

Persistent Systems Limited

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31,

	Note	As at December 31, 2011 In ₹ Million	As at December 31, 2010 In ₹ Million	As at March 31, 2011 In ₹ Million
EQUITY AND LIABILITIES				
Shareholders' funds				
Share capital	4	400.00	400.00	400.00
Reserves and surplus	5	7,395.51	6,780.13	7,071.07
	(A)	7,795.51	7,180.13	7,471.07
Non-current liabilities				
Other long term liabilities	6	-	15.33	83.94
Long-term provisions	7	132.21	98.31	112.47
	(B)	132.21	113.64	196.41
Current liabilities				
Trade payables	8	391.26	267.18	405.88
Other current liabilities	8	1,065.81	347.13	344.62
Short-term provisions	9	843.51	706.05	685.47
	(C)	2,300.58	1,320.36	1,435.97
TOTAL	(A)+(B)+(C)	10,228.30	8,614.13	9,103.45
ASSETS				
Non-current assets				
Fixed assets	10			
- Tangible assets		2,223.54	1,645.89	1,688.23
- Intangible assets		497.79	315.53	573.03
- Capital work-in-progress		568.61	473.03	524.65
- Intangible assets under development		16.66	45.10	28.84
		3,306.60	2,479.55	2,814.75
Non-current investments	11	-	-	-
Deferred tax assets (net)	12	78.40	13.67	59.85
Long term loans and advances	13	178.67	155.40	149.11
Other non-current assets	14	1.48	1.25	113.67
	(A)	3,565.15	2,649.87	3,137.38
Current assets				
Current investments	15	1,786.85	2,513.23	2,500.42
Trade receivables	16	2,270.78	1,596.53	1,582.11
Cash and bank balances	17	1,517.74	903.27	886.27
Short-term loans and advances	18	722.16	748.83	771.07
Other current assets	19	365.62	202.40	226.20
	(B)	6,663.15	5,964.26	5,966.07
TOTAL	(A) + (B)	10,228.30	8,614.13	9,103.45

The accompanying notes form an integral part of the consolidated financial statements.

As per our report of even date

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

For JOSHI APTE & CO
Firm registration no. 104370W
Chartered Accountants

For and on behalf of the Board of Directors

per Arvind Sethi
Partner
Membership No. 89802

per Prakash Apte
Partner
Membership No. 33212

Dr. Anand Deshpande
Chairman and
Managing Director

P.B. Kulkarni
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Place: Pune
Date : January 22, 2012

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CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2011

	Note	For the quarter ended		For the nine months ended		For the year ended
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	March 31, 2011
		In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million
Income						
Revenue from operations	20	2,677.30	1,949.32	7,296.87	5,630.20	7,758.41
Other income	21	75.97	73.47	317.44	257.43	344.36
		2,753.27	2,022.79	7,614.31	5,887.63	8,102.77
Expenditure						
Employee benefit expenses	22.1	1,523.41	1,183.32	4,481.70	3,473.79	4,816.23
Cost of technical professionals	22.2	120.01	86.66	312.16	205.75	306.72
Depreciation and amortization	8	159.01	106.32	424.97	304.56	423.89
Other expenses	23	386.16	251.59	979.30	748.47	1,052.40
		2,188.59	1,627.89	6,198.13	4,732.57	6,599.24
Profit before tax		564.68	394.90	1,416.18	1,155.06	1,503.53
Tax expense						
Current tax		165.04	81.05	428.06	222.20	284.03
MAT credit entitlement		-	(46.56)	-	(119.02)	(124.79)
Tax charge / (credit) in respect of earlier period / years		-	-	-	(9.03)	(1.74)
Deferred tax (credit)		(6.20)	(2.02)	(17.51)	(5.11)	(51.34)
Total tax expense		158.84	32.47	410.55	89.04	106.16
Profit/(loss) for the period / year		405.84	362.43	1,005.63	1,066.02	1,397.37
Earnings per equity share						
Basic	24	10.58	9.59	26.29	28.31	37.04
Diluted		10.15	9.06	25.14	26.65	34.93

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CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED DECEMBER 31, 2011

	For the nine months ended		For the year ended
	December 31, 2011	December 31, 2010	March 31, 2011
	In ₹ Million	In ₹ Million	In ₹ Million
Cash flow from operating activities			
Net profit before tax	1,416.18	1,155.06	1,503.53
Adjustments for:			
Interest income	(73.12)	(6.49)	(23.63)
Dividend income	(113.52)	(82.00)	(118.35)
Depreciation and amortisation	424.97	304.56	423.89
Unrealised exchange loss / (gain) (net)	(147.34)	16.52	13.25
Change in Foreign currency translation reserve	40.58		
Exchange loss / (gain) on derivative contracts	138.98	25.43	33.37
Exchange difference on translation of foreign currency cash and cash equivalents	(0.65)	0.15	0.10
Bad Debts	27.00	-	-
Provision for doubtful debts	74.64	19.50	43.50
Employee compensation expenses	5.59	6.02	7.11
Provision for doubtful deposit written back	(0.25)	(0.30)	(0.35)
Excess provision written back	(29.93)	(2.23)	(2.27)
Profit on sale of investments (net)	(4.88)	(1.06)	(2.40)
Profit on sale of fixed assets (net)	(2.98)	(8.17)	(8.27)
	1,755.27	1,426.99	1,869.48
Operating profit before working capital changes			
Movements in working capital :			
Decrease / (Increase) in trade receivables	(613.04)	(269.04)	(274.33)
Decrease / (Increase) in other current assets	(238.14)	13.99	15.39
Decrease / (Increase) in loans and advances	(38.03)	6.46	53.92
Increase / (Decrease) in current liabilities	(65.46)	(113.33)	150.22
Increase / (Decrease) in provisions	113.21	44.19	102.93
Operating profit after working capital changes	913.81	1,109.26	1,917.61
Direct taxes paid (net of refunds)	(223.43)	(234.63)	(342.34)
Net cash from operating activities (A)	690.38	874.63	1,575.27
Cash flows from investing activities			
Purchase of fixed assets (including capital work in progress)	(920.10)	(499.79)	(971.74)
Proceeds from sale of fixed assets	2.98	1.74	1.84
Purchase of investments	(6,012.44)	(13,154.93)	(15,527.77)
Proceeds from sale / maturity of investments	6,576.00	11,456.86	13,844.06
Interest income	63.98	1.47	10.17
Dividends received	117.08	78.93	114.79
Net cash (used in) investing activities (B)	(172.50)	(2,115.72)	(2,528.65)
Cash flows from financing activities			
Share issue expenses	-	(45.30)	(45.30)
(Payments) / receipts on behalf of selling shareholders in IPO	-	(372.08)	(372.08)
Deferred payment liabilities	(83.94)	(9.14)	(15.04)
Dividends paid	(59.99)	(79.87)	(240.00)
Tax on dividend paid	(9.97)	(13.52)	(40.16)
Net cash (used in) financing activities (C)	(153.90)	(519.91)	(712.58)

CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED DECEMBER 31, 2011

	For the nine months ended		For the year ended
	December 31, 2011	December 31, 2010	March 31, 2011
	In ₹ Million	In ₹ Million	In ₹ Million
Net increase / (decrease) in cash and cash equivalents (A + B + C)	363.98	(1,761.00)	(1,665.96)
Cash and cash equivalents at the beginning of the year	229.90	1,895.96	1,895.96
Exchange difference on translation of foreign currency cash and cash equivalents	0.65	(0.15)	(0.10)
Cash and cash equivalents at the end of the period / year	594.53	134.81	229.90
Cash and cash equivalents as per Note 17	594.53	134.81	229.90

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1. Nature of operations

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

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

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

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

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

Persistent Systems France, SAS (PSFS) is engaged in Outsourced Software Product Development in life sciences domain.

2. Principles of Consolidation

The consolidated financial statements for the quarter and nine months ended December 31, 2011 of the Company and its subsidiaries (the 'Group') are prepared in accordance with generally accepted accounting principles applicable in India, and the Accounting Standard 21 (AS-21) on 'Consolidation of Financial Statements', notified by Companies (Accounting Standards) Rules, 2006, (as amended) by to the extent possible in the same format as that adopted by the Company for its separate financial statements.

The financial statements of the Company and its subsidiary companies have been combined on line by line basis by adding together the book values of like items of assets and liabilities, income and expenses after eliminating intra group balances and intra group transactions except where cost cannot be recovered. Any excess of the cost to the Company of its investment in a subsidiary and the Company's portion of equity of subsidiary at the date at which investment in the subsidiary is made, is described as goodwill and recognised separately as an asset in the consolidated financial statements.

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

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

Name of the subsidiary	Ownership percentage as at			Country of incorporation
	December 31, 2011	December 31, 2010	March 31, 2011	
Persistent Systems Inc.	100%	100%	100%	USA
Persistent eBusiness Solutions Limited	100%	100%	100%	India
Persistent Systems and Solutions Limited	100%	100%	100%	India
Persistent Systems, Pte. Limited	100%	100%	100%	Singapore
Persistent Systems France, SAS	100%	NIL	NIL	France

3. Statement of significant accounting policies

A. Basis of preparation

The interim consolidated financial statements for the quarter and nine months ended on December 31, 2011 have been prepared in accordance with Accounting Standard 25 "Interim Financial Reporting" notified by Companies (Accounting Standards) Rules, (as amended) 2006. The form and content in these consolidated financial statements conforms to the requirements as applicable to annual complete set of consolidated financial statements.

The consolidated financial statements have been prepared to comply in all material respects with the Accounting Standard notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. These consolidated financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Group during the period and are consistent with those used in 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 period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

C. Current and Non-current classification

An asset or liability is classified as current when it satisfies any of the following criteria:

- a. it is expected to be realized / settled, or is intended for sale or consumption, in the company's normal operating cycle;
- b. it is held primarily for the purpose of being traded;
- c. it is expected to be realized / due to be settled within twelve months after the reporting date; or
- d. it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date or
- e. the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

All other assets and liabilities are classified as non-current.

D. Tangible assets

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

Capital work-in-progress includes cost of fixed assets that are not ready to be put to use.

E. Intangible assets

Intangible assets including software licenses of enduring nature and acquired contractual rights are stated at cost less amortization and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Research and development cost

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Group can demonstrate:

- Technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the asset and use or sell it;
- its ability to use or sell the asset;
- how the asset will generate probable future economic benefits;
- the availability of adequate resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during development.

Any expenditure so capitalized is amortised over the period of expected future sales from the related project i.e. over their estimated useful lives.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

F. Depreciation and amortisation

Depreciation on fixed assets 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.

Leasehold land is amortised over the lease term.

Depreciation on assets purchased / sold during the period is charged on a pro-rata basis. Individual assets whose cost does not exceed ₹ 5,000 are fully depreciated in the year of acquisition.

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

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

Intangible assets are amortised on a straight line basis over the period of expected future economic benefits i.e. over their estimated useful lives of three to five years.

G. Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

H. Current and non- current 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 category of investment basis.

Long-term investments presented as non- current 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 investments.

I. Revenue recognition

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

i. Income from software services

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

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

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

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

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

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

Unearned revenue represents the billing in respect of contracts for which the revenue is not recognised.

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 shareholder's right to receive payment is established by the balance sheet date.

J. Foreign currency transactions and 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 such monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or expenses in the period in which they arise.

Exchange differences on foreign currency liabilities relating to fixed assets acquisition are recognised as income or expenses in the period / year in which they arise.

iv. Forward exchange contracts not intended for trading or speculation purposes covered by notified "Accounting Standard ('AS') 11 The effects of changes in Foreign Exchange rates"

The premium or discount arising at the inception of forward exchange contracts is 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. Forward exchange contracts not intended for trading or speculation purposes, classified as derivative financial instruments

As per the accounting principles laid down in Accounting Standard 30, 'Financial Instruments: Recognition and Measurement' relating to cash flow hedges, derivative financial instruments which qualify for cash flow hedge accounting are fair valued at balance sheet date and the effective portion of the resultant loss / (gain) is debited / credited to the hedge reserve and the ineffective portion is recognised to the statement of profit and loss. Derivative financial instruments are carried as forward contract receivable when the fair value is positive and as forward contract payable when the fair value is negative.

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

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

vi. Translation of integral and non-integral foreign operation

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

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

K. Retirement and other employee benefits**i. Provident fund**

Provident fund is 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 statement of profit and loss on an accrual basis. There are no other contributions payable other than contribution payable to the respective fund.

ii. Gratuity

Gratuity is a defined benefit obligation and is provided for based on actuarial valuation using the Projected Unit Credit (PUC) method, made at the end of each financial reporting period for employees covered under Group Gratuity Scheme.

iii. Superannuation

Superannuation is a defined contribution plan covering eligible employees. The contribution to the superannuation fund managed by Life Insurance Corporation of India is 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 statement of profit and loss 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 using the Projected Unit Credit (PUC) Method, made at the end of each financial reporting period.

v. Long service awards

Long service awards are other long term benefits to all eligible employees, as per Group's policy. These benefits are provided for based on actuarial valuation using the Projected Unit Credit (PUC) Method, made at the end of each financial reporting period.

vi. Actuarial gains and losses

Actuarial gains/ losses are immediately taken to the statement of profit and loss and are not deferred.

L. Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India. Deferred income taxes reflect the impact of current period / year's timing differences between taxable income and accounting income for the period / year and reversal of timing differences of earlier period / year.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

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

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.

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

The Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified year. 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 'ICAI'), the said asset is created by way of a credit to the statement of profit and loss and shown as MAT credit entitlement. The Group reviews the MAT credit entitlement at each balance sheet date and writes down the carrying amount to the extent there is no longer convincing evidence to the effect that Group will pay normal income tax during the specified period.

M. Segment reporting policies

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

The primary reporting segments are identified based on market review and business dynamics and risk and returns affected by the type or class of customers for the services provided. The secondary segment reporting has been presented based on geographical location of customers.

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

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

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

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

N. Earnings per share (EPS)

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

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

O. Provisions

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

P. Cash and cash equivalents

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

Q. Employee share option expenses

Measurement and disclosure of the equity settled employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the "Guidance Note on Accounting for Employee Share-based Payments", issued by the Institute of Chartered Accountants of India.

The employee stock option schemes have a graded vesting schedule. Each vesting tranche having different vesting period has been considered as a separate option grant and accounted for accordingly.

The Group measures compensation cost relating to employee share options using the intrinsic value method. Compensation expense is amortised over the vesting period of the option on a straight line basis.

The employee share option expense is recognised together with a corresponding increase in share options outstanding account in equity, over the period in which the service conditions are fulfilled. The cumulative employee share option expense recognised at each reporting date up to the vesting date, reflects the extent to which, the vesting period has expired. The employee share option expense for the period / year represents the movement in cumulative expense recognised as at the beginning and at the end of that period / year.

R. Leases

Where the Group is a lessee

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

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

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4. Share capital

	As at December 31, 2011 In ₹ Million	As at December 31, 2010 In ₹ Million	As at March 31, 2011 In ₹ Million
Authorised			
100,000,000 (Previous period / year 100,000,000) equity shares of ₹10 each	1,000.00	1,000.00	1,000.00
	1,000.00	1,000.00	1,000.00
Issued, subscribed and paid-up			
40,000,000 (Previous period / year 40,000,000) equity shares of ₹ 10 each fully paid (of the above 25,615,000 equity shares were allotted on September 17, 2007 as fully paid-up bonus shares by capitalisation of capital redemption reserves ₹ 9.79 Million and securities premium ₹ 246.36 Million)	400.00	400.00	400.00
	400.00	400.00	400.0

4.1 Shareholders holding more than 5% of total paid up share capital

Name of the Shareholder	As at					
	December 31, 2011		December 31, 2010		March 31, 2011	
	No. of shares	% Holding	No. of shares	% Holding	No. of shares	% Holding
Anand Suresh Deshpande	11,400,720	28.50	11,376,050	28.44	11,376,050	28.44
Norwest Venture Partners, FVCI	5,404,581	13.51	5,404,581	13.51	5,404,581	13.51
Suresh Purushottam Deshpande	3,811,200	9.53	3,811,200	9.53	3,811,200	9.53
PSPL ESOP Management Trust	3,580,578	8.95	4,153,507	10.38	4,032,967	10.08

4.2 Details of utilisation of proceeds raised through public issue

The Company has utilised an amount of ₹ 1,084.39 million as per the "Object of the Issue" as stated in the Prospectus and related approval in the Annual General Meeting. The unutilised amount of ₹ 116.21 million has been appropriately invested as stated in the Prospectus. The status of utilisation of IPO proceeds amount up to December 31, 2011 is as under

Activity	Funds allocated for the activity as per Prospectus	Actual utilisation up to December 31, 2011	(In ₹ Million)
			Unutilised Money as on December 31, 2011
Establishment of development facilities	760.20	643.99	116.21
Capital expenditure through Subsidiaries for establishing development facilities in SEZ	29.59	29.59	-
Procuring hardware and software	204.50	204.50	-
Fund expenditure for general corporate purposes	206.31	206.31	-
Total	1,200.60	1,084.39	116.21

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

5. Reserves and surplus

	As at December 31, 2011 In ₹ Million	As at December 31, 2010 In ₹ Million	As at March 31, 2011 In ₹ Million
A. Securities premium reserve			
Opening balance	1,736.70	1,738.60	1,738.60
Less: Share issue expenses	-	(1.90)	(1.90)
Closing balance - Securities premium reserve	1,736.70	1,736.70	1,736.70
B. Employee Share options outstanding			
Opening balance - Share options outstanding account	34.76	32.02	32.02
Add : Additions during the period / year	5.59	6.02	7.11
Less: Transferred to general reserve	(8.74)	(1.66)	(4.37)
Closing balance - Share options outstanding account	31.61	36.38	34.76
C. General reserve			
Opening balance	2,289.21	1,734.45	1,734.45
Add: Transferred from profit and loss account	-	-	534.40
Add: Adjustments for Advance to PSPL ESOP Management Trust	29.10	13.13	20.36
Closing balance General Reserve	2,318.31	1,747.58	2,289.21
D. Foreign currency translation reserve			
Opening balance - Foreign currency translation reserve	1.91	2.05	2.05
(Less)/Add: Exchange difference during the period / year on net investment in non-integral foreign foreign operation	30.20	0.13	(0.14)
Closing balance Foreign currency translation reserve	32.11	2.18	1.91
E. Hedge reserve			
Opening balance	79.11	159.85	159.85
Add: Recognised / (reversed) during the period / year	(574.63)	(104.95)	(80.74)
Closing balance Hedge Reserve	(495.52)	54.90	79.11
F. Surplus			
Balance as per last financial statements	2,929.38	2,322.95	2,322.95
Net profit for the period / year	1,005.63	1,066.02	1,397.37
Less: Appropriations			
Interim dividend on equity shares	(140.00)	(80.00)	(80.00)
Special dividend	-	(80.00)	(80.00)
Proposed final dividend	-		(60.00)
Tax on dividend	(22.71)	(26.58)	(36.54)
Transferred to general reserve			(534.40)
	3,772.30	3,202.39	2,929.38
	7,395.51	6,780.13	7,071.07

6. Other long term liabilities

	As at December 31, 2011 In ₹ Million	As at December 31, 2010 In ₹ Million	As at March 31, 2011 In ₹ Million
Trade payables (Refer note 35)	-	15.33	83.94
	-	15.33	83.94

7. Long term provisions

	As at December 31, 2011 In ₹ Million	As at December 31, 2010 In ₹ Million	As at March 31, 2011 In ₹ Million
Provision for employee benefits			
- Leave encashment	53.52	33.35	37.75
- Long service awards	78.69	64.96	74.72
	132.21	98.31	112.47

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

8. Trade payables and Other current liabilities

	As at December 31, 2011 In ₹ Million	As at December 31, 2010 In ₹ Million	As at March 31, 2011 In ₹ Million
Trade payables (Refer note 35)	391.26	267.18	405.88
	391.26	267.18	405.88
Other Liabilities			
Unearned revenue	140.97	73.09	96.04
Unpaid dividend	0.27	0.13	0.26
Tax on unpaid dividend	-	0.08	-
Advance from customers	106.29	145.20	114.72
Forward contracts payable	609.31	-	-
Other payables			
- Statutory liabilities	73.85	58.89	40.60
- Accrued employee liabilities	131.45	62.33	86.59
- Other liabilities	3.67	7.41	6.41
	1,065.81	347.13	344.62

9. Short-term provisions

	As at December 31, 2011 In ₹ Million	As at December 31, 2010 In ₹ Million	As at March 31, 2011 In ₹ Million
Provision for employee benefits			
- Gratuity (Refer Note 27)	28.75	52.83	90.51
- Leave encashment	152.08	116.18	123.08
- Other employee benefits	388.14	350.47	401.91
Others			
- Income tax [Net of advance tax ₹ 1,207.81 million]	111.83	-	-
- Proposed dividend	140.00	160.00	60.00
- Tax on proposed dividend	22.71	26.57	9.97
	843.51	706.05	685.47

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Persistent Systems Limited
NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS
10. Tangible and intangible assets

In ₹ Million

	----- GROSS BLOCK -----					<-- DEPRECIATION AND AMORTISATION -->					< ----- NET BLOCK -----	
	As at April 1, 2011	Additions during the period / year	Deductions/ Transfers during the period / year	Currency translation adjustment	As at December 31, 2011	As at April 1, 2011	Charge for the period / year	Deductions/ Transfers during the period / year	Currency translation adjustment	As at December 31, 2011	As at December 31, 2011	As at March 31, 2011
Tangible Assets												
Freehold Land	202.98	11.07	-	0.96	215.01	-	-	-	-	-	215.01	202.98
Leasehold Land	39.93	-	-	-	39.93	1.87	0.32	-	-	2.19	37.74	38.06
Building	1,283.10	359.97	-	4.30	1,647.37	276.09	42.35	-	0.01	318.45	1,328.92	1,007.01
Computers	895.12	129.10	30.69	2.10	995.63	682.54	104.22	30.68	1.74	757.82	237.81	212.58
Plant and Machinery	635.94	217.03	2.28	0.26	850.95	475.67	64.83	2.27	0.12	538.35	312.60	160.27
Leasehold Improvements	10.15	1.00	-	-	11.15	2.07	2.10	-	-	4.17	6.98	8.08
Furniture and fixtures	308.88	52.62	1.29	0.30	360.51	250.59	26.81	0.63	(0.12)	276.65	83.86	58.29
Vehicle	4.54	-	-	-	4.54	3.58	0.34	-	-	3.92	0.62	0.96
	3,380.64	770.79	34.26	7.92	4,125.09	1,692.41	240.97	33.58	1.75	1,901.55	2,223.54	1,688.23
Intangibles Assets												
Software	886.54	99.31	14.76	8.61	979.70	584.63	176.81	14.76	5.75	752.43	227.27	301.91
Acquired contractual rights	275.57	-	-	8.32	283.89	4.45	7.82	-	1.10	13.37	270.52	271.12
	1,162.11	99.31	14.76	16.93	1,263.59	589.08	184.63	14.76	6.85	765.80	497.79	573.03
Total	4,542.75	870.10	49.02	24.85	5,388.68	2,281.49	425.60	48.34	8.60	2,667.35	2,721.33	2,261.26
Previous year Total	3,714.79	852.23	24.40	0.12	4,542.73	1,881.15	424.72	23.90	0.47	2,281.50	2,261.22	1,833.63
Capital Work in Progress	524.65	517.48	473.52		568.61					-	568.61	-
Intangible Assets under development	28.84	1.86	14.06		16.66						16.66	
Total	553.49	519.34	487.58	-	585.27						585.27	553.49
Previous year Total	484.74	498.20	378.42	-	604.52					-	604.52	484.74

Persistent Systems Limited
NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS
10. Tangible and intangible assets
In ₹ Million

	GROSS BLOCK					DEPRECIATION AND AMORTISATION					NET BLOCK	
	As at April 1, 2010	Additions during the period	Deductions/ Transfers during the period	Currency translation adjustment	As at December 31, 2010	As at April 1, 2010	During the period	Deductions/ Transfers during the period	Currency translation adjustment	As at December 31, 2010	As at December 31, 2010	
Tangible Assets												
Freehold Land	202.98	-	-	-	202.98	-	-	-	-	-	202.98	
Leasehold Land	39.93	-	-	-	39.93	-	1.77	-	-	1.77	38.16	
Building	1,257.51	9.62	-	-	1,267.13	225.38	38.02	-	-	263.40	1,003.73	
Computers	723.54	145.41	18.25	(0.01)	850.69	585.37	88.24	18.25	(0.05)	655.31	195.38	
Plant and Machinery	576.01	30.04	1.35	(0.02)	604.68	398.46	59.56	0.90	(0.01)	457.11	147.57	
Leasehold Improvements	-	5.85	-	-	5.85	-	0.76	-	-	0.76	5.09	
Furniture and fixtures	281.77	11.70	0.31	-	293.16	215.67	25.85	0.26	-	241.26	51.90	
Vehicle	4.62	-	0.07	-	4.55	3.20	0.34	0.07	-	3.47	1.08	
	3,086.36	202.62	19.98	(0.03)	3,268.97	1,428.08	214.54	19.48	(0.06)	1,623.08	1,645.89	
Intangible Assets												
Software	628.44	230.76	-	0.22	858.98	453.07	90.64	-	(0.26)	543.45	315.53	
	628.44	230.76	-	0.22	858.98	453.07	90.64	-	(0.26)	543.45	315.53	
Total	3,714.80	433.38	19.98	0.19	4,127.95	1,881.15	305.18	19.48	(0.32)	2,166.53	1,961.42	
Capital Work in Progress	433.73	172.25	132.95	-	473.03						473.03	
Intangible Assets under development	17.43	39.61	11.94	-	45.10						45.10	
Total	451.16	211.86	144.89	-	518.13						518.13	

Note:

	In ₹ Million		
	Nine months ended		Year ended
	December 31, 2011	December 31, 2010	March 31, 2011
Depreciation charge for the period / year as above	425.60	305.18	424.72
Less: Relating to fixed assets used for construction of fixed assets, included under capital work in progress	0.63	0.62	0.83
Depreciation charge for the period / year as per statement of profit and loss	424.97	304.56	423.89

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

11. Non-current investments

	As at December 31, 2011 In ₹ Million	As at December 31, 2010 In ₹ Million	As at March 31, 2011 In ₹ Million
Investments in Equity Instruments (At cost)			
Trade (Unquoted)			
Ciquil Limited			
10,000,000 (Previous period / year 10,000,000) shares of GBP 0.01 each, fully paid.	11.08	9.44	9.58
Less : Provision for diminution in value of investment	11.08	9.44	9.58
	-	-	-
Aggregate amount of diminution in value of investments	11.08	9.44	9.58
Aggregate amount of unquoted investments	11.08	9.44	9.58
	-	-	-

12. Deferred tax asset (net)

	As at December 31, 2011 In ₹ Million	As at December 31, 2010 In ₹ Million	As at March 31, 2011 In ₹ Million
Deferred tax liabilities			
Differences in depreciation and other differences in a block of tangible and intangible assets as per the tax books and financial books	(82.02)	(38.02)	(64.15)
	(82.02)	(38.02)	(64.15)
Deferred tax assets			
Provision for leave encashment	41.60	39.84	39.86
Provision for long service awards	26.96		27.08
Provision for doubtful debts	91.86	11.85	57.06
	160.42	51.69	124.00
Deferred tax assets (net)	78.40	13.67	59.85

The Group had a tax holiday under section 10A up to March 31, 2011 and is enjoying deduction under section 10AA of the Income Tax Act, 1961 and accordingly the deferred taxes on timing differences arising and reversing during the tax holiday period were not recognized in the books of account upto March 31, 2011.

13. Long term loans and advances

	As at December 31, 2011 In ₹ Million	As at December 31, 2010 In ₹ Million	As at March 31, 2011 In ₹ Million
Capital advances (Unsecured, considered good)	54.31	33.59	51.03
Security deposits (Unsecured, considered good)	38.17	26.60	19.47
Inter corporate deposits			
Secured, considered good	-	10.00	10.00
Unsecured, Doubtful	0.58	1.03	0.83
Less: Provision for doubtful deposits	0.58	1.03	0.83
	-	10.00	10.00
Other loans and advances (Unsecured, considered good)			
- Advance to PSPL ESOP Management Trust	75.49	66.45	58.43
- Advances recoverable in cash or kind or for value to be received	10.70	18.76	10.18
	86.19	85.21	68.61
	178.67	155.40	149.11

14. Other non-current assets

	As at December 31, 2011 In ₹ Million	As at December 31, 2010 In ₹ Million	As at March 31, 2011 In ₹ Million
Non-current bank balances (Refer note 17)	1.48	1.25	113.67
	1.48	1.25	113.67

15. Current investments (At lower of cost and fair value)

	As at December 31, 2011 In ₹ Million	As at December 31, 2010 In ₹ Million	As at March 31, 2011 In ₹ Million
Non trade (Unquoted)			
Investments in Mutual Funds	1,786.85	2,513.23	2,500.42
	1,786.85	2,513.23	2,500.42
Aggregate amount of unquoted investments	1,786.85	2,513.23	2,500.42

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

16. Trade receivables

	As at December 31, 2011 In ₹ Million	As at December 31, 2010 In ₹ Million	As at March 31, 2011 In ₹ Million
Outstanding for a period exceeding six months from the date they are due for payment			
Unsecured, considered good	58.79	87.89	87.89
Unsecured, considered doubtful	239.89	193.95	197.32
	<u>298.68</u>	<u>281.84</u>	<u>285.21</u>
Less : Provision for doubtful debts	239.89	193.95	197.32
	<u>58.79</u>	<u>87.89</u>	<u>87.89</u>
Others			
Unsecured, considered good	2,211.99	1,508.64	1,494.22
Unsecured, considered doubtful	65.22	21.33	32.33
	<u>2,277.21</u>	<u>1,529.97</u>	<u>1,526.55</u>
Less : Provision for doubtful debts	65.22	21.33	32.33
	<u>2,211.99</u>	<u>1,508.64</u>	<u>1,494.22</u>
	<u>2,270.78</u>	<u>1,596.53</u>	<u>1,582.11</u>

The export packing credit is secured by hypothecation of present and future receivables of the Company on pari passu basis with Bank of India and Citibank N.A. There is no balance payable as at December 31, 2011, December 31, 2010 and as at March 31, 2011.

17. Cash and bank balances

	As at December 31, 2011 In ₹ Million	As at December 31, 2010 In ₹ Million	As at March 31, 2011 In ₹ Million
Cash and cash equivalents as presented in cash flow statement			
Balances with banks includes			
On current account	593.33	132.77	229.26
On saving account	0.98	1.69	0.46
Cheques, drafts on hand	-	-	-
Cash on hand	0.22	0.35	0.18
	<u>594.53</u>	<u>134.81</u>	<u>229.90</u>
Other bank balances			
On unpaid dividend accounts	0.27	0.13	0.26
On deposit account with maturity more than three months but less than twelve months	922.94	768.33	656.11
On deposit account with maturity more than twelve months	1.48	1.25	113.67
	<u>924.69</u>	<u>769.71</u>	<u>770.04</u>
Less: Deposits with original maturity more than twelve months disclosed under non-current assets (Refer note 14)	(1.48)	(1.25)	(113.67)
	<u>923.21</u>	<u>768.46</u>	<u>656.37</u>
	<u>1,517.74</u>	<u>903.27</u>	<u>886.27</u>

18. Short-term loans and advances

	As at December 31, 2011 In ₹ Million	As at December 31, 2010 In ₹ Million	As at March 31, 2011 In ₹ Million
Inter corporate deposits (Unsecured, considered good)	60.00	-	-
Other loans and advances (Unsecured, considered good)			
- Deposits	4.14	3.51	14.95
- Advances recoverable in cash or kind or for value to be received	133.46	167.96	129.30
-Advance income tax [previous period ₹ 751.71 million and previous year ₹ 749.85 million]	-	62.98	101.57
- MAT credit entitlement	428.98	413.83	419.61
-VAT and service tax receivable (net)	95.58	100.55	105.64
	<u>722.16</u>	<u>748.83</u>	<u>771.07</u>

19. Other current assets

	As at December 31, 2011 In ₹ Million	As at December 31, 2010 In ₹ Million	As at March 31, 2011 In ₹ Million
Income accrued	22.73	8.22	17.15
Forward contracts receivable	-	88.02	104.30
Unbilled revenue	92.89	106.16	104.75
Application money for Bond pending allotment	250.00	-	-
	<u>365.62</u>	<u>202.40</u>	<u>226.20</u>

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS
20. Revenue from operations

	For the quarter ended		For the nine months ended		For the year ended
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	March 31, 2011
	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million
Sale of Services	2,677.30	1,949.32	7,296.87	5,630.2	7,758.41
	2,677.30	1,949.32	7,296.87	5,630.20	7,758.41

21. Other Income

	For the quarter ended		For the nine months ended		For the year ended
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	March 31, 2011
	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million
Interest income					
On bank deposits	32.31	4.67	66.94	4.77	21.19
On others	2.25	0.84	6.18	1.72	2.44
Foreign exchange gains (net)	-	35.19	86.36	144.64	173.21
Profit on sale of fixed assets (net)	0.68	-	2.98	8.17	8.27
Dividend income from current investments	27.70	28.02	113.52	82.00	118.35
Profit on sale of investments (net)	0.12	0.12	4.88	1.06	2.40
Provision for doubtful deposit written back	0.25	-	0.25	0.30	0.35
Excess provision in respect of earlier period / years written back	8.81	2.03	29.93	6.37	6.41
Miscellaneous income	3.85	2.60	6.40	8.40	11.74
	75.97	73.47	317.44	257.43	344.36

22. Personnel Expenses

	For the quarter ended		For the nine months ended		For the year ended
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	March 31, 2011
	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million
22.1 Employee benefit expenses					
Salaries and wages	1,415.36	1,103.15	4,172.68	3,208.69	4,449.17
Contribution to provident and other funds	34.76	25.29	100.64	74.98	103.83
Gratuity expenses (Refer note 27)	9.91	4.56	27.34	44.72	82.48
Defined contribution to other funds	6.51	6.35	20.30	19.28	24.96
Staff welfare and benefits	55.92	43.44	155.15	120.1	148.68
Employee stock option expenses (Refer note 32)	0.95	0.53	5.59	6.02	7.11
	1,523.41	1,183.32	4,481.70	3,473.79	4,816.23
22.2 Cost of technical professionals	120.01	86.66	312.16	205.75	306.72
	1,643.42	1,269.98	4,793.86	3,679.54	5,122.95

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NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS
23. Other expenses

	For the quarter ended		For the nine months ended		For the year ended
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	March 31, 2011
	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million
Traveling and conveyance	84.18	92.95	247.67	253.74	344.65
Electricity expenses	21.00	20.80	67.57	61.03	79.02
Internet link expenses	8.74	9.57	26.55	25.58	35.68
Communication expenses	7.78	8.38	24.97	24.87	33.22
Recruitment expenses	3.07	4.34	11.47	12.97	22.54
Training and seminars	4.14	2.27	13.18	9.41	15.62
Purchase of software licenses and support expenses	64.76	13.75	182.59	106.72	139.21
Bad Debts	7.51	-	27.00	-	-
Provision for doubtful debts	39.97	5.07	74.64	23.64	47.64
Rent (Refer note 29)	16.18	12.08	41.70	28.01	38.41
Insurance	4.35	3.62	12.32	10.57	14.15
Rates, fees and profession tax	5.17	6.35	24.24	14.04	25.01
Legal and professional fees	25.62	11.14	53.33	27.47	51.13
Repairs and maintenance					
- Plant and Machinery	10.13	8.61	31.94	23.89	36.40
- Buildings	1.64	2.01	5.20	7.04	8.81
- Others	3.10	2.68	11.47	7.75	11.02
Commission on sales	0.19	1.48	2.18	4.45	4.73
Advertisement and sponsorship fees	3.23	2.80	10.27	9.73	12.55
Computer consumables	1.47	2.87	5.87	8.69	11.47
Auditors' remuneration (Refer note 33)	1.59	1.45	4.72	3.77	5.57
Donations	2.44	-	15.48	10.12	11.50
Books, memberships, subscriptions	0.79	0.51	2.05	1.42	2.09
Foreign exchange loss (net)	40.96	-	-	-	-
Directors' sitting fees	0.14	0.04	0.42	0.13	0.26
Directors' commission	-	-	-	-	3.85
Provision for doubtful deposit	1.10	-	1.10	-	-
Provision for diminution in value of investments	-	-	-	-	-
Miscellaneous expenses	26.91	38.82	81.37	73.43	97.87
	386.16	251.59	979.30	748.47	1,052.40

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NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

24. Earnings per share

		For the quarter ended		For the nine months ended		For the year ended
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	March 31, 2011
<u>Numerator for Basic and Diluted EPS</u>						
Net Profit after tax (In ₹ Million)	a	405.84	362.43	1,005.63	1,066.02	1,397.37
<u>Denominator for Basic EPS</u>						
Weighted average number of equity shares	b	38,376,949	37,805,645	38,244,287	37,658,131	37,722,893
<u>Denominator for Diluted EPS</u>						
Weighted average number of equity shares and potential equity shares	c	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000
Basic Earnings per share of face value of ₹ 10 each (In ₹)	a/b	10.58	9.59	26.29	28.31	37.04
(After exceptional items)						
Diluted Earnings per share of face value of ₹ 10 each (In ₹)	a/c	10.15	9.06	25.14	26.65	34.93

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010	March 31, 2011
Number of shares considered as basic weighted average shares outstanding	38,376,949	37,805,645	38,244,287	37,658,131	37,722,893
Add: Effect of dilutive issues of stock options	1,623,051	2,194,355	1,755,713	2,341,869	2,277,107
Number of shares considered as weighted average shares and potential shares outstanding	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000

25. Contingent liabilities

(In ₹ Million)

	As at		
	December 31, 2011	December 31, 2010	March 31, 2011
Claims against the Company not acknowledged as debts			
- Legal claims (Note 1)	-	0.18	0.18
- Income tax (Note 2)	115.83	81.70	81.70
	115.83	81.88	81.88

Note 1

This represents legal claim filed by an ex-employee which has been since decided in favour of the Group..

Note 2

This represents disputed income tax demands against which the Group has filed appeals for the respective years with relevant authorities. The management is confident that the matter would be decided in favour of the Group. Consequently no provision has been made in the books of account in respect of such disputed income tax demands.

26. Commitments

(In ₹ Million)

	As at		
	December 31, 2011	December 31, 2010	March 31, 2011
Estimated amount of contracts remaining to be executed on capital account and not provided for	290.56	272.24	464.21

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Persistent Systems Limited

Notes forming part of Financial Statements

27. Gratuity and other post-employment benefit plans:

The Group has a defined benefit gratuity plan. Each employee is eligible for gratuity on completion of minimum five years of service at 15 days basic salary (last drawn basic salary) for each completed year of service. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The following tables 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 profit and loss account)

(In ₹ Million)

	For the quarter ended		For the nine months ended		For the year ended			
	December 31,	December 31,	December 31,	December 31,	March 31,	March 31,	March 31,	March 31,
	2011	2010	2011	2010	2011	2010	2009	2008
Current service cost	20.49	16.66	49.28	37.89	64.38	37.54	28.43	28.07
Interest cost on benefit obligation	3.91	2.40	12.18	7.42	9.44	6.55	6.51	4.05
Expected return on plan assets	(3.12)	(2.04)	(9.86)	(6.33)	(7.92)	(6.98)	(5.63)	(4.37)
Net actuarial (gain) / loss recognised in the period	(11.80)	(12.47)	(22.73)	13.65	24.49	4.05	(27.26)	7.17
Interest income	-	-	(1.53)	(7.91)	(7.91)	-	-	(4.40)
Net benefit expense	9.48	4.55	27.34	44.72	82.48	41.16	2.05	30.52
Actual return on plan assets	-	-	-	-	10.44	7.92	7.47	4.52

Changes in the fair value of plan assets (recognised in the balance sheet) are as follows:

(In ₹ Million)

	For the quarter ended		For the nine months ended		For the year ended			
	December 31,	December 31,	December 31,	December 31,	March 31,	March 31,	March 31,	March 31,
	2011	2010	2011	2010	2011	2010	2009	2008
Opening fair value of plan assets	186.26	115.10	110.84	78.11	78.11	86.02	53.88	29.09
Interest received and accrued during the year/ adjustment to opening balance	0.44	-	1.96	7.92	0.01	-	-	-
Expected return / adjustment	3.12	2.04	9.86	6.32	15.90	6.98	5.63	4.37
Contribution by employer	-	-	88.67	35.05	35.04	0.11	30.19	20.35
Benefits paid	(7.95)	(3.44)	(22.72)	(9.41)	(19.14)	(8.03)	(5.52)	(2.79)
Actuarial gains / (losses)	(3.12)	(2.04)	(9.86)	(6.33)	0.92	(6.97)	1.85	2.86
Closing fair value of plan assets	178.75	111.66	178.75	111.66	110.84	78.11	86.03	53.88

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

(In ₹ Million)

	For the quarter ended		For the nine months ended		For the year ended			
	December 31,	December 31,	December 31,	December 31,	March 31,	March 31,	March 31,	March 31,
	2011	2010	2011	2010	2011	2010	2009	2008
Opening defined benefit obligation	205.96	163.38	201.35	121.27	121.27	88.14	84.13	52.00
Interest cost	3.91	2.40	12.18	7.42	9.44	6.55	6.51	4.05
Current service cost	20.49	16.66	49.28	37.89	64.38	37.54	28.43	28.07
Benefits paid	(7.95)	(3.44)	(22.72)	(9.41)	(19.14)	(8.03)	(5.52)	(2.79)
Actuarial (gains) / losses on obligation	(14.91)	(14.51)	(32.59)	7.32	25.40	(2.93)	(25.41)	2.80
Closing defined benefit obligation	207.50	164.49	207.50	164.49	201.35	121.27	88.14	84.13

Persistent Systems Limited

Notes forming part of Financial Statements

Summary statement of provision for gratuity is as follows:

(In ₹ Million)

	As at					
	December 31, 2011	December 31, 2010	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008
Fair value of plan assets	178.75	111.66	110.84	78.11	86.03	53.88
Less : Defined benefit obligations	(207.50)	(164.49)	(201.35)	(121.27)	(88.14)	(84.13)
Plan asset / (liability)	(28.75)	(52.83)	(90.51)	(43.16)	(2.11)	(30.25)

The Group expects to contribute ₹ 28.75 Million to gratuity fund in financial year 2011-12

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

(In ₹ Million)

	As at					
	December 31, 2011	December 31, 2010	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008
Investments with insurer including accrued interest	178.75	111.66	110.84	78.11	86.03	53.88

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 Group's plans are shown below:

	As at					
	December 31, 2011	December 31, 2010	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008
Discount rate	8.61%	9.09%	8.52%	8.45%	7.79%	8.00%
Expected rate of return on assets	9.00%	8.50%	8.50%	8.50%	8.50%	9.00%
Increment rate	7.00%	7.00%	7.00%	6.00%	6.00%	7.00%

Amounts for the current and previous periods are as follows:

(In ₹ Million)

	As at					
	December 31, 2011	December 31, 2010	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008
Plan assets	178.75	111.66	110.84	78.11	86.03	53.88
Defined benefit obligation	(207.50)	(164.49)	(201.35)	(121.27)	(88.14)	(84.13)
(Deficit)	(28.75)	(52.83)	(90.51)	(43.16)	(2.11)	(30.25)
Experience adjustments on plan liabilities	(32.59)	7.32	25.40	(2.93)	(25.41)	2.80
Experience adjustments on plan assets	(9.86)	(6.33)	0.92	(6.97)	1.85	2.86

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

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28. Derivative Instruments and un-hedged foreign currency exposures

Forward contracts outstanding at the balance sheet date:

(In ₹ Million)

	As at		
	December 31, 2011	December 31, 2010	March 31, 2011
Sell: Hedging of expected future sales of USD 104.00 Million (Previous period USD 79.50 Million, Previous year USD 87.25 Million)	5,075.87	3,763.47	4,136.68

Particulars of un-hedged foreign currency exposures as at the balance sheet date:

	As at December 31, 2011			As at December 31, 2010			As at March 31, 2011		
	In. ₹ Million	Foreign Currency (In Million)	Foreign Currency Conversion Rate (₹)	In. ₹ Million	Foreign Currency (In Million)	Foreign Currency Conversion Rate (₹)	In. ₹ Million	Foreign Currency (In Million)	Foreign Currency Conversion Rate (₹)
Bank balances	0.98	JP ¥ 1.43	0.69	1.69	JP ¥ 3.0746	0.5496	0.46	JP ¥ 0.85	0.5385
	149.63	USD 2.82	53.19	0.45	USD 0.01	44.70	11.06	USD 0.24	44.58
	3.74	GBP 0.05	81.97	5.22	GBP 0.08	69.36	7.78	GBP 0.11	71.64
	1.13	CAD 0.02	52.11	2.42	CAD 0.05	44.80	2.01	CAD 0.04	45.94
	6.61	SGD 0.16	40.90	1.01	SGD 0.29	34.87	1.68	SGD 0.05	35.38
Trade receivables	735.06	USD 13.82	53.19	607.30	USD 13.59	44.70	668.23	USD 27.49	44.58
	50.06	EUR 0.73	68.83	30.20	EUR 0.50	59.81	31.01	EUR 0.49	63.29
	40.67	GBP 0.50	81.97	7.15	GBP 0.10	69.36	11.46	GBP 0.16	71.64
	7.17	CAD 0.14	52.11	1.88	CAD 0.04	44.80	1.84	CAD 0.04	45.94
	0.53	AUD 0.01	53.95	0.45	AUD 0.01	45.44	0.46	AUD 0.01	46.07
	0.70	NOK 0.08	8.84	-	-	-	0.65	NOK 0.08	8.08
	0.42	SEK 0.05	7.70	-	-	-	-	-	-
	-	-	-	0.06	CHF 0.001	47.77	-	-	-
1.84	AED 0.13	14.46	-	-	-	-	-	-	

29. Operating leases

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

(In ₹ Million)

	For the quarter ended		For the nine months ended		Year Ended
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	March 31, 2011
Lease Rentals during the period / year	12.35	5.23	24.14	10.32	38.41
Obligation on non- cancellable operating leases					
Not later than one year	32.19	23.16	32.19	23.16	27.65
Later than one year and not later than five years	122.54	80.46	122.54	80.46	127.18
Later than five years	238.45	71.39	238.45	71.39	257.96

30. Segment information

The primary reporting segments are identified based on market review and business dynamics and risk and returns affected by the type or class of customers for the services provided and are set out as follows:

- a. Infrastructure and Systems:
- b. Telecom and Wireless:
- c. Life science and Healthcare:

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

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30. Segment Information

(In ₹ Million)

Particulars	Period		Telecom and Wireless	Life Science and Healthcare	Infrastructure and Systems	Total
Revenue	Quarter ended	31-Dec-11	545.77	334.64	1,796.89	2,677.30
	Quarter ended	31-Dec-10	450.33	227.28	1,271.71	1,949.32
	Nine months ended	31-Dec-11	1,572.31	806.72	4,917.84	7,296.87
	Nine months ended	31-Dec-10	1,159.12	602.52	3,868.56	5,630.20
	Year ended	31-Mar-11	1,595.39	840.68	5,322.34	7,758.41
Identifiable Expense	Quarter ended	31-Dec-11	(216.07)	(125.78)	(1,009.11)	(1,350.96)
	Quarter ended	31-Dec-10	(199.47)	(81.50)	(687.23)	(968.20)
	Nine months ended	31-Dec-11	(676.97)	(328.87)	(2,902.17)	(3,908.01)
	Nine months ended	31-Dec-10	(564.14)	(229.05)	(1,984.74)	(2,777.93)
	Year ended	31-Mar-11	(779.54)	(320.76)	(2,719.69)	(3,819.99)
Segmental Operating Income	Quarter ended	31-Dec-11	329.70	208.86	787.78	1,326.34
	Quarter ended	31-Dec-10	250.86	145.78	584.48	981.12
	Nine months ended	31-Dec-11	895.34	477.85	2,015.67	3,388.86
	Nine months ended	31-Dec-10	594.98	373.47	1,883.82	2,852.27
	Year ended	31-Mar-11	815.85	519.92	2,602.65	3,938.42
Unallocable Expenses	Quarter ended	31-Dec-11				(837.63)
	Quarter ended	31-Dec-10				(659.69)
	Nine months ended	31-Dec-11				(2,290.12)
	Nine months ended	31-Dec-10				(1,954.64)
	Year ended	31-Mar-11				(2,779.25)
Operating Income	Quarter ended	31-Dec-11				488.71
	Quarter ended	31-Dec-10				321.43
	Nine months ended	31-Dec-11				1,098.74
	Nine months ended	31-Dec-10				897.63
	Year ended	31-Mar-11				1,159.17
Other Income (Net of Expenses)	Quarter ended	31-Dec-11				75.97
	Quarter ended	31-Dec-10				73.47
	Nine months ended	31-Dec-11				317.44
	Nine months ended	31-Dec-10				257.43
	Year ended	31-Mar-11				344.36
Profit before Taxes	Quarter ended	31-Dec-11				564.68
	Quarter ended	31-Dec-10				394.90
	Nine months ended	31-Dec-11				1,416.18
	Nine months ended	31-Dec-10				1,155.06
	Year ended	31-Mar-11				1,503.53
Tax expense	Quarter ended	31-Dec-11				158.84
	Quarter ended	31-Dec-10				32.47
	Nine months ended	31-Dec-11				410.55
	Nine months ended	31-Dec-10				89.04
	Year ended	31-Mar-11				106.16
Profit after Tax	Quarter ended	31-Dec-11				405.84
	Quarter ended	31-Dec-10				362.43
	Nine months ended	31-Dec-11				1,005.63
	Nine months ended	31-Dec-10				1,066.02
	Year ended	31-Mar-11				1,397.37

(In ₹ Million)

Particulars			Telecom and Wireless	Life Science and Healthcare	Infrastructure and Systems	Total
Segmental Trade Receivables	As at	31-Dec-11	387.78	260.15	1,927.95	2,575.89
	As at	31-Dec-10	386.08	185.22	1,240.51	1,811.81
	As at	31-Mar-11	260.81	167.36	1,383.59	1,811.76
Unallocated Assets	As at	31-Dec-11				7,652.41
	As at	31-Dec-10				6,802.31
	As at	31-Mar-11				7,291.69

Geographical Segments

The following table shows the distribution of the Group's consolidated sales by geographical market regardless of from where the services were rendered

(in ₹ Million)

Particulars			North America	Europe	Asia Pacific	Total
Revenue	Quarter ended	31-Dec-11	2,219.73	193.19	264.38	2,677.30
	Quarter ended	31-Dec-10	1,675.92	101.86	171.54*	1,949.32
	Nine months ended	31-Dec-11	6,040.26	531.99	724.62*	7,296.87
	Nine months ended	31-Dec-10	4,789.86	331.88	508.46	5,630.20
	Year ended	31-Mar-11	6,641.86	457.10	659.45*	7,758.41
Segmental Trade Receivables	As at	31-Dec-11	2,122.78	179.75	273.36	2,575.89
	As at	31-Dec-10	1,550.17	79.67	181.97	1,811.81
	As at	31-Mar-11	1,531.15	110.97	169.64	1,811.76

(*) Note: Revenue under the segment Asia Pacific for the year ended March 31, 2011 includes revenue of ₹ 11.01 million generated in South Africa and for quarter and nine months ended December 31, 2011 includes revenue of ₹ 7.08 million

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Notes forming part of Consolidated Financial Statements

31. Related party transactions

I. Names of related parties

Names of other related parties with whom transactions have taken place during the period / year

Key Management Personnel

- i. Dr. Anand S. Deshpande, Chairman and Managing Director
- ii. Suresh P. Deshpande, Non Executive Director #
- iii. Mr. T M Vijayaraman, Chief Technology Officer and Director, Persistent Systems Inc., USA
- iv. Mr. Hariharan, President, Persistent Systems Inc., USA
- v. Dr. Srikanth Sundararajan**
- vi. Mr. Nitin Kulkarni***

Relatives of Key Management Personnel:

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

Related party transactions

(In ₹ Million)

	Name of the related party	For the quarter ended		For the nine months ended		For the year Ended
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	March 31, 2011
Remuneration to Key Management personnel	Dr. Anand Deshpande	1.93	3.45	6.53	6.74	9.35
	Mr.T M Vijayaraman*	-	0.01	-	2.95	2.95
	Mr. Hari Haran**	4.78	5.04	16.65	18.85	25.63
	Dr. Srikanth Sundararajan**	-	3.97	8.72	14.05	19.06
	Mr. Nitin Kulkarni***	2.63	-	4.62	-	-
		16.20	12.47	31.74	42.59	56.99
Remuneration to relative of Key Management personnel	Mrs. Chitra Buzruk	0.65	0.63	1.89	1.64	2.14
	Dr. Mukund Deshpande	0.88	0.76	2.53	2.10	2.81
		1.53	1.39	4.42	3.74	4.95
Dividend paid	Dr. Anand Deshpande	-	-	17.07	22.75	68.25
	Mr. Suresh Deshpande	-	-	5.72	7.60	22.84
	Mrs. Chitra Buzruk	-	-	0.04	0.05	0.16
	Mrs. Sonali A. Deshpande	-	-	0.08	0.11	0.33
	Mrs. Sulabha S. Deshpande	-	-	0.42	0.56	1.69
	Mr. T M Vijayaraman*	-	-	-	0.17	0.59
	Mr. Nitin Kulkarni	-	-	0.04	-	-
		-	-	23.37	31.24	93.86

Outstanding Balances

Particulars	Name of the Related party	As at		(In ₹ Million)
		December 31, 2011	December 31, 2010	As at March 31, 2011
Dividend payable	Dr. Anand Deshpande	39.90	45.50	17.06
	Suresh Deshpande	13.34	15.24	5.72
	Chitra Buzruk	0.10	0.11	0.04
	Sonali Anand Deshpande	0.20	0.22	0.08
	Sulabha S Deshpande	0.99	1.13	0.42
	Mr. T M Vijayaraman	-	0.35	0.15
	Mr. Nitin Kulkarni	0.09	-	-
		54.62	62.55	23.47

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

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

*** Although Mr. Nitin Kulkarni was appointed on July 18, 2011 in the Capacity of Director of Persistent Systems Limited., his salary is disclosed from April 1, 2011.

Mr. Suresh P Deshpande retired as Director w.e.f October 31, 2011

32. Employees stock options (ESOP)

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

ESOP scheme	Date of adoption by the Board/Members	Initial Grant Date	Exercise price range	Exercise period
Scheme I	December 11, 1999	December 11, 1999	4.08 – 19.13	Note 1
Scheme II	April 23, 2004	April 23, 2004	25.92 – 96.41	10 Years
Scheme III	April 23, 2004	April 23, 2004	25.92 – 96.41	Note 1
Scheme IV	April 23, 2006	April 23, 2006	44.46 – 122.24	10 Years
Scheme V	April 23, 2006	April 23, 2006	44.46 – 88.28	Note 1
Scheme VI	October 31, 2006	October 31, 2006	44.46 – 61.34	10 Years
Scheme VII	April 30, 2007	April 30, 2007	48.34 – 122.24	10 Years
Scheme VIII	July 24, 2007	July 24, 2007	96.41 – 96.41	3 Years
Scheme IX	June 29, 2009	June 29, 2009	109.48 – 109.48	10 Years
Scheme X	June 10, 2010	October 29, 2010	315.15 – 403.25	3 Years

Note 1. No contractual life is defined in the scheme

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

Time period from the date of grant	Percentage of share vesting		
	Scheme I to V & X	Scheme VII	Scheme VIII
12 Months	10	20	25
24 Months	30	40	50
36 Months	60	60	75
48 Months	100	80	100
60 Months	NA	100	NA

The vesting pattern of scheme VI is as follows:

Time period from the date of grant	Percentage of share vesting
18 Months	30
Every quarter thereafter	5

The vesting pattern of scheme IX is as follows:

Time period from the date of grant	Percentage of share vesting
30– 60 Months varying from employee to employee	100

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Persistent Systems Limited

Notes forming part of Consolidated Financial Statements

The status of various ESOP schemes as at December 31, 2011 is shown in the following table

Plan		I	II	III	IV	V	VI	VII	VIII	IX	X	Total
Granted	A	2,280,250	376,600	1,266,650	3,479,125	945,262	608,125	892,487	21,000	687,231	962,365	11,519,095
Vested	B	1,607,010	238,542	839,572	1,773,059	659,721	383,905	366,155	17,500	201,877	2,592	6,089,933
Encashed and exercised	C	1,601,993	217,186	562,418	1,242,154	516,128	379,421	243,140	14,000	59,947	-	4,836,387
Vested and not exercised (B-C)	D	5,017	21,356	277,154	530,905	143,593	4,484	123,015	3,500	141,930	2,592	1,253,546
Lapsed	E	672,707	138,058	415,973	1,059,783	277,294	215,250	464,860	3,500	221,353	128,000	3,596,778
Not vested (A - C - D - E)	F	533	-	11,105	646,283	8,247	8,970	61,472	-	264,001	831,773	1,832,384
Outstanding (D + F)	G	5,550	21,356	288,259	1,177,188	151,840	13,454	184,488	3,500	405,931	834,365	3,085,931
Weighted average remaining contractual life (in years)		Note (i)	8.90	Note (i)	11.33	Note (i)	10.23	11.46	2.96	11.63	6.33	
Weighted average fair value of options granted (₹)		9.37	47.52	58.47	83.07	51.06	50.11	117.05	143.57	137.05	393.29	

The status of various ESOP schemes as at December 31, 2010 is shown in the following table

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

All the numbers provided in the above tables are rounded off.

Notes:

- i. No contractual life is defined in the schemes.
- ii. Compensation expense arising from employee share based payment plans for the period ended December 31, 2011 amounted to ₹ 5.59 million and (Previous period ₹6.02 million, Previous year ₹ 7.11 million.)
- iii. The Company has adjusted ₹ 20.36 Million (Previous period ₹ 11.47 million, Previous year ₹ 15.99 million) to General Reserve as the difference between the cost incurred by the Trust for the purpose of shares and the exercise price of those shares which have been exercised by the employee during the period/year, in accordance with Guidance Note on accounting for Employee share based payment, issued by the Institute of Chartered Accountants of India and SEBI Guidelines.

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Persistent Systems Limited

Notes forming part of Consolidated Financial Statements

Movement for the nine months ended December 31, 2011, December 31, 2010 and year March 31, 2011

ESOP Scheme	Particulars	Period ended	Outstanding at the beginning of the period	Granted during the period	Forfeited during the period	Exercised during the period	Outstanding at the end of the period	Exercisable at the end of the period
Scheme I	Number of Options	December 31,2011	5,554	-	3	1	5,550	5,086
	Weighted Average Price	December 31,2011	11.37	-	13.99	16.00	11.37	11.41
	Number of Options	December 31,2010	12,204	-	3,503	2,033	6,669	5,432
	Weighted Average Price	December 31,2010	9.95	-	4.77	11.36	12.16	12.93
	Number of Options	March 31, 2011	12,204	-	3,502	3,148	5,554	4,557
	Weighted Average Price	March 31, 2011	9.95	-	4.77	13.04	11.37	11.99
Scheme II	Number of Options	December 31,2011	23,556	-	-	2,200	21,356	21,355
	Weighted Average Price	December 31,2011	74.41	-	-	96.41	72.14	72.14
	Number of Options	December 31,2010	42,991	-	9,450	9,624	23,918	15,552
	Weighted Average Price	December 31,2010	84.36	-	96.41	96.41	74.74	63.09
	Number of Options	March 31, 2011	42,991	-	9,449	9,986	23,556	15,190
	Weighted Average Price	March 31, 2011	84.36	-	96.41	96.41	74.41	62.29
Scheme III	Number of Options	December 31,2011	370,038	-	9,908	71,871	288,259	277,417
	Weighted Average Price	December 31,2011	62.55	-	64.34	61.53	62.69	62.65
	Number of Options	December 31,2010	489,031	-	26,848	71,785	390,398	162,867
	Weighted Average Price	December 31,2010	62.17	-	65.49	58.59	62.60	61.51
	Number of Options	March 31, 2011	489,031	-	30,207	88,786	370,038	147,111
	Weighted Average Price	March 31, 2011	62.17	-	65.03	59.60	62.55	61.33
Scheme IV	Number of Options	December 31,2011	1,411,313	-	82,641	151,484	1,177,188	530,905
	Weighted Average Price	December 31,2011	99.92	-	119.91	69.63	102.45	81.37
	Number of Options	December 31,2010	1,844,402	-	98,350	196,354	1,549,698	320,501
	Weighted Average Price	December 31,2010	94.33	-	108.48	49.40	99.13	70.21
	Number of Options	March 31, 2011	1,844,402	-	160,599	272,490	1,411,313	456,919
	Weighted Average Price	March 31, 2011	94.33	-	112.69	54.56	99.92	66.85
Scheme V	Number of Options	December 31,2011	207,658	-	1,353	54,465	151,840	143,593
	Weighted Average Price	December 31,2011	52.82	-	52.10	50.70	53.54	51.62
	Number of Options	December 31,2010	312,018	-	9,599	70,878	231,541	124,547
	Weighted Average Price	December 31,2010	51.29	-	58.45	46.04	52.60	46.81
	Number of Options	March 31, 2011	312,018	-	9,601	94,759	207,658	195,362
	Weighted Average Price	March 31, 2011	51.29	-	58.44	47.20	52.82	50.08

ESOP Scheme	Particulars	Period ended	Outstanding at the beginning of the period	Granted during the period	Forfeited during the period	Exercised during the period	Outstanding at the end of the period	Exercisable at the end of the period
Scheme VI	Number of Options	December 31,2011	96,251	-	-	82,797	13,454	4,484
	Weighted Average Price	December 31,2011	54.26	-	-	53.11	61.34	61.34
	Number of Options	December 31,2010	96,251	-	-	-	96,251	46,375
	Weighted Average Price	December 31,2010	54.26	-	-	-	54.26	52.71
	Number of Options	March 31, 2011	96,251	-	-	-	96,251	58,844
	Weighted Average Price	March 31, 2011	54.26	-	-	-	54.26	52.70
Scheme VII	Number of Options	December 31,2011	223,653	-	8,810	30,356	184,487	123,015
	Weighted Average Price	December 31,2011	81.91	-	75.79	66.38	84.76	71.56
	Number of Options	December 31,2010	292,953	-	4,900	17,150	270,904	85,303
	Weighted Average Price	December 31,2010	83.56	-	61.34	57.63	85.61	61.74
	Number of Options	March 31, 2011	292,953	-	52,150	17,150	223,653	98,376
	Weighted Average Price	March 31, 2011	83.56	-	99.16	57.63	81.91	66.58
Scheme VIII	Number of Options	December 31,2011	5,250	-	-	1,750	3,500	3,500
	Weighted Average Price	December 31,2011	96.41	-	-	96.41	96.41	96.41
	Number of Options	December 31,2010	14,000	-	3,500	3,500	7,000	3,500
	Weighted Average Price	December 31,2010	96.41	-	96.41	96.41	96.41	96.41
	Number of Options	March 31, 2011	14,000	-	3,500	5,250	5,250	1,750
	Weighted Average Price	March 31, 2011	96.41	-	96.41	96.41	96.41	96.41
Scheme IX	Number of Options	December 31,2011	470,698	-	7,302	57,465	405,931	142,207
	Weighted Average Price	December 31,2011	109.48	-	109.48	109.48	109.48	109.48
	Number of Options	December 31,2010	534,493	-	49,313	2,187	482,993	25,009
	Weighted Average Price	December 31,2010	109.48	-	109.48	109.48	109.48	109.48
	Number of Options	March 31, 2011	534,493	-	61,313	2,482	470,698	115,714
	Weighted Average Price	March 31, 2011	109.48	-	109.48	109.48	109.48	109.48
Scheme X	Number of Options	December 31,2011	547,925	367,440	81,000	-	834,365	2,592
	Weighted Average Price	December 31,2011	401.25	378.66	393.95	-	392.27	403.25
	Number of Options	December 31,2010	-	517,925	-	-	517,925	-
	Weighted Average Price	December 31,2010	-	403.25	-	-	403.25	-
	Number of Options	March 31, 2011	-	594,925	47,000	-	547,925	-
	Weighted Average Price	March 31, 2011	-	401.41	403.25	-	401.25	-

The weighted average share price for the period over which stock options were exercised was ₹ 356.60.

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Persistent Systems Limited

Notes forming part of Consolidated Financial Statements

Movement for the quarter ended December 31, 2011, December 31, 2010

ESOP Scheme	Particulars	Period ended	Outstanding at the beginning of the period	Granted during the period	Forfeited during the period	Exercised during the period	Outstanding at the end of the period	Exercisable at the end of the period
Scheme I	Number of Options	December 31,2011	5,552	-	1	1	5,550	5,086
	Weighted Average Price	December 31,2011	11.37	-	14.52	16.00	11.37	11.47
	Number of Options	December 31,2010	7,667	-	-	997	6,669	5,432
	Weighted Average Price	December 31,2010	11.50	-	-	7.10	12.16	12.93
Scheme II	Number of Options	December 31,2011	22,156	-	-	800	21,356	21,355
	Weighted Average Price	December 31,2011	73.02	-	-	96.41	72.14	72.14
	Number of Options	December 31,2010	30,917	-	4,200	2,799	23,918	15,552
	Weighted Average Price	December 31,2010	79.65	-	96.41	96.41	74.74	63.09
Scheme III	Number of Options	December 31,2011	297,812	-	910	8,643	288,259	277,417
	Weighted Average Price	December 31,2011	62.80	-	71.16	63.67	62.74	62.65
	Number of Options	December 31,2010	421,937	-	9,434	22,105	390,398	162,867
	Weighted Average Price	December 31,2010	62.57	-	65.25	60.93	62.60	61.51
Scheme IV	Number of Options	December 31,2011	1,225,163	-	37,750	10,225	1,177,188	530,905
	Weighted Average Price	December 31,2011	102.79	-	120.40	80.29	102.42	81.37
	Number of Options	December 31,2010	1,640,857	-	32,300	58,858	1,549,699	320,501
	Weighted Average Price	December 31,2010	97.71	-	113.48	51.80	99.13	70.21
Scheme V	Number of Options	December 31,2011	162,328	-	213	10,275	151,840	143,593
	Weighted Average Price	December 31,2011	53.39	-	58.89	50.21	53.59	51.62
	Number of Options	December 31,2010	255,441	-	1,649	22,252	231,541	124,547
	Weighted Average Price	December 31,2010	52.04	-	53.31	46.08	52.60	46.81
Scheme VI	Number of Options	December 31,2011	96,251	-	-	82,797	13,454	4,484
	Weighted Average Price	December 31,2011	54.26	-	-	53.11	61.34	61.34
	Number of Options	December 31,2010	96,251	-	-	-	96,251	46,375
	Weighted Average Price	December 31,2010	54.26	-	-	-	54.26	52.71
Scheme VII	Number of Options	December 31,2011	184,487	-	-	-	184,487	123,015
	Weighted Average Price	December 31,2011	84.76	-	-	-	84.76	71.56
	Number of Options	December 31,2010	285,580	-	-	14,677	270,904	85,303
	Weighted Average Price	December 31,2010	84.14	-	-	57.00	85.61	61.74
Scheme VIII	Number of Options	December 31,2011	5,250	-	-	1,750	3,500	3,500
	Weighted Average Price	December 31,2011	96.41	-	-	96.41	96.41	96.41
	Number of Options	December 31,2010	7,000	-	-	-	7,000	3,500
	Weighted Average Price	December 31,2010	96.41	-	-	-	96.41	96.41

Persistent Systems Limited

Notes forming part of Consolidated Financial Statements

ESOP Scheme	Particulars	Period ended	Outstanding at the beginning of the period	Granted during the period	Forfeited during the period	Exercised during the period	Outstanding at the end of the period	Exercisable at the end of the period
Scheme IX	Number of Options	December 31,2011	406,116	-		185	405,931	142,207
	Weighted Average Price	December 31,2011	109.48	-		109.48	109.48	109.48
	Number of Options	December 31,2010	522,472	-	38,233	1,246	482,993	25,009
	Weighted Average Price	December 31,2010	109.48	-	109.48	109.48	109.48	109.48
Scheme X	Number of Options	December 31,2011	859,365	7,000	32,000	-	834,365	2,592
	Weighted Average Price	December 31,2011	392.97	315.15	394.02	-	392.27	403.25
	Number of Options	December 31,2010	-	517,925	-	-	517,925	-
	Weighted Average Price	December 31,2010	-	403.25	-	-	403.25	-

The weighted average share price for the period over which stock options were exercised was ₹ 312.42.

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Fair valuation of stock options granted

The weighted average fair value of the stock options granted during the current period is ₹ 315.15. The Binomial tree valuation model has been used for computing the weighted average fair value considering the following inputs:

	December 31, 2011	March 31, 2011
	Scheme X	Scheme X
Weighted average share price	₹ 397.55	₹ 401.41
Exercise Price	₹ 397.55	₹ 315.15- ₹ 403.25
Expected Volatility	40.08%	31.90%, 32.56%
Historical Volatility	40.08%	31.52% - 61.52%
Life of the options granted (Vesting and exercise period)	7 years	7 Years
Dividend Yield	1.00%	1.00%
Average risk-free interest rate	8.00%	7.93% - 8.01%
Expected dividend rate	40%	40%

Note: There were no grants during the quarter and nine months ended December 31, 2010.

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

Proforma disclosures by applying fair value method

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

	(In ₹ Million)				
	For the quarter ended		For the nine months ended		Year ended
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	March 31, 2011
Profit after tax	405.84	362.43	1,005.63	1,066.02	1,397.37
Add: Employee stock compensation under intrinsic value method	0.95	0.53	5.59	6.02	7.11
Less: Employee stock compensation under fair value method	(17.01)	(12.41)	(53.77)	(31.78)	(60.70)
Proforma profit	389.78	350.55	957.45	1,040.26	1,342.04
Earnings Per Share					
Basic					
- As reported	10.58	9.59	26.29	28.31	37.04
- Pro forma	10.16	9.27	25.04	27.62	35.58
Diluted					
- As reported	10.15	9.06	25.14	26.65	34.93
- Pro forma	9.74	8.76	23.94	26.01	33.55

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33. Auditors' remuneration

(In ₹ Million)

	For the quarter ended		For the nine months ended		For the year ended
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	March 31, 2011
As auditors					
-Audit fee	1.14	1.05	3.52	3.11	4.13
-Tax audit matters	0.05	0.04	0.15	0.14	0.19
-Other matters	0.38	0.35	1.03	0.45	1.10
-Out of pocket expenses	0.02	0.01	0.02	0.07	0.14
	1.59	1.45	4.72	3.77	5.57

34. Research and development expenditure

The particulars of expenditure incurred on in-house research and development centre recognised by the Department of Scientific and Industrial Research (DSIR) is as follows

(In ₹ Million)

	For the quarter ended		For the nine months ended		For the year ended
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	March 31, 2011
Capital	-	-	0.97	-	-
Revenue	10.04	-	28.75	-	-
	10.04	-	29.72	-	-

35. Dues to Micro and Small enterprises

There are no amounts that need to be disclosed pertaining to Micro and Small Enterprises under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006).

As at December 31, 2011, no supplier has intimated the Group about its status as Micro or Small enterprises or its registration with the appropriate authority under 'The Micro, Small and Medium Enterprises Development Act, 2006'.

36. The shareholders of the Company have approved a scheme of amalgamation of Persistent eBusiness Solutions Limited and Persistent Systems & Solutions Limited with the Company, subject to approval of Hon. High Court, Mumbai. The scheme of amalgamation has not been effected in these financial statements as it is pending approval of High Court of Mumbai.

37. The Group is predominantly engaged in the outsourced software product development services. The development 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 schedule VI of the Companies Act, 1956.

38. Compliance in relation to unpaid dividend

Unpaid dividend shall be credited to Investor Education and Protection Fund as and when due.

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39. Previous period / year comparatives

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

As per our report of even date

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

For JOSHI APTE & Co
Firm registration no. 104370W
Chartered Accountants

For and on behalf of the Board of Directors

per Arvind Sethi
Partner
Membership No.: 89802

per Prakash Apte
Partner
Membership No.: 33212

Dr. Anand Deshpande
Chairman and Managing
Director

P. B. Kulkarni
Director

Rajesh Ghonasgi
Chief Finance Officer

Vivek Sadhale
Company
Secretary and
Head - Legal

Place : Pune
Date : January 22, 2012

Place : Pune
Date : January 22, 2012

Place : Pune
Date : January 22, 2012