

Persistent Systems Limited

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2012

	Notes	As at	
		March 31, 2012 In ₹ Million	March 31, 2011 In ₹ Million
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	5	400.00	400.00
Reserves and surplus	6	8,005.12	7,071.07
		8,405.12	7,471.07
Non-current liabilities			
Long-term borrowings	7	6.54	-
Other long term liabilities	8	-	83.94
Long-term provisions	9	70.87	62.24
		77.41	146.18
Current liabilities			
Trade payables	10	289.13	405.91
Other current liabilities	10	590.09	344.62
Short-term provisions	11	781.19	735.70
		1,660.41	1,486.23
TOTAL		10,142.94	9,103.48
ASSETS			
Non-current assets			
Fixed assets			
- Tangible assets	12.1	2,475.29	1,688.24
- Intangible assets	12.2	721.97	573.05
- Capital work-in-progress		510.78	524.65
- Intangible assets under development		16.76	28.84
		3,724.80	2,814.78
Non-current investments	13	122.74	-
Deferred tax assets (net)	14	106.57	59.85
Long term loans and advances	15	147.05	149.11
Other non-current assets	16	2.16	113.67
		4,103.32	3,137.41
Current assets			
Current investments	17	1,915.24	2,500.42
Trade receivables	18	2,032.72	1,582.11
Cash and bank balances	19	1,374.67	886.27
Short-term loans and advances	20	535.25	771.07
Other current assets	21	181.74	226.20
		6,039.62	5,966.07
TOTAL		10,142.94	9,103.48
Summary of significant accounting policies	4		

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 Vijay Maniar
Partner
Membership No. 36738

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: Mumbai
Date : April 22, 2012

Place: Pune
Date : April 22, 2012

Place: Pune
Date : April 22, 2012

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND YEAR ENDED MARCH 31, 2012

	Notes	For the quarter ended		For the year ended	
		March 31, 2012 In ₹ Million	March 31, 2011 In ₹ Million	March 31, 2012 In ₹ Million	March 31, 2011 In ₹ Million
Income					
Revenue from operations	22	2,706.24	2,128.21	10,003.11	7,758.41
Other income	23	130.79	86.93	335.77	344.36
Total revenue (A)		2,837.03	2,215.14	10,338.88	8,102.77
Expenses					
Employee benefit expenses	24.1	1,508.84	1,342.44	5,990.54	4,816.23
Cost of technical professionals	24.2	104.59	100.97	416.75	306.72
Other expenses	25	485.11	303.93	1,351.95	1,052.40
Depreciation and amortization (net)	12.3	185.99	119.33	610.96	423.89
Total expenses (B)		2,284.53	1,866.67	8,370.20	6,599.24
Profit before tax (A - B)		552.50	348.47	1,968.68	1,503.53
Tax expense					
Current tax		167.63	61.83	595.69	284.03
MAT credit entitlement		-	(0.23)	-	(124.79)
Tax charge / (credit) in respect of earlier period / years		-	1.75	-	(1.74)
Deferred tax (credit)		(27.30)	(46.23)	(44.81)	(51.34)
Total tax expense		140.33	17.12	550.88	106.16
Profit/(loss) for the period / year		412.17	331.35	1,417.80	1,397.37
Earnings per equity share					
Basic (In ₹)	26	10.72	8.74	37.02	37.04
Diluted (In ₹)		10.30	8.28	35.45	34.93
Summary of significant accounting policies	4				

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CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

	For the year ended	
	March 31, 2012 In ₹ Million	March 31, 2011 In ₹ Million
Cash flow from operating activities		
Net profit before tax	1,968.68	1,503.53
Adjustments for:		
Interest income	(101.19)	(23.63)
Dividend income	(141.71)	(118.35)
Depreciation and amortisation expense	610.96	423.89
Unrealised exchange loss / (gain) (net)	(116.65)	13.25
Change in Foreign currency translation reserve	36.53	
Exchange loss / (gain) on derivative contracts	80.16	33.37
Exchange difference on translation of foreign currency cash and cash equivalents	0.25	0.10
Bad Debts	27.98	-
Provision for doubtful debts	67.41	43.50
Employee compensation expenses	8.36	7.11
Provision for doubtful deposit written back	(0.25)	(0.35)
Excess provision written back	(11.96)	(2.27)
Profit on sale of investments (net)	(4.88)	(2.40)
Profit on sale of fixed assets (net)	(1.84)	(8.27)
	2,421.85	1,869.48
Operating profit before working capital changes		
Movements in working capital :		
(Increase) in trade receivables	(417.39)	(274.33)
Decrease / (Increase) in other current assets	(35.94)	15.39
Decrease in loans and advances	16.65	53.92
Increase / (Decrease) in current liabilities	(175.45)	150.48
Increase / in provisions	7.87	102.93
Operating profit after working capital changes	1,817.59	1,917.87
Direct taxes paid (net of refunds)	(381.30)	(342.34)
Net cash from operating activities	(A) 1,436.29	1,575.53
Cash flows from investing activities		
Purchase of fixed assets (including capital work in progress and capital advances)	(1,507.32)	(971.74)
Proceeds from sale of fixed assets	3.02	1.84
Purchase of current investments	(8,827.19)	(15,527.77)
Redemption / maturity of bank deposits (having original maturity of more than three months)	111.51	-
Purchase of non-current investments	(122.74)	-
Proceeds from sale / maturity of investments	9,132.07	13,844.06
Interest income	77.29	10.17
Dividends received	141.71	114.79
Net cash (used in) investing activities	(B) (991.65)	(2,528.65)
Cash flows from financing activities		
Share issue expenses	-	(45.30)
(Payments) / receipts on behalf of selling shareholders in IPO	-	(372.08)
Receipts from long term borrowings	6.54	-
Deferred payment liabilities	(15.33)	(15.04)
Dividends paid	(199.94)	(240.00)
Tax on dividend paid	(32.68)	(40.16)
Net cash (used in) financing activities	(C) (241.41)	(712.58)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

	For the year ended	
	March 31, 2012 In ₹ Million	March 31, 2011 In ₹ Million
Net increase / (decrease) in cash and cash equivalents (A + B + C)	203.23	(1,665.70)
Cash and cash equivalents at the beginning of the year	230.16	1,895.96
Exchange difference on translation of foreign currency cash and cash equivalents	(0.25)	(0.10)
Cash and cash equivalents at the end of the period / year	433.14	230.16
Components of cash and cash equivalents		
Cash on hand	0.12	0.18
Balances with banks includes		
On current account	432.23	229.26
On saving account	0.47	0.46
On unpaid dividend accounts*	0.32	0.26
Cash and cash equivalents as per Note 19	433.14	230.16

* The company can utilize these balances only towards settlement of the respective unpaid dividend.

Summary of significant accounting policies - Refer note 4

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1. Nature of operations

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

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

Persistent eBusiness Solutions Limited (PeBS) was 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) had 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.

Persistent Telecom Solutions, Inc is a USA based subsidiary of Persistent Systems Inc. The company is engaged in licensing, support, professional services and managed services pertaining to Location Products suits.

2. Principles of Consolidation

The consolidated financial statements for the year ended March 31, 2012 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) ("Accounting Standards") 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 Group's investment in its Associate is accounted for using the equity method. An Associate is an entity in which the Group has significant influence.

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. The consolidated financial statements 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
	March 31, 2012	March 31, 2011	
Persistent Systems Inc.	100%	100%	USA
Persistent eBusiness Solutions Limited	NIL	100%	India
Persistent Systems and Solutions Limited	NIL	100%	India
Persistent Systems, Pte. Limited	100%	100%	Singapore
Persistent Systems France, SAS	100%	NIL	France
Persistent Telecom Solutions Inc. (step down subsidiary) – direct subsidiary of of Persistent Systems Inc.	100%	NIL	USA

3. Basis of preparation

The financial statements of the Group have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The financial statements have been prepared to comply in all material respects with the Accounting Standards 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 adopted in the preparation of financial statements are consistent with those of previous year except further change in accounting policy explained below.

4. Statement of significant accounting policies**(a) Change in accounting policy****Presentation and disclosure of financial statements**

During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Group, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Group has also reclassified the previous year figures in accordance with the requirements applicable in the current year. A summary of the effects that revised Schedule VI had on presentation of balance sheet of the Group for the year ended March 31, 2011 has been set out in note 40.

(b) Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the end of reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

(c) Current and Non-current classification

An asset or a 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 Group's normal operating cycle; or
- b. it is held primarily for the purpose of being traded; or
- 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 Group 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 fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. The cost comprises the purchase price and any attributable costs of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. Capital work-in-progress includes cost of fixed assets that are not ready to be put to use.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from disposal of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is disposed.

(e) Intangible assets**(i) Acquired Intangible assets**

Intangible assets including software licenses of enduring nature and contractual rights acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated 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.

Gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is disposed.

(ii) 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.

Such capitalized expenditure is reflected as intangibles under development.

Following the initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization of internally generated intangible asset commenced when the development is complete and the asset is available for use.

(f) Depreciation and amortization

Depreciation on tangible 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.

Intangible assets are amortized 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.

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)
Buildings	4.00%	1.63%
Computers	33.33%	16.21%
Office equipments	20.00%	4.75%
Plant and machinery	20.00%	4.75%
Furniture and fixtures	20.00%	6.33%
Vehicles	20.00%	9.50%
Software	20% to 33.33%	16.21%

*Individual assets whose cost does not exceed ₹ 5,000 are fully depreciated in the year of acquisition.

Leasehold land is amortized on straight line basis over the period of lease.

Acquired contractual rights are amortized on straight line basis over their estimated useful lives of three to five years.

(g) Impairment of tangible and intangible assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors.

Recoverable amount of intangible under development that is not yet available for use is estimated at least at each financial year end even if there is no indication that the asset is impaired.

An impairment loss is recognized 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) Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or development of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

(i) Leases***Where the Group is a lessee***

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

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

(j) Investments

Investments which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

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 recognize a decline, other than temporary decline, in the value of investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

(k) Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) Income from software services

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

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

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

Revenue from royalty is recognized in accordance with the terms of the relevant agreements.

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

Unbilled revenue represents revenue recognized 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 recognized.

The Group collects service tax and value added taxes (VAT) on behalf of the government and, therefore, it is not an economic benefit flowing to the Group. Hence, it is excluded from revenue.

(ii) Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. Interest income is included under the head 'Other income' in the statement of profit and loss.

(iii) Dividends

Dividend income is recognized when the Group's right to receive dividend is established by the reporting date. Dividend income is included under the head 'Other income' in the statement of profit and loss.

(l) Foreign currency translation

(i) Foreign currency transactions and balances

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.

Conversion

Foreign currency monetary items are reported using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates at the date when the values were determined.

Exchange differences

Exchange differences arising on conversion / settlement of foreign currency monetary items and on foreign currency liabilities relating to fixed assets acquisition are recognized as income or expenses in the period in which they arise.

Forward exchange contracts not intended for trading or speculation purposes covered by AS-11 "The effects of changes in Foreign Exchange rates"

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

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

The Group has adopted principles of AS-30-“Financial Instruments: Recognition and Measurement” issued by the Institute of Chartered Accountants of India (ICAI), to the extent that the adoption did not conflict with existing accounting standards and other authoritative pronouncements of the company law and other regulatory requirements.

As per the accounting principles laid down in AS-30 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 recognized 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 recognized 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 recognized 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.

Translation of integral and non-integral foreign operation

The Group classifies all its foreign operations as either “integral foreign operations” or “non-integral foreign operations.”

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

The assets and liabilities of a non-integral foreign operation are translated into the reporting currency at the exchange rate prevailing at the reporting date. Their statement of profit and loss are translated at exchange rates prevailing at the dates of transactions or weighted average rates, where such rates approximate the exchange rate at the date of transaction. The exchange differences arising on translation are accumulated in the foreign currency translation reserve. On disposal of a non-integral foreign operation, the accumulated foreign currency translation reserve relating to that foreign operation is recognized in the statement of profit and loss.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

(m) 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 contributions to the provident fund are charged to the statement of profit and loss for the year when the contributions are due. The Group has no obligation, other than the contribution payable to the provident fund.

(ii) Gratuity

Gratuity is a defined benefit obligation plan operated by the Group for its employees covered under Group Gratuity Scheme. The cost of providing benefit under gratuity plan is determined on the basis of actuarial valuation using the projected unit credit method at the reporting date. Actuarial gains and losses are recognized in full in the statement of profit and loss in the reporting period in which they occur.

(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

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The Group measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the reporting date. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

The Group presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

(v) Long service awards

Long service awards are other long term benefits to all eligible employees, as per Group's policy. The cost of providing benefit under long service awards scheme is determined on the basis of actuarial valuation using the projected unit credit method at the reporting date. Actuarial gains and losses are recognized in full in the statement of profit and loss in the reporting period in which they occur.

(n) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the Group operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current reporting period and reversal of timing differences of earlier reporting periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized 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 realized. In situations where the Group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

In the situations where the Group is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the Group's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which the timing differences originate. However, the Group restricts recognition of 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 realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

At each reporting date, the Group re-assesses unrecognized deferred tax assets. It recognizes unrecognized 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 realized.

The carrying amount of deferred tax assets are reviewed at each reporting 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 realized. 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.

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 same taxable entity and the same taxation authority.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. MAT credit available is recognized as an asset only to the extent that there is convincing evidence that the Group will pay normal income tax during the period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Group recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Group does not have convincing evidence that it will pay normal tax during the specified period.

(o) Segment reporting**(i) Identification of segment**

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 review of market and business dynamics based on risk and returns affected by the type or class of customers for the services provided. The analysis of geographical segment is based on the areas in which the customers of the Company operate.

(ii) Allocation of income and direct expenses

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.

(iii) Unallocated items

Unallocated items include general corporate income and expense items which are not allocated to any business segment.

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

(iv) Inter-segment transfers

There are no inter-segments transactions.

(v) Segment accounting policies

The Group prepares its segment information in conformity with accounting policies adopted for preparing and presenting the financial statements of the Group as a whole.

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(p) 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 outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares), if any occurred during the reporting period, that have changed the number of equity shares outstanding, without a corresponding change in resources. Further, the weighted average number of equity shares used in computing the basic earnings per share is 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.

(q) Provisions

A provision is recognized when the Group has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefits 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 reporting date. These estimates are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(r) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the financial statements.

(s) Cash and cash equivalents

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

(t) Employee stock compensation expenses

Employees (including senior executives) of the Group receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

In accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, the cost of equity-settled transactions is measured using the intrinsic value method and recognized, together with a corresponding increase in the "Stock options outstanding account" in reserves. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The expense or credit recognized in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense. 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.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total intrinsic value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

5. Share capital

	As at March 31, 2012 In ₹ Million	As at March 31, 2011 In ₹ Million
Authorised shares (No. million)		
112 (Previous period/ year: 100) equity shares of ₹ 10 each	1,120.00	1,000.00
	1,120.00	1,000.00
Issued, subscribed and fully paid-up shares (No. million)		
40 (Previous period/ year: 40) equity shares of ₹ 10 each	400.00	400.00
Issued, subscribed and fully paid-up share capital	400.00	400.00

a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

There is no movement in the shares outstanding at the beginning and at the end of the reporting period.

b) Terms/ rights attached to equity shares

The Group has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The Group declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended March 31, 2012, the amount of per share dividend recognized as distributions to equity shareholders is ₹6 (March 31, 2011: ₹5.50).

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date

	As at March 31, 2012 No. million	As at March 31, 2011 No. million
Equity shares allotted on September 17, 2007 as fully paid bonus shares by capitalization of securities premium ₹ 246.36 million and capitalization of capital redemption reserves ₹ 9.79 million	25.62	25.62

d) Details of shareholders holding more than 5% shares in the Company

Name of the shareholder*	As at March 31, 2012		As at March 31, 2011	
	No. million	% Holding	No. million	% Holding
Dr. Anand Deshpande	11.40	28.50	11.38	28.44
Norwest Venture Partners, FVCI	5.40	13.51	5.40	13.51
Mr. S. P. Deshpande	3.81	9.53	3.81	9.53
PSPL ESOP Management Trust	3.58	8.95	4.03	10.08

* The shareholding information is based on legal ownership of shares and has been extracted from the records of the Company including register of shareholders / members.

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

6. Reserves and surplus

	As at	
	March 31, 2012 In ₹ Million	March 31, 2011 In ₹ Million
A. Securities premium account		
Balance as per the last financial statements	1,736.70	1,738.60
Less: Share issue expenses	-	(1.90)
Closing balance	1,736.70	1,736.70
B. Employee Share options outstanding account (Refer note 32)		
Balance as per the last financial statements	34.76	32.02
Add : Additions during the period / year	8.36	7.11
Less: Transferred to general reserve	(9.61)	(4.37)
	33.51	34.76
C. General reserve		
Balance as per the last financial statements	2,289.21	1,734.45
Add: Transferred from the statement of profit and loss	549.60	534.40
Add: Adjustments towards PSPL ESOP Management Trust and Employee Stock Options (Refer note 32)	32.36	20.36
Closing balance General Reserve	2,871.17	2,289.21
D. Foreign currency translation reserve		
Balance as per the last financial statements	1.91	2.05
(Less)/Add: Exchange difference during the period / year on net investment in non-integral foreign operation	23.68	(0.14)
	25.59	1.91
E. Hedge reserve		
Balance as per the last financial statements	79.11	159.85
Loss / (gain) transferred to statement of profit and loss on occurrence of forecasted transactions	(79.11)	(159.85)
Net changes in fair value of effective cash flow hedges	(180.50)	79.11
	(180.50)	79.11
F. Surplus		
Balance as per the last financial statements	2,929.38	2,322.95
Net profit for the reporting period	1,417.80	1,397.37
Less: Appropriations		
Interim dividend	(140.00)	(80.00)
Special dividend	-	(80.00)
Proposed final dividend	(100.00)	(60.00)
Tax on dividend	(38.93)	(36.54)
Transferred to general reserve	(549.60)	(534.40)
	3,518.65	2,929.38
	8,005.12	7,071.07

7. Long-term borrowings

	As at	
	March 31, 2012 In ₹ Million	March 31, 2011 In ₹ Million
Term Loans (unsecured)		
From other parties	6.54	-
	6.54	-

The term loan has been guaranteed by a bank guarantee by the company and the term loan is repayable in ten equal semi annual instalments over a period of five years commencing from March 2016

8. Other long term liabilities

	As at	
	March 31, 2012 In ₹ Million	March 31, 2011 In ₹ Million
Trade payables (Refer note 37 for details of dues to micro and small enterprises)	-	83.94
	-	83.94

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

9. Long term provisions

	As at	
	March 31, 2012	March 31, 2011
	In ₹ Million	In ₹ Million
Provision for employee benefits		
- Long service awards	70.87	62.24
	70.87	62.24

10. Trade payables and Other current liabilities

	As at	
	March 31, 2012	March 31, 2011
	In ₹ Million	In ₹ Million
Trade payable (Refer note 37 for details of dues to micro and small enterprises)	289.13	405.91
	289.13	405.91
Other Liabilities		
Unearned revenue	89.04	96.04
Unpaid dividend (*)	0.32	0.26
Advance from customers	77.21	114.72
Forward contracts payable	235.47	-
Other payables		
- Statutory liabilities	81.24	40.60
- Accrued employee liabilities	100.59	86.59
- Other liabilities	6.22	6.41
	590.09	344.62

(*) Unpaid dividend is credited to Investor Education and Protection Fund as and when due.

11. Short-term provisions

	As at	
	March 31, 2012	March 31, 2011
	In ₹ Million	In ₹ Million
Provision for employee benefits		
- Gratuity (Refer Note 28)	42.87	90.51
- Leave encashment	208.56	160.83
- Long service awards	16.35	12.48
- Other employee benefits	397.19	401.91
Others		
- Proposed final dividend	100.00	60.00
- Tax on proposed dividend	16.22	9.97
	781.19	735.70

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Persistent Systems Limited
NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS
12.1 Tangible assets

	(In ₹ Million)									
	Freehold land	Leasehold land	Buildings	Computers	Office equipments	Plant & machinery	Leasehold improvements	Furniture & fixtures	Vehicles	Total
Gross Block										
As at April 1, 2010	202.98	39.93	1,257.51	723.57	25.50	550.50	-	281.78	4.61	3,086.38
Additions	-	-	25.59	193.59	2.06	59.42	10.15	27.40	-	318.21
Disposals	-	-	-	22.48	0.05	1.48	-	0.30	0.07	24.38
Other adjustments	-	-	-	-	-	-	-	-	-	-
- Exchange differences	-	-	-	0.45	-	(0.01)	-	-	-	0.44
As at March 31, 2011	202.98	39.93	1,283.10	895.13	27.51	608.43	10.15	308.88	4.54	3,380.65
Additions	11.07	-	569.37	164.09	11.82	283.66	1.00	81.79	-	1,122.80
Disposals	-	-	-	38.56	1.16	1.71	-	1.37	-	42.80
Other adjustments	-	-	-	-	-	-	-	-	-	-
- Exchange differences	0.79	-	3.56	0.78	0.58	-	-	0.24	-	5.95
As at March 31, 2012	214.84	39.93	1,856.03	1,021.44	38.75	890.38	11.15	389.54	4.54	4,466.60
Depreciation										
As at April 1, 2010	-	-	225.38	585.37	17.81	380.65	-	215.67	3.20	1,428.08
Charge for the year	-	1.87	50.71	119.77	3.39	74.91	2.07	35.18	0.45	288.35
Disposals	-	-	-	22.53	0.05	1.03	-	0.25	0.07	23.93
Exchange differences	-	-	-	(0.08)	-	(0.01)	-	(0.01)	-	(0.09)
As at March 31, 2011	-	1.87	276.09	682.53	21.15	454.52	2.07	250.59	3.58	1,692.41
Charge for the year	-	0.42	59.45	140.88	3.67	87.57	2.80	43.45	0.45	338.69
Disposals	-	-	-	37.45	1.04	1.71	-	0.71	-	40.91
Other adjustments	-	-	-	-	-	-	-	-	-	-
- Exchange differences	-	-	0.02	0.83	0.40	-	-	(0.13)	-	1.12
As at March 31, 2012	-	2.29	335.56	786.79	24.18	540.38	4.87	293.20	4.03	1,991.31
Net Block										
As at March 31, 2011	202.98	38.06	1,007.01	212.60	6.36	153.91	8.08	58.29	0.96	1,688.24
As at March 31, 2012	214.84	37.64	1,520.47	234.65	14.57	350.00	6.28	96.34	0.51	2,475.29

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Persistent Systems Limited

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

12.2 Intangible Assets

	(In ₹ Million)		
	Software	Acquired contractual rights	Total
Gross Block			
As at April 1, 2010	628.41	-	628.41
Purchase	258.45	275.57	534.02
Exchange differences	(0.32)	-	(0.32)
As at March 31, 2011	886.54	275.57	1,162.11
Purchase	407.13	-	407.13
Disposals/Write offs	20.70	-	20.70
Other adjustments			
- Exchange differences	14.52	6.06	20.58
As at March 31, 2012	1,287.49	281.63	1,569.12
Amortization			
As at April 1, 2010	453.07	-	453.07
Charge for the year	131.92	4.45	136.37
- Exchange differences	(0.36)	(0.02)	(0.38)
As at March 31, 2011	584.63	4.43	589.06
Charge for the year	197.35	75.61	272.96
Disposals	20.70	-	20.70
Other adjustments			
- Exchange differences	5.06	0.77	5.83
As at March 31, 2012	766.34	80.81	847.15
Net Block			
As at March 31, 2011	301.91	271.14	573.05
As at March 31, 2012	521.15	200.82	721.97

12.3 Depreciation and amortisation

	(In ₹ Million)	
	For the year ended	
	March 31, 2012	March 31, 2011
On tangible assets	338.69	288.35
On intangible assets	272.96	136.37
Less: attributable to fixed assets used for construction of building	(0.69)	(0.83)
	610.96	423.89

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NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

13. Non-current investments

	As at	
	March 31, 2012 In ₹ Million	March 31, 2011 In ₹ Million
Trade Investments (At cost unless otherwise mentioned)		
Investments in Equity Instruments (Unquoted)		
In associates		
Klisma eService Private Limited		
0.005 million (Previous year NIL) shares of Rs. 10 each, fully paid up	0.05	-
	<u>0.05</u>	<u>-</u>
In others*		
Ciquial Limited		
10 million (Previous period / year 10 million) shares of GBP 0.01 each, fully paid up (At cost less provision for other than temporary diminution)	10.96	9.58
Less : Provision for diminution in value of investment	<u>10.96</u>	<u>9.58</u>
	-	-
Sprint Telecom Private Limited (Holding 26%, Previous year NIL)		
0.65 million (Previous year NIL) shares of ₹ 10 each, fully paid up	6.50	-
	<u>6.50</u>	<u>-</u>
	<u>6.55</u>	<u>-</u>
Non-trade Investments (At cost unless otherwise mentioned)		
Government Securities (Quoted)		
In Government Securities	116.19	-
(Market value ₹ 180.88 million, Previous year NIL)	<u>116.19</u>	<u>-</u>
	<u>122.74</u>	<u>-</u>
Aggregate provision for diminution in value of investments	10.96	9.58
Aggregate amount of quoted investments	116.19	-
Aggregate amount of unquoted investments	17.51	9.58

* Investments, where the Group does not have control or significant influence, are classified as "Investments in others"

14. Deferred tax asset (net)

	As at	
	March 31, 2012 In ₹ Million	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	(102.99)	(64.15)
	<u>(102.99)</u>	<u>(64.15)</u>
Deferred tax assets		
Provision for leave encashment	55.11	39.86
Provision for long service awards	28.30	27.08
Provision for doubtful debts	126.15	57.06
	<u>209.56</u>	<u>124.00</u>
Deferred tax assets (net)	<u>106.57</u>	<u>59.85</u>

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

15. Long term loans and advances

	As at	
	March 31, 2012	March 31, 2011
	In ₹ Million	In ₹ Million
Capital advances (Unsecured, considered good)	21.43	51.03
Security deposits (Unsecured, considered good)	38.21	19.47
Inter corporate deposits		
Secured, considered good	0.58	10.00
Unsecured, considered doubtful	-	0.83
	0.58	10.83
Less: Provision for doubtful deposits	0.58	0.83
	-	10.00
Other loans and advances (Unsecured, considered good)		
- Advance to PSPL ESOP Management Trust	77.88	58.43
- Advances recoverable in cash or kind or for value to be received	9.53	10.18
	87.41	68.61
	147.05	149.11

16. Other non-current assets

	As at	
	March 31, 2012	March 31, 2011
	In ₹ Million	In ₹ Million
Non-current bank balances (Refer note 19)	2.16	113.67
	2.16	113.67

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

	As at	
	March 31, 2012	March 31, 2011
	In ₹ Million	In ₹ Million
Non trade (Unquoted)		
Investments in Mutual Funds	1,915.24	2,500.42
	1,915.24	2,500.42
Aggregate amount of unquoted investments	1,915.24	2,500.42

a) Details of investment in mutual funds

	As at March 31, 2012		As at March 31, 2011	
	Units (in nos. million)	In ₹ Million	Units (in nos. million)	In ₹ Million
DSP liquid fund (units of ₹10 each fully paid-up)	-	-	15.00	150.00
Grindlays cash fund (units of ₹10 each fully paid-up)	17.90	181.15	23.00	230.01
HDFC liquid fund (units of ₹10 each fully paid-up)	9.67	100.00	19.67	200.01
ICICI liquid fund (units of ₹10 each fully paid-up)	14.99	150.00	20.01	200.28
Templeton India fund (units of ₹10 each fully paid-up)	0.21	238.87	0.20	227.50
DWS money plus fund (units of ₹10 each fully paid-up)	10.00	100.00	10.00	100.00
Birla cash plus fund (units of ₹10 each fully paid-up)	15.06	150.64	19.46	196.24
Tata liquid fund (units of ₹10 each fully paid-up)	0.15	166.69	14.40	144.04
Reliance liquid plus (units of ₹10 each fully paid-up)	10.00	100.00	23.35	248.79
Religare fund (units of ₹10 each fully paid-up)	-	-	15.00	150.00
SBI mutual fund (units of ₹10 each fully paid-up)	39.02	391.43	23.03	231.24
Kotak Liquid Fund (units of ₹10 each fully paid-up)	21.07	257.68	13.18	133.31
Sundaram BNP (units of ₹10 each fully paid-up)	-	-	10.00	100.00
UTI fund (units of ₹10 each fully paid-up)	0.08	78.78	10.43	189.00
	138.15	1,915.24	216.73	2,500.42

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NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

18. Trade receivables

	As at	
	March 31, 2012	March 31, 2011
	In ₹ Million	In ₹ Million
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	54.76	87.89
Unsecured, considered doubtful	246.17	197.32
	<u>300.93</u>	<u>285.21</u>
Less : Provision for doubtful debts	246.17	197.32
	<u>54.76</u>	<u>87.89</u>
Others		
Unsecured, considered good	1,977.96	1,494.22
Unsecured, considered doubtful	65.58	32.33
	<u>2,043.54</u>	<u>1,526.55</u>
Less : Provision for doubtful debts	65.58	32.33
	<u>1,977.96</u>	<u>1,494.22</u>
	<u>2,032.72</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 March 31, 2012 and March 31, 2011.

19. Cash and bank balances

	As at	
	March 31, 2012	March 31, 2011
	In ₹ Million	In ₹ Million
Cash and cash equivalents as presented in cash flow statement		
Cash on hand	0.12	0.18
Balances with banks includes		
On current account	432.23	229.26
On saving account	0.47	0.46
On unpaid dividend accounts (*)	0.32	0.26
	<u>433.14</u>	<u>230.16</u>
Other bank balances		
On deposit account with maturity more than three months but less than twelve months	941.53	656.11
On deposit account with maturity more than twelve months	2.16	113.67
	<u>943.69</u>	<u>769.78</u>
Less: Deposits with original maturity more than twelve months disclosed under non-current assets (Refer note 16)	(2.16)	(113.67)
	<u>941.53</u>	<u>656.11</u>
	<u>1,374.67</u>	<u>886.27</u>

* The Company can utilize these balances only towards settlement of the respective unpaid dividend.

20. Short-term loans and advances

	As at	
	March 31, 2012	March 31, 2011
	In ₹ Million	In ₹ Million
Inter corporate deposits (Unsecured, considered good)	60.00	-
Other loans and advances (Unsecured, considered good)		
- Deposits	6.23	14.95
- Advances recoverable in cash or kind or for value to be received	85.29	129.30
-Advance income tax ₹ 1,361.41 [previous period ₹ 751.71 million](Net of Provision for Income Tax)	83.89	101.57
- MAT credit entitlement	222.90	419.61
-VAT (net)	57.01	42.31
-Service tax receivable (net)	19.93	63.33
	<u>535.25</u>	<u>771.07</u>

21. Other current assets

	As at	
	March 31, 2012	March 31, 2011
	In ₹ Million	In ₹ Million
Interest accrued	41.05	17.15
Forward contracts receivable	-	104.30
Unbilled revenue	140.69	104.75
	<u>181.74</u>	<u>226.20</u>

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NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

22. Revenue from operations

	For the quarter ended		For the year ended	
	March 31, 2012 In ₹ Million	March 31, 2011 In ₹ Million	March 31, 2012 In ₹ Million	March 31, 2011 In ₹ Million
Sale of Services	2,706.24	2,128.21	10,003.11	7,758.41
	2,706.24	2,128.21	10,003.11	7,758.41

23. Other Income

	For the quarter ended		For the year ended	
	March 31, 2012 In ₹ Million	March 31, 2011 In ₹ Million	March 31, 2012 In ₹ Million	March 31, 2011 In ₹ Million
Interest income				
On bank deposits	22.79	16.42	89.73	21.19
On others	5.28	0.72	11.46	2.44
Foreign exchange gains (net)	-	28.57	63.79	173.21
Exchange gain on derivatives	58.82	-	-	-
Profit on sale of fixed assets (net)	-	0.10	1.84	8.27
Dividend income from current investments	28.19	36.35	141.71	118.35
Profit on sale of current investments (net)	-	1.34	4.88	2.40
Provision for doubtful deposit written back	-	0.05	0.25	0.35
Excess provision in respect of earlier period / years written back	11.96	0.04	11.96	6.41
Miscellaneous income	3.75	3.34	10.15	11.74
	130.79	86.93	335.77	344.36

24. Personnel Expenses

	For the quarter ended		For the year ended	
	March 31, 2012 In ₹ Million	March 31, 2011 In ₹ Million	March 31, 2012 In ₹ Million	March 31, 2011 In ₹ Million
24.1 Employee benefit expenses				
Salaries and wages	1,398.09	1,240.48	5,570.77	4,449.17
Contribution to provident and other funds	33.68	28.85	134.32	103.83
Gratuity expenses (Refer note 28)	14.11	37.76	41.45	82.48
Defined contribution to other funds	6.33	5.68	26.63	24.96
Staff welfare and benefits	53.86	28.58	209.01	148.68
Employee stock compensation expenses (Refer note 32)	2.77	1.09	8.36	7.11
	1,508.84	1,342.44	5,990.54	4,816.23
24.2 Cost of technical professionals	104.59	100.97	416.75	306.72
	1,613.43	1,443.41	6,407.29	5,122.95

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NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

25. Other expenses

	For the quarter ended		For the year ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million
Travelling and conveyance	78.02	90.91	325.69	344.65
Electricity expenses	23.46	17.99	91.03	79.02
Internet link expenses	8.02	10.10	34.57	35.68
Communication expenses	7.16	8.35	32.13	33.22
Recruitment expenses	0.67	9.57	12.14	22.54
Training and seminars	6.16	6.21	19.34	15.62
Purchase of software licenses and support expenses	61.94	32.49	244.53	139.21
Bad Debts	0.98	-	27.98	-
Provision for doubtful debts	22.70	24.00	67.41	47.64
Rent (Refer note 30)	20.29	10.40	61.99	38.41
Insurance	5.28	3.58	17.60	14.15
Rates, fees and profession tax	10.07	10.97	34.31	25.01
Legal and professional fees	23.64	23.66	76.97	51.13
Repairs and maintenance		-		
- Plant and Machinery	9.30	12.51	41.24	36.40
- Buildings	3.08	1.77	8.28	8.81
- Others	4.61	3.27	16.08	11.02
Commission on sales	0.46	0.28	2.64	4.73
Advertisement and sponsorship fees	2.69	2.82	12.96	12.55
Computer consumables	2.37	2.78	8.24	11.47
Auditors' remuneration (Refer note 35)	0.59	1.80	5.31	5.57
Donations	0.89	1.38	16.37	11.50
Books, memberships, subscriptions	0.94	0.67	2.99	2.09
Foreign exchange loss (net)	161.55	-	-	-
Loss on sale of fixed assets	1.14	-	-	-
Exchange loss on derivatives	-	-	80.16	-
Foreign exchange loss on derivative contracts (net)	-	-	-	-
Directors' sitting fees	0.16	0.13	0.58	0.26
Directors' commission	6.00	3.85	6.00	3.85
Provision for doubtful deposit	0.15	-	1.25	-
Miscellaneous expenses	22.79	24.44	104.16	97.87
	485.11	303.93	1,351.95	1,052.40

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Persistent Systems Limited

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

26. Earnings per share

		For the quarter ended		For the year ended	
		March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
<u>Numerator for Basic and Diluted EPS</u>					
Net Profit after tax (In ₹ Million)	a	412.17	331.35	1,417.80	1,397.37
<u>Denominator for Basic EPS</u>					
Weighted average number of equity shares	b	38,455,459	37,920,778	38,296,917	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
Basic Earnings per share of face value of ₹ 10 each (In ₹)	a/b	10.72	8.74	37.02	37.04
(After exceptional items)					
Diluted Earnings per share of face value of ₹ 10 each (In ₹)	a/c	10.30	8.28	35.45	34.93
<hr/>					
		For the quarter ended		For the year ended	
		March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Number of shares considered as basic weighted average shares outstanding		38,455,459	37,920,778	38,296,917	37,722,893
Add: Effect of dilutive issues of stock options		1,544,541	2,079,222	1,703,083	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

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Persistent Systems Limited**Notes forming part of consolidated financial statements****27. Segment Information**

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

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

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

(In ₹ Million)

Particulars	Quarter ended March 31, 2012				Quarter ended March 31, 2011			
	Infrastructure & Systems	Life Sciences & Healthcare	Telecom & Wireless	Total	Infrastructure & Systems	Life Sciences & Healthcare	Telecom & Wireless	Total
Revenue	1,830.41	310.48	565.35	2,706.24	1,453.78	238.16	436.27	2,128.21
Identifiable Expense	(1,070.71)	(131.18)	(235.81)	(1,437.70)	(734.95)	(91.71)	(215.40)	(1,042.06)
Segmental Operating Income	759.70	179.30	329.54	1,268.54	718.83	146.45	220.87	1,086.15
Unallocable Expenses				846.83				824.61
Operating Income				421.71				261.54
Other Income (Net of Expenses)				130.79				86.93
Profit before Taxes				552.50				348.47
Tax expense				140.33				17.12
Profit after Tax				412.17				331.35

(In ₹ Million)

Particulars	Year ended March 31, 2012				Year ended March 31, 2011			
	Infrastructure & Systems	Life Sciences & Healthcare	Telecom & Wireless	Total	Infrastructure & Systems	Life Sciences & Healthcare	Telecom & Wireless	Total
Revenue	6,748.25	1,117.20	2,137.66	10,003.11	5,322.34	840.68	1,595.39	7,758.41
Identifiable Expense	(3,972.88)	(460.05)	(912.78)	(5,345.71)	(2,719.69)	(320.76)	(779.54)	(3,819.99)
Segmental Operating Income	2,775.37	657.15	1,224.88	4,657.40	2,602.65	519.92	815.85	3,938.42
Unallocable Expenses				3,024.49				2,779.25
Operating Income				1,632.91				1,159.17
Other Income (Net of Expenses)				335.77				344.36
Profit before Taxes				1,968.68				1,503.53
Tax expense				550.88				106.16
Profit after Tax				1,417.80				1,397.37

Persistent Systems Limited**Notes forming part of consolidated financial statements****(In ₹ Million)**

Particulars	As at March 31, 2012				As at March 31, 2011			
	Infrastructure & Systems	Life Sciences & Healthcare	Telecom & Wireless	Total	Infrastructure & Systems	Life Sciences & Healthcare	Telecom & Wireless	Total
Segmental Trade Receivables	1,634.13	255.32	455.02	2,344.47	1,383.59	167.36	260.81	1,811.76
Unallocated Assets				7,798.42				7,291.72

Geographical Segments**(In ₹ Million)**

Particulars	Quarter ended March 31, 2012				Quarter ended March 31, 2011			
	North America	Europe	Asia Pacific*	Total	North America	Europe	Asia Pacific*	Total
Revenue	2,229.98	185.28	290.98	2,706.24	1,854.62	117.63	155.96	2,128.21
Segmental Trade Receivables	1,845.54	208.19	290.74	2,344.47	1,531.15	110.97	169.64	1,811.76

(*) Note: Revenue for Asia Pacific includes revenue generated in South Africa March 31, 2012 Nil (March 31, 2011 ₹ 11.01 million)

(In ₹ Million)

Particulars	Year ended March 31, 2012				Year ended March 31, 2011			
	North America	Europe	Asia Pacific*	Total	North America	Europe	Asia Pacific*	Total
Revenue	8,255.74	732.34	1,015.03	10,003.11	6,641.86	457.10	659.45	7,758.41
Segmental Trade Receivables	1,845.54	208.19	290.74	2,344.47	1,531.15	110.97	169.64	1,811.76

The analysis of geographical segment is based on the area in which the customers of the Group operate.

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Persistent Systems Limited**Notes forming part of consolidated financial statements****28. Gratuity plan**

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

The following tables summarize the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the balance sheet for the gratuity plan.

Statement of profit and loss**Net employee benefit expense (recognised in Statement of profit and loss):****(In ₹ Million)**

	For the quarter ended		For the year ended				
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008
Current service cost	21.80	26.49	71.08	64.38	37.54	28.43	28.07
Interest cost on benefit obligation	3.51	2.02	15.69	9.44	6.55	6.51	4.05
Expected return on plan assets	(2.16)	(1.59)	(12.02)	(7.92)	(6.98)	(5.63)	(4.37)
Net actuarial (gain) / loss recognised in the period	(9.04)	10.84	(30.33)	24.49	4.05	(27.26)	7.17
Interest income	-	-	(2.97)	(7.91)	-	-	(4.40)
Net benefit expense	14.11	37.76	41.45	82.48	41.16	2.05	30.52
Actual Return on Net Plan Assets	-	10.38		10.38	7.92	7.47	4.52

Balance sheet**Summary of benefit asset / (liability)****(In ₹ Million)**

	As at				
	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008
Present value of defined benefit obligations	(228.29)	(201.35)	(121.27)	(88.14)	(84.13)
Fair value of plan assets	185.42	110.84	78.11	86.03	53.88
Plan asset / (liability)	(42.87)	(90.51)	(43.16)	(2.11)	(30.25)

Changes in the present value of the defined benefit obligation

(In ₹ Million)

	For the quarter ended		For the year ended				
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008
Opening defined benefit obligation	207.50	164.49	199.47	121.27	88.14	84.13	52.00
Interest cost	3.51	2.02	15.69	9.44	6.55	6.51	4.05
Current service cost	21.80	26.49	71.08	64.38	37.54	28.43	28.07
Benefits paid	(7.89)	(9.73)	(30.61)	(19.14)	(8.03)	(5.52)	(2.79)
Actuarial (gains) / losses on obligation	5.25	18.08	(27.34)	25.40	(2.93)	(25.41)	2.80
Closing defined benefit obligation	230.17	201.35	228.29	201.35	121.27	88.14	84.13

Changes in the fair value of plan assets:

(In ₹ Million)

	For the quarter ended		For the year ended				
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008
Opening fair value of plan assets	178.75	111.66	110.10	78.11	86.02	53.88	29.09
Interest received and accrued during the year/ adjustment to opening balance	0.30	(7.91)	2.26	0.01	-	-	-
Expected return / adjustment	2.16	9.58	12.02	15.90	6.98	5.63	4.37
Contribution by employer	-	(0.01)	88.67	35.04	0.11	30.19	20.35
Benefits paid	(7.89)	(9.73)	(30.61)	(19.14)	(8.03)	(5.52)	(2.79)
Actuarial gains / (losses)	12.84	7.25	2.98	0.92	(6.97)	1.85	2.86
Closing fair value of plan assets	186.16	110.84	185.42	110.84	78.11	86.03	53.88

The Company expects to contribute ₹ 42.87 million to gratuity fund in financial year 2012-13.

The major categories of plan assets as a percentage of the fair value of total plan assets:

(In ₹ Million)

	As at				
	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008
Investments with insurer including accrued interest	100%	100%	100%	100%	100%

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

Persistent Systems Limited**Notes forming part of consolidated financial statements**

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

	As at				
	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008
Discount rate	8.67%	8.52%	8.45%	7.79%	8.00%
Expected rate of return on assets	8.50%	8.50%	8.50%	8.50%	9.00%
Increment rate	7.00%	7.00%	6.00%	6.00%	7.00%

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. 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.

Amounts for the current and previous periods are as follows:

	As at (In ₹ Million)				
	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008
Plan assets	185.42	110.84	78.11	86.03	53.88
Defined benefit obligation	(228.29)	(201.35)	(121.27)	(88.14)	(84.13)
(Deficit)	(42.87)	(90.51)	(43.16)	(2.11)	(30.25)
Experience adjustments on plan liabilities	(27.34)	25.40	(2.93)	(25.41)	2.80
Experience adjustments on plan assets	2.98	0.92	(6.97)	1.85	2.86

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29. Derivative instruments and un-hedged foreign currency exposures
(i) Forward contracts outstanding at the reporting date:

	(In ₹ million)	
	As at March 31, 2012	As at March 31, 2011
Forward contracts to sell USD: Hedging of expected future sales of USD 101.00 Million (Previous year USD 87.25 Million)	5084.03	4,136.68

(ii) Details of un-hedged foreign currency exposures at the reporting date:

	As at March 31, 2012			As at March 31, 2011		
	In. ₹ million	Foreign Currency (In million)	Conversion Rate (₹)	In. ₹ million	Foreign Currency (In million)	Conversion Rate (₹)
Bank Balances	0.47	JP¥ 0.76	0.62	0.46	JP ¥ 0.85	0.5385
	97.43	USD 1.93	50.87	11.06	USD 0.24	44.58
	4.30	GBP 0.05	81.50	7.78	GBP 0.11	71.64
	2.65	CAD 0.05	51.04	2.01	CAD 0.04	45.94
				1.68	SGD 0.05	35.38
Trade receivables	751.39	USD14.77	50.87	668.23	USD 27.49	44.58
	54.39	EUR 0.80	67.89	31.01	EUR 0.49	63.29
	45.87	GBP 0.56	81.50	11.46	GBP 0.16	71.64
	12.51	CAD 0.25	51.04	1.84	CAD 0.04	45.94
	0.52	AUD 0.01	52.92	0.46	AUD 0.01	46.07
	1.38	NOK 0.16	8.93	0.65	NOK 0.08	8.08
	0.42	SEK 0.05	7.67	-	-	-
	0.12	SGD 0.003	40.47	-	-	-

30. Operating leases

The Group has taken equipment and office premises on lease under cancellable operating lease arrangements. Further, the Group has also taken certain office premises under non-cancellable operating lease agreement for a period of 3 – 15 years. There are no escalations during non-cancellable lease period. There are no restrictions imposed by the lease agreements. There are no subleases. 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 and the lease rentals recognized on cancellable and non-cancellable leases is as follows:

	(In ₹ million)			
	For the quarter ended		For the year ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Lease rentals during the reporting period				
- On cancellable leases	7.21	8.71	24.77	36.53
- On non-cancellable leases	13.08	1.69	37.22	1.88
Total	20.29	10.40	61.99	38.41
Obligation on non- cancellable operating leases				
- Not later than one year	55.50	6.18	55.50	6.18
- Later than one year and not later than five years	225.05	23.13	225.05	23.13
- Later than five years	484.49	-	484.49	-

31. Related party disclosures**(i) Names of related parties and related party relationship**

Related parties with whom transactions have taken place during the reporting period

Key management personnel	i.	Dr. Anand Deshpande, Chairman and Managing Director
	ii.	Mr. S.P. Deshpande, Non Executive Director (retired as Director w.e.f. October 31, 2011)
	iii.	Mr. T M Vijayaraman, Chief Technology Officer and Director Persistent Systems Inc., USA *
	iv.	Mr. Hari Haran, President, Persistent Systems Inc., USA**
	v.	Dr. Srikanth Sundararajan**
	vi.	Mr. Nitin Kulkarni, Executive Director***
Relatives of Key Management Personnel	i.	Ms. Chitra Buzruk (Relative of the Chairman and Managing Director and a Director)
	ii.	Ms. Sulabha Deshpande (Relative of the Chairman and Managing Director and a Director)
	iii.	Ms. Sonali 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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Persistent Systems Limited**Notes forming part of consolidated financial statements****(ii) Related party transactions**

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial reporting period
(In ₹ Million)

	Name of the Related Party and Nature of Relationship	For the Quarter ended		For the Year ended	
		March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Remuneration paid	Key Management Personnel				
	Dr. Anand Deshpande	1.94	2.61	8.47	9.35
	Mr. T M Vijayaraman*	-	-	-	2.95
	Mr. Hari Haran**	6.54	6.78	22.82	25.63
	Dr. Srikanth Sundararajan**	-	5.00	7.81	19.06
	Mr. Nitin Kulkarni ***	1.39	-	6.01	-
	Mr. Mukesh Agarwal	3.01	-	3.90	-
	Relatives of Key Management Personnel				
	Ms. Chitra Buzruk	0.48	0.50	2.37	2.14
Dr. Mukund Deshpande	0.85	0.71	3.38	2.81	
	Total	14.21	15.60	54.76	61.94
Dividend paid	Dr. Anand Deshpande	39.90	45.50	56.97	68.25
	Mr. S.P. Deshpande	13.34	15.24	19.06	22.84
	Ms. Chitra Buzruk	0.10	0.11	0.14	0.16
	Ms. Sonali Deshpande	0.20	0.22	0.28	0.33
	Ms. Sulabha Deshpande	0.99	1.13	1.41	1.69
	Mr. T M Vijayaraman*	-	0.42	-	0.59
	Mr. Nitin Kulkarni	0.09	-	0.13	-
	Mr. Mukesh Agarwal	0.11	-	0.16	-
		Total	54.73	62.62	78.15

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

** Dr. Srikanth Sundararajan and Mr. Hari Haran were appointed as Director of Persistent Systems, Inc on May 19, 2010; however, their remuneration is disclosed from April 1, 2010.

*** Mr. Nitin Kulkarni has been appointed as an Executive Director w.e.f. July 18, 2011; however, his remuneration is disclosed from April 1, 2011

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

Outstanding Balances

	Name of the Related Party and Nature of Relationship	As at	
		March 31, 2012	March 31, 2011
Investments	Associate Kilsma e-Services Private Limited	0.05	-

32. Employees stock options (ESOP)

Certain information in this note relating to number of shares, options and per share/option price has been disclosed in full and is not rounded off as stated in note 41.

a) Details of Employee stock option plans

The Group has provided various share-based payment schemes to its employees. The details of various equity-settled employee stock option plan ('ESOP') schemes adopted by the Board of Directors are as follows:

ESOP scheme	No. of options granted	Date of adoption by the Board/Members	Initial Grant date	Exercise period
Scheme I	2,280,250	Dec 11, 1999	Dec 11, 1999	*
Scheme II	376,600	Apr 23, 2004	Apr 23, 2004	10 Years
Scheme III	1,266,650	Apr 23, 2004	Apr 23, 2004	*
Scheme IV	3,479,125	Apr 23, 2006	Apr 23, 2006	10 Years
Scheme V	945,262	Apr 23, 2006	Apr 23, 2006	*
Scheme VI	608,125	Oct 31, 2006	Oct 31, 2006	10 Years
Scheme VII	892,487	Apr 30, 2007	Apr 30, 2007	10 Years
Scheme VIII	21,000	Jul 24, 2007	Jul 24, 2007	3 Years
Scheme IX	687,231	Jun 29, 2009	Jun 29, 2009	10 Years
Scheme X	1,002,365	Jun 10, 2010	Oct 29, 2010	3 Years

*No contractual life is defined in the scheme

The vesting period and conditions of the above ESOP schemes is as follows:

All the above ESOP schemes have service condition, which require the employee to complete a specified period of service, as a vesting condition. The vesting pattern of various schemes has been provided below:

(i) Scheme I to V, VII and VIII & X:

Service period from the date of grant	% of Options 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

(ii) Scheme VI:

Service period from the date of grant	% of Options vesting
18 Months	30%
Every quarter thereafter	5%

(iii) Scheme IX:

Service period from the date of grant	% of Options vesting
30– 60 Months varying from employee to employee	100%

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Persistent Systems Limited
Notes forming part of consolidated financial statements
b) Details of activity of the ESOP schemes

(i) Movement for the quarter ended March 31, 2012 and March 31, 2011

ESOP Scheme	Particulars	Quarter ended	Outstanding at the beginning of the period	Granted during the period	Forfeited during the period	Exercised during the period	Outstanding at the end of the period	Exercisable at the end of the period
Scheme I	Number of Options	March 31, 2012	5,554	-	-	1,069	4,485	4,316
	Weighted Average Price	March 31, 2012	11.37	-	-	8.13	12.14	12.17
	Number of Options	March 31, 2011	6,669	-	-	1,115	5,554	4,457
	Weighted Average Price	March 31, 2011	12.16	-	-	16.12	11.37	11.99
Scheme II	Number of Options	March 31, 2012	21,356	-	-	-	21,356	21,355
	Weighted Average Price	March 31, 2012	72.14	-	-	-	72.14	72.14
	Number of Options	March 31, 2011	23,918	-	-	362	23,556	15,190
	Weighted Average Price	March 31, 2011	74.74	-	-	96.41	74.41	62.29
Scheme III	Number of Options	March 31, 2012	288,259	-	1,822	13,615	272,822	265,673
	Weighted Average Price	March 31, 2012	62.74	-	68.50	64.98	62.59	62.62
	Number of Options	March 31, 2011	390,398	-	3,359	17,001	370,038	147,111
	Weighted Average Price	March 31, 2011	62.60	-	61.34	63.90	62.55	61.33
Scheme IV	Number of Options	March 31, 2012	1,177,188	-	12,110	20,274	1,144,804	546,370
	Weighted Average Price	March 31, 2012	102.42	-	115.90	99.31	102.33	81.17
	Number of Options	March 31, 2011	1,549,699	-	62,250	76,136	1,411,313	456,919
	Weighted Average Price	March 31, 2011	99.13	-	119.34	67.85	99.92	66.85
Scheme V	Number of Options	March 31, 2012	151,840	-	1,122	10,155	140,563	139,878
	Weighted Average Price	March 31, 2012	53.59	-	69.08	51.71	53.61	53.45
	Number of Options	March 31, 2011	231,539	-	-	23,881	207,658	195,362
	Weighted Average Price	March 31, 2011	52.60	-	-	50.66	52.82	50.08
Scheme VI	Number of Options	March 31, 2012	13,454	-	-	-	13,454	8,969
	Weighted Average Price	March 31, 2012	61.34	-	-	-	61.34	61.34
	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	March 31, 2012	184,487	-	-	-	184,487	127,687
	Weighted Average Price	March 31, 2012	84.76	-	-	-	84.76	70.95
	Number of Options	March 31, 2011	270,904	-	47,251	-	223,653	98,376
	Weighted Average Price	March 31, 2011	85.61	-	103.08	-	81.92	66.58

Persistent Systems Limited**Notes forming part of consolidated financial statements**

ESOP Scheme	Particulars	Quarter ended	Outstanding at the beginning of the period	Granted during the period	Forfeited during the period	Exercised during the period	Outstanding at the end of the period	Exercisable at the end of the period
Scheme VIII	Number of Options	March 31, 2012	3,500	-	-	-	3,500	3,500
	Weighted Average Price	March 31, 2012	96.41	-	-	-	96.41	96.41
	Number of Options	March 31, 2011	7,000	-	-	1,750	5,250	1,750
	Weighted Average Price	March 31, 2011	96.41	-	-	96.41	96.41	96.41
Scheme IX	Number of Options	March 31, 2012	405,931	-	6,800	-	399,131	202,395
	Weighted Average Price	March 31, 2012	109.48	-	109.48	-	109.48	109.48
	Number of Options	March 31, 2011	482,993	-	12,000	295	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	March 31, 2012	834,365	40,000	29,000	-	845,365	2,592
	Weighted Average Price	March 31, 2012	392.27	331.45	398.93	-	389.17	403.25
	Number of Options	March 31, 2011	517,925	77,000	47,000	-	547,925	-
	Weighted Average Price	March 31, 2011	403.25	389.05	403.25	-	401.25	-

The weighted average share price for the period over which stock options were exercised was ₹ 314.69 (Previous period: ₹ 395.60).

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Persistent Systems Limited
Notes forming part of consolidated financial statements

(ii) Movement for the year ended March 31, 2012 and March 31, 2011

ESOP Scheme	Particulars	Year ended	Outstanding at the beginning of the period	Granted during the period	Forfeited during the period	Exercised during the period	Outstanding at the end of the period	Exercisable at the end of the period
Scheme I	Number of Options	March 31, 2012	5,554	-	-	1,069	4,485	4,316
	Weighted Average Price	March 31, 2012	11.37	-	-	8.14	12.14	12.17
	Number of Options	March 31, 2011	12,204	-	3,502	3,148	5,554	4,457
	Weighted Average Price	March 31, 2011	9.95	-	4.77	13.04	11.37	11.99
Scheme II	Number of Options	March 31, 2012	23,556	-	-	2,200	21,356	21,355
	Weighted Average Price	March 31, 2012	74.41	-	-	96.41	72.14	72.14
	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	March 31, 2012	370,038	-	11,729	85,487	272,822	265,673
	Weighted Average Price	March 31, 2012	62.55	-	64.99	62.08	62.59	62.62
	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	March 31, 2012	1,411,313	-	94,750	64,620	1,144,804	546,370
	Weighted Average Price	March 31, 2012	99.92	-	119.40	50.86	102.33	81.17
	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	March 31, 2012	207,658	-	2,475	64,620	140,563	139,878
	Weighted Average Price	March 31, 2012	52.82	-	59.80	50.86	53.61	53.45
	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
Scheme VI	Number of Options	March 31, 2012	96,251	-	-	82,797	13,454	8,969
	Weighted Average Price	March 31, 2012	54.26	-	-	53.11	61.34	61.34
	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	March 31, 2012	223,653	-	8,810	30,356	184,487	127,687
	Weighted Average Price	March 31, 2012	81.91	-	75.96	66.38	84.76	70.95
	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

Persistent Systems Limited**Notes forming part of consolidated financial statements**

ESOP Scheme	Particulars	Year ended	Outstanding at the beginning of the period	Granted during the period	Forfeited during the period	Exercised during the period	Outstanding at the end of the period	Exercisable at the end of the period
Scheme VIII	Number of Options	March 31, 2012	5,250	-	-	1,750	3,500	3,500
	Weighted Average Price	March 31, 2012	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	March 31, 2012	470,698	-	14,102	57,465	399,131	202,395
	Weighted Average Price	March 31, 2012	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	March 31, 2011	547,925	407,440	110,000	-	845,365	2,592
	Weighted Average Price	March 31, 2011	401.25	374.03	393.30	-	389.17	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 ₹ 345.70 (Previous year: ₹ 414.63).

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c) Details of exercise price for stock options

The details of exercise price for stock options outstanding at the end of the year are as follows:

	Range of exercise price	As at March 31, 2012		As at March 31, 2011	
		No. of Options outstanding	Weighted average remaining contractual life (in years)	No. of Options outstanding	Weighted average remaining contractual life (in years)
Scheme I	4.08 – 19.13	4,485	note (i)	5,554	Note(i)
Scheme II	25.92 – 96.41	21,356	8.36	23,556	9.73
Scheme III	25.92 – 96.41	272,822	note (i)	370,038	Note(i)
Scheme IV	44.46 – 122.24	1,144,804	10.81	1,411,313	11.70
Scheme V	44.46 – 88.28	140,563	note (i)	207,658	Note(i)
Scheme VI	44.46 – 61.34	13,454	10.19	96,251	10.74
Scheme VII	48.34 – 122.24	184,487	10.95	223,653	11.75
Scheme VIII	96.41 – 96.41	3,500	2.45	5,250	3.46
Scheme IX	109.48 – 109.48	399,131	11.13	470,698	12.15
Scheme X	315.15 – 403.25	845,365	5.88	547,925	6.63

Note (i) No contractual life is defined in the scheme.

d) Effect of the employee share-based payment plans on the profit and loss account and on its financial position

Compensation expense arising from equity-settled employee share based payment plans for the year ended March 31, 2012 amounted to ₹ 8.36 million (Previous year ₹ 7.11 million) and for the quarter ended March 31, 2012 amounted to ₹ 2.77 million (Previous year ₹ 1.09 million). The liability for employee stock options outstanding as at year end is ₹ 33.51 million (Previous year ₹ 34.76 million)

e) Details of stock options granted during the year

The weighted average fair value of the stock options granted during the current year ₹ 104.44 (Previous year: ₹ 129.27). The Binomial tree valuation model has been used for computing the weighted average fair value considering the following inputs:

	For the year ended	
	March 31, 2012	March 31, 2011
	Scheme X	Scheme X
Weighted average share price	₹ 345.70	₹ 414.63
Exercise Price	₹ 315.15- ₹ 397.55	₹ 389.05- ₹ 403.25
Expected Volatility	31.90%, 32.56%	31.90%, 32.56%
Historical Volatility	31.52% - 61.52%	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	7.93% - 8.01%	7.93% - 8.01%
Expected dividend rate	40%	40%

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.

f) Adjustment to general reserve on account of ESOP issued through trust

The Group has adjusted ₹ 32.36 Million (Previous year: ₹ 20.36 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.

g) Impact on the reported net profit and earnings per share by applying the fair value based method

Since the Group uses intrinsic value method as required by the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India, 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 year ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Profit after tax	412.17	331.35	1,417.80	1,397.37
Add: Employee stock compensation under intrinsic value method	2.77	1.09	8.36	7.11
Less: Employee stock compensation under fair value method	(15.06)	(28.92)	(68.83)	(60.70)
Proforma profit	399.88	303.52	1,357.33	1,343.78
Earnings Per Share				
Basic				
- As reported	10.72	8.74	37.02	37.04
- Pro forma	10.40	8.00	35.44	35.62
Diluted				
- As reported	10.30	8.28	35.45	34.93
- Pro forma	10.00	7.59	33.93	33.59

33. Contingent liabilities

	(In ₹ million)	
	As at March 31, 2012	As at March 31, 2011
Claims against the Group not acknowledged as debts		
- Legal claims [Note (i)]	-	0.18
- Income tax [Note (ii)]	114.56	81.70
	114.56	81.88

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

(ii) 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.

34. Capital and other commitments

	(In ₹ million)	
	As at March 31, 2012	As at March 31, 2011
Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for	152.10	446.72
Other commitments		
Forward contracts	5,084.03	4,136.68

35. Auditors' remuneration

	(In ₹ million)			
	For the quarter ended		For the year ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
As auditor:				
- Audit fee	1.27	1.02	4.79	4.13
- Tax audit fee	0.02	0.05	0.17	0.19
In other capacity:				
- Taxation matters	-	-	-	-
- Company law matters	-	-	-	-
- Management services	-	-	-	-
- Other Services	(0.73)	0.65	0.30	1.10
Reimbursement of expenses	0.03	0.08	0.05	0.15
	0.59	1.80	5.31	5.57

36. Research and development expenditure

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

	(In ₹ million)			
	For the quarter ended		For the year ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Capital	7.36	-	8.33	-
Revenue	7.64	-	36.39	-
	15.00	-	44.72	-

37. Details of dues to Micro and Small enterprises as defined under MSMED Act, 2006

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 March 31, 2012, no supplier has intimated the Company about its status as Micro or Small enterprises or its registration with the appropriate authority under 'The Micro, Small and Medium Enterprises Development Act, 2006'.

38. Details of utilization of proceeds raised through public issue

The Group has utilized entire amount of ₹ 1,200.60 million as per the "Object of the Issue" as stated in the Prospectus and related approval in the Annual General Meeting. The utilization of IPO proceeds amount up to March 31, 2012 is as under:

Activity	(In ₹ Million)	
	March 31, 2012	March 31, 2011
Unutilised amount at the beginning of the year	802.58	1200.60
Less: amount utilized during the year		
(i) Establishment of development facilities	556.29	203.91
(ii) Capital expenditure through Subsidiaries for establishing development facilities in SEZ	-	29.59
(iii) Procuring hardware and software	111.58	92.92
(iv) Fund expenditure for general corporate purposes	134.71	71.60
	802.58	398.02
Unutilised amount at the end of the year	-	802.58

The unutilised amount of the proceeds of the IPO as at March 31, 2011 were been invested in Mutual Funds.

39. Net dividend remitted in foreign exchange

Particulars	Period to which dividend relates	No. of non-resident shareholders	No. of equity shares held on which dividend was due (in million)	(In USD million)	
				For the year ended March 31, 2012	March 31, 2011
Interim dividend	2009-10	4	8.45	-	0.28
Final dividend	2009-10	3	3.04	-	0.03
Interim dividend	2010-11	3	3.04	-	0.27
Final dividend	2010-11	2	2.13	0.07	-
Interim dividend	2011-12	2	2.13	0.15	-

40. Comparatives

Till the previous reporting period, the Group was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Group. The Group has reclassified previous period / year figures to conform to this year's classification. Except accounting for dividend on investments in subsidiaries, the adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of balance sheet.

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The following is a summary of the effects that revised Schedule VI had on presentation of balance sheet of the Group for the year ended March 31, 2011: (In ₹ million)

Pre-revised Schedule VI		Revised Schedule VI		Nature of adjustment
Heading	Amount	Adjustment	Amount	
Sources of funds				Equity and liabilities
Shareholders' funds				Shareholders' funds
Share capital	400.00	-	400.00	Share capital
Stock options outstanding account	34.76	(34.76)	-	Stock options outstanding account disclosed as part of reserves
Reserves and surplus	7,036.31	34.76	7,071.07	
	7,471.07	-	7,471.07	
				Non-current liabilities
Deferred payment liabilities	30.07	(30.07)	-	
	-	83.94	83.94	Other long-term liabilities
	-	99.99	99.99	Long-term provisions
	30.07	153.86	183.93	
Current liabilities and provisions				Current liabilities
Current liabilities	-	405.88	405.88	Trade payables
	1,206.28	(1,206.28)	-	Other current liabilities
		344.62	344.62	Short-term provisions
Provisions	396.03	301.92	697.95	
	1,602.31	(153.86)	1,448.45	
	9,103.45	-	9,103.45	
Application of funds				Assets
Fixed assets				Non-current assets - Fixed assets
Net block	1,688.23	-	1,688.23	Tangible assets
CWIP including capital advances	574.00	(49.35)	524.65	Capital work-in-progress
				Capital advance disclosed as loan and advances
Intangible assets	573.03	-	573.03	Intangible assets
Intangible assets under development	30.52	(1.68)	28.84	Intangible assets under development
				Capital Advance disclosed as loan and advances
Investments	2,500.42	(2,500.42)	-	Current investment regrouped as current assets
Deferred tax assets	59.85	-	59.85	Deferred tax assets
	-	149.11	149.11	Long-term loans and advances
	-	113.67	113.67	Other non-current assets
	5,426.05	(2,288.67)	3,137.38	
				1. Non-current component of loans and advances
				2. Capital advances
				Non-current component of bank balances

Pre-revised Schedule VI		Revised Schedule VI		Nature of adjustment	
Heading	Amount	Adjustment	Amount	Heading	
Current assets, loans and advances				Current assets	
	-	2,500.42	2,500.42	Current investments	Current component of investments
Sundry debtors	1,582.11	-	1,582.11	Trade receivables	
Cash and bank balances	999.94	(113.67)	886.27	Cash and bank balances	Non-current component of bank balances classified as Other non-current assets
Other current assets	226.20	-	226.20	Other current assets	Non-current component of accrued interest and unamortized costs
Loans and advances	869.15	(98.08)	771.07	Short-term loans and advances	Current component of loans and advances
	3,677.40	2,288.67	5,966.07		
	9,103.45	-	9,103.45		

Working note 1Items previously included in current liabilities now regrouped to other current liabilities

	In ₹ Million
Unearned revenue	96.04
Advance from customer	114.72
Unpaid dividend	0.26
Other liabilities	6.41
Accrued employee liabilities	86.59
Statutory liabilities	40.60
	344.62

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41. The financial statements are presented in ₹ Million and decimal thereof except for per share information or as otherwise stated.

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
of Persistent Systems Limited**

per Vijay Maniar
Partner
Membership No.: 36738

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 : Mumbai
Date : April 22, 2012

Place : Pune
Date : April 22, 2012

Place : Pune
Date : April 22, 2012