ltd. (Co. Reg. No. 200706736G) is a Singapore based wholly owned subsidiary of your Company formed in April 2007. Persistent Systems Pte. Ltd., was primarily formed to concentrate on the business opportunities in ASEAN region.

During the financial year 2007-08, Persistent Systems Pte. Ltd., recorded a total income of Rs. 10.79 Million (USD 0.27 Million) and a net profit of Rs. 2.65 Million (USD 0.07 Million).

Consolidated financial statements

Consolidated financial statements of your Company and its subsidiaries as at March 31, 2008, prepared in accordance with the Accounting Standard 21 (AS – 21) on 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India, form part of this Annual Report.

Particulars required as per Section 212 of the Companies Act, 1956

As per Section 212 of the Companies Act, 1956, your Company is required to attach the Directors' Report, Auditors' Report, Balance Sheet, Profit and Loss Account, Schedules to Accounts and Notes to Accounts of subsidiaries of your Company alongwith Balance Sheet of your Company. Your Directors believe that the consolidated financial statements present a more comprehensive picture as compared to standalone financial statements. Your Company, therefore, applied to the Ministry of Corporate Affairs, Government of India for an exemption from such attachment as your Company presents the audited consolidated financial statements in the Annual Report.

The Ministry of Corporate Affairs, Government of India, vide its letter no. 47/429/2007-CL-lll granted an exemption to your Company from attaching full financial statements of the subsidiaries under Section 212 of the Companies Act, 1956.

Accordingly, the Annual Report does not contain full financial statements of the subsidiaries. Your Company will make available the audited annual accounts and related information of the subsidiary companies, upon request by any shareholder of your Company. These documents will also be available for inspection during business hours at the registered office of your Company and the registered office of respective subsidiaries. A statement showing financial highlights of the subsidiary companies is attached to the consolidated financial statements.

Key recruitments

During the financial year 2007-08, Mr. Yeshwanth Subramanian and Mr. Ranjan Guha were appointed as Chief Marketing Officer and Senior Vice President – Strategic Business Development respectively of Persistent Systems, Inc., wholly owned subsidiary of your Company. During the financial year 2007-08, Mr. Rajesh Ghonasgi was appointed as the Chief Financial Officer of your Company.

Significant events in the year 2007-08

1. To take advantage of the potential business opportunities available to your Company from ASEAN region, your Company formed Persistent Systems Pte. Ltd., a wholly owned subsidiary in Singapore on April 2007. Having a subsidiary in Singapore will benefit your Company in long run, as Singapore, Thailand, Indonesia and Malaysia are large economies in terms of developing Information Technology infrastructure.

2. Your Company acquired physical assets and human resources of Metrikus (India) Private Limited, Hyderabad, a subsidiary of Metrikus, Inc., USA in June 2007. The acquisition helped your Company to set up a place of business in the Hyderabad.

3. Your Company established a Branch office in The Netherlands in July 2007 with a view to bolster business development in the European region.

4. To facilitate your Company to pursue offshore business opportunities in Canada through onsite presence, your Company has set up two Branch offices in Canada, one in Ontario Province and the other in British Columbia Province during September 2007 and November 2007 respectively.

5. During the year under review, your Company received ISO27001:2005 Certification for Pune (except Hinjewadi), Nagpur and Goa units of your Company.

Initial Public Offering (IPO) of your Company

During the financial year 2007-08, your Company filed a Draft Red Herring Prospectus (DRHP) with the Securities and Exchange Board of India (SEBI) for the proposed Initial Public Offer (IPO) of your Company and had received observations of the SEBI on the same. Your Company further obtained in-principle approval from the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE) to list its shares post IPO. Due to adverse sentiments in the financial markets in India and abroad, your Directors decided to temporarily defer the IPO.

Recognitions

Your Directors are glad to report the following awards received by your Company during the financial year 2007-08

1. Your Company received the IT Enterprise (Special Awards) of the Maharashtra Information Technology Award for the year 2007 from the Government of Maharashtra for its Nagpur Unit. The award was received from Honorable Chief Minister of Maharashtra Mr. Vilasrao Deshmukh at a special function held in Mumbai in November 2007.

2. Your Company was ranked amongst the top 500 companies in the "Deloitte Technology Fast 500 Asia Pacific 2007" report in November 2007. The Survey was conducted by Deloitte Touche Tohmatsu, an organisation of member firms around the world devoted to excellence in providing professional services and advice, focused on client service through a global strategy executed locally in over 140 countries.

3. Your Company won the "Red Herring 100 Global" award 2007. Evaluations were made on both quantitative and qualitative criteria such as financial performance, innovation, management, global strategy, and ecosystem integration. The Red Herring editorial team had a competitive process to whittle down the pool of eligible promising companies to the 100 winners of this award. The award recognises the exceptional companies who thrive on innovation and define the important role of technology in Asia's economy and throughout the world.

4. Your Company won Market Growth Strategy Award for OPD Market for the financial year 2007 for Mid-market declared by 'Frost & Sullivan'. Frost & Sullivan analysts track the competitor revenue and market share within the industry and technologies and research projects are compared using customer base demands. Additionally, factors such as feasibility of product launch, likelihood of customer acceptance and acceptance rates, and estimated time to market are also considered.

5. Your Company was ranked 84 in "Electronics For You -Top 100 Companies" based on its revenue. Electronics For You, publicly known as EFY, is India's largest selling technical magazine. EFY publishes periodical surveys on the various comparatives relating to electronic industry in India.

Dr. Anand Deshpande, Founder Chairman and Managing Director of your Company was honoured with the Fellowship Award by the Computer Society of India (CSI) as a fitting recognition of his outstanding achievement in the field of Information Technology. The award recognises the fellows who promote entrepreneurship in the IT Industry; encourage rapid spread of use of IT in society; and facilitate the use of IT as a means of creating employment opportunities. The award was presented to Dr. Deshpande during the Annual Convention of the Computer Society of India in Bangalore in November 2007.

Dr. Deshpande was elected as the Vice Chairman for Confederation of Indian Industry (CII), Pune Zonal Council in the month of March 2008.

Directors

During the year under report, Mr. Sandeep Johri and Mr. Frederick W. W. Bolander resigned as Directors of your Company with effect from May 10, 2007 and October 2, 2007 respectively. The Board places on record their appreciation for the services rendered by them during their tenure of directorship of your Company.

During the financial year 2007-08, Mr. Ram Gupta was appointed as an Additional, Independent, Non-Executive Director of your Company with effect from September 14, 2007. The term of Mr. Gupta as an Additional Director of your Company will expire at the Eighteenth Annual General Meeting of your Company and he has confirmed his eligibility and willingness to accept office of Directorship of your Company, if appointed.

Mr. Ram Gupta worked as the Director of Engineering at Silicon Graphics, Inc. from 1994 to 1997 and as a Senior Vice President and General Manager of the Web MD Corporation from 1997 to 2000. Gupta served as the Executive Vice President of Peoplesoft from 2000 to 2004 and has served as the President and Chief Executive Officer of Cast Iron Systems from 2005 to 2007. Presently, Mr. Gupta is the Chairman of Cast Iron Systems, Inc. Mr. Gupta has over 20 years of experience in the fields of strategy and execution for technology companies.

He has been awarded with the "Search for the Heroes Award" by the Smithsonian Computer World in 2000.

Mr. Gupta earned Bachelors Degrees in Electrical and Electronics Engineering from Birla Institute of Technology and Sciences, Pilani and a Masters Degree in Computer Science from the University of Massachusetts, Amherst.

Mr. P. B. Kulkarni, Director is liable to retire by rotation at the Eighteenth Annual General Meeting and he has confirmed his eligibility and willingness to accept office of Directorship of your Company, if reappointed. A brief profile of Mr. P. B. Kulkarni forms part of the notice of the ensuing Annual General Meeting.

In the opinion of your Directors, Mr. Ram Gupta and Mr. P. B. Kulkarni have the requisite qualifications and experience which would be useful to the Company and would enable them to contribute effectively to the Company in their capacity as independent directors of the Company.

It is, therefore, considered prudent that your Company should continue to avail of the services of Mr. P. B. Kulkarni and Mr. Ram Gupta as Directors and recommend that the resolution relating to the appointment of Mr. Ram Gupta and re-appointment of Mr. P. B. Kulkarni, as Directors of your Company be passed.

Committees of the Board

During the year under review, the Board of Directors of your Company had constituted the IPO Committee to overlook the functions involved in the proposed Initial Public Offering of the Company and to facilitate quick decision-making. Further, as a good corporate governance policy, the Board of Directors had constituted the Shareholders'/ Investors' Grievance Committee and Remuneration Committee of the Board of Directors and reconstituted the Audit Committee, Compensation Committee and the Executive Committee of the Board of Directors in terms of Clause 49 of the Listing Agreement. The detailed composition of the Committees forms part of the Corporate Governance Report which is annexed to this Directors' Report.

Corporate Governance

A separate section on "Report on Corporate Governance" with a detailed compliance report thereon is annexed to this Directors' Report.

Voluntary Secretarial Compliance Certificate

Your Company annually obtains a compliance certificate from the whole time Practicing Company Secretary on a voluntary basis to ensure compliance of the provisions of the Companies Act, 1956. The same is annexed to this Directors' Report.

Management Discussion and Analysis report

Report on Management Discussion and Analysis based on audited, consolidated financial statements for the year 2007-08 forms part of this Directors' Report.

Outlook

During the financial year 2008-09, world-wide macro-business conditions are expected to be challenging, with uncertainty in the US market. Mortgage and financial industries are not completely out of the sub-prime crisis and the US economy is on the verge of recession. The impact of substantial rise in oil prices has also not been completely factored in.

On the technology front, we are at the beginning of the next set of disruptive changes. Moore's Law will hold true for another 5-7 years. What is exciting is that network speeds, display technologies are also growing at exponential rates. Wireless deployments including WiMax are main-stream; data speed and capacity of mobile networks are also increasing.

Currently, there are roughly a billion mobile phone users in the world, a staggering 1/6th of the world population. As these mobile users upgrade their hand-sets, greater penetration of data services for mobile networks can be seen. There are about half a billion internet users and it is expected that there will be another billion new internet users world-wide over the next five years - most of them will come from China and India. Clearly, these users will not be computer savvy and are likely to have very different kinds of expectations from the next generation of mobile internet devices. These new internet users will push the internet into new frontiers and will have capability of changing the face of the internet as we know it, today.

On the software side, it is expected that consolidation of software companies will continue in the years to come. There is enormous pressure on reducing the cost of ownership of computing solutions. This is leading to new business models broadly classified as SaaS (Software as a Service). Platforms such as cloud computing and virtualization will be essential for profitable SaaS deployments. Next generation of ad-supported business models is expected to immerge in the process.

These disruptive changes caused by the new technology, business models that need to continually improve efficiency, software systems that take advantage of new technologies and facilitate these changes in business models coupled with demanding users, will create new opportunities for your Company. Your Company is already working with market leaders in these areas of technology. Your Company is very well-poised to take advantage of this new scenario.

Human resource management

Your Company recruited approximately 850 (technical & non-technical) professionals as a part of growth plan during the year ended March 31, 2008 including several qualified and experienced professionals returning from USA. This steady stream of US returning professionals has provided a very strong middle management group. Your Company continues to attract the best talent available from various engineering colleges in India.

Your Company crossed the strength of 3,700 personnel during the year under report. The technical strength at present comprises more than 15 PhDs, about 182 postgraduate engineers and about 3,479 graduate engineers. The consolidated human resource strength of your Company and its subsidiaries crossed 3,800 that include trainees and associates.

Your Company considers training as an important activity towards human resource development. In this endeavor, several courses, seminars and conferences in technical and domain specific areas were conducted. Your Company also conducted training courses for the benefit of the employees in different areas such as leadership skills, team building, personal effectiveness and foreign languages.

During the year under review, your Company started Arjuna Programme with a view to build a large team of skilled business managers who would be the leaders of tomorrow. Dr. Ashok Korwar, academician, business consultant and professional manager is the program architect and lead coach for the program. The content of the Programme comprises perspective building, analysis and foresight and management action.

Further, your Company had implemented role based organisation and implemented career tracks. With a view to control attrition, your Company had taken various measures on the front of compensation, introducing skip level meeting, implementation of career track and entering into arrangement with BITS Pilani to impart education in MS Program to employees of your Company.

The attrition for the year under report was 21.21% as against 22.45% for the previous financial year 2006-07. Various employee welfare activities such as sports and cultural events that were organised for and by the employees had wide participation at all levels.

As your Company plans to scale up the operations during the current year, it expects to hire additional 1,800 software professionals in its offshore development centers across Pune, Goa, Nagpur and Hyderabad.

Corporate social responsibility

Your Company recognises its social obligations. As a responsible corporate citizen, your Company formed a donation policy to earmark certain funds for giving donations.

Donations are given primarily to organisations or institutions that are engaged in activities relating to promotion of education, health, community welfare, police welfare related activities and in the events of national calamity.

In this endeavour, during the year under report, your Company donated major portion of the donations towards the health and education related activities followed by institutes for community welfare and the working for mentally challenged persons.

Your Company voluntarily provided technical assistance and the manpower to the Pune Municipal Corporation (PMC) for upgrading and modifying its website for stepping towards e-governance and user friendly appearance of its website during the year under report.

Employees' remuneration

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this report. As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report is being sent to all the Shareholders of the Company, excluding, the statement of particulars of employees referred to hereinbefore. Any Shareholder interested in obtaining a copy of the said statement may write to the Company Secretary of the Company at the Registered Office of your Company.

Conservation of energy, technology absorption, research and development, foreign exchange earnings and outgo

Your Company has made necessary disclosures in this Report in terms of Section 217(1)(e) of the Companies Act, 1956, read with the Company (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988. Your Company strives to conserve energy on a perpetual basis. Your Company has procured various energy saving devices and systems, which help in conserving energy. Bulk of the electric fixtures is equipped with electronic ballast which has resulted in significant savings in the energy cost.

Your Company has continued to maximise the use of flat LCD monitors, VRV air-conditioning system, solar energy for hot water and LED logo on Building for conservation of energy. A building automation system has been implemented to control working of air conditioners and to make them more power efficient. Further, your Company has started using Ozone units for air-conditioning system at its two Units in Pune. Upon the assessment of the air-conditioning results, your Company would implement it at its rest locations.

As power costs constitute a very insignificant part of the total expenses, the financial impact of these measures is not material. As your Company has not entered into technical collaboration with any entity, there are no particulars relating to technology absorption.

The particulars of expenditure on research and development are as follows (In Rs. Million)

Particulars	2007-08	2006-07
Capital expenditure	1.30	1.34
Revenue expenditure	47.14	25.79
Total research and development expenditure	48.44	27.13
As % of total income	1	1

During the financial year 2007-08, most of the revenue of your Company was derived from the exports. Your Company has a strong business development team mainly in the US. Your Company continues to invest in the sales team and has staffed the team with experienced people during the year to ensure that your Company's focus on exports continues. Based on the development of the market for the Outsourced Product Development, your Company has expanded its activities in Europe and Asia Pacific as well, and this will further add to the export earnings of your Company.

The particulars of foreign exchange earnings and outgo are as follows (In Rs. Million)

Particulars	2007-08	2006-07
Revenue		
Earnings	3,754.24	2,921.58
Outgo	339.40	230.94
Capital items		
Outgo	113.08	114.80

Reappointment of Statutory Auditors

M/s. Joshi Apte & Co., Chartered Accountants and M/s. S. R. Batliboi & Co., Chartered Accountants, the joint auditors of your Company retire at the Eighteenth Annual General Meeting and have confirmed their eligibility and willingness to accept office, if reappointed.

Directors' responsibility statement

The Directors state that

1. in the preparation of the annual accounts, the applicable mandatory Accounting Standards have been followed and there is no material departure;

2. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at March 31, 2008 and of the profit of your Company for that year;

3. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities, if any;

4. the annual accounts have been prepared on a going concern basis.

Acknowledgments

Your Board places on record the help and co-operation received from the Government of India, particularly the Ministry of Communication and Information Technology, the Ministry of Corporate Affairs, the Ministry of Finance, the Ministry of Commerce and the Reserve Bank of India through out the financial year.

We extend our sincere thanks to the officers and staff of the Software Technology Parks of India – Pune, Nagpur, Goa, Bangalore, Hyderabad, Central Excise and Customs Department, Income Tax Department, Registrar of Companies, Maharashtra, Pune, Sales Tax Department, Central Depository Services (India) Limited, National Services Depository Limited, Intime Spectrum Registry Limited, Sharepro Services (India) Private Limited, Maharashtra State Electricity Distribution Company Limited, Maharashtra Industrial Development Corporation, Department of Revenue and Forest and Ministry of Information Technology.

Your Board also extends their thanks to Bank of India, Citibank N.A., Bank of Baroda, State Bank of India, HDFC Bank Limited, Syndicate Bank, Bank of Tokyo Mitsubishi, Japan and its officials for extending their excellent support in all banking related activities. Your Board takes this opportunity to express their sincere appreciation for the contribution made by employees at all levels. The consistent growth was made possible by their hard work, solidarity, cooperation and support.

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and Managing Director

Pune, April 24, 2008

Report on Corporate Governance

Company's philosophy on Corporate Governance

"Corporate Governance represents the moral framework, the ethical framework and the value framework under which an enterprise takes decisions. Therefore, it is necessary that the companies be not judged merely on the form part of Corporate Governance but also on the substance part of Corporate Governance. Corporates are required to be assessed on the basis of their ability of wealth creation, wealth management and wealth sharing."

Mr. G. N. Bajpai, Former Chairman,
Securities and Exchange Board of India.

Your Company believes that Corporate Governance is a set of guidelines to help to fulfill its responsibilities to all its stakeholders i.e. investors, customers, vendors, Government employees, associates and society. It is a voluntary code of self-discipline to transparency, accountability and integrity. The Company has set its corporate governance philosophy to enhance the long-term value of Company's stakeholders.

Your Company believes that the Corporate Governance is not restricted to the board systems and audit committees. It is an approach to sustainable development. Good Governance is an essential ingredient of good business. With this view, the Company continued with its initiative of voluntary adoption of various Corporate Governance measures. The following report on the voluntary implementation of the Corporate Governance Code is a sincere effort of the Company to follow the Corporate Governance principles in its letter and spirit.

1. Board of Directors

A. Size and composition of the Board

The Board of Directors of the Company has a mix of Executives, Non-Executive Directors and Independent Directors. Independent Directors help to maintain the independence of the Board and separate the Board functions of governance and management. At present, the Company's Board consists of six members, of whom, two are Executive Directors and four are Non-Executive Directors of which three are Independent Non-Executive Directors. The Board is headed by an Executive Chairman. Table 1 gives the present composition of the Board and the number of outside directorships held by each of the directors as on March 31, 2008.

Table 1 : Board of Directors

Name of the Director	Category	Directorships			Committee membership In all companies**	Chairmanship in committees
		Indian companies		Foreign companies		
		Public*	Private			
Dr. Anand Deshpande***	Chairman and Managing Director	1	NIL	2	2	1
Mr. S. P. Deshpande***	Executive Director	1	NIL	1	3	NIL
Mr. P. B. Kulkarni	Independent Director	2	NIL	NIL	7	4
Prof. Krithivasan Ramamritham	Independent Director	2	1	NIL	1	NIL
Mr. Ram Gupta#	Independent Director	NIL	NIL	7	3	NIL
Dr. Promod Haque	Non-Executive Director	NIL	3	8	8	2

* Excluding directorship in Persistent Systems Limited.

** Includes committees in all Indian Companies including Persistent Systems Limited.

*** Except Dr. Anand Deshpande, Chairman and Managing Director and Mr. S. P. Deshpande, Executive Director, who are the relatives, none of the other Director is related with other Director.

In this report, following signs, wherever it appears, denotes the following

– Appointed during the financial year.
@ – Resigned during the financial year.
P – Present for the meeting
A – Absent for the meeting
C – Attended the meeting through tele-conferencing
NA – Not Applicable

None of the Directors of the Company were members of more than 10 committees nor acted as the Chairman of more than five committees across all companies in India, in which he is a Director.

B. Brief description of terms of reference of the Board of Directors

i. To manage and direct the business and affairs of the Company.

ii. To manage, subject to the Articles of Association of the Company, its own affairs, including planning its composition, selecting its Chairman, appointing Committees, establishing the terms of reference and duties of Committees, and determining Directors' compensation.

iii. To act honestly and in good faith in the best interests of the Company.

iv. To exercise due care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

v. To participate directly or through its Committees, in developing and approving the mission of the business, its objectives and goals, and the strategy for their achievement.

vi. To ensure congruence between shareholders' expectations, Company's goals, objectives, and management performance.

vii. To monitor the Company's progress towards its goals, and to revise and alter its direction in light of changing circumstances.

viii. To approve and monitor compliance with all significant policies and procedures by which the Company is operated.

ix. To ensure that the Company operates at all times within applicable laws and regulations, and ethical and moral standards.

x. To ensure that the performance of the Company is adequately reported to shareholders, other stakeholders and regulators on a timely and regular basis.

xi. To ensure that the audited annual financial statements are reported fairly and in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India.

xii. To ensure that any developments that have a significant and material impact on the Company are reported from time to time to concerned authorities.

xiii. To act in accordance with the laws and regulations of the country and the Memorandum and Articles of Association of the Company.

C. Board meetings and deliberations

The Company Secretary in consultation with the Chairman of the Company and Chairman of the Board Committees prepares the agenda and supporting papers for discussion at each Board Meeting and Committee Meetings of the Board. Members of the Board or Committees are free to suggest any item to include in the agenda, in addition to their right to bring up matters for discussion at the meeting with the permission of the Chairman.

Information and data that is important to the Board to understand the business of the Company in general and related matters are tabled for discussion at the meeting. Agenda is circulated in writing to the members of the Board well in advance of the meeting.

The Board and the Audit Committee meets in executive session, at least, four times during the financial year, mostly at quarterly intervals to review quarterly financial statements and other items on the agenda. Additional meetings are held, if deemed necessary to conduct the business. Those members of the Board, who are not able to physically participate in the Board meetings generally participate in the meeting through tele-conferencing or video conferencing. The President of Persistent Systems, Inc., the Chief Operating Officer, the Chief of planning and the Chief Financial Officer of the Company attend the Board meetings upon invitation. The report of the other executives and divisional Heads are generally invited at the meetings on as needed basis. In voluntary compliance of Clause 49 of the Listing Agreement, the gap between two Board Meetings has not exceeded four months. The maximum gap between the two board meetings was 3 months and 14 days during the financial year 2007-08.

During the financial year 2007-08, the Board of Directors met 5 times on April 30, 2007, July 24, 2007, November 07, 2007, January 12, 2008 and February 05, 2008. Table 2 below gives the attendance record of the directors at the Board Meetings and last Annual General Meeting held on July 23, 2007.

Table 2 : Attendance of Directors at the Board Meetings and Annual General Meeting.

Name of the Director	<--------------------------- Board Meetings ---------------------------				>	Annual General Meeting
	April 30, 2007	July 24, 2007	November 07, 2007	January 12, 2008	February 05, 2008	July 23, 2007
Dr. Anand Deshpande	*P*	*P*	*P*	*P*	*P*	*P*
Mr. S. P. Deshpande	*P*	*P*	*P*	*P*	*P*	*P*
Mr. P. B. Kulkarni	*P*	*P*	*P*	*P*	*P*	*P*
Prof. Krithivasan Ramamritham	*P*	*P*	*P*	*C*	*C*	*A*
Mr. Ram Gupta#	*NA*	*NA*	*P*	*C*	*C*	*NA*
Dr. Promod Haque	*P*	*P*	*P*	*C*	*P*	*P*
Mr. Frederick W. W. Bolander@	*P*	*C*	*NA*	*NA*	*NA*	*A*
Mr. Sandeep Johri@	*A*	*NA*	*NA*	*NA*	*NA*	*NA*

In this report, signs, wherever it appears, denotes the following

– Appointed during the financial year.
@ – Resigned during the financial year.
P – Present for the meeting
A – Absent for the meeting
C – Attended the meeting through tele-conferencing
NA – Not Applicable

2. Committees of the Board of Directors

The Company constituted 5 committees of the Board of Directors viz. Audit Committee, Shareholders' / Investors' Grievance Committee, Remuneration Committee, Compensation Committee and Executive Committee. All committees have a combination of Executive, Non-Executive and Independent Directors. The Chairman of all the committees except Compensation Committee is an Independent Director. Additionally, during the financial year 2007-08, the Company formed the IPO Committee and the Selection Committee for the limited purpose. As a good corporate governance policy, the Company constituted a Remuneration Committee though it is a non-mandatory requirement under Clause 49. Prior to the constitution of the Remuneration Committee, Compensation Committee of the Board of Directors was entitled to exercise the powers of the Remuneration Committee.

As per the charter of the Committee, Committees deliberate on the matters referred to it by the Board. Information and data that is important to the committees to discuss the matter is distributed in writing to the members of the committees well in advance of the meeting. Recommendations of the committees are submitted to the Board to take decision on the matter referred.

The members of the Committee, who are not able to participate in the meeting, physically, generally participate through tele-conferencing or video conferencing.

A. Audit Committee

Brief description of terms of reference

An Audit Committee was constituted by the Board at its meeting held on April 23, 2004. The Audit Committee was constituted to ensure prudent financial and accounting practices, fiscal discipline and transparency in financial reporting. The quarterly audited accounts are reviewed by the Audit Committee and recommended to the Board for its adoption.

During the financial year 2007-08, the Board revised the constitution and the terms of reference of the Audit Committee vide resolution passed by way of circulation on October 04, 2007.

The Chairman of the Committee is an Independent Director. All the members of the Committee are financially literate whereas the Chairman of the Committee is financial management expert. Table 3 gives the present composition of the Audit Committee of the Board of Directors.

Table 3 : Composition of the Audit Committee

Name of the Director	Category
Mr. P. B. Kulkarni	Chairman of the Committee and Independent Director
Mr. Ram Gupta#	Independent Director
Mr. S. P. Deshpande	Executive Director

In addition to the Audit Committee members, the Chief Financial Officer, Internal Auditor, Statutory Auditors and other executives attend the meetings upon invitation.

The Company Secretary of the Company is the Secretary of the Committee.

The Committee has following powers and responsibilities including but not limited to

i. To oversight the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;

ii. To review, with the management, annual financial statements before submission to the Board for approval, with particular reference to

a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956;

b. Changes, if any, in accounting policies and practices and reasons for the same;

c. Major accounting entries involving estimates based on the exercise of judgment by management;

d. Significant adjustments made in the financial statements arising out of audit findings;

e. Compliance with listing and other legal requirements relating to financial statements;

f. Disclosure of any related party transactions;

g. Qualifications in the draft audit report.

iii. To review, with the management, the quarterly financial statements before submission to the Board for approval;

iv. To recommend to the Board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and fixation of audit fees;

v. To grant approval of payment to statutory auditors for any other services rendered by the statutory auditors;

vi. To hold discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

vii. To review management letters / letters of internal control weaknesses issued by the statutory auditors;

viii. To recommend appointment, removal and terms of remuneration of the Chief Internal Auditor;

ix. To hold discussion with Internal Auditors any significant finds and follow up there on;

x. To review internal audit reports relating to internal control weaknesses;

xi. To review, with the management, performance of statutory and internal auditors, and adequacy of internal control systems;

xii. To review adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

xiii. To review the findings of any internal investigations by the internal auditors in the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;

xiv. To review financial and risk management policies;

xv. To review report on compliance of laws and risk management, reports issued by Statutory / Internal Auditors;

xvi. To review management discussion and analysis of financial condition and results of operations;

xvii. To review statement of significant related party transactions (as defined by the audit committee), submitted by management;

xviii. To review substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors;

xix. To review the functioning of the Whistle Blower mechanism; and

xx. To carry out any other function as is mentioned in the terms of reference of the Audit Committee and entrusted by the Board.

The Audit Committee is further empowered to do the following

i. To investigate any activity within terms of reference;

ii. To seek information from any employee;

iii. To obtain outside legal professional advice;

iv. To secure attendance of outsiders with relevant expertise, if it considers necessary.

Meetings and attendance

5 meetings of the Audit Committee were held during the financial year 2007-08. Table 4 gives the details of the attendance of the members of the Audit Committee at its meetings held during the financial year 2007-08.

Table 4 : Details of the attendance at the Audit Committee Meetings during the financial year 2007-08.

Name of the Director	April 30, 2007	July 23, 2007	November 06, 2007	January 12, 2008	February 07, 2008
Mr. P. B. Kulkarni	*P*	*P*	*P*	*P*	*P*
Mr. Ram Gupta#	*NA*	*NA*	*P*	*C*	*C*
Mr. S. P. Deshpande	*P*	*P*	*P*	*P*	*P*
Dr. Promod Haque	*P*	*P*	*NA*	*NA*	*NA*
Mr. Frederick W. W. Bolander@	*C*	*C*	*NA*	*NA*	*NA*

B. Shareholders' / Investors' Grievance Committee

Brief description of terms of reference

The Shareholders' / Investors' Grievance Committee was constituted on October 04, 2007. The Committee specifically looks into the redressal of shareholders' and investors' complaints like transfer of shares, non – receipt of Balance Sheet, non – receipt of declared dividends etc.

The Committee presently consists of three Directors. The Chairman of the Committee is an Independent Director. Table 5 gives the present composition of the Committee of the Board of Directors.

Table 5 : Composition of the Shareholders' / Investors' Grievance Committee

Name of the Director	Category
Mr. P. B. Kulkarni	Chairman of the Committee and Independent Director
Dr. Anand Deshpande	Chairman and Managing Director
Mr. S. P. Deshpande	Executive Director

The Committee was constituted with powers and responsibilities including but not limited to

i. To supervise and ensure efficient share transfers, share transmission, transposition etc;

ii. To approve allotment, transfer, transmission, transposition, consolidation, split, name deletion and issue of duplicate share certificate of Equity Shares of the Company;

iii. To redress shareholder and depositor complaints like non-receipt of Balance Sheet, non-receipt of declared dividends, etc.;

iv. To review service standards and investor service initiatives undertaken by the Company;

v. To address all matters pertaining to Registrar and Transfer Agent including appointment of new Registrar and Transfer Agent in place of existing one;

vi. To address all matters pertaining to Depositories for dematerialisation of shares of the Company and other matters connected therewith and

vii. To attend to any other responsibility as may be entrusted by the Board to investigate any activity within terms of reference.

Meetings and attendance

The Committee meets as and when need arises for the same. No meeting of the Committee was held during the financial year 2007-08, however, certain decisions were taken by passing the resolutions by circulation and were subsequently ratified by the Board in the next meeting of the Board of Directors.

During the financial year 2007-08, the Committee did not receive any complaint from the shareholders or investors. The members may contact to the Company Secretary of the Company for their queries, if any at the contact details provided in the Shareholders' Information in this report.

C. Remuneration Committee

Brief description of terms of reference

The Remuneration Committee of the Board was constituted on October 04, 2007. The Remuneration Committee is constituted to determine the Company's policy on specific remuneration to the Executive Directors including pension rights and any compensation payment. The tasks of the Remuneration Committee were entrusted upon the Compensation Committee before constitution of Remuneration Committee.

The Committee comprises combination of Non-Executive & Independent Directors. Table 6 gives the present composition of the Remuneration Committee of the Board of Directors.

Table 6 : Composition of the Remuneration Committee

Name of the Director	Category
Mr. P. B. Kulkarni	Chairman of the Committee and Independent Director
Dr. Promod Haque	Non-Executive Director
Prof. Krithivasan Ramamritham	Independent Director

The Committee is constituted with powers and responsibilities including but not limited to

i. recommendations to the Board about the Company's policy on specific remuneration packages for Executive Directors including pension rights and any compensation payment;

ii. advises to the Board in framing remuneration policy for key managerial persons of the Company from time to time;

iii. attending any other responsibility as may be entrusted by the Board to investigate any activity within terms of reference.

Meetings and attendance

The Committee meets as and when need arises for the same. No meetings were held during the financial year 2007-08.

Remuneration Policy

i. Managing Director's salary is linked to the profits of the Company. The rise in the salary is also linked to the increase in the profits of the Company.

ii. Salary of the Executive Directors is decided based on the assessment of the Managing Director. The salary rise is based on the performance of the Executive Director(s) and is in line with the increase, proposed for other employees. The revised salary is effective on the same day as is done for all other employees of the Company.

iii. Non-Executive Independent Directors are entitled to commission based on the profitability of the Company.

iv. The total managerial remuneration not to exceed 11% of the net profits of the Company.

Remuneration to the Directors

Table 7 and Table 8 below give details of remuneration to Executive and Non-Executive Directors of the Company respectively.

Table 7 : Remuneration to Executive Directors (In Rs. Million)

Name of the Director	Category	Year ended March 31	Salary and allowance Commission	Performance linked incentive / and superannuation	Company's contribution to Provident fund	Perquisite and other payments	Total
Dr. Anand Deshpande	Chairman and Managing Director	2008 2007	3.64 3.35	3.48 1.85	0.41 0.36	0.35 0.35	7.88 5.91
Mr. S. P. Deshpande	Executive Director	2008 2007	1.54 1.53	1.25 0.90	NA NA	NA NA	2.79 2.43
Total		2008 2007	5.18 4.88	4.73 2.75	0.41 0.36	0.35 0.35	10.67 8.34

Dr. Anand Deshpande and Mr. S. P. Deshpande were appointed as Chairman and Managing Director and Executive Director of the Company respectively for a period of five years with effect from April 01, 2007, pursuant to a resolution of the shareholders dated July 23, 2007. The shareholders have authorised the Board to determine the remuneration of Chairman and Managing Director and Executive Director within the limits prescribed by them under the above resolution. The executive directors of the Company are not eligible for stock options under the ESOP Schemes of the Company.

Table 8 : Remuneration to Non-executive Directors (In Rs. Million)

Name of the Director	Category	Year ended March 31	Commission	Sitting Fees	Total
Mr. P. B. Kulkarni	Independent Director	2008 2007	0.64 0.34	0.12 0.07	0.76 0.41
Prof. Krithivasan Ramamritham	Independent Director	2008 2007	0.64 0.34	0.03 0.03	0.67 0.37
Mr. Ram Gupta#	Independent Director	2008 2007	0.34 NA	0.02 NA	0.36 NA
Mr. Sandeep Johri@	Independent Director	2008 2007	0.07 0.34	- -	0.07 0.34
Total		2008 2007	1.69 1.02	0.17 0.10	1.86 1.12

In terms of internal policy of Norwest Venture Partners FVCI - Mauritius and Gabriel Venture Partners (Mauritius), Dr. Promod Haque and Mr. Frederick W. W. Bolander@, voluntarily decided not to accept sitting fees as well as commission.

Under the ESOA – VIII of the Company, the eligible Independent Non-Executive Directors were granted stock options and the same are exercisable by the Directors according to the terms of the Scheme. During the year, the Directors were granted 21,000 Stock Options of the Company under the ESOP Scheme – VIII. The details of the shares and Employees Stock Options held by the Independent Non-Executive Directors as on March 31, 2008 are as follows

Table 9 : Shareholding and grant of Stock Options to Non-executive Directors

Name of the Director	Category	Year ended March 31	Shares held	Stock Options
Mr. P. B. Kulkarni	Independent Director	2008 2007	7,000* 1,500	7,000** NIL
Prof. Krithivasan Ramamritham	Independent Director	2008 2007	7,000* 1,500	7,000** NIL
Mr. Ram Gupta#	Independent Director	2008 2007	NIL NA	7,000** NA
Dr. Promod Haque	Non-executive Director	2008 2007	NA NA	NA NA
Mr. Frederick W. W. Bolander@	Non-executive Director	2008 2007	NA NA	NA NA
Mr. Sandeep Johri@	Independent Director	2008 2007	7,000* 1,500	NIL NIL
Total		2008 2007	21,000 4,500	21,000 NIL

* Post-Bonus Shareholding

** Equivalent to 2,000 options prior to issuance of bonus shares at the EGM dated September 17, 2007

Reimbursements have been provided to Dr. Promod Haque and Mr. Frederick W. W. Bolander, Prof. Krithivasan Ramamritham and Mr. Ram Gupta for travel and stay for attending Board and Committee Meetings.

There is no pecuniary and non-pecuniary relationship exists between the Non-Executive Directors vis–a–vis the Company except as stated above.

D. Compensation Committee

Brief description of terms of reference

The Compensation Committee of the Board was constituted on April 23, 2004. In terms of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI ESOP Guidelines"), the Company reconstituted a Compensation Committee for the administration and superintendence of the employee stock options schemes.

During the financial year 2007-08, the Board of Directors revised constitution and the terms of reference of the Compensation Committee vide resolution passed by way of circulation on October 04, 2007. Formerly the scope of the Remuneration Committee was covered under the terms of reference of the Compensation Committee.

The Committee presently consists of three Directors. The Chairman of the Committee is an Executive Director. Table 10 gives the present composition of the Compensation Committee of the Board of Directors.

Table 10 : Composition of the Compensation Committee

Name of the Director	Category
Dr. Anand Deshpande	Chairman of the Committee and Chairman and Managing Director
Mr. P. B. Kulkarni	Independent Director
Mr. Ram Gupta#	Independent Director

The Committee is constituted with powers and responsibilities including but not limited to

i. To decide the quantum of Equity Shares/ options to be granted under Employee Stock Options Schemes (ESOS), per employee and the total number in aggregate;

ii. To determine at such intervals, as the Compensation Committee considers appropriate, the persons to whom shares or options may be granted;

iii. To determine the exercise period within which the employee should exercise the option and condition in which option will lapse on failure to exercise the option within the exercise period;

iv. To decide the conditions under which shares or options vested in employees may lapse in case of termination of employment for any reason;

v. To lay down the procedure for making a fair and reasonable adjustment to the number of shares or options and to the exercise price in case of rights issues, bonus issues and other corporate actions;

vi. To lay down the right of the employee to exercise all the options vested in him at one time or at various points of time within the exercise;

vii. To specify the grant, vest and exercise of shares/ option in case of employees who are on long leave;

viii. To construe and interpret the plan and to establish, amend and revoke rules and regulations for its administration. The Compensation Committee may correct any defect, omission or inconsistency in the plan or any option and/or vary/amend the terms to adjust to the situation that may arise;

ix. To approve transfer the shares in the name of employee at the time of exercise of options by such employee under ESOS;

x. To lay down the procedure for cashless exercise of options and

xi. To attend to any other responsibility as may be entrusted by the Board.

Meetings and attendance

1 meeting of the Committee was held during the financial year 2007-08.

Table 11 gives details of attendance of the members of the Compensation Committee at its Meeting held during the financial year 2007-08.

Table 11 : Attendance at the Compensation Committee Meeting during the financial year 2007-08

Name of the Director	Compensation Committee Meeting April 30, 2007
Dr. Anand Deshpande	*P*
Mr. P. B. Kulkarni	*P*
Mr. Ram Gupta#	*NA*
Dr. Promod Haque	*P*
Mr. Frederick W. W. Bolander@	*P*

E. Executive Committee

Brief description of terms of reference

The Executive Committee of the Board was constituted on January 29, 2005. The Executive Committee was constituted to review the implementation of decisions taken by the Board of Directors. The Committee presently consists of four Directors. The Chairman of the Committee is an Independent Director.

During the financial year 2007-08, the Board of Directors revised constitution of the Committee vide resolution passed by way of circulation on October 04, 2007. Table 12 gives the present composition of the Executive Committee.

Table 12 : Composition of the Executive Committee

Name of the Director	Category
Mr. P. B. Kulkarni	Chairman of the Committee and Independent Director
Dr. Promod Haque	Non-Executive Director
Mr. Ram Gupta#	Independent Director
Mr. S. P. Deshpande	Executive Director

The Committee is constituted with powers and responsibilities including but not limited to

i. To review and follow up on the action taken on the Board decisions;

ii. To review the operations of the Company in general;

iii. To review the systems followed by the Company;

iv. To examine proposal for investment in real estate;

v. To review, propose and monitor annual budget including additional budget, if any, subject to the ratification of the Board;

vi. To review capital expenditure against the budget;

vii. To authorise opening and closing of bank accounts;

viii. To authorise additions/deletions to the signatories pertaining to banking transactions;

ix. To approve investment of surplus funds for an amount not exceeding Rs. 25 Crores as per the policy approved by the Board;

x. To approve transactions relating to foreign exchange exposure including but not limited to forward cover and derivative products;

xi. To approve donations as per the policy approved by the Board;

xii. To delegate authority to the Company officials to represent the Company at various courts, government authorities and soon;

xiii. To attend to any other responsibility as may be entrusted by the Board to investigate any activity within terms of reference.

Further, the Executive Committee is empowered to do the following

i. To seek information from any employee as considered necessary;

ii. To obtain outside legal professional advice as considered necessary;

iii. To secure attendance of outsiders with relevant expertise and

iv. To investigate any activity within terms of reference.

Meetings and attendance

The Executive Committee meets as and when need arises for the same. No meetings of the Executive Committee were held during the financial year 2007-08 but certain decisions were taken by passing the resolutions by circulation and were ratified by the Board at the next meeting of the Board of Directors.

F. IPO Committee

Brief description of terms of reference

The IPO Committee of the Board was constituted on April 30, 2007. The Committee was a special purpose Committee that was mainly formed to overlook the functions involved in the Initial Public Offering of the Company and to facilitate the administrative convenience for quick decision-making. The Chairman of the Committee was an Executive Director. Table 13 gives the present composition of the IPO Committee.

Table 13 : Composition of the IPO Committee

Name of the Director	Category
Dr. Anand Deshpande	Chairman of the Committee and Chairman and Managing Director
Mr. S. P. Deshpande	Executive Director
Mr. P. B. Kulkarni	Independent Director
Dr. Promod Haque	Non-executive Director

The Committee was constituted with powers and responsibilities including but not limited to

i. To decide on the timing, pricing and all the terms and conditions of the issue of the shares for the Public Issue, including the price, and to accept any amendments, modifications, variations or alterations thereto;

ii. To appoint and enter into arrangements with the book running lead managers (BRLM), underwriters to the Public Issue, syndicate members to the Public Issue, brokers to the Public Issue, escrow collection bankers to the Public Issue, registrars, legal advisors and any other agencies or persons or intermediaries to the Public Issue and to negotiate and finalise the terms of their appointment, including but not limited to execution of the BRLM's mandate letter, negotiation, finalisation and execution of the memorandum of understanding with the BRLM etc.;

iii. To finalise and settle and to execute and deliver or arrange the delivery of the draft Red Herring Prospectus, the Red Herring Prospectus, the final Prospectus, syndicate agreement, underwriting agreement, escrow agreement and all other documents, deeds, agreements and instruments as may be required or desirable in relation to the Public Issue;

iv. To open with the bankers to the Public Issue such accounts as are required by the regulations issued by SEBI;

v. To do all such acts, deeds, matters and things and execute all such other documents, etc. as it may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation, finalise the basis of allocation and to allot the shares to the successful allottees as permissible in law, issue of share certificates in accordance with the relevant rules;

vi. To do all such acts, deeds and things as may be required to dematerialise the Equity Shares of the Company and to sign agreements and/or such other documents as may be required with the National Securities Depository Limited, the Central Depository Services (India) Limited and such other agencies, authorities or bodies as may be required in this connection;

vii. To make applications for listing of the shares in one or more stock exchange(s) for listing of the Equity Shares of the Company and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s); and

viii. To settle all questions, difficulties or doubts that may arise about such issues or allotment as it may, in its absolute discretion deem fit.

The IPO Committee was further empowered to do the following

i. To approve, adopt and file the prospectus for the Public Issue as required under Section 60 of the Companies Act, 1956 with the Registrar of Companies, Pune and to make any corrections or alterations therein;

ii. To do all such acts, deeds, matters and things as may be required in connection with the Public Issue and to comply with all requirements of the Companies Act, 1956 in this regard.

Meetings and attendance

One meeting of the Committee was held during the financial year 2007-08. Table 14 gives attendance record of Members of the Committee at its Meeting held during the financial year 2007-08.

Table 14 : Attendance at the IPO Committee Meeting during the financial year 2007-08

Name of the Director	IPO Committee Meeting October 11, 2007
Dr. Anand Deshpande	*A*
Mr. S. P. Deshpande	*P*
Mr. P. B. Kulkarni	*P*
Dr. Promod Haque	*A*

G. Selection Committee

Brief description of terms of reference

The Selection Committee of the Board was constituted on April 30, 2007. The Committee was a special purpose committee that was mainly formed as per the requirement of the Director's Relatives (Office or Place of Profit) Rules, 2003. Dr. Mukund Deshpande, brother of Dr. Anand Deshpande, Chairman and Managing Director and son of Mr. S. P. Deshpande, Executive Director was appointed to an office or place of profit, under Section 314 of the Companies Act, 1956.

In terms of Director's Relatives (Office or Place of Profit) Rules, 2003, the selection of a relative of Director for holding office or place of profit in the Company was required to be approved by a Selection Committee comprising majority of Independent Directors and an expert in the respective field from outside the Company.

Hence, the Board of Directors formed a Selection Committee comprising Mr. P. B. Kulkarni, Prof. Krithivasan Ramamritham, Independent Directors of the Company and Dr. Shridhar Shukla, expert in the filed of Information Technology, who was working outside the Company, as members of the Committee. The Selection Committee at its meeting on May 24, 2007 approved appointment of Dr. Mukund Deshpande as an employee of the Company as Technical Manager or such designation given to him in terms of the Company's policy from time to time subject to the approval of the members and the Central Government.

3. Subsidiary Companies

The Company does not have any material non listed Indian subsidiary Company, whose turnover or net worth (paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the Company.

Further, the Audit Committee and the Board of Directors review the consolidated financial statements of the Company and its subsidiary companies on a regular basis.

The Audit Committee and the Board of Directors look into the related party transactions entered into by the Company including those with the subsidiary companies.

Details of percentage holding in the subsidiary companies

Name of the Subsidiary Company	Registered in	Holding percentage
Persistent eBusiness Solutions Limited	India	100%
Persistent Systems, Inc.	U.S.A.	100%
Persistent Systems Pte. Ltd.	Singapore	100%

4. General Meeting Details

A. Details of last three years Annual General Meetings (AGM) held are as follows

Financial year	Date	Time	Venue
2004-05	June 10, 2005	10.30 a.m.	1-A, Conference Room, "Bhageerath", 402, Senapati Bapat Road, Pune 411 016
2005-06	July 19, 2006	3.00 p.m.	1-A, Conference Room, "Bhageerath", 402, Senapati Bapat Road, Pune 411 016
2006-07	July 23, 2007	12.00 noon	"Dewang Mehta Auditorium", "Bhageerath", 402, Senapati Bapat Road, Pune 411 016

B. Following Special Resolutions were passed by the members during the last three Annual General Meetings

Date of AGM	No.	Details of Special Resolution
June 10, 2005	1.	Distribution of profit amongst the Directors of the Company other than the Managing Directors, the Whole-time Directors and the Directors holding more than 2% of the paid up Equity Share Capital of the Company.
July 19, 2006	1.	NIL
July 23, 2007	1.	Appointment of Mr. S. P. Deshpande as an Executive Director of the Company for a term of five years effective from April 01, 2007 on decided terms.
	2.	Appointment of Dr. Mukund Deshpande, brother of Dr. Anand Deshpande, Chairman and Managing Director and son of Mr. S. P. Deshpande, Executive Director as an employee of the Company as Technical Manager or such designation given to him in terms of the Company's policy from time to time.
	3.	Payment of Commission not exceeding one percent of the Net Profits of the Company to all or any of the Individual Non-executive Directors as decided by the Board of Directors of the Company from time to time.

The Special resolutions moved at the AGMs above were passed on a show of hands by the shareholders present at the meeting.

C. Following Special Resolutions were passed by the members at the Extra Ordinary General Meeting (EGM) held during the financial year 2007-08

Date of EGM	No.	Details of Special Resolution
September 17, 2007	1.	Conversion of the Company from private limited company to public limited company and consequent amendment to the Memorandum of Association and the Articles of Association of the Company.
	2.	Issue of Equity Shares not exceeding 1.5 Million of Rs. 10 each of an aggregate face value of Rs. 10.5 Million on preferential basis.
	3.	Issue of Equity Shares not exceeding 6.5 Million of Rs. 10 each of an aggregate face value of Rs. 65.00 Million through Initial Public Offer of the Company.

The Special resolutions moved at the EGMs above were passed on a show of hands by the shareholders present at the meeting.

D. No postal ballots were conducted by the Company during the last three financial years.

5. Disclosures

A. Code of Conduct

The Company follows the Code of Conduct for the Directors and Senior Management since the financial year 2005-06.

The Code of Conduct is an annual declaration that helps to maintain high standards of business conduct for the Company and promote ethical conduct. In terms of Code of Conduct, Directors and Senior Management must act within the boundaries of the authority conferred upon them and with a duty to make and enact informed decisions and policies in the best interests of the Company and its shareholders and stakeholders. Further, Directors and Senior Management should ensure that they do not derive any undue personal benefit because of their position in the Company and / or certain confidential information coming to their knowledge.

The Company has obtained declaration from Directors and Senior Management affirming their compliance to the Code of Conduct for the current year. The Chairman has affirmed to the Board of Directors that this Code of Conduct has been complied by the Board members and Senior Management and a declaration to this effect appears in this report.

B. Whistle Blower Policy

The Board of Directors of the Company has adopted a Whistle Blower Policy for its employees. The employees are encouraged to report to the Audit Committee of the Board of Directors any fraudulent financial or other information to the stakeholders, any conduct that results in the instances of unethical behaviour, actual or suspected violation of the Company's Code of Conduct and ethics, which may come to their knowledge.

This policy provides for adequate safeguards against victimisation of employees who report to the Whistle Blower Administrator. The policy also provides for direct access to the Chairman of the Audit Committee in exceptional cases.

C. Disclosures on materially significant related party transactions that may have potential conflict with the interests of the Company

During the financial year 2007-08, there were no materially significant transactions, pecuniary transactions or relationships between the Company and the Promoters, Directors, relatives and the management that has potential conflict with the interest of the Company.

Details of all transactions entered into by the Company with the related parties have been disclosed under "Related Party Transactions", in the Notes to Accounts of the Company which form part of this Annual Report.

D. Risk management and internal control policies adopted by the Company

The report on Risk Management and Internal Control Policies adopted by the Company forms separate part of this Annual Report.

E. Adherence to Accounting Standards

The Company follows the mandatory Accounting Standards prescribed by the Institute of Chartered Accountants of India and to the best of its knowledge there are no deviations in the accounting treatments that require specific disclosure.

6. Management Discussion and Analysis

As required by Clause 49 of the Listing Agreement, the Management Discussion and Analysis is provided elsewhere in the Annual Report.

7. ESOP Schemes of the Company

The status of various ESOP schemes as on March 31, 2008 is shown in the following table:

Particulars		<---	---	ESOP	Schemes	---	---	--->		
		I	II	III	IV	V	VI	VII	VIII	Total
Granted	a	2,280,250	376,600	1,266,650	2,382,345	945,262	608,125	778,487	21,000	8,658,719
Vested	b	1,605,152	136,290	164,622	116,655	63,696	160,013	39,497	–	2,285,925
Encashed and Exercised	c	1,553,277	56,385	79,301	–	–	–	–	–	1,688,963
Vested & Not exercised (b-c)	d	51,875	79,905	85,321	116,655	63,696	160,013	39,497	–	596,962
Lapsed	e	667,047	84,070	237,020	388,412	188,195	–	28,000	–	1,592,744
Not Vested (a - c - d - e)	f	8,051	156,240	865,008	1,877,278	693,371	448,112	710,990	21,000	4,780,050
Total Outstanding (d + f)	g	59,926	236,145	950,329	1,993,933	757,067	608,125	750,487	21,000	5,377,012

8. Shareholders' Information

A. Corporate Identity Number (CIN)

The Corporate Identity Number (CIN), allotted by the Ministry of Corporate Affairs, Government of India is U72300PN1990PLC056696, and the Company Registration Number is 056696. The Company is registered in the State of Maharashtra, India.

B. General Details of the Company

i. Registered Office
"Bhageerath",
402, Senapati Bapat Road,
Pune 411 016, India.

ii. Financial year of the Company commences from 1st of April of every year to 31st of March next year.

iii. Company Secretary of the Company

Mr. Vivek Sadhale
Company Secretary and Head – Legal
"Bhageerath",
402, Senapati Bapat Road,
Pune 411 016, India.
Tel. : +91 (20) 2570 2800
Fax : +91 (20) 2570 2626
E-mail : investors@persistent.co.in
Website : www.persistentsys.com

iv. Dividend Payment date

The Company has declared interim dividend to the members twice during the financial year 2007-08. The Company declared the dividend to those members of the Company whose names were registered in the Register of Members on November 07, 2007 and March 17, 2008.

v. Contact details of Company's intermediaries are as follows

Registrar and Share Transfer Agent

Intime Spectrum Registry Limited,
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (W),
Mumbai 400 078, India.
Tel. : +91 – 022-2596 3838
Fax : +91 – 022-2594 6969
E-mail : isrl@intimespectrum.com
Website : www.intimespectrum.com

Depositories

a. National Securities Depository Limited,
4th Wing, 'A' Wing, Trade World,
Kamala Mills Compound, Senapati Bapat Marg,
Lower Parel, Mumbai 400 013, India.
Tel. : +91 (22) 2499 4200
Fax : +91 (22) 2497 2993
E-mail : info@nsdl.co.in
Website : www.nsdl.co.in

b. Central Depository Services (India) Limited,
Phiroze Jeejeebhoy Towers,
17th Floor, Dalal Street,
Fort, Mumbai 400 001, India.
Tel. : +91 (22) 2272 3333
Fax : +91 (20) 2272 3199
E-mail : investors@cdslindia.com
Website : www.cdslindia.com

vi. Dematerialisation of shares and liquidity

The Company's Equity Shares have been dematerialised with the Central Depository Services (India) Limited (CDSL) and the National Securities Depository Limited (NSDL). The International Security Identification Number (ISIN) is an identification number for traded shares. This number is to be quoted in each transaction relating to the dematerialised shares of the Company. The ISIN of the Company for its shares is INE262H01013.

As on March 31, 2008, 35,677,569 Equity Shares comprising 99.49% of the Company's shares are held in electronic form.

vii. American Depository Receipts / Global Depository Receipts / Warrants

As on March 31, 2008, the Company has no American Depository Receipts / Global Depository Receipts / Warrants or any such convertible instruments outstanding and there is no likely impact on the Company's Equity Shares in the financial year 2008-09.

viii. Plant locations

The Company is in software business and does not require manufacturing plants. However, it has software development centres / offices in India and abroad. The addresses of global development centres / offices of the Company are given elsewhere in the Annual Report.

ix. Calendar for financial reporting for the quarters in the financial year 2008-09 (tentative and subject to change)

Quarter Ending	Proposed date of Meeting of the Board
June 30, 2008	July 24, 2008
September 30, 2008	October 16, 2008
December 31, 2008	January 22, 2009
March 31, 2009	April 23, 2009

9. CEO / CFO Certification

As required by Clause 49 of the listing agreement, the CEO / CFO certification is provided elsewhere in this Annual Report.

10. Corporate Governance Handbook

The Company has prepared a Corporate Governance Handbook encompassing set of guidelines and policies with respect to composition of the Board of Directors and Committees of the Board, Meetings of the Board of Directors and Committees of the Board, Managerial Remuneration, Code of Conduct, Whistle Blower Policy, Risk Management Policy, Internal Control Procedures etc. being adhered to by the Company. Corporate Governance Handbook is updated on annual basis.

11. Voluntary Secretarial Compliance Certificate

The Company annually obtains a compliance certificate from a Practicing Company Secretary on a voluntary basis to ensure compliance of the provisions of the Companies Act, 1956. The same is provided elsewhere in this Annual Report.

12. Secretarial Standards

The Company endeavors to comply with the non mandatory Secretarial Standards issued by the Institute of Company Secretaries of India.

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) certification

We, Anand Deshpande, Chairman and Managing Director and Rajesh Ghonasgi, Chief Financial Officer of Persistent Systems Limited, to the best of our knowledge and belief, certify that

1. We have reviewed the Balance Sheet and Profit and Loss Account of the Company (consolidated and standalone), and all its schedules and notes on accounts, as well as the Cash Flow Statements and the Directors' Report;

2. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which the statements were made, not misleading with respect to the statements made;

3. Based on our knowledge and information, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of and for the periods presented in this report, and are in compliance with the applicable Accounting Standards and / or applicable laws and regulations;

4. To the best of our knowledge and belief, no transactions entered into by the Company during the year were fraudulent, illegal or violate of the Company's practices;

5. The Company's other certifying officers and we are responsible for establishing and maintaining disclosure controls and procedures for the Company, and we have

A. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

B. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally acceptable accounting principles;

C. evaluated the effectiveness of the Company's disclosure, controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

D. disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

6. The Company's other certifying officers and we have disclosed based on our most recent evaluation, wherever applicable, to the Company's auditors and the Audit Committee of the Company's Board of Directors

A. all significant deficiencies in the design or operation of internal controls, which could adversely affect the Company's ability to record, process, summarise and report financial data, and have identified for the Company's auditors, any material weakness in internal controls over financial reporting including any corrective actions with regard to deficiencies, if any;

B. instances of any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and

C. significant changes in internal controls during the year are covered by this report.

7. There was a change in accounting policies during the year, and these changes have been disclosed in clause to (C) of the Notes to Accounts to the financial statements.

8. We affirm that we have not denied any personnel, access to the Audit Committee of the Company (in respect of matters involving alleged misconduct) and we have provided protection to the 'whistle blowers' from unfair termination and other unfair or prejudicial employment practices; and

9. We further declare that all board members and senior managerial personnel have affirmed compliance with the Code of Conduct for the financial year 2007-08.

For and on behalf of the Board of Directors

Dr. Anand Deshpande	Rajesh Ghonasgi
Chairman and Managing Director	Chief Financial Officer

Pune, April 24, 2008

VOLUNTARY SECRETARIAL COMPLIANCE CERTIFICATE

CIN : U72300PN1990PLC056696

The Members
Persistent Systems Limited,
'Bhageerath', 402, Senapati Bapat Road,
Pune 411 016.

I have examined the registers, records, books and papers of Persistent Systems Limited (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the period from April 01, 2007 to March 31, 2008. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid period

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made there under and all entries therein have been duly recorded;

2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Central Government, within the time prescribed under the Act and the rules made there under;

3. The Company, was a private limited Company for part of the year during the period which it had the minimum prescribed paid-up capital and its maximum number of members during the said period was 22 (Twenty Two) excluding its present and past employees and the Company during the year under scrutiny

   i) has not invited public to subscribe for its shares or debentures, and
   ii) has not invited or accepted any deposits from person other than its members, Directors or their relatives;

   During the financial year the Company has been converted to public limited company pursuant to the resolution passed by the members at the extra ordinary general meeting held on September 17, 2007.

4. The Board of Directors duly met 5 (Five) times on April 30, 2007, July 24, 2007, November 7, 2007, January 12, 2008 and February 5, 2008 in respect of which proper notices were given and proceedings were properly recorded and signed in the Minutes Book maintained for the purpose including the circular resolutions passed;

5. The Audit Committee of the Board of Directors duly met 5 (Five) times on April 30, 2007, July 23, 2007, November 6, 2007, January 12, 2008 and February 7, 2008 in respect of which proper notices were given and proceedings were properly recorded and signed including the circular resolutions, if any, passed in the Minutes Book maintained for the purpose;

The Chairman of the Audit Committee is an Independent Director. Composition of the Audit Committee was as per section 292A of the Act.

Sr. No.	Date of Meeting	Composition of Audit Committee as on the date of the Meeting
1.	April 30, 2007	1 (One) Independent Director, 1(One) Executive Director and 2 (Two) Non-Executive Directors
2.	July 23, 2007	1 (One) Independent Director, 1(One) Executive Director and 2 (Two) Non-Executive Directors
3.	November 6, 2007	2 (Two) Independent Directors and 1(One) Executive Director
4.	January 12, 2008	2 (Two) Independent Directors and 1(One) Executive Director
5.	February 7, 2008	2 (Two) Independent Directors and 1(One) Executive Director

6. The Compensation Committee of the Board of Directors duly met 1 (one) time on April 30, 2007 in respect of which proper notices were given and proceedings were properly recorded and signed. The composition of the Compensation Committee as on the date of the meeting was as follows

Sr. No.	Date of Meeting	Composition of the Committee as on the date of the Meeting
1.	April 30, 2007	1 (one) Independent Director, 1(one) Executive Director and 2 (Two) Non-Executive Directors

The Board of Directors vide resolution passed by way of circulation dated October 4, 2007 has delegated the powers of Compensation Committee relating to recommending remuneration of Executive Directors to the Remuneration Committee.

7. The IPO Committee of the Board of Directors duly met 1 (One) time on October 11, 2007 in respect of which proper notice was given and proceedings were properly recorded and signed.

8. The Selection Committee was formed to consider approval for the appointment of Dr. Mukund Deshpande, relative of Dr. Anand Deshpande, Chairman and Managing Director and Mr. S. P. Deshpande, Director of the Company for holding office or place of profit in the Company. The Selection Committee duly met 1 (one) time on May 24, 2007 in respect of which meeting proper notices were given and proceedings were properly recorded and signed;

9. The Annual General meeting for the financial year ended on March 31, 2007 was held on July 23, 2007 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose;

10. One extra ordinary general meeting was held on September 17, 2007 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.

11. The Company has not advanced any amount as loan to its Directors and / or persons or firms or companies referred in the section 295 of the Act.

12. The Company has duly complied with the provisions of section 297 of the Act in respect of contracts specified in that section.

    The Company has taken due permission from the Central Government through Regional Director, Western Region during previous year, for the Agreement entered into with one of the related parties.

13. The Company has made necessary entries in the register maintained under section 301 of the Act.

14. The Company has made an application to the Central Government, the Ministry of Corporate Affairs on August 3, 2007 under Section 314(1B) of the Act for obtaining approval for appointment of Dr. Mukund Deshpande, relative of Directors to the office of profit viz. "Senior Architect or such other designation". The appointment was duly approved by the Selection Committee on May 24, 2007 and by the members by Special Resolution at the Annual General Meeting on July 23, 2007. The Company has received the approval from the Central Government, the Ministry of Corporate Affairs bearing No. 12 / 637 / 2007 – CL. VII dated October 25, 2007 and further, an amendment was carried out to the said approval letter vide a letter from the Central Government, the Ministry of Corporate Affairs bearing number. 12/637/2007-CL. VII dated January 2, 2008.

15. The Company made an application to the Central Government, the Ministry of Corporate Affairs on November 23, 2007 under Section 212(8) of the Act for the exemption sought from attaching the Directors' Report, Auditors' Report, Balance Sheet and Profit and Loss Account of its Subsidiary Companies to the Balance Sheet to the Company for the financial year 2007-08. The Company has received the approval from the Central Government, the Ministry of Corporate Affairs bearing No. 47 / 429 / 2007 – CL – III.

16. The Company has delivered all the certificates on allotment of securities and on lodgment thereof for transfer in accordance with the provisions of the Act.

17. The Company has deposited the amount of dividend declared including interim dividend in a separate bank account within five days from the date of declaration of such dividend.

18. The Company has paid/posted warrants for dividends to all the members within a period of 30 (Thirty) days from the date of declaration and that there is no unclaimed / unpaid dividend.

19. The Company has duly complied with the requirements of section 217 of the Act.

20. The Board of Directors and the Audit Committee of the Board of Directors of the Company are duly constituted. Mr. Sandeep Johri and Mr. Frederick W. W. Bolander resigned from Directorship of the Company and Mr. Ram Gupta was appointed as an Additional Director of the Company during the year under report.

21. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.

    Disclosures made by all Directors under Section 299 of the Act and declarations under Sec. 274(1)(g) of the Act were available for inspection.

22. The Company has issued 1,500 Equity Shares of Rs. 10 each at a premium. Further, the Company issued 25,615,000 Bonus shares of Rs. 10 each during the period under report and complied with the provisions of the Act.

23. The Company has converted 209,045 Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each into 2,090,450 Equity Shares of Rs. 10 each during the period under report and has complied with the provisions of the Act.

24. The Company has not issued any Preference Shares during the period under report.

25. The Company has not bought back any securities during the period under report.

26. The amount borrowed by the Company from banks during the financial year ending March 31, 2008 is within the borrowing limits of the Company.

27. The Company has made investments in other bodies corporate in compliance with the provisions of the Act.

28. The Company has altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny and complied with the provisions of the Act. The Company was converted from private limited company to a public limited company and the name of Company was changed from "Persistent Systems Private Limited" to "Persistent Systems Limited".

29. The Company has altered the provisions of the Memorandum of Association with respect to share capital of the Company during the year under report and complied with the provisions of the Act.

30. The Company has altered its Articles of Association after obtaining approval of members in the extra ordinary general meeting held on September 17, 2007 for adoption of new set of Articles of Association consequent to conversion of the Company from private limited company to a public limited company and the amendments to the Articles of Association have been duly registered with the Registrar of Companies.

31. There is no prosecution initiated against or show cause notice received by the Company for alleged offences under the Act.

32. During the year under report, the Corporate Identity Number of the Company (CIN) has been automatically changed by the Ministry of Corporate Affairs from 'U72300MH1990PLC056696' to 'U72300PN1990PLC056696'.

Shridhar S. Kulkarni
Company Secretary
ACS 13046; CP No. 3950

Place : Pune
Date : April 24, 2008

ANNEXURE 'A'

Registers as maintained by the Company

A. Statutory Registers

Sr. No.	Name of the Register	Maintained Under Section
1.	Register of Charges	143
2.	Register of Members	150
3.	Minutes Books (Board, Committee and General Meetings)	193
4.	Register of Contracts	301
5.	Register of Directors	303
6.	Register of Directors' Shareholding	307
7.	Register of Buy Back of Securities	Rule 11
8.	Register of Investments	372A

B. Other Registers

Sr. No.	Name of the Register Maintained
1.	Register for transfer and transmission of shares
2.	Directors' attendance register
3.	Members' attendance register
4.	Register for application and allotment of shares

ANNEXURE 'B'

Form and Returns as filed by the Company with Registrar of Companies, Regional Director, Central Government or other authorities during the period ending on March 31, 2008

Sr. No.	Form No/Return	For	Filed u/s	Date of Event	Date of Filling	Whether filed with in the prescribed time
1	eForm 62	Reduction in the beneficial holding of the PSPL ESOP Management Trust (Trust) due to transfer from Trust to the employees on exercising the vested options	187C	March 30, 2007	April 11, 2007	Yes
2	eForm 17	Satisfaction of charge in favour of the EXIM Bank for Rs. 40 Crores*	138	April 04, 2007	April 19, 2007	Yes
3	eForm 17	Satisfaction of charge in favour of the EXIM Bank for Rs. 30 Crores	138	April 25, 2007	May 14, 2007	Yes
4	eForm 32	Resignation of Director Mr. Sandeep Johri	303 (2)	May 10, 2007	May 22, 2007	Yes

Sr. No.	Form No/Return	For	Filed u/s	Date of Event	Date of Filling	Whether filed within the prescribed time
5	eForm 23	Appointment of Dr. Anand Deshpande as the Chairman and Managing Director for five years w.e.f. April 01, 2007 Remuneration payable for the Financial Year 2007-08	192 (4)(c)	April 30, 2007	May 29, 2007	Yes
6	eForm 2	Allotment of 1,500 shares to Non-executive Independent Directors	75(1)	June 21, 2007	June 21, 2007	Yes
7	eForm 23	Special Resolution passed for appointment of Dr. Mukund Deshpande u/s 314(1B)	192	July 23, 2007	August 02, 2007	Yes
8	eForm 23	Following resolutions passed in AGM A. Appointment of Dr. Anand Deshpande as Managing Director B. Appointment of Mr. S. P. Deshpande as Executive Director C. Payment of Commission by way of remuneration to Non-Executive Directors	192	July 23, 2007	August 02, 2007	Yes
9	eForm 32	Confirmation of appointment of Mr. Frederick W. W. Bolander in AGM as Director of the Company	303 (2)	July 23, 2007	August 03, 2007	Yes
10	eForm 24B	Application to the Central Government for appointment of Dr. Mukund Deshpande to Office or place of profit	314(1B)	July 23, 2007	August 03, 2007	Yes
11	Sch V	Annual return for the financial year 2006-07	159	July 23, 2007	August 04, 2007	Yes
12	Sch VI	Balance Sheet as on March 31, 2007	220	March 31, 2007	August 04, 2007	Yes
13	eForm 32	Appointment of Mr. Ram Gupta as Additional Director	303 (2)	September 14, 2007	September 17, 2007	Yes
14	eForm 62	Conversion of fully paid Series A Participatory Cumulative Optionally Convertible Preference Shares to Equity Shares	NA	September 17, 2007	September 18, 2007	Yes
15	eForm 5	A. Increase in Authorised Capital B. Reclassification of 209,045 Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each into 2,090,450 Equity Shares of Rs. 10 each	95, 97	September 17, 2007	September 18, 2007	Yes

Sr. No.	Form No/Return	For	Filed u/s	Date of Event	Date of Filling	Whether filed within the prescribed time
16	eForm 23	Following resolutions were passed A. Conversion of private limited company to public limited company B. Preferential allotment of shares. C. Allotment of shares at Initial Public Offering	192	September 17, 2007	September 19, 2007	Yes
17	eForm 62	Filing of Statement in Lieu of Prospectus for conversion of the Company from Private Limited to Public Limited	44	September 17, 2007	September 19, 2007	Yes
18	eForm 2	Issue of 2,56,15,000 Bonus Shares	75 (1)	September 17, 2007	September 25, 2007	Yes
19	eForm 23	Resolution passed under section 293(1)(a) and 293(1)(d) of the Act	192	September 17, 2007	October 01, 2007	Yes
20	eForm 32	Cessation of Mr. Frederick W. W. Bolander as Director of the Company	303 (2)	October 02, 2007	October 06, 2007	Yes
21	eForm 17	Satisfaction of Charge in full in favour of Bank of India for Rs. 3,80,00,000.	138	October 05, 2007	October 11 2007	Yes
22	eForm 22B	For Equity Shares held in beneficial interest by Dr. Anand Deshpande and Mr. S. P. Deshpande on behalf of PSPL ESOP Management Trust	187C	September 17, 2007	October 15, 2007	Yes
23	eForm 22B	For Equity Shares held in beneficial interest by the PSPL ESOP Management Trust on behalf of 122 shareholders who were entitled to fractional Equity Shares out of Bonus Issue	187C	September 17, 2007	October 15, 2007	Yes
24	eForm 8	Modification of Charge in favour of State Bank of India for Rs. 20,00,00,000	135	October 09, 2007	October 19, 2007	Yes
25	eForm 23AAB	Application for exemption in attaching financial statements of the subsidiaries	212 (8)	NA	November 23, 2007	NA

* No certificate to that effect received from the Registrar of Companies.

Shridhar S. Kulkarni
Company Secretary
ACS 13046; CP No. 3950

Pune, April 24, 2008

PERSISTENT

In a Class of Our Own

Specialisation

- 18 years of focused development and innovation in Outsourced Software Product Development (OPD)

Customer Profile

- 170+ customers, several with long-term relationships
- 4 out of 5 of the world's largest ISVs are our customers
- More than 25 customers are billion dollar companies

Product Releases

- 500 product releases last year; over 2000 in the last 5 years

Key Investors

- Norwest Venture Partners
- Gabriel Venture Partners
- Intel Capital
- Hewlett-Packard Company

Management Discussion and Analysis

Business overview

We are one of the leaders in Outsourced Product Development (OPD) offering our customers benefits of offshore delivery. We deliver across all stages of product life cycle. Over past five years, we have contributed to more than 2,000 product releases for our customers.

As per NASSCOM Strategy Report 2008, software product revenues are estimated to reach USD 250 billion in 2007 and continued growth across product development and engineering servies reflects India's increasing role in global IP creations. India is becoming a strategic hub for R & D accounting for a growing proportion of Global Product Development resources.

Financial position and results of operations

The following discussion is based on the audited, consolidated, financial statements of Persistent Systems Limited (the Company), and its three subsidiaries namely Persistent eBusiness Solutions Ltd, Persistent Systems, Inc., and Persistent Systems Pte. Ltd.

In this report, the Company and its subsidiaries collectively have been referred as "the Group", the financial year 2007-08 has been referred as "the year" and the financial year 2006-07 has been referred as "the previous year".

Share capital

During the year, the authorised share capital of the Company was reclassified and increased to 100,000,000 Equity Shares of Rs. 10 each from 10,000,000 Equity Shares of Rs. 10 each, pursuant to the shareholders' resolution passed at the Extra Ordinary General Meeting held on September 17, 2007.

During the year, the Company issued 1,500 Equity Shares of Rs. 10 each to its Non Executive Independent Directors.

The Company allotted 25,615,000 Equity Shares as fully paid up bonus shares on September 17, 2007 by capitalisation of the capital redemption reserve and utilisation of the securities premium account.

During the year, the Company converted 209,045 Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each, into 2,090,450 Equity Shares of Rs. 10 each in the ratio of 10 Equity Shares of Rs. 10 each for every Preference Share held.

As a result of above changes, the issued, subscribed and paid-up capital of the Company as on March 31, 2008 increased to Rs. 358.61 Million divided into 35,861,000 Equity Shares of Rs. 10 each.

Reserves and surplus

During the year, the capital redemption reserve of Rs. 9.79 Million was utilised fully for issue of bonus shares.

During the year, the securities premium account increased by Rs. 0.31 Million on account of premium collected on the issue of 1,500 Equity Shares of Rs. 10 each to Non Executive Independent Directors of the Company.

The balance in the securities premium account as at March 31, 2008 was Rs. 577.49 Million after utilisation of Rs. 6.42 Million for share issue expenses and Rs. 246.36 Million for issue of bonus shares.

The general reserve as at March 31, 2008 increased to Rs. 984.63 Million as a result of transfer of Rs. 334.90 Million from net profit for the year to the general reserve.

Balance in the foreign currency translation reserve declined to Rs. (5.92) Million as at March 31, 2008 from Rs. 0.38 Million as at March 31, 2007, due to the translation loss of Rs. 6.30 Million arising during the year on the net investment in the non-integral, foreign subsidiary companies.

Deferred tax liability (Net)

Deferred tax liability (net of deferred tax asset) amounted to Rs. 2.55 Million as at March 31, 2008 as compared to Rs. 0.57 Million as at March 31, 2007.

The increase in deferred tax liability was mainly due to timing difference in relation to depreciation on building as per tax and as per the Companies Act, 1956.

Fixed assets

Gross block of fixed assets amounted to Rs. 2,928.37 Million as at March 31, 2008 as against Rs. 2,640.18 Million as at March 31, 2007.

Capital work-in-progress (including capital advances) stood at Rs. 330.75 Million as at March 31, 2008 as against Rs. 130.97 as at March 31, 2007.

Increase in the gross block was mainly due to partial capitalisation of the Company's new campus under construction at Hinjewadi, Pune. Additions to gross block (excluding capital work-in-progress) in the year amounted to Rs. 311.62 Million as compared to Rs. 764.84 Million in the previous year.

The following table provides details of assets added during the year. (In Rs. Million)

Particulars	Financial year 2007-08
Lease-hold Land	7.38
Building	64.70
Computers	86.40
Software	54.71
Plant and machinery	73.16
Furniture and fixtures	25.27
Total	311.62

During the year, the Company disposed off / retired assets worth Rs. 22.81 Million comprising computer equipment which were fully depreciated.

Investment

The Company deploys its surplus funds generated from operations in liquid schemes, short term schemes and fixed maturity plans of selected mutual funds with a view to optimise returns on investment. Investment in mutual funds increased to Rs. 691.35 Million as at March 31, 2008 from Rs. 246.52 Million as at March 31, 2007.

The market value of the investment in mutual funds as at March 31, 2008 was Rs. 692.38 Million as against Rs. 246.72 Million as at March 31, 2007.

Sundry debtors

Sundry Debtors (net of provisions) amounted to Rs. 744.89 Million as at March 31, 2008 as compared to Rs. 522.94 Million as at March 31, 2007.

The following table provides age-wise analysis of the Sundry Debtors (Net of provision for doubtful debts) as on March, 31, 2008.

(In Rs. Million except percentage)

Particulars	As at March 31, 2008	%
Not due	478.50	64.24
Due < 30 days	212.01	28.46
Due 30 – 60 days	13.00	1.75
Due 61 – 90 days	17.54	2.35
Due 91 – 120 days	13.83	1.86
Due over 120 days	10.01	1.34
Total	744.89	100.00

The Company has a policy of providing for all invoices outstanding for a period of 180 days or more and for those invoices which are otherwise considered doubtful based on the management's perception of risk of collection.

Provision for bad and doubtful debts as at March 31, 2008 declined to Rs. 41.68 Million from Rs. 73.63 Million as at March 31, 2007.

Expenditure towards bad and doubtful debts during the year amounted to 0.55% of revenue of the year as compared to 2.09% in the previous year.

Cash and bank balances

Cash and bank balances amounted to Rs. 113.16 Million as at March 31, 2008 as compared to Rs. 112.72 Million as at March 31, 2007. This comprised mainly balances in the current accounts and deposit accounts of the banks in India and abroad and the balance held in the Exchange Earners Foreign Currency (EEFC) Accounts in India.

Other current assets

Other current assets as at March 31, 2008 amounted to Rs. 89.39 Million as compared to Rs. 55.88 Million as at March 31, 2007. The following table shows comparative position of the other current assets as at last two balance sheet dates.

(In Rs. Million)

Particulars	Financial year 2007-08	Financial year 2006-07
Income accrued	0.13	0.10
Unbilled revenue	89.26	42.72
Unamortised premium of forward contracts	-	13.06
Total	89.39	55.88

Income accrued signifies interest accrued but not due on deposits with banks.

Unbilled revenue represents revenue recognised for work done (but not billed until the balance sheet date) in relation to certain customer contracts as per terms of the contract.

During the year, the Company has written off unamortised premium on forward contracts amounting to Rs. 13.06 Million.

Loans and advances

Loans and advances amounted to Rs. 403.11 Million as at March 31, 2008 as compared to Rs. 265.17 Million as at March 31, 2007. The following table provides details of significant changes in loans and advances under different heads

(In Rs. Million)

Particulars	Financial year 2007-08	Financial year 2006-07
Advance to PSPL ESOP Management Trust	158.33	182.83
Advance income tax	4.83	-
Advance recoverable in cash or in kind or for value to be received	105.45	53.29
VAT receivable	22.40	7.90
MAT credit entitlement	89.44	-
Deposits (Net of provision)	22.66	21.15
Total	403.11	265.17

The reduction in advance to the PSPL ESOP Management Trust was due to repayment of the advance amounting to Rs. 24.5 Million by the PSPL ESOP Management Trust. Advance recoverable in cash or in kind or for value to be received related to prepaid expenses and other advances in ordinary course of business. VAT receivable represents amount that can be claimed as refund as per the VAT rules. MAT credit entitlement shows amount paid by the Company towards MAT in excess of its normal income tax liability, which can be set off against future tax liability.

Current liabilities

Current liabilities amounted to Rs. 562.22 Million as at March 31, 2008 as compared to Rs. 352.54 Million as at March 31, 2007. The following table provides details of significant changes in current liabilities under different heads

(In Rs. Million)

Particulars	Financial year 2007-08	Financial year 2006-07
Advance from customers	3.89	5.84
Sundry creditors	244.21	207.40
Unearned revenue	16.18	18.01
Accrued employee liabilities	201.31	41.23
Other liabilities	96.63	80.06
Total	562.22	352.54

Increase in sundry creditors and other liabilities were in line with the general growth of business. Accrued employee liabilities comprised outstanding amount towards employee performance bonus, leave travel assistance and superannuation and increase was mainly due to growth in the number of employees and deferral of bonus payment.

Provisions

Provisions amounted to Rs. 165.03 Million as at March 31, 2008 as compared to Rs. 78.74 Million as at March 31, 2007. Following table provides details of significant changes in provisions under different heads.

(In Rs. Million)

Particulars	Financial year 2007-08	Financial year 2006-07
Gratuity	30.43	22.94
Leave encashment	76.79	52.45
Provision for long term benefits	36.19	-
Provision for income tax and fringe benefit tax	2.54	3.35
Provision for employee compensation (ESOP)	5.89	-
Provision for derivative contracts	13.19	-
Total	165.03	78.74

During the year, the Company recognised liability towards long service awards payable to employees amounting to Rs. 36.19 Million on an actuarial basis in accordance with AS-15. Increase in provision for gratuity and leave encashment was due to growth in employee strength and salary revisions during the year.

Provision for employee compensation (ESOP) relates to difference between fair value and grant price of shares arising out of options granted to employee during the year, amortised over the vesting period of options.

Provision for derivative contracts relates to market to market loss recognised on outstanding forward and option contracts as on March 31, 2008 (Refer to Schedule 15 Note 3C (ii)).

Income

The Company is engaged in providing Outsourced Product Development Services to the Independent Software Vendors (ISVs) and Enterprises. The Company derives a significant portion of its revenues from export of software services and products.

During the year, the revenue of the Group increased by 51.23% from USD 69.97 Million to USD 105.81 Million. However, due to sharp depreciation of US Dollar against INR during financial year 2007-08, the revenue in INR recorded 34.60% increase as shown in the table below

(In Rs. Million except percentage)

Particulars	Financial year 2007-08	Financial year 2006-07	Change %
Software services and products (Export)	4,041.56	3,019.35	33.85
Software services and products (Domestic)	92.68	29.50	214.17
Reimbursement of expenses	114.26	107.43	6.36
Total revenue	4,248.50	3,156.28	34.60

Revenue from domestic sources includes revenue derived from India development centres of Multi-National Companies (MNCs) engaged in software product development.

Reimbursement of expenses includes travel and other expenses reimbursed by our customers as per contractual terms.

During the year, share of revenue from North America declined and revenue from Europe and Asia-Pacific increased as shown in the table below.

Region	Financial year 2007-08 %	Financial year 2006-07 %
North-America	87.62	92.30
Europe	8.70	6.35
Asia-Pacific	3.68	1.35
Total	100	100

Other income

Other income increased to Rs. 269.35 Million during the year as compared to Rs. 20.87 Million in the previous year mainly due to exchange gain of Rs. 221.54 Million derived by the Company from forward currency contract as per its hedging policy. Following table shows details of significant changes in other income under different heads.

(In Rs. Million)

Particulars	Financial year 2007-08	Financial year 2006-07
Income from investment of funds	26.44	8.56
Foreign exchange gain (net)	221.54	-
Profit on sale of assets	1.05	4.12
Provision written back	14.87	7.26
Miscellaneous income	5.45	0.93
Total	269.35	20.87

Personnel expenses

Personnel Expenses for the year amounted to Rs. 2,711.45 Million, as compared to Rs. 1,761.31 Million for the previous year, recording 53.95% growth. However, as a percentage of total income, these expenses increased by 4.58% on an overall basis, as shown in the following table.

(In Rs. Million except percentage)

Particulars	Financial year 2007-08	Financial year 2006-07	Change %
Salary and allowances	2398.67	1,604.54	49.49
Software professional charges	83.03	32.86	152.67
Contribution to provident fund	62.98	38.11	65.25
Gratuity expenses	27.70	21.36	29.68
Contribution to other funds	58.35	18.88	209.05
Staff welfare and benefits	74.83	45.56	64.24
Employee compensation charges	5.89	-	-
Total	2,711.45	1,761.31	53.95
Percentage of total income	60.02%	55.44%	

Reasons for increase in personnel expenses are as below:

1. The headcount of the Group increased from 3,018 to 3,867 during the year while the number of employees working in the USA increased from 59 to 138.

2. The salary structure was significantly revised during the year.

3. The Company strengthened its sales and marketing team by adding senior personnel in the USA and in India.

4. Contribution to provident and other funds increased as a result of more number of employees opting for membership of these funds.

5. The Company made a provision for long service awards on an actuarial basis for the first time during the year.

Operating and other expenses

Operating and other expenses for the year amounted to Rs. 637.24 Million as compared to Rs. 589.57 Million in the previous year recording an overall increase of 8.09%. However, as a percentage of total revenue, the expenses declined by 4.45% in comparison to the previous year, mainly due to operating leverage arising from volumes growth and reduction in expenses under some heads as shown in the table below

(In Rs. Million except percentage)

Particulars	Financial year 2007-08	Financial year 2006-07	Change %
Traveling and conveyance	230.92	182.01	26.87%
Electricity and fuel	62.74	53.58	17.10%
Internet link charges	23.87	20.31	17.52%
Communication charges	25.07	20.76	20.76%
Recruitment expenses	39.73	30.74	29.24%
Training and seminars	24.83	18.91	31.31%
Software support charges	26.99	17.67	52.74%
Provision for doubtful debts	23.39	66.16	-64.65%
Rent	17.93	15.74	13.91%
Insurance	11.89	15.24	-21.98%
Rates, fees and professional tax	18.28	9.31	96.34%
Legal and professional fees	19.65	23.17	-15.19%
Repairs and maintenance	28.27	19.19	47.32%
Commission on sale other than sole selling agent	5.64	8.44	-33.18%
Other expenses	78.04	88.34	-11.65%
Total	637.24	589.57	8.08%
Percentage of total income	14.10%	18.56%	

Earnings before interest, depreciation and tax (EBIDTA)

During the year, the Company earned an EBIDTA of Rs. 1169.16 Million representing 41.50% increase over EBIDTA of Rs. 826.27 Million during the previous year. The EBIDTA margin for the year is 25.88% as compared to 26.01% in the previous year. The 0.13% decline in the EBIDTA margin is attributable to 4.58% increase in the personnel expenses partially offset by 4.45% decline in the Operational and other expenses relative to Total Income.

Interest

The Company enjoyed debt free status during the year. As a result, there was no interest expense during the year, as compared to interest expense of Rs. 1.12 Million in the previous year.

Depreciation

Depreciation charge for the year amounted to Rs. 279.99 Million as compared to Rs. 269.92 Million in the previous year showing an increase of 3.73%. The increase is mainly due to addition of fixed assets amounting to Rs. 311.62 Million during the year.

Depreciation as percentage to total income declined to 6.20% in the year 2007-08 as compared to 8.50% in the previous year as a result of better utilisation of assets due to growth of business.

The Company follows the straight-line method (SLM) of depreciation. Depreciation rates followed by the Company are based on the useful lives of the assets as estimated by the Management and are higher than the rates prescribed in the Schedule IV of the Companies Act as shown in the table below

Asset	Depreciation rates followed by the Company	Depreciation rates as per Schedule XIV
Computers	33.33%	16.21%
Software	33.33%	16.21%
Electrical installations and other equipments	20%	4.75%
Air conditioners	20%	4.75%
Furniture and fixtures	20%	6.33%
Vehicles	20%	9.50%
Building	4%	1.63%

Provision for tax

Tax expense comprised current tax, deferred tax and fringe benefit tax.

The Company is entitled to tax holiday under Section 10A of Income Tax Act, 1961 in respect of its software development centres registered under the Software Technology Park of India (STPI) Scheme. A substantial portion of the profits of the Company is, therefore exempt from Income tax.

With effect from April 1, 2007, the Company is exposed to the Minimum Alternative Tax (MAT) on its book profits as per provisions of section 115JB of the Income Tax Act, 1961. However the Company is entitled to claim set-off against future tax liability of an amount equal to excess of MAT paid over actual income-tax liability for the year.

The provision for tax for the year amounted to Rs. 98.70 Million. However, the MAT credit available against future tax liability amounted to Rs. 89.44 Million. The net income tax liability for the year amounted to Rs. 9.26 Million as against Rs. 15.71 Million for the previous year. The deferred tax charge for the year was Rs. 1.99 Million as against deferred tax credit of Rs. 5.58 Million for the previous year.

The Company made a provision of Rs. 11 Million during the year as compared to Rs. 8.06 Million during the previous year towards Fringe Benefit Tax (FBT) payable on the value of benefits provided and/or deemed to have been provided to its employees.

Total tax expense for the year amounted to Rs. 22.25 Million as compared to Rs. 18.19 Million for the previous year. As a proportion of total income, tax expense for the year declined to 0.49% from 0.57% for the previous year.

Net profit after tax and before exceptional and prior period items

The net profit after tax and before exceptional and prior period items for the year amounted to Rs. 866.92 Million as compared to the net profit of Rs. 537.04 Million for the previous year recording growth of 61.43%. The net profit margin for the year was at 19.19% as compared to 16.90% in the previous year. The increase in net profit margin of 2.29% is attributable to decline in interest expense in absolute terms and reduction in depreciation and tax expense relative to total income.

Exceptional and prior period items

The Company deferred its Initial Public Offer (IPO), which was planned during the year, due to adverse market sentiments. As a result, the Company decided to write-off expenses of Rs. 35.18 Million incurred for the purpose of share issue.

Net profit after exceptional and prior period items

The Company's net profit after tax, exceptional and prior period items increased to Rs. 831.74 Million in the year from Rs. 555.17 Million in the previous year recording growth of 49.82%. The net profit margin as a percentage of total income was 18.41% in the year as compared to 17.47% in the previous year.

Dividend

During the year, the Company paid two interim dividends amounting to Rs. 43.03 Million as against Rs. 30.73 Million in the previous year. Dividend distribution tax paid on interim dividend during the year amounted to Rs. 7.31 Million as compared to Rs. 4.31 Million during the previous year.

PERSISTENT

VOICES

"My last 8 years' association with Persistent has been a great learning experience, providing an opportunity to interact and work with senior executives and see the Company grow from 100 people to 3800+ people, across multiple cities, multiple domains and multiple technologies. I really value the support provided by the Management during downtime in 2001 and appreciate the handsome bonus given when the Company did fantastically well in terms of profit. The Management is keen to craft every individual not only into a good software engineer but also into a good human being. I see Persistent as a company which can deliver high-quality, end-to-end solutions and has a very good customer and people network.
We are a professional company with the highest technical capabilities and we truly value our work culture and integrity!"

Avadhoot Agasti
Project Lead

Avadhoot joined Persistent in 2000 as a fresh engineer from the College of Engineering Pune. Currently, he is a Project Lead and manages a team of 20 engineers developing a new-age, high-performance appliance database.

"From college days to training at Persistent and now with the delivery team, it's been a beautiful transition from fun to more fun, knowledge to more knowledge, and most importantly, great peers. I love the fun culture and work environment here.
After training, I joined the project where I took up the lead responsibility of its QA team. Getting such an opportunity as a fresh engineer is indeed challenging and satisfying. I appreciate the confidence my seniors have in my capabilities.
I must say we have a great team sprit and not the 'developers Vs testers' attitude. This helps all of us to grow taller with better delivery every time."

Asmita Somvanshi
Software Engineer

Asmita joined Persistent in 2007 as a fresh engineer from Bharati Vidyapeeth's College of Engineering for Women. She is currently working in the Business Intelligence Domain as a software engineer.

Report on Risk Management

Objective

The objective of the Risks Management Policy is to ensure that risks which are critical to business are identified, monitored and effectively managed in order to protect the Company's business.

Structure

The audit committee of the Board of Directors reviews the Risk Management Policy. The executive committee of the Board monitors implementation of risk mitigation measures.

Risk identification

The risks which are critical to the Company's business are grouped into following categories

Business model related risks	Financial risks	Operational risks	Legal risks
Business segment concentration	Foreign currency fluctuations	Operating leverage	Information security
Client concentration	Financial leverage	Attrition	IPR protection
Geographic concentration	Asset protection	Technology obsolescence	Contractual compliances
Competitive environment		Business continuity & disaster recovery	Immigration regulations

1. Risks related to the Business Model

A. Business segment concentration

The Company is predominantly engaged in providing the Outsourced Product Development services to the Independent Software Vendors (ISVs) and Enterprises. Therefore, a large proportion of the Company's business is derived from the ISV segment.

High dependence on a single business segment exposes the Company to the business cycles and risks inherent to that segment. In order to mitigate these risks, the Company has re-organised its business units with a view to increase focus on new domains and enhance service offerings to enterprise customers. The following table shows share of revenue from different business units during the last two years.

Segment	Financial year 2007-08	Financial year 2006-07
ISVs	51.20%	59.53%
Telecom	25.57%	27.42%
Enterprises	18.43%	12.27%
Others	4.80%	0.78%

B. Customer concentration

A significant proportion of the Company's revenue is derived from a small number of large customers. Dependence on a few large clients exposes the Company to the risk of price pressures and credit risk.

However, in last 3 years the Company has expanded its customer base in a systematic manner and reduced its dependence on a few large customers.

The following table shows that proportion of revenues derived from top 5 and top 10 customers has significantly declined during the last 2 years.

Revenue derived from	Financial year 2007-08	Financial year 2006-07
The largest customer	8.25%	8.49%
Top 5 customers	26.96%	30.60%
Top 10 customers	38.47%	46.79%

C. Geographic concentration

As a large number of ISVs are located in USA, a significant proportion of the Company's revenue is derived from the USA. This geographic concentration exposes the Company to macro-economic and political risks related to the USA.

The Company has set up branch offices in Canada and The Netherlands and established a 100% subsidiary in Singapore with a view to increase revenue from Canada, Europe and Asia-Pacific regions. The following table shows that share of revenues from Europe and Asia-Pacific regions have increased significantly in the last two years.

Region	Financial year 2007-08	Financial year 2006-07
North America	87.62%	92.30%
Europe	8.70%	6.35%
Asia-Pacific	3.68%	1.35%
Total	100.00%	100.00%

D. Competitive environment

The Company faces competition from Indian software companies, captive development centers of Multi-National Companies and the software companies from emerging regions such as China, Russia and East Europe.

In order to mitigate this risk, the Company tracks competing enterprises on a regular and systematic basis. The Company has also taken measures for promoting client loyalty by delivering value for money, conducting regular client satisfaction surveys and enhancing brand awareness through marketing initiatives.

2. Financial risks

A. Foreign currency fluctuations

A substantial proportion of the Company's revenue accrues in US Dollars, whereas, a large part of its expenditure is incurred in Indian Rupees. The Company is, therefore, exposed to the risk of adverse changes in exchange rate between US Dollar and Indian Rupee.

The Company has taken following measures to mitigate the currency risk

i. The Company has adopted a policy to hedge its cash flow from exports in a systematic manner, without resorting to cross currency or exotic type of deals. For financial year 2007-08, the Company mitigated the impact of sharp decline in USD against Rupee through hedging gains of Rs. 221.54 Million on forward contracts and currency options.

ii. The Company has negotiated rate revisions with some of its customers, based on contractual provisions.

iii. As explained in 1-C above, the Company has taken several initiatives to increase revenue from Canada, Europe and Asia-Pacific regions.

B. Financial leverage

The Company finances its expansions largely through internal accruals and resorts to debt only when internal accruals are inadequate. The export packing credit is utilised only to finance short term funds requirements. As on March 31, 2008, the Company did not have any borrowings.

C. Asset protection

The Company has implemented strong access control systems to prevent unauthorised entry of the outsiders in the Company's premises. The Company has devised a program for periodic physical verification of all important assets of the Company. The Company's assets at all locations are covered under comprehensive insurance policies.

3. Operational risks

A. Operating leverage

The Company inducts and trains people and invests in infrastructure based on forecasts of future business. Therefore, if the actual business is lower than forecasted business or if there are mismatches between skills required and skills available, the high incidence of fixed costs could have an adverse impact on the profitability of the Company.

In order to mitigate impact of this risk, the Company has instituted strong Corporate Planning and Management Information Systems to enhance accuracy of its business forecasts. The planning division works closely with the sales and marketing team to ensure higher predictability of resource and skills requirements. In case of skill mismatches, the Company's training division undertakes retraining of resources at a short notice. The compensation structure includes a component of variable pay which is linked to the Company's performance and which gets adjusted if the targets are not achieved.

B. Attrition

The IT services segment is exposed to high attrition rates due to increased competition and more opportunities available for the employees, in general. The attrition rate for financial year 2007-08 was 21.21% as compared to 22.45% for financial year 2006-07.

The Company has taken several measures to enhance retention of its employees. During the financial year 2007-08, the Company implemented a role based organisation structure and created separate career growth tracks for technical and management streams. The Company maintains employee-friendly culture and performance based compensation structure. The Company has evolved comprehensive plans for capability building and career development of its employees which would help in reducing attrition.

C. Technology obsolescence

The Company operates in the area of advanced technology domains which are subject to continuous innovations. To guard against risk of technology obsolescence, the Company has set up a center of excellence which tracks new technologies relevant to the Company's business. The Company makes significant investments in state of art technologies and tools for software development, testing and quality analysis. The Company follows a policy of depreciating computing equipment and software tools over a period of 3 years.

D. Business continuity and disaster recovery

The Company has implemented strong systems and processes for physical and network security, back-ups of data across different locations and disaster recovery as a part of the framework provided by BS ISO/IEC 27001:2005.

The Company has developed a draft Business Continuity Plan which is going to be firmed up after reviewed by various Business Units and Functions and will be tested during the financial year 2008-09.

4. Legal risks

A. Intellectual property protection

Information security and protection of Intellectual Property (IP) assume vital significance in the Company's business. Information security covers a wide range of computer and physical security issues, social engineering attacks and privacy concerns. The Company has adopted the framework provided by BS ISO/IEC 27001:2005 and BS ISO/IEC 17799:2005 for building information security into normal business processes and has been awarded certification by DNV for successful implementation of those standards.

B. Contractual compliance

Product development companies are exposed to legal risks which could arise from violation of intellectual property rights, leakage of confidentiality information and non-performance of contractual obligations. The Company has established a strong process for legal review of all contracts and documentation. As a matter of policy, the Company does not accept any open ended liability for non-performance of contracts. The Company has taken a comprehensive insurance policy to cover possible risks arising from errors and omissions and commercial general liability.

C. Immigration laws

The Company's business requires deputation of employees on overseas assignments which require appropriate visas to work in foreign countries. Any restrictions imposed on visas by foreign countries, especially by USA, would have adverse impact on the business of the Company.

However, due to offshore-centric delivery model, the Company has limited exposure to risks related to visa restrictions in foreign jurisdictions. The Company avails advice of reputed legal counsels and immigration experts to track changes and ensure compliances in visa / immigration related matters.

PERSISTENT

Shaping Leaders of the Future

Arjuna Program

- 1 Year Specially Designed Management Program focused on nurturing Top-50 Leaders
- Program Facilitator : Prof. Dr. Ashok Korwar
  - B Tech (IIT-Bombay), PhD in Management (UCLA)
  - Former Professor of Management, IIM Ahmedabad
  - Author of 'Creating Markets Across the Globe' (Best Management Book 1998, Escorts-DMA)

MS in Software Engineering with BITS Pilani

- Off-campus distance learning and collaborative program for Persistent employees

Auditors' Report on Financial Statements

To
The Members of Persistent Systems Limited

1. We S.R. Batliboi & Co. Chartered Accountants ("SRB") and Joshi Apte & Co. ("JACO") Chartered Accountants (collectively referred to as "Joint Auditors") have audited the accompanying Balance Sheet of Persistent Systems Limited (the Company) as at March 31, 2008 and also the Profit and Loss account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

   i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;

   iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

   v. On the basis of the written representations received from the Directors, as on March 31, 2008, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

   vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India

      a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2008;

      b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

      c. in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No.: 30428
Place : Pune
Date : April 24, 2008

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No.: 89802
Place : Chennai
Date : April 24, 2008

Annexure referred to in paragraph [3] of our report of even date

Re : Persistent Systems Limited

i (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

(c) There was no substantial disposal of fixed assets during the year.

ii The Company does not hold any inventory and accordingly sub clauses (a), (b) and (c) to clause (ii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

iii As informed, the Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly clause (iii) (a), (b), (c), (d), (e), (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

iv In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and software services. The activities of the Company did not involve purchase of inventory or sale of goods. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

v Based on the audit procedures applied by us and according to the information and explanations provided by management, we are of the opinion that there are no transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956. Accordingly clause 4(v)(b) of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.

vi The Company has not accepted any deposits from the public.

vii In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

viii To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for the services and software products of the Company.

ix (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994 (Chapter V)	Service Tax on Annual Maintenance Contracts	1,949,466	Financial year ended 2007-08	The Superintendent of Central Excise (Service Tax Cell)
Employees State Insurance Act, 1948	Company's contribution	4,928,840	Financial year 2000-01	Sub-Regional Office, Pune

x The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

xi The Company has not taken any borrowings from banks, financial institutions and has not issued debentures during the year and accordingly, we are not required to comment on default if any, on repayment of borrowings.

xii According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

xiv In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company, in its own name.

xv According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

xvi The Company did not have any term loans outstanding during the year.

xvii According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

xviii The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

xix The Company did not have any outstanding debentures during the year.

xx The Company has not raised any money through a public issue during the year.

xxi Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No.: 30428
Place : Pune
Date : April 24, 2008

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No.: 89802
Place : Chennai
Date : April 24, 2008

Balance Sheet as at March 31, 2008

(In Rs. Million)

	Sch.	As at March 31, 2008	As at March 31, 2007
Sources of funds			
Shareholders' funds			
Share capital	1	358.61	102.45
Reserves and surplus	2	3,023.34	2,498.82
		3,381.95	2,601.27
Deferred tax liabilities (Net) (Refer Note 11 in Schedule 15)		2.55	0.57
		3,384.50	2,601.84
Application of funds			
Fixed assets	3		
Gross block		2,901.49	2,613.55
Less Accumulated depreciation		1,260.61	1,002.37
Net block		1,640.88	1,611.18
Capital work-in-progress including capital advances		330.75	130.97
		1,971.63	1,742.15
Investments	4	859.95	412.44
Current assets, loans and advances			
Sundry debtors	5	624.90	486.66
Cash and bank balances	6	60.85	73.61
Other current assets	7	76.07	52.47
Loans and advances	8	406.46	268.79
	(A)	1,168.28	881.53
Less Current liabilities and provisions			
Current liabilities	9	460.63	355.46
Provisions	10	154.73	78.82
	(B)	615.36	434.28
Net current assets	(A - B)	552.92	447.25
		3,384.50	2,601.84
Notes to Accounts	15		

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.
As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, April 24, 2008

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Chennai, April 24, 2008

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

S.P. Deshpande
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, April 24, 2008

Profit & Loss Account for the year ended March 31, 2008

(In Rs. Million)

	Sch.	For the year ended March 31, 2008	For the year ended March 31, 2007
Income			
Sale of software services and products	11	3,828.77	2,970.55
Other Income	12	270.10	22.93
		4,098.87	2,993.48
Expenditure			
Personnel expenses	13	2,353.94	1,614.06
Operating and other expenses	14	572.66	520.07
		2,926.60	2,134.13
Operating profit before interest and depreciation		1,172.27	859.35
Interest		–	1.12
Depreciation (Refer Note 6 in Schedule 3)	3	277.97	267.46
Profit before tax and exceptional items		894.30	590.77
Current tax		98.45	15.71
Less MAT credit entitlement		89.44	–
Net current tax		9.01	15.71
Deferred tax charge / (credit)		1.99	(5.58)
Fringe benefit tax		11.00	8.05
Total tax expense		22.00	18.18
Profit after tax and before exceptional and prior period items		872.30	572.59
Exceptional items (Refer Note 13(B) in Schedule 15)		(35.18)	37.63
Prior period depreciation		–	(19.50)
Net Profit		837.12	590.72
Balance brought forward from previous year		1,019.14	699.76
Profit available for appropriation		1,856.26	1,290.48
Appropriations			
Transfer to general reserve		334.90	236.30
Interim dividend			
On Equity Shares		43.03	24.46
On Preference Shares		–	6.27
Tax on interim dividend			
On Equity Shares		7.31	3.43
On Preference Shares		–	0.88
Surplus carried to Balance Sheet		1,471.02	1,019.14
Earnings per share (Refer Note 10 in Schedule 15)			
Basic [Nominal value of shares Rs. 10 (Previous year Rs. 10)]			
Computed on the basis of earnings including exceptional and prior period items		29.30	24.90
Computed on the basis of earnings excluding exceptional and prior period items		30.53	24.13
Diluted [Nominal value of shares Rs. 10 (Previous year Rs. 10)]			
Computed on the basis of earnings including exceptional and prior period items		23.34	16.48
Computed on the basis of earnings excluding exceptional and prior period items		24.33	15.97
Notes to Accounts	15		

The schedules referred to above and notes to accounts form an integral part of the Profit and Loss Account
As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, April 24, 2008

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Chennai, April 24, 2008

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

S.P. Deshpande
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, April 24, 2008

Schedules forming part of Balance Sheet

(In Rs. Million)

	As at March 31, 2008	As at March 31, 2007
Schedule 1		
Share capital		
Authorised		
100,000,000 (Previous year 10,000,000) Equity Shares of Rs. 10 each.	1,000.00	100.00
NIL (Previous year 250,000) Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each.	-	25.00
	1,000.00	125.00
Issued, subscribed and paid-up		
35,861,000 (Previous year 8,154,050) Equity Shares of Rs. 10 each fully paid-up. (Of the above 25,615,000 (Previous year NIL) Equity Shares were allotted as fully paid-up bonus shares by capitalisation of capital redemption reserves and securities premium account) (Refer Note 3 in Schedule 15)	358.61	81.54
NIL (Previous year 209,045) Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs.100 each fully paid-up (Refer Note 3 in Schedule 15)	-	20.91
	358.61	102.45
Schedule 2		
Reserves and surplus		
Capital redemption reserve		
Opening balance	9.79	9.79
Add/(Less) Utilised for the issue of bonus shares	(9.79)	-
Closing balance (A)	-	9.79
Securities premium account		
Opening balance	829.96	829.72
Add/(Less) Additions during the year	0.31	0.24
Add/(Less) Share issue expenses (Refer Note 13(a) in Schedule 15)	(6.42)	-
Add/(Less) Utilised for the issue of bonus shares	(246.36)	-
Closing balance (B)	577.49	829.96
General reserve		
Opening balance	639.93	477.52
Add/(Less) Transferred from Profit and Loss Account	334.90	236.30
Add/(Less) Difference on amalgamation	-	(63.09)
Add/(Less) Adjustment for employee benefits provision	-	(10.80)
Closing balance (C)	974.83	639.93
Profit and Loss Account (D)	1,471.02	1,019.14
(A)+(B)+(C)+(D)	3,023.34	2,498.82

Schedule 3

Fixed Assets

(In Rs. Million)

Name of the Asset	Gross block: As at April 1, 2007	Gross block: Additions during the year	Gross block: Deductions / Transfers during the year	Gross block: As at March 31, 2008	Depreciation: As at April 1, 2007	Depreciation: For the year	Depreciation: Deductions / Transfers during the year	Depreciation: As at March 31, 2008	Net block: As at March 31, 2008	Net block: As at March 31, 2007
Land-freehold	202.98	-	-	202.98	-	-	-	-	202.98	202.98
Land - leasehold	31.60	7.38	-	38.98	-	-	-	-	38.98	31.60
Building	975.34	64.70	-	1,040.04	91.40	39.93	-	131.33	908.71	883.94
Computers	477.91	85.40	19.34	543.97	356.74	83.31	19.26	420.79	123.18	121.17
Software	344.29	54.71	-	399.00	258.70	62.27	-	320.97	78.03	85.59
Plant and machinery	373.22	73.10	1.22	445.10	185.34	60.69	0.98	245.05	200.05	187.88
Furniture and fixtures	204.31	25.27	1.52	228.06	107.04	32.31	-	139.35	88.71	97.27
Vehicle	3.90	-	0.54	3.36	3.15	0.51	0.54	3.12	0.24	0.75
As at March 31, 2008	2,613.55	310.56	22.62	2,901.49	1,002.37	279.02	20.78	1,260.61	1,640.88	1,611.18
As at March 31, 2007	1,605.93	1,042.51	34.89	2,613.55	500.60	528.62	26.85	1,002.37	1,611.18	
Capital work-in-progress including capital advances										
As at March 31, 2008	130.97	336.20	136.42	330.75	-	-	-	-	330.75	130.97
As at March 31, 2007	266.59	252.92	388.54	130.97	-	-	-	-	130.97	

Notes

1. Exchange gain / (loss) adjusted in carrying cost of fixed asset Rs. NIL (Previous year Rs. 0.083 Million).
2. 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. Amortisation of Land will be effective from the date of such lease agreement.
3. Company has entered into a lease agreement with Maharashtra Industrial Development Corporation on November 25, 2005 for unit at MIDC Hinjewadi, Pune. This agreement will be converted into lease agreement for a term of 95 years after completion of stipulated conditions. Amortisation of Land will be effective from date of such lease agreement.
4. Amortisation on software for the period includes prior period depreciation of Rs. NIL (Previous year Rs. 19.50 Million).
5. Depreciation for the previous year includes Rs. 241.66 Million on account of amalgamation.
6. Depreciation amounting to Rs. 1.05 Million (Previous year Rs. NIL) relating to fixed assets used for construction of fixed assets under construction has been included under capital work in progress.
7. Capital work in progress includes capital advances of Rs. 73.84 Million (Previous year Rs. 46.28 Million)

Schedules forming part of Balance Sheet (Contd.)

(In Rs. Million)

		As at March 31, 2008	As at March 31, 2007
Schedule 4			
Investments			
Long term investments (At cost)			
Trade (Unquoted)			
In Subsidiary companies			
Persistent eBusiness Solutions Limited 920,300 (Previous year 920,000) Equity Shares of Rs. 10 each, fully paid up		42.28	42.28
Add/(Less) Provision for diminution in value of investment		(42.28)	(42.28)
	(A)	-	-
Persistent Systems, Inc. 37,000,000 (Previous year 37,000,000) Common Stocks of USD 0.10 each, fully paid		165.92	165.92
	(B)	165.92	165.92
Persistent Systems Pte. Ltd. 100,000 (Previous year NIL) Ordinary Shares of SGD 1 each, fully paid		2.68	-
	(C)	2.68	-
Aggregate amount of unquoted investments	(D)=(A)+(B)+(C)	168.60	165.92
Current Investments (At lower of cost and market value)			
Other than trade (unquoted)			
Investment in mutual funds (unquoted)* Aggregate amount of quoted investments market value Rs. 692.38 Million (Previous year Rs. 246.72 Million)		691.35	246.52
	(E)	691.35	246.52
	(D)+(E)	859.95	412.44
* Refer Note 18 in Schedule 15 for details of investments			
Schedule 5			
Sundry debtors			
(Unsecured unless otherwise stated)			
Debts outstanding for a period exceeding six months			
Considered good		-	-
Considered doubtful		26.45	54.34
Other debts			
Considered good		624.90	486.66
Considered doubtful		3.43	15.03
		654.78	556.03
Add/(Less) Provision for doubtful debts		(29.88)	(69.37)
		624.90	486.66
Included in sundry debtors are dues from companies under same management as follows			
Persistent Systems, Inc.		-	16.03
Persistent eBusiness Solutions Limited		4.24	-

Schedules forming part of Balance Sheet (Contd.)

(In Rs. Million)

	As at March 31, 2008	As at March 31, 2007
Schedule 6		
Cash and bank balances		
Cash in hand	0.12	0.09
Balances with scheduled banks		
On current accounts	56.40	69.70
On deposit accounts	4.04	3.81
Balances with other banks		
On savings account	0.29	0.01
	60.85	73.61
Balances with other banks include Bank of Tokyo - Mitsubishi- NS, Japan [Maximum amount outstanding during the year Rs. 1.93 Million (Previous year Rs. 0.61 Million)]	0.29	0.01
Schedule 7		
Other current assets		
Accrued income	0.12	0.10
Unbilled revenue	75.95	39.31
Unamortised premium on forward contract	-	13.06
	76.07	52.47
Schedule 8		
Loans and advances		
Unsecured, considered good		
Advance to subsidiary company	8.38	7.07
(A)	8.38	7.07
Advance to PSPL ESOP Trust (Refer Note 15 in Schedule 15)	158.33	182.83
Advance Income Tax [Net of provision of Rs. 127.58 Million (Previous year Rs. NIL)]	4.71	-
Advances recoverable in cash or kind or for value to be received	102.63	51.45
VAT receivable [Net of provision of Rs. 6.60 Million (Previous year Rs. 4.52 Million)]	21.70	7.94
MAT credit entitlement	89.44	-
Deposits		
Considered good	21.27	19.50
Considered doubtful	2.78	-
Add/(Less) Provision for doubtful deposit	(2.78)	-
(B)	398.08	261.72
Balance carried forward to next page	406.46	268.79

Schedules forming part of Balance Sheet (Contd.)

(In Rs. Million)

	As at March 31, 2008	As at March 31, 2007
Balance brought forward from previous page	406.46	268.79
Unsecured considered doubtful		
Loan to a subsidiary company	25.53	25.53
Add/(Less) Provision for non recoverable loan	(25.53)	(25.53)
(C)	-	-
(A)+(B)+(C)	406.46	268.79
Included in loans and advances are:		
Dues from companies under the same management		
Persistent Systems, Inc. [Maximum amount outstanding during the year Rs. 9.30 Million (Previous year Rs. 15.80 Million)]	7.86	5.23
Persistent eBusiness Solutions Limited [Maximum amount outstanding during the year Rs. 2.74 Million (Previous year Rs. 2.50 Million)]	0.18	1.84
Persistent Systems Pte. Ltd. [Maximum amount outstanding during the year Rs. 1.70 Million (Previous year Rs. NIL)]	0.34	-
Schedule 9		
Current liabilities		
Sundry creditors	238.63	244.81
Advance from customers	3.89	5.84
Unearned revenue	15.21	17.37
Accrued employee liabilities	145.18	41.21
Other liabilities	57.72	46.23
	460.63	355.46
(Refer Note 20 in Schedule 15)		
Schedule 10		
Provisions		
Provision for Income tax [Net of advance tax Rs. NIL (Previous year Rs. 28.14 Million)]	-	1.38
Provision for fringe benefit tax [Net of advance tax Rs. 21.49 Million (Previous year Rs. 10.94 Million)]	2.55	2.11
Provision for Gratuity [Refer Note 7 in Schedule 15]	30.37	22.91
Provision for Leave encashment	66.54	52.42
Provision for Employee compensation	5.89	-
Provision for other long term benefits	36.19	-
Provision for derivative contracts (Refer Note 2C(ii) in Schedule 15)	13.19	-
	154.73	78.82

Schedules forming part of Profit and Loss Account

(In Rs. Million)

	For the year ended March 31, 2008	For the year ended March 31, 2007
Schedule 11		
Sale of software services and products		
Overseas	3,648.49	2,853.74
Domestic	73.83	15.89
Reimbursement of expenses	106.45	100.92
	3,828.77	2,970.55
Schedule 12		
Other income		
Interest on bank deposits [TDS Rs. 0.04 Million (Previous year Rs. 0.03 Million)]	0.21	0.25
Interest on inter corporate deposit and others [TDS Rs. 0.38 Million (Previous year Rs. 0.58 Million)]	2.21	2.78
Foreign exchange gains (Net)	220.83	-
Profit on sale of fixed assets	1.03	4.12
Dividend from non-trade investments	25.43	7.22
Profit on sale of investments (Net)	0.18	0.37
Provision no longer required written back	-	1.28
Doubtful debts written back	14.87	5.98
Miscellaneous income	5.34	0.93
	270.10	22.93
Schedule 13		
Personnel expenses		
Salary and allowances	1,963.26	1,364.63
Software professional charges	202.30	126.02
Contribution to provident fund	62.95	38.09
Gratuity (Refer Note 7 in Schedule 15)	27.66	21.27
Contribution to other funds	22.16	18.88
Staff welfare and benefits	69.72	45.17
Employee compensation expenses	5.89	-
	2,353.94	1,614.06

Schedules forming part of Profit and Loss Account (Contd.)

(In Rs. Million)

	For the year ended March 31, 2008	For the year ended March 31, 2007
Schedule 14		
Operating and other expenses		
Traveling and conveyance	185.63	144.86
Electricity and fuel	62.64	53.43
Internet link charges	23.24	19.71
Communication expenses	18.63	15.15
Recruitment expenses	35.19	30.63
Training and seminars	23.64	18.91
Software support expenses	23.98	14.96
Provision for doubtful debts	15.24	62.06
Rent	9.16	8.85
Insurance	11.68	14.84
Rates, fees and professional tax	18.06	9.17
Legal and professional fees	13.67	7.85
Repairs and maintenance		
Equipment	13.26	8.34
Building	6.73	4.40
Others	7.45	5.36
Commission on sales to other than sole selling agents	35.51	19.50
Advertisements and sponsorship	3.11	4.98
Computer consumables	7.15	2.74
Auditors' remuneration (Refer Note 16.2 in Schedule 15)	3.27	2.73
Donations	1.61	2.68
Books, memberships and subscriptions	2.05	1.67
Foreign exchange loss (Net)	-	39.57
Loss on sale of fixed assets	-	0.28
Exchange loss on derivative contracts (Refer Note 2C in Schedule 15)	13.19	-
Directors' sitting fees	0.17	0.10
Directors' commission	1.69	1.01
Provision for doubtful deposit	2.78	-
Miscellaneous expenses	33.93	26.29
	572.66	520.07

Notes to Accounts

Schedule 15

As per the fresh certificate of incorporation issued by the Registrar of Companies, Maharashtra, Pune, consequent to conversion of the Company from private limited to public limited as on September 28, 2007 to the Company, the name of the Company has been changed from Persistent Systems Private Limited to Persistent Systems Limited.

1. Nature of Operations

Persistent Systems Limited (the "Company") is predominantly engaged in Outsourced Software Product Development services for Independent Software Vendors ("ISVs") and Enterprises. The Company offers complete product life cycle services from end to end.

2. Statement of significant accounting policies

A. Basis of preparation

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

B. Use of estimates

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

C. Change in Accounting Policies

i. Up to the year ended March 31, 2007, exchange differences arising in respect of Fixed Assets acquired from outside India including those exchange differences relating to borrowings in foreign currency for acquisition of Fixed Assets were capitalised as part of Fixed Assets.

   From the accounting period commencing on or after April 01, 2007, exchange difference in respect of fixed assets purchased, including foreign currency liabilities relating thereto, are recognised as income or expenses in the period in which they arises. There is no significant impact of this change on the current year's Profit and Loss Account.

ii. Up to the year ended March 31, 2007, the Company had accounted for options and forward exchange contracts classified as derivatives as per Accounting Standard 11 (AS 11), The Effect of Changes in Foreign Exchange Rates.

   Pursuant to the announcement made by the Institute of Chartered Accountants of India (ICAI) regarding "Accounting for Derivatives", options and forward exchange contracts, not covered by AS 11 are classified as derivatives and are marked to market at each balance sheet date. The resultant net losses on portfolio basis are recognised in the Profit and Loss Account on the principle of prudence. The resultant net gains, if any, on such derivatives are not recognised in financial statements. Any profit or loss arising on cancellation or renewal of such forward exchange contract is recognised as income or expense for the year. Accordingly, a net loss of Rs. 13.19 Million has been recognised in the Profit and Loss Account for the year.

Notes to Accounts (Contd.)

D. Fixed assets and Intangibles

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

Borrowing costs relating to acquisition of fixed assets, which takes substantial period of time to get ready for its intended use, are also included to the extent they relate to the period till such assets are ready to be put to use.

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

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

E. Depreciation

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

Software licenses of enduring nature are 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 Company and applicable rates as per the Schedule XIV of the Companies Act, 1956 is as below

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

F. Impairment

i. 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 estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

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.

Notes to Accounts (Contd.)

H. Revenue recognition

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

i. Income from software services

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

In case of fixed price contracts, revenue is recognised based on the milestones achieved as specified in the contracts, on the percentage of 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 fixed price projects until the balance sheet date for which billing has not taken place.

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

ii. Interest

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

iii. Dividends

Revenue from dividend is recognised when the Company's right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognised even if such dividend is declared after the balance sheet date but pertains to period on or before the date of Balance Sheet as per the requirement of Schedule VI of the Companies Act, 1956.

I. Foreign currency translations

i. Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

ii. Conversion

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

iii. Exchange differences

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

Exchange differences from the accounting period commencing on or after April 01, 2007 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.

Notes to Accounts (Contd.)

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

The premium or discount arising at the inception of forward exchange contracts is amortised 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 year 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 year.

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

Pursuant to the announcement made by the Institute of Chartered Accountants of India (ICAI) regarding "Accounting for Derivatives", options and forward exchange contracts, not covered by (iv) above are classified as derivatives and are marked to market at each balance sheet date. The resultant net losses on portfolio basis are recognised in the Profit and Loss Account on the principle of prudence. The resultant net gains, if any, on such derivatives are not recognised in financial statements. Any profit or loss arising on cancellation or renewal of such forward exchange contract is recognised as income or expense for the year.

J. Retirement and other employee benefits

i. Gratuity

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

ii. Superannuation

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

iii. Provident fund

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

iv. Leave encashment

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

v. Long service awards

Long service awards to all eligible employees, as per the Company's policy are provided based on actuarial valuation made at the end of the financial year. Actuarial valuations are made as per 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.

K. Income taxes

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

Notes to Accounts (Contd.)

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

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

At each balance sheet date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company write-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 reasonablly certain or virtually certain, as the case may be that sufficient future taxable income will be available.

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

L. Segment reporting policies

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

M. Earnings per share (EPS)

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

The number of shares used in computing the diluted earning per share comprises the weighted average number of share considered for deriving basic earning per share, and also the weighted average number of shares, if any issued on the conversion of all dilutive potential Equity Shares. The number of weighted average shares outstanding during the year and potentially dilutive Equity Shares are adjusted for the issued bonus shares and sub-division of shares.

For the purpose of calculating diluted earnings per share, the net profit or loss 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.

N. Provisions

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

O. Cash and cash equivalents

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

Notes to Accounts (Contd.)

P. Employee stock compensation cost

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

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

Q. Lease

Where the Company is a lessee, assets acquired as leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Operating lease payments are recognised as an expense in the Profit and Loss account on a straight-line basis over the lease term.

3. Share Capital

A. Issue of Series A Participatory Cumulative Optionally Convertible Preference Shares

During the financial year 2005-06, the Company had issued 209,045 Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each at a total premium of Rs. 4,001.63 per share as per the terms and conditions mentioned therein.

In the Extra Ordinary General Meeting held on September 17, 2007, the Company has converted 209,045 Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each, into 2,090,450 Equity Shares of Rs. 10 each in the ratio of 10 Equity Shares of Rs. 10 each for every Preference Share held.

B. Increase in authorised share capital

During the year, based on the approvals at the Extra Ordinary General Meeting held on September 17, 2007, the Authorised Share Capital of the Company had been reclassified and is increased from 10,000,000 Equity Shares of Rs. 10 each and 250,000 Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each in the previous year to 100,000,000 Equity Shares of Rs. 10 each.

C. Issue of the bonus shares

Based on the approvals at the Extra Ordinary General Meeting held on September 17, 2007, the Company has allotted 25,615,000 Equity Shares of Rs. 10 each as fully paid up bonus shares by way of capitalisation of capital redemption reserve and securities premium account. As per this resolution, the Company allotted five Equity Shares of Rs. 10 each as fully paid up bonus shares for every two existing fully paid Equity Shares of Rs. 10 each held by the shareholders on September 17, 2007.

4. Securities for loans

The export packing credit is secured by hypothecation of present and future receivables of the Company on pari passu basis with State Bank of India, Bank of India and Citibank N.A. There is no balance payable as at March 31, 2008.

5. Contingent Liabilities not provided for

(In Rs. Million)

Particulars	March 31, 2008	March 31, 2007
Claims against the Company not acknowledged as debts	5.21	0.35
Guarantees and Counter guarantees given by the Company	1.24	0.06
	6.45	0.41

Notes to Accounts (Contd.)

6. Capital Commitments

(In Rs. Million)

Particulars	March 31, 2008	March 31, 2007
Estimated amount of contracts remaining to be executed on capital account and not provided for.	349.37	84.17

7. Gratuity and other 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 Company had early adopted, during financial year 2006-07, Accounting Standard 15 (AS-15) (Revised 2005) on Employee benefits issued by Institute of Chartered Accountants of India. Further in accordance with the transitional provision in the revised accounting standard, Rs. 10.80 Million had been adjusted to the General Reserve for leave encashment.

The following tables summarise 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)

Particulars	March 31, 2008	March 31, 2007
Current service cost	28.07	17.61
Interest cost on benefit obligation	4.05	2.58
Expected return on plan assets	(4.37)	(2.43)
Net actuarial (gain) / loss recognised in the year	7.17	3.29
Interest income	(4.40)	–
Net benefit expense	30.52	21.05
Actual return on net plan assets	–	–

Details of provision for gratuity

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

(In Rs. Million)

Particulars	March 31, 2008	March 31, 2007
Opening fair value of plan assets	29.09	31.56
Interest received during the year	7.11	-
Expected return / adjustment	4.37	2.43
Contribution by the employer	20.35	0.04
Benefits paid	(2.79)	(2.51)
Actuarial gains / (losses)	(4.37)	(2.43)
Closing fair value of plan assets	53.76	29.09

Notes to Accounts (Contd.)

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

(In Rs. Million)

Particulars	March 31, 2008	March 31, 2007
Opening defined benefit obligation	52.00	33.46
Interest cost	4.05	2.58
Current service cost	28.07	17.61
Benefits paid	(2.79)	(2.51)
Actuarial (gains) / losses on obligation	2.80	0.86
Closing defined benefit obligation	84.13	52.00

Summary statement of provision for gratuity is as follows: (In Rs. Million)

Particulars	March 31, 2008	March 31, 2007
Fair value of plan assets	53.76	29.09
Add/(Less) Defined benefit obligations	(84.13)	(52.00)
Add/(Less) Unrecognised past service cost	–	–
Plan asset / (liability)	(30.37)	(22.91)

The Company expects to contribute Rs. 30.37 Million to gratuity in financial year 2008-09.

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

(In Rs. Million)

Particulars	March 31, 2008	March 31, 2007
Investments with insurer including accrued interest	53.76	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:

Particulars	March 31, 2008	March 31, 2007
Discount rate	8%	8%
Expected rate of return on assets	9%	8%

Amounts for the current and previous years are as follows: (In Rs. Million)

Particulars	March 31, 2008	March 31, 2007
Plan assets	53.76	29.09
Defined benefit obligation	84.13	52.00
Surplus / (deficit)	(30.37)	(22.91)
Experience adjustments on plan liabilities	2.80	0.86
Experience adjustments on plan assets	(4.37)	(2.43)

Notes to Accounts (Contd.)

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.

8. Derivative Instruments and unhedged foreign currency exposure

Forward exchange and option contracts outstanding at the balance sheet date (In USD Million)

Particulars	March 31, 2008	March 31, 2007
Expected future sales	136.85	46.82
Expected future purchase	-	2.25

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

Particulars	March 31, 2008	March 31, 2007
Balance with Bank of Tokyo Mitsubishi (Japan)	Rs. 0.29 Million (JP ¥ 0.73 Million @ closing rate of 1 JP ¥ = Rs. 0.399)	Rs. 0.01 Million (JP ¥ 0.02 Million @ closing rate of 1 JP ¥ = Rs. 0.3681)
Balance with Bank of India (USA)	Rs. 0.40 Million (USD 0.01Million @ closing rate of 1 USD = Rs. 40.11)	–

9. Investment in subsidiary

During the year ended March 31, 2008 the Company has invested SGD 100,000 in Persistent Systems Pte. Ltd., a 100% subsidiary set up in Singapore.

The Company has, also, made additional investment in Persistent eBusiness Solutions Limited (PeBS) amounting to Rs. 3,000 (Rupees Three Thousand Only). Pursuant to this investment, the Company's shareholding in PeBS has increased from 99.97% to 100%. The Company has fully provided for the diminution in the value of investment due to permanent decline in the value of investment in the subsidiary.

10. Earnings per share

(In Rs. Million unless otherwise as stated)

Particulars		March 31, 2008	March 31, 2007
Basic Earnings per share (After exceptional and prior period Items)			
Numerator for Basic EPS			
Net Profit after Tax and after exceptional and prior period items		837.12	590.72
Less Preference Dividend and Dividend Tax		-	7.15
	a	837.12	583.57
Numerator for Diluted EPS			
Net Profit after tax and after exceptional and prior period items	b	837.12	590.72
Denominator for Basic EPS			
Weighted average number of Equity Shares	c	28,571,738	23,433,309

Notes to Accounts (Contd.)

Particulars		March 31, 2008	March 31, 2007
Denominator for Diluted EPS			
Weighted average no. of Equity Shares & potential Equity Shares	d	35,859,838	35,853,132
Basic Earning per share of face value of Rs. 10 each (After exceptional and prior period items)	a / c	29.30	24.90
Diluted Earning per share of face value of Rs. 10 each (After exceptional and prior period items) (See Note below)	b / d	23.34	16.48
Basic Earnings per share (Before exceptional and prior period Items)			
Numerator for Basic EPS			
Net Profit after Tax and before exceptional and prior period items		872.30	572.59
Less Preference Dividend and Dividend Tax		-	7.15
	e	872.30	565.44
Numerator for Diluted EPS			
Net Profit after tax and before exceptional items	f	872.30	572.59
Denominator for Basic EPS			
Weighted average number of Equity Shares as per (c) above	g	28,571,738	23,433,309
Denominator for Diluted EPS			
Weighted average number of equity and potential Equity Shares As per (d) above	h	35,859,838	35,853,132
Basic Earning per share of face value of Rs. 10 each (Before exceptional and prior period items)	e / g	30.53	24.13
Diluted Earning per share of face value of Rs. 10 each (Before exceptional and prior period items) (See Note below)	f / h	24.33	15.97

Notes

i. Pursuant to resolution passed at Extra Ordinary General Meeting held on September 17, 2007 Equity Shares were issued as bonus shares in the ratio of 5 (Five) Equity Shares for every 2 (Two) Equity Shares held by capitalisation of reserves.

ii. Pursuant to resolution passed at Extra Ordinary General Meeting held on September 17, 2007, 209,045, (Two Hundred Nine Thousand and Forty Five) Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each were converted into Equity Shares of Rs. 10 (Rupees Ten Only) each. For computation of diluted EPS, weighted average number of Equity Shares includes 2,09,045 (Two Hundred Nine Thousand and Forty Five) Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 (Rupees One Hundred Only) each up to the date of such conversion into Equity Shares.

iii. Previous year's weighted average number of shares has been restated to give the effect of the conversion of Series A Participatory Cumulative Optionally Convertible Equity Shares and bonus shares issued to Equity Shareholders during the current financial year.

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

Particulars	March 31, 2008	March 31, 2007
Number of shares considered as basic weighted average shares outstanding	28,571,738	23,433,309
Add Effect of dilutive issues of convertible Preference Shares	3,378,418	7,316,575
Add Effect of dilutive issues of stock options	3,909,682	5,103,248
Number of shares considered as weighted average shares and potential shares outstanding	35,859,838	35,853,132

Notes to Accounts (Contd.)

11. Deferred tax

The Company enjoys a tax holiday under section 10A of the Income Tax Act, 1961, up to March 31, 2009. The timing differences arising at March 31, 2008 and not reversing during the tax holiday period have been recognised in the books of accounts as summarised below

(In Rs. Million)

Particulars		March 31, 2008	March 31, 2007
Differences in depreciation and other differences in a block of fixed assets as per the tax books and financial books		19.01	3.32
Gross deferred tax liability	(A)	19.01	3.32
Provision for Leave liability and long term employee benefit		16.46	2.75
Gross deferred tax assets	(B)	16.46	2.75
Net deferred tax liability	(A) - (B)	2.55	0.57

12. Operating Leases

The Company has taken office premises under non-cancellable operating lease agreement for a period of 36 months. The lease rental charge (grouped in rent expenses) during the year ended March 31, 2008 is Rs. 3.54 Million (Previous year Rs. 3.11 Million) and maximum obligation on long–term non-cancellable operating lease payable as per the rentals stated in respective agreement are as follows

(In Rs. Million)

Particulars	March 31, 2008	March 31, 2007
Obligation on non-cancellable operating leases		
Not later than one year	0.67	3.25
Later than one year and not later than five years	–	0.67
Later than five years	–	–

13. Share issue expenses

A. Expenses pertain to amount incurred towards registration fees and stamp duty to increase the Authorised Share Capital and issue of bonus Equity Shares.

B. The Company deferred its Initial Public Offer (IPO) which was planned during the last quarter of financial year 2007-08, due to adverse market sentiment. The Company has, therefore, written off share issue expenses amounting to Rs. 35.18 Million as an exceptional item.

14. Related party transactions

I. Names of related parties

Subsidiaries

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

Key management personnel

i. Dr. Anand Deshpande, Chairman and Managing Director
ii. Mr. S. P. Deshpande, Director

Relatives of key management personnel

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

Notes to Accounts (Contd.)

II. Related party transactions (In Rs. Million)

Particulars	Name of the related party	Relationship with the related party	March 31, 2008	March 31, 2007
Revenue				
1. Interest received	Persistent eBusiness Solutions Limited	Subsidiary	1.66	2.07
2. Rent received	Persistent eBusiness Solutions Limited	Subsidiary	0.02	0.04
3. Reimbursement of expenses	Persistent eBusiness Solutions Limited	Subsidiary	5.55	5.64
	Persistent Systems, Inc.	Subsidiary	3.79	1.51
	Persistent Systems Pte. Ltd.	Subsidiary	0.38	-
4. Sale of software services	Persistent Systems, Inc.	Subsidiary	108.95	145.23
	Persistent eBusiness Solutions Limited	Subsidiary	18.64	-
	Persistent Systems Pte. Ltd.	Subsidiary	4.76	-
Expenditure				
1. Commission paid	Persistent Systems, Inc.	Subsidiary	29.87	11.06
2. Software professional charges	Persistent Systems, Inc.	Subsidiary	146.59	104.56
3. Reimbursement of Project travel expenses	Persistent Systems, Inc.	Subsidiary	24.47	17.44
4. Managerial remuneration	Dr. Anand Deshpande	Key management personnel	7.88	5.91
	Mr. S. P. Deshpande	Key management personnel	2.79	2.43
5. Relatives of key management personnel	Mrs. Chitra Buzruk	Relative of key management personnel	1.41	1.18
	Dr. Mukund Deshpande	Relative of key management personnel	1.39	-
6. Dividend payment	Dr. Anand Deshpande	Key management personnel	13.57	9.69
	Mr. S. P. Deshpande	Key management personnel	4.56	3.26
	Mrs. Chitra Buzruk	Relative of key management personnel	0.02	0.00
	Mrs. Sonali Anand Deshpande	Relative of key management personnel	0.07	0.05
	Mrs. Sulabha S Deshpande	Relative of key management personnel	0.34	0.24
7. Sundry debtors	Persistent System, Inc.	Subsidiary	-	16.03
	Persistent eBusiness Solutions Limited	Subsidiary	4.24	-
	Persistent Systems Pte. Ltd.	Subsidiary	-	-
8. Sundry creditors	Persistent Systems, Inc.	Subsidiary	8.40	45.93

Notes to Accounts (Contd.)

Particulars	Name of the related party	Relationship with the related party	March 31, 2008	March 31, 2007
9. Investments (Outstanding amount)	Persistent Systems, Inc.	Subsidiary	165.92	165.92
	Persistent eBusiness Solutions Limited	Subsidiary	42.28	42.28
	Persistent Systems Pte. Ltd.	Subsidiary	2.68	-
10. Additional Investment	Persistent Systems, Inc.	Subsidiary	-	43.57
	Persistent Systems Pte. Ltd.	Subsidiary	2.68	-
	Persistent eBusiness Solutions Limited	Subsidiary	0.00	-
11. Loans and Advances Inter-Corporate Deposits	Persistent eBusiness Solutions Limited	Subsidiary	25.53	25.53
12. Loans and Advances				
Advances (Outstanding amount)	Persistent eBusiness Solutions Limited	Subsidiary	0.18	1.84
	Persistent Systems, Inc.	Subsidiary	7.86	5.23
	Persistent Systems Pte. Ltd.	Subsidiary	0.34	-

15. Employees stock options (ESOP)

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

ESOP Plan	Date of adoption by the Board
Plan I	December 11, 1999
Plan II	April 23, 2004
Plan III	April 23, 2004
Plan IV	April 23, 2006
Plan V	April 23, 2006
Plan VI	October 31, 2006
Plan VII	April 30, 2007
Plan VIII	July 24, 2007

Method of settlement of all plans is through equity.

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

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

Notes to Accounts (Contd.)

The vesting pattern for scheme VI is as follows:

Time period from date of grant (Months)	Percentage of share Vesting
18	30
Every quarter thereafter	5

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

Particulars		<-------- ESOP schemes --------							>	
		I	II	III	IV	V	VI	VII	VIII	Total
Granted	a	2,280,250	376,600	1,266,650	2,382,345	945,262	608,125	778,487	21,000	8,658,719
Vested	b	1,605,152	136,290	164,622	116,655	63,696	160,013	39,497	–	2,285,925
Encashed and Exercised	c	1,553,277	56,385	79,301	–	–	–	–	–	1,688,963
Vested & Not exercised (b-c)	d	51,875	79,905	85,321	116,655	63,696	160,013	39,497	–	596,962
Lapsed	e	667,047	84,070	237,020	388,412	188,195	–	28,000	–	1,592,744
Not Vested (a - c - d - e)	f	8,051	156,240	865,008	1,877,278	693,371	448,112	710,990	21,000	4,780,050
Total Outstanding (d + f)	g	59,926	236,145	950,329	1,993,933	757,067	608,125	750,487	21,000	5,377,012
Weighted average remaining contractual life in years		Note 1	11.23	Note 1	12.57	Note 1	13.50	14.04	6.46	
Weighted average fair value of option granted		9.37	47.52	53.58	51.87	47.75	50.11	73.93	143.57	

Note 1 - No contractual life is defined in the schemes.

Compensation expense arising from employee share based payment plans, using intrinsic value method, amounted to Rs. 5.89 Million (Previous year Rs. NIL).

Has compensation cost been determined in a manner consistent with fair rate approach, there will be no significant impact on the Company's net income and earning per share.

Advance to PSPL ESOP Management Trust, as on the balance sheet date in respect of shares allotted by the Company to PSPL ESOP Management Trust, amounted to Rs. 55.10 Million. As illustrated in the example in the appendix to the Guidance Note, had the advance been presented as a reduction from equity, the Equity Share Capital would have been reduced by Rs. 6.60 Million and share premium would have been reduced by Rs. 48.50 Million.

Notes to Accounts (Contd.)

16. Supplementary Statutory Information

16.1 Remuneration paid to Executive and Non executive directors

(In Rs. Million)

Particulars	March 31, 2008	March 31, 2007
Directors' Remuneration		
Salaries to whole time Directors	5.17	4.88
Commission / Performance linked incentives to Whole time Directors	4.73	2.76
Commission to Non-Whole time Directors	1.69	1.01
Perquisites to whole time Directors	0.35	0.35
Sitting fees paid to Non-Whole time Directors	0.17	0.10
Contribution to Superannuation fund for whole time Directors	0.23	0.18
Contribution to Provident fund for whole time Directors	0.18	0.18
	12.52	9.46

Note

As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable and, therefore, not included above.

16.2 Auditors Remuneration

(In Rs. Million)

Particulars	March 31, 2008	March 31, 2007
Audit fee	3.03	2.36
Tax Audit fee	0.11	0.12
Other Matters*	6.90	0.18
Out of pocket expenses	0.06	0.07
Total	10.10	2.73

* Fees for the other matters in the current year amounting to Rs. 6.83 Million are towards fees for services rendered in connection with the Initial Public Offer.

16.3 Earning and expenditure in foreign currency (Accrual basis)

(In Rs. Million)

Particulars	For the year ended March 31, 2008	For the year ended March 31, 2007
A. Earnings in foreign currency		
Sale of software	3,648.50	2,820.65
Reimbursement of expenses	105.74	100.93
Total	3,754.24	2,921.58

Notes to Accounts (Contd.)

(In Rs. Million)

Particulars	For the year ended March 31, 2008	For the year ended March 31, 2007
B. Expenditure in Foreign Currency		
Traveling and conveyance	112.52	95.36
Training and seminars	0.12	0.95
Staff welfare and benefits	0.13	0.01
Software support charges	2.77	2.83
Software professional charges	168.02	104.56
Salary and allowances	10.52	5.76
Rent	0.04	0.22
Rates, fees and profession tax	0.45	0.46
Advertisements, sponsorship fees	1.12	2.35
Legal and professional fees	6.27	1.95
Communication charges	0.04	0.04
Commission on sale	33.59	15.46
Books, memberships, subscriptions	0.49	0.36
Repairs & Maintenance	1.34	-
Directors Fees & Reimbursement	1.18	0.00
Miscellaneous expenses	0.80	0.63
Total	339.40	230.94

16.4 Value of imports calculated on CIF basis

(In Rs. Million)

Particulars	For the year ended March 31, 2008	For the year ended March 31, 2007
Capital goods	109.16	80.77

16.5 Net dividend remitted in foreign exchange

Period to which it relates	April 1, 2007 to March 31, 2008	April 1, 2006 to March 31, 2007
Number of non- resident shareholders	5	5
Number of Equity Shares held on which dividend paid	8,966,824	471,500
Number of Preference Shares held on which dividend paid	-	209,045
Amount remitted (In Rs. Million)	10.76	7.69
Amount remitted (In USD Million)	0.27	0.17

Notes to Accounts (Contd.)

17. Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956.

(In Rs. Million)

Particulars	For the year ended March 31, 2008	For the year ended March 31, 2007
Profit after tax and before exceptional and prior period items	872.30	572.60
Add		
a. Managerial Remuneration	12.35	9.36
b. Provision for bad and doubtful debts	15.24	62.06
c. Depreciation as per books of accounts	277.97	267.46
d. Provision for taxation	111.44	18.18
Less		
a. Depreciation as per section 350 of the Companies Act, 1956*	277.97	286.96
b. Doubtful debts written back	14.87	5.98
c. Excess provision written back	-	1.28
d. Profit of a capital nature	-	-
Net Profit as per Section 349 of the Companies Act, 1956	996.46	635.44

* The Company depreciates fixed assets based on estimated useful lives that are lower than those implicit in Schedule XIV of the Companies Act, 1956. Accordingly, the rates of depreciation used by the Company are higher than the minimum prescribed by the Schedule XIV.

18. Details of Investments

Current Investments -other than trade (quoted)

Name of the Fund	Number of Units		Amount (In Rs. Million)	
	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
DSP Merrill Lynch Mutual Fund	81,722.62	49,222.19	81.76	49.23
Standard Chartered Mutual Fund	5,616,445.58	49,695.60	56.20	49.70
HDFC Mutual Fund	8,566,983.06	4,566,510.35	85.67	48.57
ICICI Prudential Mutual Fund	8,317,882.28	4,924,997.23	87.95	49.25
Franklin Templeton Mutual Fund	3,960,278.41	-	40.00	-
DWS Mutual Fund	8,530,784.09	4,976,708.04	85.53	49.77
Birla Sunlife Mutual Fund	4,127,732.13	-	41.28	-
Tata Mutual Fund	3,487,584.20	-	35.00	-
Reliance Mutual Fund	4,192,967.77	-	41.96	-
Lotus India Mutual Fund	5,493,688.98	-	55.02	-
SBI Mutual Fund	8,098,363.17	-	80.98	-
			691.35	246.52

Notes to Accounts (Contd.)

Investment purchased and sold during the year ended March 31, 2008

Particulars	Balance as at April 1, 2007		Purchased during the year		Sold during the year		Balance as at March 31, 2008	
	No. of units	Rs. Million	No. of units	Rs. Million	No. of units	Rs. Million	No. of units	Rs. Million
DSP Merrill Lynch Mutual Fund	49,222.19	49.23	288,179.25	288.11	255,678.82	255.58	81,722.62	81.76
Standard Chartered Mutual Fund	49,695.60	49.70	11,872,299.96	375.41	6,305,549.98	368.91	5,616,445.58	56.20
HDFC Mutual Fund	4,566,510.35	48.57	26,249,278.60	262.75	22,248,805.89	225.65	8,566,983.06	85.67
ICICI Prudential Mutual Fund	4,924,997.00	49.25	8,790,762.60	92.95	5,397,877.32	54.25	8,317,882.28	87.95
Franklin Templeton Mutual Fund	–	–	11,076,063.74	402.60	7,115,785.33	362.60	3,960,278.41	40.00
DWS Mutual Fund	4,976,708.00	49.77	17,687,939.87	177.34	14,133,863.78	141.58	8,530,784.09	85.53
Birla Sunlife Mutual Fund	–	–	16,450,013.96	164.60	12,322,281.83	123.32	4,127,732.13	41.28
Tata Mutual Fund	–	–	7,646,756.71	76.94	4,159,172.51	41.94	3,487,584.20	35.00
Reliance Mutual Fund	–	–	8,455,177.06	166.66	4,262,209.29	124.70	4,192,967.77	41.96
Lotus India Mutual Fund	–	–	17,585,387.94	176.07	12,091,698.96	121.05	5,493,688.98	55.02
SBI Mutual Fund	–	–	20,972,730.20	241.43	12,874,367.03	160.45	8,098,363.17	80.98
Total		246.52		2,424.86		1,980.03		691.35

Notes to Accounts (Contd.)

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

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

20. Dues to Micro, Small and Medium enterprises

There were no amounts due to Micro, Small and Medium undertaking outstanding for more than 30 days, as at March 31, 2008.

During the year, the Company had sent requests to vendors for confirming their status as Micro, Small and Medium enterprises as per their registration with the appropriate authority under the Micro, Small and Medium Enterprises Act, 2006. Based on the confirmations received from such vendors, the Management has confirmed that there are no dues outstanding as on March 31, 2008 and there were no payments made during the year beyond due date or 45 days, whichever is later; hence no provision for interest is required.

21. Previous year comparatives

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

As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, April 24, 2008

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Chennai, April 24, 2008

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

S. P. Deshpande
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, April 24, 2008

Cash Flow Statement for the year ended March 31, 2008

(In Rs. Million)

Particulars		For the year ended March 31, 2008	For the year ended March 31, 2007
Cash flow from operating activities			
Net profit before taxation, and exceptional items		894.30	590.77
Adjustments for			
Interest income		(2.42)	(3.03)
Dividend income		(25.43)	(7.22)
Depreciation		277.97	267.46
Interest expense		–	1.12
Foreign exchange (gain)/ loss (net)		(2.36)	5.70
Exchange loss on derivatives contracts		13.19	–
Exchange difference on translation of foreign currency cash and cash equivalents		0.10	0.18
Provision for doubtful debts (net of doubtful debt provision written back)		0.37	56.07
Provision for doubtful inter corporate deposits		2.78	–
Profit on sale of investments		(0.18)	(0.37)
(Profit) / Loss on sale of fixed assets		(1.03)	(3.85)
Operating profit before working capital changes		1,157.29	906.83
Movements in working capital:			
(Increase)/decrease in sundry debtors		(136.05)	(173.76)
(Increase)/decrease in other current assets		(23.59)	(22.81)
(Increase)/decrease in loans and advances		(46.28)	(4.43)
Increase/(decrease) in current liabilities and provisions		146.62	146.18
Net working capital changes		(59.30)	(54.82)
Direct taxes paid (net of refunds)		(115.10)	(12.81)
Cash flow before exceptional and prior period items		982.89	839.20
Exceptional item		(35.18)	37.63
Net cash from operating activities	(A)	947.71	876.83
Cash flows from investing activities			
Purchase of fixed assets		(487.31)	(627.80)
Proceeds from sale of fixed assets		2.86	11.90
Purchase of investments		(2,425.15)	(1,082.65)
Sale / maturity of investments		1,980.29	950.84
Interest income		2.40	3.05
Purchase of investment in subsidiaries		(2.69)	(43.57)
Dividends received		25.43	7.22
Cash and Cash equivalents received on amalgamation		–	4.92
Net cash from investing activities	(B)	(904.17)	(776.09)

(In Rs. Million)

Particulars		For the year ended March 31, 2008	For the year ended March 31, 2007
Cash flows from financing activities			
Proceeds from issuance of share capital		0.02	0.02
Increase / (Decrease) in securities premium (Net of share issue expenses)		0.31	0.24
Share issue expenses		(6.42)	–
Dividends paid		(43.03)	(31.87)
Tax on dividend paid		(7.31)	(4.32)
Interest paid		–	(1.12)
Net cash used in financing activities	(C)	(56.43)	(37.05)
Net increase in cash and cash equivalents	(A+B+C)	(12.89)	63.69
Cash and cash equivalents at the beginning of the year		69.80	6.29
Exchange difference on translation of foreign currency cash and cash equivalents		(0.10)	(0.18)
Cash and cash equivalents at the end of the year		56.81	69.80

(In Rs. Million)

Components of cash and cash equivalents as at	March 31, 2008	March 31, 2007
Cash and cheques on hand	0.12	0.09
With scheduled banks		
on current account	56.40	69.70
on saving account	0.29	0.01
	56.81	69.80

As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, April 24, 2008

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Chennai, April 24, 2008

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

S. P. Deshpande
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, April 24, 2008

Balance Sheet Abstract and Company's General Business Profile

1.	Registration details	
	Registration no.	U72300PN1990PLC056696
	State code no.	11
	Balance sheet date	March 31, 2008
2.	Capital raised during the year (In Rs. Million)	
	Public issue	NIL
	Rights issue	NIL
	Bonus issue	256.15
	Private placement	0.02
3.	Position of mobilisation and deployment of funds (In Rs. Million)	
	Total liabilities	3,384.50
	Total assets	3,384.50
	Sources of funds	
	Paid up capital	358.61
	Reserves & surplus	3,023.34
	Secured loans	
	Unsecured loans	
	Deferred tax liability	2.55
	Application of funds	
	Net fixed assets	1,971.63
	Investments	859.95
	Net current assets	552.92
	Miscellaneous expenditure	NIL
	Preliminary expenses	NIL
4.	Performance of company (In Rs. Million) (Except earning per share and dividend)	
	Turnover/receipts	4,098.87
	Total expenditure	3,204.57
	Profit/(loss) before tax	894.30
	Profit/(loss) after tax	837.12
	Earnings per share in Rs. (Diluted)	24.33
	Dividend %	12%
5.	Generic names of three principal products/services of the Company (As per monetary terms)	
	Product description - Computer Software and Services	
	Item code no. - N.A.	

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

S. P. Deshpande
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

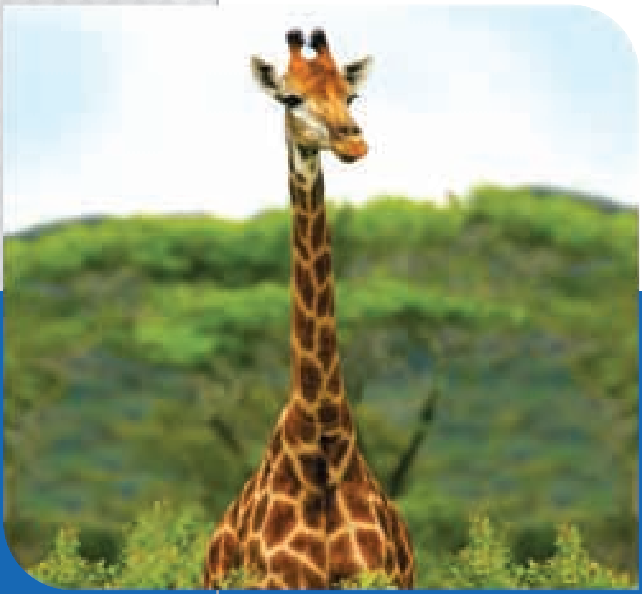
Pune, April 24, 2008

Persistent Systems Limited

(Consolidated)

PERSISTENT

A Cut Above the Rest



Revenue (in USD)

- FY 08 : $105.81 Million
- Growth (YoY) : 51.22 %
- Five Year CAGR : 58.70 %

Revenue (in Rupees)

- FY 08 : Rs. 4,248.50 Million
- Growth (YoY) : 34.60%
- Five Year CAGR : 53.06 %

Profit After Tax (in Rupees)

- FY 08 : Rs. 831.74 Million
- Growth (YoY) : 49.82%
- Five Year CAGR : 65.54 %

Figures given above are on consolidated basis.

Auditors' Report on Consolidated Financial Statements

To
The Board of Directors of Persistent Systems Limited

1. We S.R. Batliboi & Co. Chartered Accountants ("SRB") and Joshi Apte & Co. ("JACO") Chartered Accountants (collectively referred to as "Joint Auditors") have audited the attached consolidated Balance Sheet of Persistent Systems Limited and its subsidiaries (collectively referred to as "the Group"), as at March 31, 2008 and also the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto.

2. These financial statements are the responsibility of Group's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not jointly audit the financial statements of following companies, whose total revenue, total assets and cash flow to the extent they are included in the consolidated financial statements of the Group are as given below:

Name of the Company	Extent of share in consolidated revenues (In Rs. Million)	Extent of share in consolidated assets (In Rs. Million)	Cash flows (In Rs. Million)
Persistent eBusiness Solutions Limited	36.82	21.54	2.09
Persistent Systems, Inc.	507.73	168.42	6.83
Persistent Systems Pte. Ltd.	10.79	6.73	4.27

These financial statements and other financial information have been audited solely by JACO and have been accepted without verification by SRB and hence our joint audit opinion insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of JACO.

4. We report that the consolidated financial statements have been prepared by the Group's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, issued by the Institute of Chartered Accountants of India.

   Based on our audit and on consideration of reports of JACO on separate financial statements of the subsidiaries and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2008;

   (b) in the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and

   (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year then ended on that date.

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No.: 30428
Place : Pune
Date : April 24, 2008

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No.: 89802
Place : Chennai
Date : April 24, 2008

Balance Sheet as at March 31, 2008

(In Rs. Million)

	Sch.	As at March 31, 2008	As at March 31, 2007
Sources of funds			
Shareholders' funds			
Share capital	1	358.61	102.45
Reserves and surplus	2	2,927.11	2,414.27
		3,285.72	2,516.72
Deferred tax liabilities (Net) (Refer Note 11 in Schedule 15)		2.55	0.57
		3,288.27	2,517.29
Application of funds			
Fixed assets	3		
Gross block		2,928.37	2,640.18
Less Accumulated depreciation		1,285.86	1,026.20
Net block		1,642.51	1,613.98
Capital work-in-progress including capital advances		330.75	130.97
		1,973.26	1,744.95
Investments	4	691.71	246.91
Current assets, loans and advances			
Sundry debtors	5	744.89	522.94
Cash and bank balances	6	113.16	112.72
Other current assets	7	89.39	55.88
Loans and advances	8	403.11	265.17
	(A)	1,350.55	956.71
Less Current liabilities and provisions			
Current liabilities	9	562.22	352.54
Provisions	10	165.03	78.74
	(B)	727.25	431.28
Net current assets	(A - B)	623.30	525.43
		3,288.27	2,517.29
Notes to Accounts	15		

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.
As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, April 24, 2008

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Chennai, April 24, 2008

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

S. P. Deshpande
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, April 24, 2008

Profit & Loss Account for the year ended March 31, 2008

(In Rs. Million)

	Sch.	For the year ended March 31, 2008	For the year ended March 31, 2007
Income			
Sale of software services and products	11	4,248.50	3,156.28
Other Income	12	269.35	20.87
		4,517.85	3,177.15
Expenditure			
Personnel expenses	13	2,711.45	1,761.31
Operating and other expenses	14	637.24	589.57
		3,348.69	2,350.88
Operating profit before interest and depreciation		1,169.16	826.27
Interest		-	1.12
Depreciation (Refer Note 5 in Schedule 3)	3	279.99	269.92
Profit before tax and exceptional items		889.17	555.23
Current tax		98.70	15.71
Less MAT credit entitlement		(89.44)	-
Net current tax		9.26	15.71
Deferred tax charge / (credit)		1.99	(5.58)
Fringe benefit tax		11.00	8.06
Total tax expense		22.25	18.19
Profit after tax and before exceptional and prior period items		866.92	537.04
Exceptional items (Refer Note 19(A) in Schedule 15)		(35.18)	37.63
Prior period item			
Prior period depreciation		-	(19.50)
Net Profit		831.74	555.17
Balance brought forward from previous year		924.41	640.58
Profit available for appropriation		1,756.15	1,195.75
Appropriations			
Transfer to general reserve		334.90	236.30
Interim dividend			
On Equity Shares		43.03	24.46
On Preference Shares		-	6.27
Tax on interim dividend			
On Equity Shares		7.31	3.43
On Preference Shares		-	0.88
Surplus carried to Balance Sheet		1,370.91	924.41
Earnings per share (Refer Note 8 in Schedule 15)			
Basic [Nominal value of shares Rs. 10 (Previous year Rs. 10)]			
Computed on the basis of earnings including exceptional and prior period items		29.11	23.39
Computed on the basis of earnings excluding exceptional and prior period items		30.34	22.61
Diluted [Nominal value of shares Rs. 10 (Previous year Rs. 10)]			
Computed on the basis of earnings including exceptional and prior period items		23.19	15.48
Computed on the basis of earnings excluding exceptional and prior period items		24.17	14.98
Notes to Accounts	15		

The schedules referred to above and notes to accounts form an integral part of the Profit and Loss Account
As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, April 24, 2008

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Chennai, April 24, 2008

For and on behalf of the Board of Directors

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Director

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Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, April 24, 2008

Schedules forming part of Balance Sheet

(In Rs. Million)

		As at March 31, 2008	As at March 31, 2007
Schedule 1			
Share capital			
Authorised			
100,000,000 (previous year 10,000,000) Equity Shares of Rs. 10 each.		1,000.00	100.00
NIL (previous year 250,000) Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each.		-	25.00
		1,000.00	125.00
Issued, subscribed and paid-up			
35,861,000 (Previous year 8,154,050) Equity Shares of Rs. 10 each fully paid-up. (Out of above 25,615,000 (Previous year NIL) Equity Shares were allotted as fully paid-up bonus shares by capitalisation of capital redemption reserves and securities premium account)		358.61	81.54
NIL (Previous year 209,045) Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs.100 each fully paid-up (Refer Note 4 in Schedule 15)		-	20.91
		358.61	102.45
Schedule 2			
Reserves and surplus			
Capital redemption reserve			
Opening balance		9.79	9.79
Add/(Less) Utilised for the issue of bonus shares		(9.79)	-
Closing balance	(A)	-	9.79
Securities premium account			
Opening balance		829.96	829.72
Add/(Less) Additions during the year		0.31	0.24
Add/(Less) Share issue expenses (Refer Note 19(b) in Schedule 15)		(6.42)	-
Add/(Less) Utilised for the issue of bonus shares		(246.36)	-
Closing balance	(B)	577.49	829.96
General reserve			
Opening balance		649.73	469.22
Add/(Less) Transferred from Profit and Loss Account		334.90	236.30
Add/(Less) Goodwill on amalgamation		-	(44.99)
Add/(Less) Adjustment for employee benefits provision		-	(10.80)
Closing balance	(C)	984.63	649.73
Foreign currency translation reserve			
Opening balance		0.38	0.71
Add/(Less) Exchange difference during the year on net investment in Non-integral operation		(6.30)	(0.33)
Closing balance	(D)	(5.92)	0.38
Profit and Loss Account	(E)	1,370.91	924.41
	(A)+(B)+(C)+(D)+(E)	2,927.11	2,414.27

Schedules forming part of Balance Sheet (Contd.)

Schedule 3

Fixed Assets

(In Rs. Million)

Name of the asset	Gross block: As at April 1, 2007	Gross block: Additions during the year	Gross block: Deductions / Transfer during the year	Gross block: Currency Translations adjustment	Gross block: As at March 31, 2008	Depreciation: As at April 1, 2007	Depreciation: For the year	Depreciation: Deductions / Transfers during the year	Depreciation: Currency Translation adjustment	Depreciation: As at March 31, 2008	Net block: As at March 31, 2008	Net block: As at March 31, 2007
Land-freehold	202.98	-	-	-	202.98	-	-	-	-	-	202.98	202.98
Land - leasehold	31.60	7.38	-	-	38.98	-	-	-	-	-	38.98	31.60
Building	975.34	64.70	-	-	1,040.04	91.40	39.93	-	-	131.33	908.71	883.94
Computers	483.83	86.40	19.53	(0.23)	550.47	361.43	84.22	19.45	(0.14)	426.06	124.41	122.40
Software	363.40	54.71	-	(0.34)	417.77	276.69	63.19	-	(0.26)	339.62	78.15	86.71
Plant and machinery	373.98	73.16	1.22	(0.02)	445.90	185.94	60.78	0.98	-	245.74	200.16	188.04
Furniture and fixtures	205.15	25.27	1.52	(0.03)	228.87	107.59	32.41	-	(0.01)	139.99	88.88	97.56
Vehicle	3.90	-	0.54	-	3.36	3.15	0.51	0.54	-	3.12	0.24	0.75
As at March 31, 2008	2,640.18	311.62	22.81	(0.62)	2,928.37	1,026.20	281.04	20.97	(0.41)	1,285.86	1,642.51	1,613.98
As at March 31, 2007	1,955.38	764.84	79.87	(0.17)	2,640.18	763.83	289.42	26.84	(0.21)	1,026.20	1,613.98	
Capital work-in-progress including capital advances												
As at March 31, 2008	130.97	336.20	136.42	-	330.75	-	-	-	-	-	330.75	130.97
As at March 31, 2007	266.59	252.92	388.54	-	130.97	-	-	-	-	-	130.97	

Notes -

1. Exchange gain / (loss) adjusted in carrying cost of fixed asset Rs. NIL (Previous year Rs. 0.083 Million).
2. The 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.
3. Company has entered into a lease agreement with Maharashtra Industrial Development Corporation on November 25, 2005 for unit at MIDC Hinjewadi, 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.
4. Amortisation on software for the period includes prior period depreciation of Rs. NIL (Previous year Rs. 19.50 Million).
5. Depreciation amounting to Rs. 1.05 Million (Previous year Rs. NIL) relating to fixed assets used for construction of fixed assets under construction has been included under capital work in progress.
6. Capital work in progress includes capital advances of Rs. 73.84 Million (Previous year Rs. 46.28 Million)

Schedules forming part of Balance Sheet (Contd.)

(In Rs. Million)

		As at March 31, 2008	As at March 31, 2007
Schedule 4			
Investments			
Long term investments (At cost)			
Other than trade (Unquoted)			
Kriyari, Inc.		0.36	0.39
	(A)	0.36	0.39
Current investments (At lower of cost and market value)			
Other than trade (Unquoted)			
Investment in mutual funds (Unquoted)* Aggregate amount of quoted investments market value Rs. 692.38 Million (Previous year Rs. 246.72 Million)		691.35	246.52
	(B)	691.35	246.52
	(A)+(B)	691.71	246.91
* (Refer Note 17 in Schedule 15 for details of investments)			
Schedule 5			
Sundry debtors (Unsecured unless otherwise stated)			
Debts outstanding for a period exceeding six months			
Considered good		-	-
Considered doubtful		38.25	58.60
Other debts			
Considered good		744.89	522.94
Considered doubtful		3.43	15.03
		786.57	596.57
Add/(Less) Provision for doubtful debts		(41.68)	(73.63)
		744.89	522.94
Schedule 6			
Cash and bank balances			
Cash in hand	(A)	0.12	0.09
Balances with Scheduled banks			
On current accounts		60.88	72.07
On deposit accounts		4.11	3.89
	(B)	64.99	75.96
Balances with other banks			
On savings account		0.29	0.01
On current accounts		47.76	36.66
	(C)	48.05	36.67
	(A)+(B)+(C)	113.16	112.72

Schedules forming part of Balance Sheet (Contd.)

(In Rs. Million)

	As at March 31, 2008	As at March 31, 2007
Balances with other Banks include		
1. Bank of Tokyo - Mitsubishi- NS, Japan [Maximum amount outstanding during the year Rs. 1.93 Million (Previous year Rs. 0.61 Million)]	0.29	0.01
2. Bank of America [Maximum amount outstanding during the year Rs. 2.78 Million (Previous year Rs. 45.13 Million)]	0.26	3.02
3. Silicon Valley Bank [Maximum amount outstanding during the year Rs. 57.80 Million (Previous year Rs. 60.51 Million)]	43.23	33.64
4. Citibank NA - Singapore [Maximum amount outstanding during the year Rs. 9.44 Million (Previous year Rs. NIL)]	4.27	-
Schedule 7		
Other current assets		
Accrued Income	0.13	0.10
Unbilled revenue	89.26	42.72
Unamortised premium on forward contract	-	13.06
	89.39	55.88
Schedule 8		
Loans and advances		
Unsecured, considered good		
Advance to PSPL ESOP Management Trust	158.33	182.83
Advance Income Tax (Net of provision Rs. 127.85 Million) (Previous year Rs. NIL)	4.83	-
Advances recoverable in cash or kind or for value to be received	105.45	53.29
VAT receivable [Net of provision Rs. 6.62 Million (Previous year Rs. 4.52 Million)]	22.40	7.90
MAT credit entitlement	89.44	-
Deposits		
Considered good	22.66	21.15
Considered doubtful	2.78	-
Add/(Less) Provision for doubtful deposit	(2.78)	-
	403.11	265.17

Schedules forming part of Balance Sheet (Contd.)

(In Rs. Million)

	As at March 31, 2008	As at March 31, 2007
Schedule 9		
Current liabilities		
Sundry creditors	244.21	207.40
Advance from customers	3.89	5.84
Unearned revenue	16.18	18.01
Accrued employee liabilities	201.31	41.23
Other liabilities	96.63	80.06
	562.22	352.54
Schedule 10		
Provisions		
Provision for Income tax [Net of advance tax Rs. NIL (Previous year Rs. 28.28 Million)]	-	1.23
Provision for fringe benefit tax [Net of advance tax Rs. 21.52 Million (Previous year Rs. 10.94 Million)]	2.54	2.12
Provision for Gratuity [Refer Note 6 in Schedule 15]	30.43	22.94
Provision for Leave encashment	76.79	52.45
Provision for Employee compensation	5.89	-
Provision for other long term benefits	36.19	-
Provision for derivative contracts (Refer Note 3C(ii) in Schedule 15)	13.19	-
	165.03	78.74

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Schedules forming part of Profit & Loss Account

(In Rs. Million)

	For the year ended March 31, 2008	For the year ended March 31, 2007
Sale of software services and products		
Overseas	4,041.56	3,019.35
Domestic	92.68	29.50
Reimbursement of expenses	114.26	107.43
	4,248.50	3,156.28
Schedule 12		
Other income		
Interest on bank deposits [TDS Rs. 0.04 Million (Previous year Rs. 0.03 Million)]	0.21	0.26
Interest on inter-corporate deposit and others [TDS Rs. 0.38 Million (Previous year Rs. 0.58 Million)]	0.62	0.71
Profit on sale of fixed assets	1.05	4.12
Dividend from non-trade investments	25.43	7.22
Foreign exchange gains (Net)	221.54	-
Profit on sale of investments (Net)	0.18	0.37
Excess provision no longer required written back	-	1.28
Doubtful debts written back	14.87	5.98
Miscellaneous income	5.45	0.93
	269.35	20.87
Schedule 13		
Personnel expenses		
Salary and allowances	2,398.67	1,604.54
Software professional charges	83.03	32.86
Contribution to provident fund	62.98	38.11
Gratuity (Refer Note 6 in Schedule 15)	27.70	21.36
Contribution to other funds	58.35	18.88
Staff welfare and benefits	74.83	45.56
Employee compensation expenses	5.89	-
	2,711.45	1,761.31

Schedules forming part of Profit & Loss Account (Contd.)

(In Rs. Million)

	For the year ended March 31, 2008	For the year ended March 31, 2007
Schedule 14		
Operating and other expenses		
Traveling and conveyance	230.92	182.01
Electricity and fuel	62.74	53.58
Internet link charges	23.87	20.31
Communication expenses	25.07	20.76
Recruitment expenses	39.73	30.74
Training and seminars	24.83	18.91
Software support expenses	26.99	17.67
Provision for doubtful debts	23.39	66.16
Rent	17.93	15.74
Insurance	11.89	15.24
Rates, fees and professional tax	18.28	9.31
Legal and professional fees	19.65	23.17
Repairs and maintenance		
Equipment	14.01	9.22
Building	6.73	4.41
Others	7.53	5.56
Commission on sales to other than sole selling agents	5.64	8.44
Advertisements and sponsorship	10.24	9.94
Computer consumables	7.28	2.92
Auditors' remuneration (Refer Note 18 in Schedule 15)	3.69	2.93
Donations	1.61	2.68
Books, memberships and subscriptions	2.29	1.74
Foreign exchange loss (Net)	-	38.36
Loss on sale of fixed assets	-	0.28
Exchange loss on derivative contracts (Refer Note 3C in Schedule 15)	13.19	-
Director's sitting fees	0.25	0.10
Director's commission	1.69	1.01
Provision for doubtful deposit	2.78	-
Miscellaneous expenses	35.02	28.38
	637.24	589.57

Notes to Accounts

Schedule 15

1. Nature of Operations

Persistent Systems Limited (formerly 'Persistent Systems Private Limited' referred to as the Company) is predominantly engaged in Outsourced Software Product Development services for Independent Software Vendors (ISVs) and Enterprises. The Company offers complete product life cycle services from end to end.

Persistent Systems, Inc. (PSI), a foreign subsidiary of the Company 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.), a foreign subsidiary of the Company is engaged in software development, professional and marketing services

2. Principles of Consolidation

The consolidated financial statements of the Company, PSI, PeBS and PS Pte. (the 'Group') are prepared under historical cost convention in accordance with generally accepted accounting principles applicable in India, and the Notified Accounting Standard 21 (AS-21) on consolidation of financial statements to the extent possible in the same format as that adopted by parent Company (the Company) for its separate financial statements.

The financial statements of the Company and its subsidiary companies have been combined on a 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 parent Company of its investment in a subsidiary and the parent 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

Name of the subsidiary	Ownership Percentage		Country of Incorporation
	March 31, 2008	March 31, 2007	
Persistent eBusiness Solutions Limited	100	99.97	India
Persistent Systems, Inc.	100	100	USA
Persistent Systems Pte. Ltd.	100	NA	Singapore

3. Statement of significant accounting policies

A. Basis of preparation

The financial statements have been prepared to comply in all material respects with the Notified accounting standard by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully in 3(C) below, are consistent with those used in the previous year.

B. Use of estimates

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

Notes to Accounts (Contd.)

C. Change in Accounting Policies

i. Upto the year ended March 31, 2007, exchange differences arising in respect of fixed assets acquired from outside India including those exchange differences relating to borrowings in foreign currency for acquisition of fixed assets were capitalised as part of fixed assets.

From accounting period commencing on or after April 01, 2007, exchange difference in respect of fixed assets purchased, including foreign currency liabilities relating thereto, are recognised as income or expenses in the period in which they arises. There is no significant impact of this change on the current year's Profit and Loss Account.

ii. Upto the year ended March 31, 2007, the Company had accounted for options and forward exchange contracts classified as derivatives as per Accounting Standard 11 (AS 11), the Effect of Changes in Foreign Exchange Rates.

Pursuant to the announcement made by the Institute of Chartered Accountants of India (ICAI) regarding "Accounting for Derivatives", options and forward exchange contracts, not covered by AS 11 are classified as derivatives and are marked to market at each balance sheet date. The resultant net losses on portfolio basis are recognised in the Profit and Loss Account on the principle of prudence. The net resultant gains, if any, on such derivatives are not recognised in financial statements. Any profit or Loss arising on cancellation or renewal of such forward exchange contract is recognised as income or expense for the year. Accordingly, a net loss of Rs 13.19 Million has been recognised in the Profit and Loss Account for the year.

D. Fixed assets and Intangibles

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

Borrowing costs relating to acquisition of fixed assets which take substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

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

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

E. Depreciation

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

Software 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 Company and applicable rates as per the Schedule XIV of the Companies Act is as below:

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

Notes to Accounts (Contd.)

F. Impairment

i. 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 estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

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 that 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 percentage of 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 is 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 fixed price projects until the balance sheet date for which billing has not taken place.

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

ii. Interest

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

iii. Dividends

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

Notes to Accounts (Contd.)

I. Foreign currency translation

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 the Group's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or expenses in the period in which they arise except those arising from investments in non-integral operations.

Exchange differences from accounting period commencing on or after April 01, 2007 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 AS 11.

The premium or discount arising at the inception of forward exchange contracts is amortised 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 year 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 year.

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

Pursuant to the announcement made by the Institute of Chartered Accountants of India (ICAI) regarding "Accounting for Derivatives", options and forward exchange contracts, not covered by (iv) above are classified as derivatives and are marked to market at each balance sheet date. The resultant net losses on portfolio basis are recognised in the Profit and Loss Account on the principle of prudence. Net gains, if any, on such derivatives are not recognised in financial statements. Any profit or loss arising on cancellation or renewal of such forward exchange contract is recognised as income or expense for the year.

vi. Translation of Non-integral foreign operation

In translating the financial statements of a non-integral foreign operation for incorporation in financial statements, 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; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment.

J. Retirement and other employee benefits

i. Gratuity

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

Notes to Accounts (Contd.)

ii. Superannuation

The Group has provided for a superannuation scheme as a defined contribution plan covering eligible employees. The Group makes yearly 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 as a 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 salary

The Group has made a provision for short term leave absences 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 to all eligible employees, as per the Company's policy are provided based on actuarial valuation made at the end of the financial year. Actuarial valuations are made as per 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.

K. Income taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

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

Notes to Accounts (Contd.)

Minimum Alternative 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 year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The 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.

L. 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.

Accordingly, product development services represented along with broad industry classes comprise primary basis of segmental information. Secondary segmental reporting is done on the basis of geographical location of customers who are invoiced or in relation to whom revenue is otherwise recognised.

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

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

There were no inter-segmental transactions during the year.

Segregation of assets, liabilities, depreciation and other non-cash expenses into various primary segments has not been done 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 adhoc allocation will not be meaningful.

M. Earnings per share (EPS)

The earnings considered in ascertaining EPS comprise the net profit after tax. The number of shares used in computing the basic earning per share is the weighted average number of shares outstanding during the year as 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.

The number of shares used in computing the diluted earning per share comprises the weighted average number of share considered for deriving basic earning per share, and also the weighted average number of shares, if any issued on the conversion of all dilutive potential Equity Shares. The number of shares and potentially dilutive Equity Shares are adjusted for the issued bonus shares and sub-division of shares.

N. Provisions

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

O. Cash and cash equivalents

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

Notes to Accounts (Contd.)

P. Employee stock compensation cost

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

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

Q. Lease

Where the Group is 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. Share Capital

A. Issue of Series A Participatory Cumulative Optionally Convertible Preference Shares

During the financial year 2005-06, the Company had issued 209,045 Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each at a total premium of Rs. 4,001.63 per share as per the terms and conditions mentioned therein.

In the Extra Ordinary General Meeting held on September 17, 2007, the Company has converted 209,045 Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each, into 2,090,450 Equity Shares of Rs. 10 each in the ratio of 10 Equity Shares of Rs. 10 each for every Preference Share held.

B. Increase in authorised share capital

During the year, based on the approvals at the Extra Ordinary General Meeting held on September 17, 2007, the Authorised Share Capital of the Company had been reclassified and is increased from 10,000,000 Equity Shares of Rs. 10 each and 250,000 Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each in the previous year to 100,000,000 Equity Shares of Rs. 10 each.

C. Issue of the bonus shares

Based on the approvals at the Extra Ordinary General Meeting held on September 17, 2007, the Company has allotted 25,615,000 Equity Shares as fully paid up bonus shares by way of capitalisation of capital redemption reserve and securities premium account. As per this resolution, the Company allotted 5 Equity Shares of Rs. 10 each as fully paid up bonus shares for every 2 existing fully paid Equity Shares of Rs. 10 each held by the shareholders on September 17, 2007.

5. Securities for loans

The export packing credit is secured by hypothecation of present and future receivables of the Company on pari passu basis with State Bank of India, Bank of India and Citibank N.A. There is no balance payable as at March 31, 2008.

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 Company had early adopted, during financial year 2006-07, Accounting Standard 15 (AS-15) (Revised 2005) on Employee Benefits issued by the Institute of Chartered Accountants of India. Further in accordance with the transitional provision in the revised accounting standard, Rs. 10.80 Million had been adjusted to the general reserve for leave encashment.

Notes to Accounts (Contd.)

The following tables summarise 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)

Particulars	March 31, 2008	March 31, 2007
Current service cost	28.07	17.61
Interest cost on benefit obligation	4.05	2.58
Expected return on plan assets	(4.37)	(2.43)
Net actuarial (gain) / loss recognised in the year	7.17	3.29
Interest income	(4.40)	–
Net benefit expense	30.52	21.05
Actual return on net plan assets	–	–

Details of provision for gratuity.

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

Particulars	March 31, 2008	March 31, 2007
Opening fair value of plan assets	29.09	31.56
Interest received during the year	7.11	–
Expected return / adjustment	4.37	2.43
Contribution by employer	20.35	0.04
Benefits paid	(2.79)	(2.51)
Actuarial gains / (losses)	(4.37)	(2.43)
Closing fair value of plan assets	53.76	29.09

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

(In Rs. Million)

Particulars	March 31, 2008	March 31, 2007
Opening defined benefit obligation	52.00	33.46
Interest cost	4.05	2.58
Current service cost	28.07	17.61
Benefits paid	(2.79)	(2.51)
Actuarial (gains) / losses on obligation	2.80	0.86
Closing defined benefit obligation	84.13	52.00

Summary statement of provision for gratuity is as follows: (In Rs. Million)

Particulars	March 31, 2008	March 31, 2007
Fair value of plan assets	53.76	29.09
Add/(Less) Defined benefit obligations	(84.13)	(52.00)
Add/(Less) Unrecognised past service cost	–	–
Plan asset / (liability)	(30.37)	(22.91)

The Company expects to contribute Rs. 30.37 Million to gratuity in 2008-09.

Notes to Accounts (Contd.)

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

(In Rs. Million)

Particulars	March 31, 2008	March 31, 2007
Investments with insurer including accrued interest	53.76	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:

Particulars	March 31, 2008	March 31, 2007
Discount rate	8%	8%
Expected rate of return on assets	9%	8%

Amounts for the current and previous years are as follows: (In Rs. Million)

Particulars	March 31, 2008	March 31, 2007
Plan assets	53.76	29.09
Add / (Less) Defined benefit obligation	(84.13)	(52.00)
Surplus / (deficit)	(30.37)	(22.91)
Experience adjustments on plan liabilities	2.80	0.86
Experience adjustments on plan assets	(4.37)	(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.

7. Derivative instruments and unhedged foreign currency exposure

Forward exchange and option contracts outstanding at the balance sheet date (In USD Million)

Purpose	March 31, 2008	March 31, 2007
Expected future sales	136.85	46.82
Expected future purchase	–	2.25

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

Particulars	March 31, 2008	March 31, 2007
Balance with Bank of Tokyo Mitsubishi (Japan)	Rs. 0.29 Million (JP ¥ 0.73 Million @ closing rate of 1 JP ¥ = Rs. 0.399)	Rs. 0.01 Million (JP ¥ 0.02 Million @ closing rate of 1 JP ¥ = Rs. 0.3681)
Balance with Bank of India (USA)	Rs. 0.40 Million (USD 0.01 Million @ closing rate of 1 USD = Rs. 40.11)	–

Notes to Accounts (Contd.)

8. Earnings per share

(In Rs. Million unless otherwise as stated)

Particulars		March 31, 2008	March 31, 2007
Basic Earnings per share (After exceptional and prior period items)			
Numerator for Basic EPS			
Net Profit after Tax and after exceptional and prior period items		831.74	555.17
Less Preference Dividend and Dividend Tax		-	7.15
	a	831.74	548.02
Numerator for Diluted EPS			
Net Profit after tax and after exceptional and prior period items	b	831.74	555.17
Denominator for Basic EPS			
Weighted average number of Equity Shares	c	28,571,738	23,433,309
Denominator for Diluted EPS			
Weighted average number of Equity Shares and potential Equity Shares	d	35,859,838	35,853,132
Basic Earning per share of face value of Rs. 10 each (After exceptional and prior period items)	a / c	29.11	23.39
Diluted Earning per share of face value of Rs. 10 each (After exceptional and prior period items) (see Notes on next page)	b / d	23.19	15.48
Basic Earnings per share (Before exceptional and prior period Items)			
Numerator for Basic EPS			
Net Profit after Tax and before exceptional and prior period items		866.92	537.04
Less Preference Dividend and Dividend Tax		-	7.15
	e	866.92	529.89
Numerator for Diluted EPS			
Net Profit after tax and before exceptional items	f	866.92	537.04
Denominator for Basic EPS			
Weighted average number of Equity Shares as per (c) above	g	28,571,738	23,433,309
Denominator for Diluted EPS			
Weighted average number of equity and potential Equity Shares As per (d) above	h	35,859,838	35,853,132
Basic Earning per share of face value of Rs. 10 each (Before exceptional and prior period items)	e / g	30.34	22.61
Diluted Earning per share of face value of Rs. 10 each (Before exceptional and prior period items) (see Notes on the Next Page)	f / h	24.17	14.98

Notes to Accounts (Contd.)

Notes

i. Pursuant to resolution passed at Extra Ordinary General Meeting held on September 17, 2007, Equity Shares were issued as bonus shares in the ratio of 5 (Five) Equity Shares for every 2 (Two) Equity Shares held by capitalisation of reserves.

ii. Pursuant to resolution passed at Extra Ordinary General Meeting held on September 17, 2007, 209,045 (Two Hundred Nine Thousand Forty Five), Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 (Rupees One Hundred Only) each were converted into Equity Shares of Rs. 10 (Rupees Ten Only) each. For computation of diluted EPS, weighted average number of Equity Shares includes 209,045 (Two Hundred Nine Thousand Forty Five) Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 (Rupees One Hundred Only) each up to the date of such conversion into Equity Shares.

iii. Previous year's weighted average number of shares has been restated to give the effect of the conversion of Series A Participatory Cumulative Optionally Convertible Equity Shares and bonus shares issued to Equity Shareholders during the current financial year.

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

Particulars	March 31, 2008	March 31, 2007
Number of shares considered as basic weighted average shares outstanding	28,571,738	23,433,309
Add Effect of dilutive issues of Convertible Preference Shares	3,378,418	7,316,575
Add Effect of dilutive issues of stock options	3,909,682	5,103,248
Number of shares considered as weighted average shares and potential shares outstanding	35,859,838	35,853,132

9. Investment in subsidiary

During the year ended March 31, 2008 the Company has invested SGD 100,000 in Persistent Systems Pte. Ltd., a 100% subsidiary set up in Singapore.

The Company has, also, made additional investment in Persistent eBusiness Solutions Limited (PeBS) amounting to Rs. 3,000 (Rupees Three Thousand Only). Pursuant to this investment, the Company's shareholding in PeBS has increased from 99.97% to 100%. The Company has fully provided for the diminution in the value of investment due to permanent decline in the value of investment in the subsidiary.

10. Capital commitments

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Estimated amount of contracts remaining to be executed on capital account and not provided for.	349.37	84.17

11. Deferred tax

The Company enjoys a tax holiday under section 10A of the Income Tax Act, 1961, up to March 31, 2009. The timing differences arising at March 31, 2008 and not reversing during the tax holiday period have been recognised in the books of accounts as summarised below

(In Rs. Million)

Particulars		March 31, 2008	March 31, 2007
Differences in depreciation and other differences in a block of fixed assets as per the tax books and financial books		19.01	3.32
Gross deferred tax liability	(A)	19.01	3.32
Provision for Leave liability and long term employee benefit		16.46	2.75
Gross deferred tax assets	(B)	16.46	2.75
Net deferred tax liability	(A) - (B)	2.55	0.57

Notes to Accounts (Contd.)

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

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

12. Contingent liabilities not provided for

(In Rs. Million)

Particulars	March 31, 2008	March 31, 2007
Claims against the Company not acknowledged as debts	5.21	0.35
Guarantees and Counter guarantees given by the Company	1.36	0.06
	6.57	0.41

13. Operating leases

The Group has taken office premises under non-cancellable operating lease agreement for a period of 36 months. The lease rental charge (grouped in rent expenses) during the year ended March 31, 2008 is Rs. 7.46 Million (previous year Rs. 3.11 Million) and maximum obligation on long–term non-cancellable operating lease payable as per the rentals stated in respective agreement are as follows

(Rs. In Million)

Particulars	March 31, 2008	March 31, 2007
Obligation on non-cancellable operating leases		
Not later than one year	1.23	3.25
Later than one year and not later than five years	-	0.67
Later than five years	-	-

14. Segment Information

(In Rs. Million)

Particulars	Year ended on March 31,	ISV	Telecom	Enterprise & Solutions	Practices, VLSI & Others	Total
Revenue	2008	2,175.28	1,086.52	782.68	204.02	4,248.50
	2007	1,879.07	865.51	387.37	24.33	3,156.28
Identifiable expense	2008	(1,071.69)	(565.78)	(344.82)	(140.07)	(2,122.36)
	2007	(865.76)	(450.66)	(199.65)	(23.79)	(1,539.86)
Segmental operating income	2008	1,103.59	520.74	437.86	63.95	2,126.14
	2007	1,013.31	414.85	187.72	0.54	1,616.42
Unallocable expenses	2008	N. A.	N. A.	N. A.	N. A.	(1,506.32)
	2007	N. A.	N. A.	N. A.	N. A.	(1,080.96)
Operating income	2008	N. A.	N. A.	N. A.	N. A.	619.82
	2007	N. A.	N. A.	N. A.	N. A.	535.46
Other income (Net of expenses)	2008	N. A.	N. A.	N. A.	N. A.	269.35
	2007	N. A.	N. A.	N. A.	N. A.	19.75

Notes to Accounts (Contd.)

Particulars	Year ended on March 31,	ISV	Telecom	Enterprise	Practices, & Solutions & Others	Total VLSI
Profit before taxes	2008 2007	N. A. N. A.	N. A. N. A.	N. A. N. A.	N. A. N. A.	889.17 555.21
Income tax	2008 2007	N. A. N. A.	N. A. N. A.	N. A. N. A.	N. A. N. A.	(22.25) (18.19)
Profit after tax	2008 2007	N. A. N. A.	N. A. N. A.	N. A. N. A.	N. A. N. A.	866.92 537.04
Exceptional and prior period items	2008 2007	N. A. N. A.	N. A. N. A.	N. A. N. A.	N. A. N. A.	(35.18) 18.13
Profit after extraordinary items	2008 2007	N. A. N. A.	N. A. N. A.	N. A. N. A.	N. A. N. A.	831.74 555.17

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

(In Rs. Million)

Particulars	Year ended on March 31,	North America	Europe	Asia Pacific	Total
Revenue	2008 2007	3,724.83 2,899.69	369.53 219.12	154.14 37.47	4,248.50 3156.28

15. Related party transactions

A. Names of related parties

Key management personnel

i. Dr. Anand Deshpande, Chairman and Managing Director
ii. Mr. S. P. Deshpande, Director
iii. Mr. Raj Sirohi, President, Persistent Systems, Inc., USA
iv. Dr. Ravi Krishnamurthy, Ex-President, Persistent Systems, Inc., USA

Relatives of key management personnel

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

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Notes to Accounts (Contd.)

B. Related party transactions

(In Rs. Million)

Particulars	Name of the Related Party	Relationship with the related party	March 31, 2008	March 31, 2007
Managerial remuneration	Dr. Anand Deshpande	Key management personnel	7.88	5.91
	Mr. S. P. Deshpande	Key management personnel	2.79	2.43
	Mr. Raj Sirohi*	Key management personnel	14.47	9.60
	Dr. Ravi Krishnamurthy**	Key management personnel	-	5.66
Relatives of key management personnel	Mrs. Chitra Buzruk	Relative of key management personnel	1.41	1.18
	Dr. Mukund Deshpande	Relative of key management personnel	1.39	-
Dividend payment	Dr. Anand Deshpande	Key management personnel	13.57	9.69
	Mr. S. P. Deshpande	Key management personnel	4.56	3.26
	Mrs. Chitra Buzruk	Relative of key management personnel	0.02	0.00
	Mrs. Sonali Anand Deshpande	Relative of key management personnel	0.07	0.05
	Mrs. Sulabha S Deshpande	Relative of key management personnel	0.34	0.24

* Raj Sirohi has joined as the president of Persistent Systems, Inc. w. e. f. August 21, 2006
**Dr Ravi Krishnamurthy resigned as the president of the Persistent Systems, Inc. w. e. f. September 30, 2006

16. Employees stock options (ESOP)

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

ESOP Plan	Date of adoption by the Board
Plan I	December 11, 1999
Plan II	April 23, 2004
Plan III	April 23, 2004
Plan IV	April 23, 2006
Plan V	April 23, 2006
Plan VI	October 31, 2006
Plan VII	April 30, 2007
Plan VIII	July 24, 2007

Method of settlement of all plans is through equity.

Notes to Accounts (Contd.)

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

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

The vesting pattern for scheme VI is as follows:

Time Period from Date of Grant (Months)	Percentage of Share Vesting (%)
18	30
Every quarter thereafter	5

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

Particulars		<--- ESOP schemes							--->	
		I	II	III	IV	V	VI	VII	VIII	Total
Granted	a	2,280,250	376,600	1,266,650	2,382,345	945,262	608,125	778,487	21,000	8,658,719
Vested	b	1,605,152	136,290	164,622	116,655	63,696	160,013	39,497	-	2,285,925
Encashed and Exercised	c	1,553,277	56,385	79,301	-	-	-	-	-	1,688,963
Vested & Not exercised (b-c)	d	51,875	79,905	85,321	116,655	63,696	160,013	39,497	-	596,962
Lapsed	e	667,047	84,070	237,020	388,412	188,195	-	28,000	-	1,592,744
Not Vested (a - c - d - e)	f	8,051	156,240	865,008	1,877,278	693,371	448,112	710,990	21,000	4,780,050
Total Outstanding (d + f)	g	59,926	236,145	950,329	1,993,933	757,067	608,125	750,487	21,000	5,377,012
weighted average remaining contractual life in years		Note 1	11.23	Note 1	12.57	Note 1	13.50	14.04	6.46	
weighted average fair value of option granted		9.37	47.52	53.58	51.87	47.75	50.11	73.93	143.57	

Notes to Accounts (Contd.)

Note 1 - No contractual life is defined in the schemes.

Compensation expense arising from employee share based payment plans, using intrinsic value method, amounted to Rs. 5.89 Million (previous year Rs. NIL).

Has compensation cost been determined in a manner consistent with fair value approach there will be no significant impact on the Company's net income and earning per share.

Advance to PSPL ESOP Management Trust, outstanding as at the balance sheet date in respect of shares allotted by the Company to PSPL ESOP Management Trust, amounted to Rs. 55.10 Million. As illustrated in the example in the appendix to the Guidance Note, had the advance been presented as a reduction from equity, the Equity Share Capital would have been reduced by Rs. 6.60 Million and share premium would have been reduced by Rs. 48.50 Million.

17. Details of Investments

Current Investments -other than trade (quoted)

Name of the Fund	Number of Units		Amount (In Rs. Million)	
	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
DSP Merrill Lynch Mutual Fund	81,722.62	49,222.19	81.76	49.23
Standard Chartered Mutual Fund	5,616,445.58	49,695.60	56.20	49.70
HDFC Mutual Fund	8,566,983.06	4,566,510.35	85.67	48.57
ICICI Prudential Mutual Fund	8,317,882.28	4,924,997.23	87.95	49.25
Franklin Templeton Mutual Fund	3,960,278.41	–	40.00	–
DWS Mutual Fund	8,530,784.09	4,976,708.04	85.53	49.77
Birla Sunlife Mutual Fund	4,127,732.13	–	41.28	–
Tata Mutual Fund	3,487,584.20	–	35.00	–
Reliance Mutual Fund	4,192,967.77	–	41.96	–
Lotus India Mutual Fund	5,493,688.98	–	55.02	–
SBI Mutual Fund	8,098,363.17	–	80.98	–
			691.35	246.52

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Notes to Accounts (Contd.)

Investment purchased and sold during the year ended March 31, 2008

Particulars	Balance as at April 1, 2007		Purchased during the year		Sold during the year		Balance as at March 31, 2008	
	No. of units	Rs. Million	No. of units	Rs. Million	No. of units	Rs. Million	No. of units	Rs. Million
DSP Merrill Lynch Mutual Fund	49,222.19	49.23	288,179.25	288.11	255,678.82	255.58	81,722.62	81.76
Standard Chartered Mutual Fund	49,695.60	49.70	11,872,299.96	375.41	6,305,549.98	368.91	5,616,445.58	56.20
HDFC Mutual Fund	4,566,510.35	48.57	26,249,278.60	262.75	22,248,805.89	225.65	8,566,983.06	85.67
ICICI Prudential Mutual Fund	4,924,997.00	49.25	8,790,762.60	92.95	5,397,877.32	54.25	8,317,882.28	87.95
Franklin Templeton Mutual Fund	–	–	11,076,063.74	402.60	7,115,785.33	362.60	3,960,278.41	40.00
DWS Mutual Fund	4,976,708.00	49.77	17,687,939.87	177.34	14,133,863.78	141.58	8,530,784.09	85.53
Birla Sunlife Mutual Fund	–	–	16,450,013.96	164.60	12,322,281.83	123.32	4,127,732.13	41.28
Tata Mutual Fund	–	–	7,646,756.71	76.94	4,159,172.51	41.94	3,487,584.20	35.00
Reliance Mutual Fund	–	–	8,455,177.06	166.66	4,262,209.29	124.70	4,192,967.77	41.96
Lotus India Mutual Fund	–	–	17,585,387.94	176.07	12,091,698.96	121.05	5,493,688.98	55.02
SBI Mutual Fund	–	–	20,972,730.20	241.43	12,874,367.03	160.45	8,098,363.17	80.98
Total		246.52		2,424.86		1,980.03		691.35

Notes to Accounts (Contd.)

18. Auditors' Remuneration

(In Rs. Million)

Particulars	March 31, 2008	March 31, 2007
Audit Fee	3.44	2.55
Taxation Audit Fee	0.12	0.12
Others matters*	6.90	0.19
Out of pocket expenses	0.06	0.07
Total	10.52	2.93

* Fees for the other matters in the current year amounting to Rs. 6.83 Million are for services rendered in connection with the Initial Public Offer.

19. Share issue expenses

A. Expenses pertain to amount incurred towards registration fees and stamp duty to increase authorised share capital and issue of bonus shares.

B. The Company deferred its Initial Public Offer (IPO) which was planned during the last quarter of financial year 2007-08, due to adverse market sentiment. The Company has, therefore, written off share issue expenses amounting to Rs. 35.18 Million as an exceptional item.

20. Previous year Comparatives

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

As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, April 24, 2008

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Chennai, April 24, 2008

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

S. P. Deshpande
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, April 24, 2008

Cash Flow Statement for the year ended March 31, 2008

(In Rs. Million)

Particulars		For the year ended March 31, 2008	For the year ended March 31, 2007
Cash flow from operating activities			
Net profit before taxation, and exceptional items		889.17	555.23
Adjustments for			
Interest income		(0.84)	(0.97)
Dividend income		(25.43)	(7.22)
Depreciation		279.99	269.92
Interest expense		-	1.12
Foreign exchange loss (Net)		(2.33)	5.70
Exchange loss on derivatives contracts		13.19	–
Exchange difference on translation of foreign currency cash and cash equivalents		0.10	0.18
Provision for doubtful debts (Net of doubtful debt provision written back)		8.52	66.16
Provision for doubtful inter Corporate Deposits (ICD)		2.78	–
Profit on sale of investments		(0.18)	(0.37)
(Profit) / Loss on sale of fixed assets		(1.05)	(3.85)
Operating profit before working capital changes		1,163.92	885.90
Movements in working capital			
(Increase)/decrease in sundry debtors		(227.91)	(208.16)
(Increase)/decrease in other current assets		(33.47)	(26.22)
(Increase)/decrease in loans and advances		(46.44)	(5.80)
Increase/(decrease) in current liabilities & provisions		261.29	218.90
Net working capital changes		(46.53)	(21.28)
Direct taxes paid (Net of refunds)		(115.36)	(12.85)
Cash flow from operating activities		1,002.03	851.77
Exceptional item		(35.18)	–
Net cash from operating activities	(A)	966.85	851.77
Cash flows from investing activities			
Purchase of fixed assets		(488.06)	(629.26)
Proceeds from sale of fixed assets		2.88	11.89
Purchase of investments		(2,431.45)	(1,082.44)
Sale / maturity of investments		1,980.29	950.84
Interest income		0.81	0.52
Dividends received		25.43	7.21
Net cash from investing activities	(B)	(910.10)	(741.24)

(In Rs. Million)

Particulars		For the year ended March 31, 2008	For the year ended March 31, 2007
Cash flows from financing activities			
Proceeds from issuance of share capital		0.02	0.02
Increase / (Decrease) in securities premium (Net of share issue expenses)		0.31	0.24
Share issue expenses		(6.42)	-
Dividends paid		(43.03)	(31.87)
Tax on dividend paid		(7.31)	(4.31)
Interest paid		-	(1.12)
Net cash used in financing activities	(C)	(56.43)	(37.04)
Net increase in cash and cash equivalents	(A + B + C)	0.32	73.49
Cash and cash equivalents at the beginning of the year		108.83	35.52
Exchange difference on translation of foreign currency cash and cash equivalents		(0.10)	(0.18)
Cash and cash equivalents at the end of the year		109.05	108.83

(In Rs. Million)

Components of cash and cash equivalents as at	March 31, 2008	March 31, 2007
Cash and cheques on hand	0.12	0.09
With scheduled banks -on current account	60.88	72.07
With non-scheduled banks -on current account	47.76	36.66
on saving account	0.29	0.01
	109.05	108.83

As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, April 24, 2008

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Chennai, April 24, 2008

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

S. P. Deshpande
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, April 24, 2008

Statement pursuant to Section 212(1)(e) of the Companies Act, 1956, relating to subsidiaries

Sr. No.	Name of the Subsidiary Company	Persistent Systems, Inc.	Persistent Systems Pte. Ltd.	Persistent eBusiness Solutions Limited
1.	Financial year / Period of the Subsidiary ended on	March 31, 2008	March 31, 2008	March 31, 2008
2.	Holding Company's Interest			
	A. The number of Equity Shares held	3,70,00,000 Common Stocks of USD 0.10 each fully paid are held by Persistent Systems Ltd.	100,000 Ordinary Shares of SGD 1 each fully paid are held by Persistent Systems Ltd.	9,20,300 Equity Shares of Rs. 10 each fully paid are held by Persistent Systems Ltd.
3.	The net aggregate amount of profits / (Loss) of the subsidiary for the above financial year so far as the members of the holding Company are concerned and are			
	A. dealt within the accounts of the holding Company	-	-	-
	B. not dealt within the accounts of the holding Company.	Rs. (17.82)	Rs. 2.65	Rs. 9.77
4.	The net aggregate amount of profits/(Losses) of the subsidiary for the previous financial years since it became subsidiary so far as the members of the holding Company are concerned and are			
	A. dealt within the accounts of holding Company.	-	-	Rs. (42.28)
	B. not dealt within the accounts of holding Company	Rs. (91.74)	Rs. NIL	Rs. (8.06)
5.	Information where the financial year of a Subsidiary Company does not coincide with the financial year of the holding Company			
	A. Change in the Holding Company's interest in the Subsidiary between the end of the financial year or of the last financial year of the subsidiary and the end of the Holding Company's financial year	Not Applicable	Not Applicable	Not Applicable

Sr. No.	Name of the Subsidiary Company	Persistent Systems, Inc.	Persistent Systems Pte. Ltd.	Persistent eBusiness Solutions Limited
B.	Details of material changes which have eoccurred between the end of the Financial Year of the subsidiary and the end of the holding Company's Financial Year in respect of the subsidiary Fixed Assets, its investments, the moneys moneys lent by	Not Applicable	Not Applicable	Not Applicable

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

S. P. Deshpande
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, April 24, 2008

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiaries

Sr. No.	Particulars	Persistent Systems, Inc.	Persistent eBusiness Solutions Limited	Persistent Systems Pte. Ltd.
	Financial year ending	March 31, 2008	March 31, 2008	March 31, 2008
1	Share Capital	165.92	9.20	2.68
2	Reserves	(114.72)	(18.17)	3.06
3	Liabilities	125.61	30.51	0.99
4	Total liabilities	176.81	21.54	6.73
5	Total assets	176.81	21.54	6.73
6	Investments	0.36	-	-
7	Turnover	709.23	36.77	10.79
8	Profit/(Loss) before tax	(17.82)	9.77	2.90
9	Provision for tax	-	0.00	0.25
10	Profit/(Loss) after tax	(17.82)	9.77	2.65
11	Proposed dividend - Equity Shares	-	-	-
12	Proposed dividend - Equity (%)	-	-	-

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

S. P. Deshpande
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, April 24, 2008

Notes

PERSISTENT

In India & Abroad

Excellently equipped, eye-catching and conveniently located company premises, with offices in cities across the continents, ensures our global reach.

PUNE
'Panini'
Seating Capacity : 100

'Bhageerath'
Seating Capacity : 550

PUNE

'Pingala-Aryabhata'
Seating Capacity : 2500

PUNE
'Kapilvastu' - First Floor
Seating Capacity : 25

GOA
Seating Capacity : 250

NAGPUR
Second & Third Floor
Seating Capacity : 350

UNDER CONSTRUCTION

At Rajiv Gandhi Infotech Park, Pune.
Seating Capacity : 2500

UNDER CONSTRUCTION

At M.I.D.C. Infotech Park, Nagpur.
Seating Capacity : 1200

World map only for presentation and not to scale.

PERSISTENT

Persistent Systems Limited

Regd. Office : 'Bhageerath', 402, Senapati Bapat Road, Pune - 411 016. Tel : +91 (20) 2570 2800 Fax : +91 (20) 2567 8901

BRANCHES IN INDIA

PUNE

- 'Pingala - Aryabhata',
  12A/12, Off Karve Road,
  Erandwane, Pune - 411 004.
  Tel : +91 (20) 3023 4000
  Fax : +91 (20) 3023 4001

- Plot No. 39, Phase I,
  Rajiv Gandhi IT Park,
  Hinjewadi, Pune - 411 057.
  Tel : +91 (20) 3917 7000
  Fax : +91 (20) 3917 7001

- 'Panini',
  2A, Senapati Bapat Road,
  Pune - 411 016.
  Tel : +91 (20) 2567 6700

NAGPUR

IT Tower, M.I.D.C. Infotech Park,
Parsodi, South Ambazari Road,
Nagpur - 440 022.
Tel : +91 (712) 220 6900
Fax : +91 (712) 222 6901

GOA

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Software Technology Park,
Verna Industrial Estate,
Verna, Salcette, Goa - 403 722.
Tel : +91 (832) 288 3601
Fax : +91 (832) 278 3614

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16/2, Commissariate Road,
Near Bangalore Central Mall,
Bengaluru - 560 001.
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Fax : +91 (80) 4153 3901

HYDERABAD

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Plot No.12, Software Units Layout,
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BRANCHES ABROAD

EUROPE

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  Tel : +1 (514) 842 9994
  Fax : +1 (514) 284 3419

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3C Otsuka Building, 1-5-4 Toranomon
Minato ku, Tokyo 105 0001.
Tel : 81 (3) 3595 44171

SUBSIDIARIES

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Co. Reg. No. 200706736G
Regd. Office : 78, Shenton Way, # 26-02A, Lippo Centre, Singapore - 079 120. Tel : +65 6223 4355 Fax : +65 6223 7955

Persistent eBusiness Solutions Limited

Regd. Office : 'Kapilvastu', 397/9, First Floor, Senapati Bapat Road, Pune - 411 016, India. Tel : +91 (20) 2565 6110

Persistent Systems, Inc.

Regd. Office : 2077 Gateway Place, Suite 500, San Jose, CA 95110, USA. Tel : +1 (408) 216 7010 Fax : +1 (408) 454 6676

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