Persistent Systems Limited

CONDENSED CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2014

	Notes	As at March 31, 2014 In ₹ Million	As at March 31, 2013 In ₹ Million
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	5	400.00	400.00
Reserves and surplus	6	11,823.44	9,782.55
		12,223.44	**10,182.55**
Non- current liabilities			
Long-term borrowings	7	31.87	14.20
Other long term liabilities	8	300.59	559.39
Long-term provisions	9	93.23	79.87
		425.69	**653.46**
Current liabilities			
Trade payables	10	433.73	319.00
Other current liabilities	10	1,140.11	468.24
Short-term provisions	11	1,210.87	1,048.03
		2,784.71	**1,835.27**
TOTAL		**15,433.84**	**12,671.28**
ASSETS			
Non-current assets			
Goodwill on consolidation		22.94	-
Fixed assets			
Tangible assets	12.1	2,785.30	2,800.26
Intangible assets	12.2	1,269.05	702.10
Capital work-in-progress		307.40	1,174.49
		4,361.75	4,676.85
Non-current investments	13	823.23	172.74
Deferred tax assets (net)	14	260.12	190.21
Long term loans and advances	15	137.97	199.48
Other non-current assets	16	459.44	523.63
		6,065.45	**5,762.91**
Current assets			
Current investments	17	4,071.36	3,116.18
Trade receivables	18	3,028.17	2,451.02
Cash and bank balances	19	956.54	561.26
Short term loans and advances	20	410.07	345.62
Other current assets	21	902.25	434.29
		9,368.39	**6,908.37**
TOTAL		**15,433.84**	**12,671.28**
Summary of significant accounting policies	4		

The accompanying notes are an integral part of the condensed consolidated financial statements

As per our report of even date

For S.R. BATLIBOI & CO LLP
ICAI Firm registration no. 301003E
Chartered Accountants

per Paul Alvares
Partner
Membership no. 105754

Place: Pune
Date : April 19, 2014

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

per C. K. Joshi
Partner
Membership no. 030428

Place: Pune
Date : April 19, 2014

For and on behalf of the Board of Directors of Persistent Systems Limited

Dr. Anand Deshpande
Chairman and
Managing Director

Kiran Umrootkar
Director

Rohit Kamat
Chief Financial Officer

Amit Atre
Company Secretary

Place: Pune
Date : April 19, 2014

Place: Pune
Date : April 19, 2014

Persistent Systems Limited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND YEAR ENDED MARCH 31, 2014

	Notes	For the quarter ended		For the year ended	
		March 31, 2014 In ₹ Million	March 31, 2013 In ₹ Million	March 31, 2014 In ₹ Million	March 31, 2013 In ₹ Million
Income					
Revenue from operations (net)	22	4,467.37	3,339.59	16,691.53	12,945.12
Other income	23	76.97	146.17	310.16	286.01
Total revenue (A)		**4,544.34**	**3,485.76**	**17,001.69**	**13,231.13**
Expenses					
Employee benefit expenses	24.1	2,426.64	1,895.33	9,089.68	7,187.58
Cost of technical professionals	24.2	228.53	147.68	905.77	536.38
Other expenses	25	701.49	509.60	2,553.17	2,094.07
Finance cost		0.15	0.09	0.53	0.36
Depreciation and amortization expense	12.3	264.26	211.48	1,025.95	782.86
Total expenses (B)		**3,621.07**	**2,764.18**	**13,575.10**	**10,601.25**
Profit before tax (A - B)		**923.27**	**721.58**	**3,426.59**	**2,629.88**
Tax expense					
Current tax		263.94	209.87	1,009.49	846.28
Tax credit in respect of earlier year		(0.01)	(9.34)	(13.38)	(10.80)
Deferred tax charge / (credit)		(12.65)	2.20	(62.29)	(81.78)
Total tax expense		**251.28**	**202.73**	**933.82**	**753.70**
Net profit for the period / year		**671.99**	**518.85**	**2,492.77**	**1,876.18**
Earnings per equity share [Nominal value of share ₹10 (Corresponding period/ previous year: ₹10)]	26				
Basic (In ₹)		17.18	13.42	64.07	48.62
Diluted (In ₹)		16.80	12.97	62.32	46.90
Summary of significant accounting policies	4				

The accompanying notes are an integral part of the condensed consolidated financial statements

As per our report of even date

For S.R. BATLIBOI & CO LLP **ICAI Firm registration no. 301003E** **Chartered Accountants**	**For JOSHI APTE & CO** **ICAI Firm registration no. 104370W** **Chartered Accountants**	**For and on behalf of the Board of Directors of** **Persistent Systems Limited**	
per Paul Alvares Partner Membership no. 105754	per C. K. Joshi Partner Membership no. 030428	Dr. Anand Deshpande Chairman and Managing Director	Kiran Umrootkar Director
		Rohit Kamat Chief Financial Officer	Amit Atre Company Secretary
Place: Pune Date : April 19, 2014	Place: Pune Date : April 19, 2014	Place: Pune Date : April 19, 2014	Place: Pune Date : April 19, 2014

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Persistent Systems Limited

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

		For the year ended March 31, 2014 In ₹ Million	For the year ended March 31, 2013 In ₹ Million
Cash flow from operating activities			
Profit before tax		**3,426.59**	**2,629.88**
Adjustments for:			
Interest income		(91.47)	(92.60)
Finance cost		0.53	0.36
Dividend income		(149.51)	(155.23)
Depreciation and amortization expense		1,025.95	782.86
Unrealised exchange loss (net)		58.13	8.97
Change in foreign currency translation reserve		(34.01)	12.70
Exchange loss/ (gain) on derivative contracts		19.59	(89.79)
Exchange (gain) / loss on translation of foreign			-
currency cash and cash equivalents		18.93	(1.33)
Bad debts		46.27	30.59
Provision for doubtful receivables (net)		28.37	93.10
Employee stock compensation expenses		-	0.94
Provision for doubtful deposits		-	27.73
Provision for doubtful deposit written back (net)		(1.11)	-
Provision for doubtful advances		0.45	-
Provision for diminution in value of non current investments		0.05	-
Intercorporate deposits written off		3.90	
Excess provision in respect of earlier period/ years written back		(2.22)	(2.47)
Profit on sale of investments (net)		(54.50)	(13.09)
(Profit)/ loss on sale of fixed assets (net)		3.32	(3.89)
Operating profit before working capital changes		**4,299.26**	**3,228.73**
Movements in working capital :			
(Increase) in trade receivables		(689.20)	(608.81)
(Increase) in other current assets		(343.84)	(160.36)
Decrease/ (Increase) in loans and advances		(111.85)	(82.25)
Increase in trade payables and current liabilities		501.32	129.73
Increase in provisions		129.40	251.67
Operating profit after working capital changes		**3,785.09**	**2,758.71**
Direct taxes paid (net of refunds)		(976.85)	(595.71)
Net cash generated from operating activities	**(A)**	**2,808.24**	**2,163.00**
Cash flows from investing activities			
Payment towards capital expenditure		(581.27)	(1,155.73)
Proceeds from sale of fixed assets		2.66	4.09
Acquisition of subsidiary net of cash of ₹ 2.51 million		(31.70)	-
Purchase of non-current investments		(650.54)	(50.00)
Purchase of current investments		(12,389.00)	(10,908.44)
Proceeds from sale / maturity of current investments		11,591.27	9,846.35
Investments in bank deposits having original maturity over three months		(23.54)	(520.30)
Maturity of bank deposits having original maturity over three months		41.74	920.50
Inter corporate deposits placed		-	(28.16)
Inter corporate deposits refunded		7.33	50.00
Interest received		28.05	100.84
Dividends received		46.55	29.47
Net cash (used in) investing activities	**(B)**	**(1,958.45)**	**(1,711.38)**
Cash flows from financing activities			
Proceeds from long term borrowings		17.67	7.66
Dividends paid		(439.76)	(339.72)
Tax on dividend paid		(74.78)	(55.15)
Net cash generated (used in) financing activities	**(C)**	**(496.87)**	**(387.21)**

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Persistent Systems Limited

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	For the year ended March 31, 2014 In ` Million	For the year ended March 31, 2013 In ₹ Million
Net increase in cash and cash equivalents (A + B + C)	352.92	64.41
Cash and cash equivalents at the beginning of the year	498.88	433.14
Effect of exchange difference on translation of foreign currency cash and cash equivalents	(18.93)	1.33
Cash and cash equivalents at the end of the year	**832.87**	**498.88**
Components of cash and cash equivalents		
Cash on hand	0.14	0.14
Balances with banks		
On current accounts #	473.32	288.75
On saving accounts	0.01	0.28
On Exchange Earner's Foreign Currency accounts	358.56	209.11
On unpaid dividend accounts*	0.84	0.60
Cash and cash equivalents as per note 19	**832.87**	**498.88**

Out of the balance the Company can utilise ₹ 16.28 million (Previous year ₹ 3.75 million) only towards research and development activities specified in the loan agreement.

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

Summary of significant accounting policies - Refer note 4

As per our report of even date

For S.R. BATLIBOI & CO LLP
ICAI Firm registration no. 301003E
Chartered Accountants

per Paul Alvares
Partner
Membership no. 105754

Place: Pune
Date : April 19, 2014

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

per C. K. Joshi
Partner
Membership no. 030428

Place: Pune
Date : April 19, 2014

For and on behalf of the Board of Directors of
Persistent Systems Limited

Dr. Anand Deshpande
Chairman and
Managing Director

Place: Pune
Date : April 19, 2014

Kiran Umrootkar
Director

Place: Pune
Date : April 19, 2014

Rohit Kamat
Chief Financial Officer

Amit Atre
Company Secretary

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Notes forming part of condensed consolidated financial statements

1. Nature of operations

Persistent Systems Limited (the "Company" or "PSL") is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 1956 (the "Act"). The shares of the Company are listed on Bombay Stock Exchange and National Stock Exchange. The Company is a global company specializing in software products, services and technology innovation. The Company offers complete product life cycle services.

Persistent Systems Inc. (PSI) based in the USA, a wholly owned subsidiary of PSL, is engaged in software product, services and technology innovation.

Persistent Systems Pte Ltd (PS Pte.) based in Singapore, a wholly owned subsidiary of PSL, is engaged in software development, professional and marketing services.

Persistent Systems France SAS (PSFS) based in France, a wholly owned subsidiary of PSL, is engaged in software products, services and technology innovation in the life sciences domain.

Persistent Telecom Solutions Inc. (PTSI) based in the USA, a wholly owned subsidiary of Persistent Systems Inc., is engaged in software products, services and technology innovation in telecom and Product Lifecycle Management domains.

Persistent Systems Malaysia Sdn. Bhd. (PSM) based in Malaysia, incorporated during the year on September 17, 2013 as a wholly owned subsidiary of Persistent Systems Limited, is engaged in software products and services.

CloudSquads Inc. (CSI) based in the USA, a wholly owned subsidiary of PSI, acquired during the year on February 10, 2014, is an innovative consultancy that deploys, integrates and runs social communities on social customer platforms to provide insights that drive improvements in marketing, sales and customer service.

2. Basis of preparation

The condensed interim financial statements for the quarter and year ended March 31, 2014 have been prepared in accordance with Accounting Standard 25- 'Interim Financial Reporting' notified by Companies (Accounting Standards) Rules, (as amended) 2006.

The condensed financial statements of the Group are prepared in accordance with generally accepted accounting principles in India (Indian GAAP) to comply in all material respects with the Accounting Standard notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956 read with general circular 15/2013 dated September 13, 2013, issued by the Ministry of Corporate Affairs, in respect of section 133 of the Companies Act, 2013. These condensed financial statements are prepared on an accrual basis and under the historical cost convention except derivative financial instruments which have been measured at fair value. The accounting policies are consistently applied by the Group during the period and are consistent with those used in previous period/ year.

3. Principles of consolidation

The condensed consolidated financial statements for the quarter and year ended March 31, 2014 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 and 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. The unrealized profits or losses resulting from the intra group transactions and balances have been eliminated. The excess of the cost to the Company of its investment in a subsidiary and the Company's portion of equity of subsidiary on the date at which investment in the subsidiary is made, is described as goodwill and recognized separately as an asset in the consolidated financial statements. The excess of the Company's portion of equity of the subsidiary over the cost of investment in the subsidiary is treated as capital reserve in the consolidated financial statements. Goodwill arising on consolidation is not amortized. It is tested for impairment on a periodic basis and written off if found impaired.

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 financial statements of the subsidiary companies used in the consolidation are drawn up to the same reporting date as of the Company.

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

Name of the subsidiary	Ownership percentage as at		Country of incorporation
	March 31, 2014	March 31, 2013	
Persistent Systems Inc.	100%	100%	USA
Persistent Systems Pte Limited	100%	100%	Singapore
Persistent Systems France SAS	100%	100%	France
Persistent Telecom Solutions Inc. (wholly owned subsidiary of Persistent Systems Inc.)	100%	100%	USA
Persistent Systems Malaysia Sdn. Bhd.	100%	-	Malaysia
CloudSquads Inc. (wholly owned subsidiary of Persistent Systems Inc.)	100%	-	USA

4. Summary of significant accounting policies

(a) Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the management to make judgments, 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.

(b) Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. The cost comprises the purchase price and directly 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 reporting 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.

(c) 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 directly 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;
- 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 development expenditure, until capitalization, is reflected as intangible assets 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 begins when the development is complete and the asset is available for use.

(d) 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.

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

Assets *	Rates (SLM)	Rates as per Schedule XIV (SLM)
Buildings	4.00%	1.63%
Computers	33.33%	16.21%
Office equipments	20.00%	4.75%
Plant and equipment	20.00%	4.75%
Plant and equipment (Windmill)	5.00%	4.75%
Furniture and fixtures	20.00%	6.33%
Vehicles	20.00%	9.50%
Software / Acquired contractual rights	16.66% 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 the lease which is 95 years. Leasehold improvements are amortized on a straight line basis over a period of 6 years.

Intangible assets are amortized on a straight line basis over the period of expected future economic benefits i.e. over their estimated useful lives.

Acquired contractual rights are amortized on straight line basis over their estimated useful lives commencing from the day it is made available for use.

(e) 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 period / 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.

(f) Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings.

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.

(g) 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.

(h) 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 in the financial statements at lower of cost and fair value, determined on category of investment basis. Long-term investments presented in the financial statements 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.

(i) 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 proportion basis as and when the services are rendered 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 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.

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, these are not economic benefits flowing to the Group. Hence, they are 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) Dividend

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.

(j) Foreign currency translation

(i) Foreign currency transactions and balances

Initial recognition

Foreign currency transactions are recorded in the respective reporting currencies of the entities in the Group, 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 reporting 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 notified 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.

(k) Retirement and other employee benefits

(i) Provident fund

Provident fund is a defined contribution plan covering eligible employees. The Group and the eligible employees make a monthly contribution to the provident fund maintained by the Regional Provident Fund Commissioner equal to the specified percentage of the basic salary of the eligible employees as per the scheme. The 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 the insurer 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 encashment liability 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.

(l) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India 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.

(m) Segment reporting

(i) Identification of segment

The Group’s operations predominantly relate to providing software products, services and technology innovation 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 Group 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.

(n) Earnings per share (EPS)

Basic earnings per share are calculated by dividing the net profit for the period / year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period / year. The weighted average number of equity shares outstanding during the reporting 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 were obtained by subscription to the shares from finance provided by the Group.

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

(o) Provisions

A provision is recognized when 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.

(p) 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.

(q) Cash and cash equivalents

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

(r) 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 reporting period / year represents the movement in cumulative expense recognized as at the beginning and end of that reporting 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.

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5. Share capital

	As at March 31, 2014 In ₹ Million	As at March 31, 2013 In ₹ Million
Authorized shares (No. in million)		
112 (Previous year: 112) equity shares of ₹ 10 each	1,120.00	1,120.00
	1,120.00	**1,120.00**
Issued, subscribed and fully paid-up shares (No. in million)		
40 (Previous 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 Company 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 Company 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, 2014, the amount of per share interim dividend recognized as distributions to equity shareholders is ₹ 8 (Previous year ₹ 6).

During the year ended March 31, 2014, the amount of per share final dividend recognized as distributions to equity shareholders was ₹ 4 (Previous Year ₹ 3).

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

Name of the shareholder*	As at March 31, 2014		As at March 31, 2013	
	No. in million	% Holding	No. in million	% Holding
Dr. Anand Deshpande jointly with Mrs. Sonali Anand Deshpande	11.46	28.65	11.46	28.65
Mr. Suresh Deshpande jointly with Mrs. Sulabha Suresh Deshpande	4.09	10.24	4.09	10.24
PSPL ESOP Management Trust	2.83	7.09	3.30	8.25
Saif Advisors Mauritius Limited	2.13	5.33	1.12	2.80
Reliance Capital Trustee Co. Ltd.**	0.96	2.39	2.43	6.07

* 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.
** Though the shareholding of Reliance Capital Trustee Co. Ltd. has fallen below 5 % as on March 31, 2014, it is disclosed as the shareholding was more than 5% as on March 31, 2013.

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Persistent Systems Limited

Notes forming part of condensed consolidated financial statements

6. Reserves and surplus

	As at March 31, 2014 In ₹ Million	As at March 31, 2013 In ₹ Million
A. Securities premium account		
Balance as per the last financial statements	1,736.70	1,736.70
	1,736.70	**1,736.70**
B. Employees share options outstanding account		
Balance as per the last financial statements	30.48	33.51
Add : Additions during the reporting period	-	0.94
Less: Transferred to general reserve	(3.52)	(3.97)
	26.96	**30.48**
C. General reserve		
Balance as per the last financial statements	3,617.42	2,871.17
Add: Transferred from the statement of profit and loss	994.30	727.24
Add: Adjustments towards employees stock options	3.52	19.01
Less: Adjustments towards PSPL ESOP Management Trust (Refer note 29 b)	(92.85)	
	4,522.39	**3,617.42**
D. Foreign currency translation reserve		
Balance as per the last financial statements	61.92	25.59
Add: Exchange difference during the year on net investment in non-integral foreign operation	75.58	36.33
	137.50	**61.92**
E. Hedge reserve		
Balance as per the last financial statements	87.76	(180.50)
Addition / (deduction) during the year	126.97	268.26
	214.73	**87.76**
F. Surplus in the statement of profit and loss		
Balance as per the last financial statements	4,248.27	3,518.65
Net profit for the year	2,492.77	1,876.18
Less: Appropriations		
Interim dividend	(320.00)	(240.00)
Proposed final dividend	(160.00)	(120.00)
Tax on dividend	(81.58)	(59.32)
Transferred to general reserve	(994.30)	(727.24)
	5,185.16	**4,248.27**
	11,823.44	**9,782.55**

7. Long-term borrowings

	As at March 31, 2014 In ₹ Million	As at March 31, 2013 In ₹ Million
Term loans (unsecured)		
Indian rupee loan from others	31.87	14.20
	31.87	**14.20**

The term loans from Government departments have the following terms and conditions:

Loan I - amounting to ₹ 15.06 million (Previous year ₹ 6.54 million) with interest payable @ 2% per annum guaranteed by a bank guarantee by the Company and repayable in ten equal semi annual installments over a period of five years commencing from March 2016.

Loan II - amounting to ₹ 16.81 million (Previous year ₹ 7.66 million) with Interest payable @ 3% per annum repayable in ten equal annual installments over a period of ten years commencing from September 2015.

8. Other long term liabilities

	As at March 31, 2014 In ₹ Million	As at March 31, 2013 In ₹ Million
Capital creditors	299.70	559.03
Interest accrued but not due on term loans	0.89	0.36
	300.59	**559.39**

9. Long term provisions

	As at March 31, 2014 In ₹ Million	As at March 31, 2013 In ₹ Million
Provision for employee benefits		
- Long service awards	93.23	79.87
	93.23	**79.87**

10. Trade payables and other current liabilities

	As at March 31, 2014 In ₹ Million	As at March 31, 2013 In ₹ Million
Trade payable	433.73	319.00
	433.73	**319.00**
Other current liabilities		
Unearned revenue	526.39	175.61
Unpaid dividend *	0.84	0.60
Advance from customers	11.51	0.81
Capital creditors	377.80	103.56
Other payables		
- Statutory liabilities	101.89	83.04
- Accrued employee liabilities	118.60	102.60
- Other liabilities	3.08	2.02
	1,140.11	**468.24**

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

11. Short-term provisions

	As at March 31, 2014 In ₹ Million	As at March 31, 2013 In ₹ Million
Provision for employee benefits		
- Gratuity	46.21	93.40
- Leave encashment	297.52	261.62
- Long service awards	11.02	12.09
- Other employee benefits	668.93	540.53
Others		
- Proposed dividend	160.00	120.00
- Tax on proposed dividend	27.19	20.39
	1,210.87	**1,048.03**

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Persistent Systems Limited

Notes forming part of condensed consolidated financial statements

12.1 Tangible assets

(In ₹ Million)

	Freehold land	Leasehold land	Buildings *	Computers	Office equipments	Plant and equipment	Leasehold improvements	Furniture and fixtures	Vehicles	Total
Gross block (At cost)										
As at April 1, 2013	219.07	39.93	2,077.09	1,195.58	40.93	1,093.41	20.81	427.67	4.54	5,119.03
Additions		0.18	74.00	203.72	6.28	75.25	2.52	45.77	-	407.72
Disposals	-	-	-	24.27	1.50	5.12	1.74	1.70	-	34.33
Other adjustments										
- Exchange differences	2.23	-	9.99	13.01	0.16	(0.17)	(0.07)	(0.43)	-	24.72
As at March 31, 2014	**221.30**	**40.11**	**2,161.08**	**1,388.04**	**45.87**	**1,163.37**	**21.52**	**471.31**	**4.54**	**5,517.14**
Depreciation and amortization										
As at April 1, 2013	-	2.71	413.67	901.27	25.72	634.30	8.10	328.52	4.48	2,318.77
Charge for the year	-	0.42	85.23	203.37	5.11	105.05	2.50	36.66	0.06	438.40
Disposals	-	-	-	23.74	0.99	2.65	0.36	0.61	-	28.35
Other adjustments										
- Exchange differences	-	-	0.68	2.03	0.09	(0.01)	(0.01)	0.24	-	3.02
As at March 31, 2014	**-**	**3.13**	**499.58**	**1,082.93**	**29.93**	**736.69**	**10.23**	**364.81**	**4.54**	**2,731.84**
Net block										
As at March 31, 2014	**221.30**	**36.98**	**1,661.50**	**305.11**	**15.94**	**426.68**	**11.29**	**106.50**	**-**	**2,785.30**
As at March 31, 2013	**219.07**	**37.22**	**1,663.42**	**294.31**	**15.21**	**459.11**	**12.71**	**99.15**	**0.06**	**2,800.26**

(In ₹ Million)

	Freehold land	Leasehold land	Buildings *	Computers	Office equipments	Plant and equipment	Leasehold improvements	Furniture and fixtures	Vehicles	Total
Gross block (At Cost)										
As at April 1, 2012	214.84	39.93	1,856.03	1,021.44	38.75	890.38	11.15	389.54	4.54	4,466.60
Additions	3.94	-	219.76	229.19	5.50	204.89	9.66	38.40	-	711.34
Disposals	-	-	-	56.10	3.38	1.86	-	0.20	-	61.54
Other adjustments										
- Exchange differences	0.29	-	1.30	1.05	0.06	-	-	(0.07)	-	2.63
As at March 31, 2013	**219.07**	**39.93**	**2,077.09**	**1,195.58**	**40.93**	**1,093.41**	**20.81**	**427.67**	**4.54**	**5,119.03**
Depreciation and amortization										
As at April 1, 2012	-	2.29	335.56	786.80	24.18	540.38	4.87	293.20	4.03	1,991.31
Charge for the year	-	0.42	78.09	170.17	4.88	95.78	3.23	35.50	0.45	388.52
Disposals	-	-	-	55.92	3.38	1.86	-	0.20	-	61.36
Other adjustments										
- Exchange differences	-	-	0.02	0.22	0.04	-	-	0.02	-	0.30
As at March 31, 2013	**-**	**2.71**	**413.67**	**901.27**	**25.72**	**634.30**	**8.10**	**328.52**	**4.48**	**2,318.77**
Net block										
As at March 31, 2013	**219.07**	**37.22**	**1,663.42**	**294.31**	**15.21**	**459.11**	**12.71**	**99.15**	**0.06**	**2,800.26**

* Note: Building includes those constructed on leasehold land:

a) Gross block as on March 31, 2014 ₹ 1,035.91 million (Previous year ₹ 962.28 million)

b) Depreciation charge for the year ₹ 40.24 million (Previous year ₹ 36.30 million)

c) Accumulated depreciation as on March 31, 2014 ₹ 124.63 million (Previous year ₹ 84.39 million)

d) Net book value as on March 31, 2014 ₹ 911.28 million (Previous year ₹ 877.89 million)

12.2 Intangible assets

(In ₹ Million)

	Software	Acquired contractual rights	Total
Gross block (At Cost)			
As at April 1, 2013	1,289.28	542.68	1,831.96
Additions	1,017.60	-	1,017.60
Disposals	-	-	-
Other adjustments			
- Exchange differences	123.48	32.37	155.85
As at March 31, 2014	**2,430.36**	**575.05**	**3,005.41**
Amortization			
As at April 1, 2013	926.76	203.10	1,129.86
Charge for the year	406.15	181.42	587.57
Disposals	-	-	-
Other adjustments	-	-	
- Exchange differences	14.92	4.01	18.93
As at March 31, 2014	**1,347.83**	**388.53**	**1,736.36**
Net block			
As at March 31, 2014	**1,082.53**	**186.52**	**1,269.05**
As at March 31, 2013	**362.52**	**339.58**	**702.10**

(In ₹ Million)

	Software	Acquired contractual rights	Total
Gross block (At Cost)			
As at April 1, 2012	1,287.49	281.63	1,569.12
Additions	94.03	261.23	355.26
Disposals	116.10	-	116.10
Other adjustments			-
- Exchange differences	23.86	(0.18)	23.68
As at March 31, 2013	**1,289.28**	**542.68**	**1,831.96**
Amortization			
As at April 1, 2012	766.34	80.81	847.15
Charge for the year	273.00	121.56	394.56
Disposals	116.10	-	116.10
Other adjustments			
- Exchange differences	3.52	0.73	4.25
As at March 31, 2013	**926.76**	**203.10**	**1,129.86**
Net block			
As at March 31, 2013	**362.52**	**339.58**	**702.10**

12.3 Depreciation and amortization

(In ₹ Million)

	For the quarter ended		For the year ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
On tangible assets	109.84	106.71	438.40	388.52
On intangible assets	154.43	104.83	587.57	394.56
Less: attributable to fixed assets used for construction of building	(0.01)	(0.06)	(0.02)	(0.22)
	264.26	**211.48**	**1,025.95**	**782.86**

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13. Non-current investments

	As at March 31, 2014 In ₹ Million	As at March 31, 2013 In ₹ Million
Trade Investments (At cost unless otherwise mentioned)		
Investments in Equity Instruments (Unquoted)		
In others* (Unquoted)		
Klisma eService Private Limited [Holding 50%. (previous year 50%)]		
0.005 million (Previous year 0.005 million) shares of ₹10 each, fully paid up	0.05	0.05
Less : Provision for diminution in value of investment	0.05	-
	-	0.05
Ciqual Limited [Holding 2.38% (Previous year 2.38%)]		
0.04 million (Previous year: 0.04 million) shares of GBP 0.01 each, fully paid up	12.88	11.84
Less : Provision for diminution in value of investment	12.88	11.84
	-	-
Sprint Telecom Private Limited [Holding 26% (previous year 26%)]		
1.30 million (Previous year: 0.65 million) shares of ₹ 10 each, fully paid up	13.00	6.50
	13.00	**6.50**
	13.00	**6.55**
Investments in preferred stock (Unquoted)		
Hygenx Inc.	11.99	-
0.25 million (Previous year Nil) Preferred stock of $ 0.001 each, fully paid up		
	11.99	**-**
Investments in Convertible Notes (Unquoted)		
DxNow, Inc.		
1 (Previous year: Nil) convertible note of USD 125,000 each, fully paid up	7.49	-
Ustyme, Inc.		
1 (Previous year: Nil) convertible note of USD 250,000 each, fully paid up	14.99	-
	22.48	**-**
Non-trade Investments (At cost unless otherwise mentioned)		
Government Securities (Quoted)		
In government securities	775.76	166.19
[Market value ₹ 779.85 million, (Previous year ₹ 175.77 million)]		
	775.76	**166.19**
	823.23	**172.74**
Aggregate provision for diminution in value of investments	12.93	11.84
Aggregate amount of quoted investments [Market value ₹ 779.85, (Previous year ₹ 175.77 million)]	775.76	166.19
Aggregate amount of unquoted investments	60.40	18.39

*Investments, where the Group does not have joint-control or significant influence including situations where such joint-control or significant influence is intended to be temporary, are classified as "investments in others"

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14. Deferred tax asset (net) *

	As at March 31, 2014 In ₹ Million	As at March 31, 2013 In ₹ Million
Deferred tax liabilities		
Differences in depreciation / amortization and other differences in a block of tangible and intangible assets as per the tax books and financial books	132.64	86.95
Others		
	132.64	**86.95**
Deferred tax assets		
Provision for leave encashment	101.14	90.02
Provision for long service awards	35.43	29.83
Provision for doubtful debts	154.06	130.66
Differences in depreciation / amortization and other differences in a block of tangible and intangible assets as per the tax books and financial books (overseas)	98.30	26.65
Others	3.83	-
	392.76	**277.16**
Deferred tax liabilities after set off	**-**	**-**
Deferred tax assets after set off	**260.12**	**190.21**

* Deferred tax assets and deferred tax liabilities have been offset wherever the Group has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. In all other cases the same have been separately disclosed.

15. Long term loans and advances

	As at March 31, 2014 In ₹ Million	As at March 31, 2013 In ₹ Million
Capital advances (Unsecured, considered good)	6.79	5.08
Security deposits (Unsecured, considered good)	59.14	48.86
Advance income tax (Net of provision for income tax)	58.76	43.67
Inter corporate deposits		
Unsecured, considered good	0.61	0.73
Unsecured, considered doubtful	0.58	0.58
	1.19	1.31
Less: Provision for doubtful deposits	0.58	0.58
	0.61	0.73
Other loans and advances (Unsecured, considered good)		
Advance to PSPL ESOP Management Trust (Refer note 29 b)	-	92.85
Advances recoverable in cash or kind or for value to be received	12.67	8.29
	12.67	101.14
	137.97	**199.48**

16. Other non-current assets

	As at March 31, 2014 In ₹ Million	As at March 31, 2013 In ₹ Million
Non-current bank balances (Refer note 19)	401.62	501.49
Interest accrued on bank deposits	57.82	22.14
	459.44	**523.63**

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

	As at March 31, 2014 In ₹ Million	As at March 31, 2013 In ₹ Million
Non trade		
Investments in mutual funds (Quoted)	4,071.36	3,116.18
Aggregate amount of quoted investments [Market value ₹ 4,123.68 million, (Previous year ₹ 3,176.40 million)]		
	4,071.36	**3,116.18**

17 a) Details of investment in mutual funds (Quoted)

	As at March 31, 2014		As at March 31, 2013	
	Units (in nos. million)	In ₹ Million	Units (in nos. million)	In ₹ Million
IDFC mutual fund	33.80	394.92	33.27	393.31
HDFC mutual fund	46.24	471.23	30.90	317.74
ICICI Prudential mutual fund	39.44	480.00	25.69	380.00
Franklin Templeton mutual fund	0.33	395.09	0.33	395.09
DWS mutual Fund	32.35	426.11	13.68	150.62
Birla Sun Life mutual fund	6.62	363.11	30.73	357.22
Reliance mutual fund	21.48	275.74	15.23	164.03
SBI mutual fund	30.10	477.24	33.04	380.36
UTI mutual fund	46.10	499.19	0.36	391.87
L&T mutual fund	4.57	123.68	-	-
Axis mutual fund	0.16	165.05	0.19	185.94
		4,071.36		**3,116.18**

18. Trade receivables

	As at March 31, 2014 In ₹ Million	As at March 31, 2013 In ₹ Million
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	20.20
Unsecured, considered doubtful	459.89	362.96
	459.89	383.16
Less : Provision for doubtful receivables	459.89	362.96
	-	**20.20**
Others		
Unsecured, considered good	3,028.17	2,430.82
Unsecured, considered doubtful	27.18	54.38
	3,055.35	2,485.20
Less : Provision for doubtful receivables	27.18	54.38
	3,028.17	**2,430.82**
	3,028.17	**2,451.02**

19. Cash and bank balances

	As at March 31, 2014 In ₹ Million	As at March 31, 2013 In ₹ Million
Cash and cash equivalents as presented in cash flow statement		
Cash on hand	0.14	0.14
Balances with banks		
On current accounts *	473.32	288.75
On saving accounts	0.01	0.28
On Exchange Earner's Foreign Currency accounts	358.56	209.11
On unpaid dividend accounts **	0.84	0.60
	832.87	**498.88**
Other bank balances		
On deposit account with original maturity more than three months but less than twelve months	1.00	11.80
On deposit account with original maturity more than twelve months ***	524.29	531.69
	525.29	**543.49**
Less: Deposits with maturity more than twelve months disclosed under other non-current assets (Refer note 16)	(401.62)	(501.49)
	123.67	**42.00**
Balances with Escrow bank account ****	-	20.38
	956.54	**561.26**

* Out of the balance the Company can utilise ₹ 16.28 million (Previous year ₹ 3.75 million) only towards research and development activities specified in the loan agreement.

** The Company can utilize these balances only towards settlement of the respective unpaid dividend.
*** Out of the balance, fixed deposits of ₹ 23.72 million (Previous year ₹ 31.68 million) have been earmarked against bank guarantees given by the Company

**** The Company can utilize these balances only towards settlement of specific liability.

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20. Short term loans and advances

	As at March 31, 2014 In ₹ Million	As at March 31, 2013 In ₹ Million
Inter corporate deposit		
Unsecured, considered good	-	10.00
Unsecured, considered doubtful	27.43	27.43
	27.43	37.43
Less: Provision for doubtful deposits	27.43	27.43
	-	10.00
Other loans and advances (Unsecured, considered good)		
- Deposits	4.69	5.61
- Advances recoverable in cash or kind or for value to be received	327.76	241.91
- MAT credit entitlement	-	23.35
- VAT receivable (net)	59.61	52.70
- Service tax receivable (net)	18.01	12.05
	410.07	335.62
Other loans and advances (Unsecured, considered doubtful)		
Advances recoverable in cash or kind or for value to be received	0.75	0.30
Less: Provision for doubtful advances	0.75	0.30
	-	-
	410.07	**345.62**

21. Other current assets

	As at March 31, 2014 In ₹ Million	As at March 31, 2013 In ₹ Million
Interest accrued but not due	27.41	10.67
Forward contracts receivable	229.95	122.57
Unbilled revenue	644.89	301.05
	902.25	**434.29**

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22. Revenue from operations (net)

	For the quarter ended		For the year ended	
	March 31, 2014 In ₹ Million	March 31, 2013 In ₹ Million	March 31, 2014	March 31, 2013 In ₹ Million
Sale of software services	4,467.37	3,339.59	16,691.53	12,945.12
	4,467.37	**3,339.59**	**16,691.53**	**12,945.12**

23. Other income

	For the quarter ended		For the year ended	
	March 31, 2014 In ₹ Million	March 31, 2013 In ₹ Million	March 31, 2014 In ₹ Million	March 31, 2013 In ₹ Million
Interest income				
On bank deposits	15.79	13.18	55.11	76.79
On others	13.68	2.92	36.36	15.81
Foreign exchange gain (net)	-	41.53	-	-
Profit on sale of fixed assets (net)	-	1.13	-	3.89
Dividend income from current investments	43.67	38.55	149.51	155.23
Profit on sale of current investments (net)	0.03	-	54.50	13.09
Excess provision in respect of earlier period / years written back	0.04	43.55	2.22	2.47
Provision for doubtful deposits written back (net)	0.03	-	1.11	-
Miscellaneous income	3.73	5.31	11.35	18.73
	76.97	**146.17**	**310.16**	**286.01**

24. Personnel expenses

	For the quarter ended		For the year ended	
	March 31, 2014 In ₹ Million	March 31, 2013 In ₹ Million	March 31, 2014 In ₹ Million	March 31, 2013 In ₹ Million
24.1 Employee benefit expenses				
Salaries, wages and bonus	2,250.28	1,739.85	8,476.91	6,625.33
Contribution to provident and other funds	49.38	40.50	189.35	155.42
Gratuity expenses	28.72	30.75	44.97	91.48
Defined contribution to other funds	27.65	25.45	105.29	86.34
Staff welfare and benefits	70.61	58.78	273.16	228.07
Employee stock compensation expenses	-	-	-	0.94
	2,426.64	**1,895.33**	**9,089.68**	**7,187.58**
24.2 Cost of technical professionals	228.53	147.68	905.77	536.38
	2,655.17	**2,043.01**	**9,995.45**	**7,723.96**

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25. Other expenses

	For the quarter ended		For the year ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million
Travelling and conveyance	173.11	112.22	658.37	424.98
Electricity expenses (net)	23.35	22.74	86.37	87.66
Internet link expenses	12.42	11.26	50.43	38.19
Communication expenses	14.68	15.81	51.10	50.20
Recruitment expenses	8.44	7.80	37.78	16.93
Training and seminars	7.83	8.18	20.93	20.54
Royalty expenses	59.44	43.77	217.20	43.77
Purchase of software licenses and support expenses	112.25	91.45	477.54	471.01
Bad debts	2.50	30.59	46.27	30.59
Provision for doubtful receivables (net)	2.77	-	28.37	93.10
Rent	37.05	27.56	137.01	103.84
Insurance	5.25	6.09	22.33	22.09
Rates and taxes	6.52	11.49	30.43	37.24
Legal and professional fees	49.36	48.83	190.28	140.10
Repairs and maintenance				
- Plant and Machinery	15.51	16.73	68.09	62.06
- Buildings	6.16	3.06	21.91	13.87
- Others	5.36	4.02	15.95	12.05
Commission on sales	4.86	-	6.68	0.11
Advertisement and sponsorship fees	12.24	6.96	44.34	32.62
Computer consumables	3.40	0.60	11.98	6.92
Auditors' remuneration	2.83	1.87	8.60	6.71
Donations	4.42	0.81	29.50	18.42
Books, memberships, subscriptions	4.86	1.62	13.95	4.89
Loss on sale of current investments (net)	-	0.15	-	-
Loss on sale of fixed assets (net)	5.28	-	3.32	-
Foreign exchange loss (net)	86.57	-	149.31	222.35
Directors' sitting fees	0.10	0.17	0.64	0.75
Directors' commission	2.53	3.15	8.26	9.75
Provision for doubtful deposits	-	8.30	-	27.73
Provision for doubtful advances	-	-	0.45	-
Intercorporate deposits written off	-		3.90	
Provision for diminution in value of non current investments	-	-	0.05	-
Miscellaneous expenses	32.40	24.37	111.83	95.60
	701.49	**509.60**	**2,553.17**	**2,094.07**

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26. Earnings per share

		For the quarter ended		For the year ended	
		March 31, 2014	**March 31, 2013**	**March 31, 2014**	**March 31, 2013**
Numerator for Basic and Diluted EPS					
Net Profit after tax (In ₹ Million)	(A)	671.99	518.85	2,492.77	1,876.18
Denominator for Basic EPS					
Weighted average number of equity shares	(B)	39,111,401	38,664,961	38,906,380	38,588,333
Denominator for Diluted EPS					
Number of 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)	**17.18**	**13.42**	**64.07**	**48.62**
Diluted Earnings per share of face value of ₹ 10 each (In ₹)	(A/C)	**16.80**	**12.97**	**62.32**	**46.90**

	For the quarter ended		For the year ended	
	March 31, 2014	**March 31, 2013**	**March 31, 2014**	**March 31, 2013**
Number of shares considered as basic weighted average shares outstanding	39,111,401	38,664,961	38,906,380	38,588,333
Add: Effect of dilutive issues of stock options	888,599	1,335,039	1,093,620	1,411,667
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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27. Segment Information

The Group's operations predominantly relate to providing software products, services and technology innovation 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 which are as follows:

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

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

(In ₹ Million)

Particulars			**Telecom and Wireless**	**Life Science and Healthcare**	**Infrastructure and Systems**	**Total**
Revenue	Quarter ended	Mar-31-2014	691.67	578.56	3,197.14	4,467.37
	Quarter ended	Mar-31-2013	761.64	356.99	2,220.96	3,339.59
	Year ended	Mar-31-2014	2,969.98	2,081.27	11,640.28	16,691.53
	Year ended	Mar-31-2013	3,381.94	1,352.16	8,211.02	12,945.12
Identifiable expense	Quarter ended	Mar-31-2014	331.40	272.16	1,624.45	2,228.01
	Quarter ended	Mar-31-2013	339.19	181.66	1,373.22	1,894.07
	Year ended	Mar-31-2014	1,332.62	995.94	6,405.78	8,734.34
	Year ended	Mar-31-2013	1,316.17	662.41	4,686.32	6,664.90
Segmental result	Quarter ended	Mar-31-2014	360.27	306.40	1,572.69	2,239.36
	Quarter ended	Mar-31-2013	422.45	175.33	847.74	1,445.52
	Year ended	Mar-31-2014	1,637.36	1,085.33	5,234.50	7,957.19
	Year ended	Mar-31-2013	2,065.77	689.75	3,524.70	6,280.22
Unallocable expenses	Quarter ended	Mar-31-2014				1,393.06
	Quarter ended	Mar-31-2013				870.11
	Year ended	Mar-31-2014				4,840.76
	Year ended	Mar-31-2013				3,936.35
Operating income	Quarter ended	Mar-31-2014				846.30
	Quarter ended	Mar-31-2013				575.41
	Year ended	Mar-31-2014				3,116.43
	Year ended	Mar-31-2013				2,343.87
Other income (net of expenses)	Quarter ended	Mar-31-2014				76.97
	Quarter ended	Mar-31-2013				146.17
	Year ended	Mar-31-2014				310.16
	Year ended	Mar-31-2013				286.01
Profit before taxes	Quarter ended	Mar-31-2014				923.27
	Quarter ended	Mar-31-2013				721.58
	Year ended	Mar-31-2014				3,426.59
	Year ended	Mar-31-2013				2,629.88
Tax expense	Quarter ended	Mar-31-2014				251.28
	Quarter ended	Mar-31-2013				202.73
	Year ended	Mar-31-2014				933.82
	Year ended	Mar-31-2013				753.70
Profit after tax	Quarter ended	Mar-31-2014				671.99
	Quarter ended	Mar-31-2013				518.85
	Year ended	Mar-31-2014				2,492.77
	Year ended	Mar-31-2013				1,876.18

27. Segment Information

(In ₹ Million)

Particulars			**Telecom and Wireless**	**Life Science and Healthcare**	**Infrastructure and Systems**	**Total**
Segmental trade receivables	As at	Mar-31-2014	471.32	351.59	2,205.26	3,028.17
	As at	Mar-31-2013	616.87	260.50	1,573.65	2,451.02
Unallocated assets	As at	Mar-31-2014				12,405.67
	As at	Mar-31-2013				10,220.26

Geographical Segments

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

(In ₹ Million)

Particulars			**North America**	**Europe**	**Asia Pacific**	**Total**
Revenue	Quarter ended	Mar-31-2014	3,813.43	274.14	379.80	4,467.37
	Quarter ended	Mar-31-2013	2,840.34	189.83	309.42	3,339.59
	Year ended	Mar-31-2014	14,200.94	892.63	1,597.96	16,691.53
	Year ended	Mar-31-2013	10,978.88	843.32	1,122.92	12,945.12
Segmental trade receivables	As at	Mar-31-2014	2,467.00	232.29	328.88	3,028.17
	As at	Mar-31-2013	1,997.70	172.64	280.68	2,451.02

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28. On February 10, 2014, the Company, through its wholly owned subsidiary Persistent Systems Inc., acquired the entire equity capital of US based CloudSquads Inc., for an upfront consideration of USD 0.56 million. The stock purchase agreement provides for additional consideration, contingent upon certain conditions being met in future years. The additional contingent consideration payable to the selling shareholders is subject to a maximum amount of USD 2.93 million. The contingent consideration would be recorded, as and when the contingency is resolved and the consideration is payable.

29.

a) The ESOP schemes of Persistent Systems Limited ("the Company") are administered through the ESOP Trust. As per the provisions of the Trust Deed, the Trust is constituted as an irrevocable trust and in no event the funds of the Trust shall revert to the Company. The Company has obtained a legal opinion which states that the Company has no right to the assets of the Trust. In view of this position, the Company has not consolidated the financial statements of the ESOP Trust in the standalone financial statements of the Company.

b) The Company had adjusted the difference between the cost incurred by the Trust for the purpose of purchase of shares and the exercise price of those shares which have been exercised by the employee during the earlier periods/years to General Reserve, in accordance with Guidance Note on accounting for Employee share based payment, issued by the Institute of Chartered Accountants of India. However in view of the legal opinion referred to in a) above, the Company has reversed the amount of ₹ 92.85 million, initially transferred to General Reserve.

c) The financial statements of the Trust have been presented below:

Balance Sheet **(In ₹ million)**

Corpus fund and liabilities	**As at March 31, 2014**	**As at March 31, 2013**
Corpus Fund	0.60	0.60
(A)	**0.60**	**0.60**
Income and Expenditure Account		
Balance as per last financial Statement	195.38	146.71
Add: Excess of Income over expenditure for the year	75.10	48.67
(B)	**270.48**	**195.38**
Current Liabilities and Provisions		
Due to ESOP Holders	0.11	0.21
Provision for Taxation	6.73	3.93
(C)	**6.84**	**4.14**
(A)+(B)+(C)	**277.92**	**200.12**

(In ₹ million)

Assets	**As at March 31, 2014**	**As at March 31, 2013**
Current Investments		
Investments in Shares of Persistent Systems Limited	65.51	76.31
2,834,277 shares of ₹ 10 each (Previous year 3,301,476 shares of ₹ 10 each)		
Investment in Mutual Funds	203.67	68.80
(A)	**269.18**	**145.11**
Cash and Bank Balances		
Balance with Banks		
- on Savings account	0.16	0.85
- on Deposit account	-	44.50
(B)	**0.16**	**45.35**
Other Current Assets		
Accrued Interest on Fixed Deposits	-	3.94
Advance Income Tax	8.58	5.72
(C)	**8.58**	**9.66**
(A)+(B)+(C)	**277.92**	**200.12**

Income and Expenditure Account **(In ₹ million)**

Income	For the year ended March 31, 2014	For the year ended March 31, 2013
Dividend on Shares	32.79	28.82
Dividend on Mutual Funds	0.51	-
Profit on sale/ redemption of investments	41.98	15.13
Bank Interest	2.67	5.80
Total Income	**77.95**	**49.75**

(In ₹ million)

Expenditure	For the year ended March 31, 2014	For the year ended March 31, 2013
Bank Charges	0.05	-
Income Tax	2.80	1.08
Total Expenditure	**2.85**	**1.08**
Excess of Income over expenditure	**75.10**	**48.67**

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

As per our report of even date

For S. R. BATLIBOI & CO LLP
ICAI Firm registration no. 301003E
Chartered Accountants

per Paul Alvares
Partner
Membership no.: 105754

Place : Pune
Date : April 19, 2014

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

per C. K. Joshi
Partner
Membership no.: 030428

Place : Pune
Date : April 19, 2014

For and on behalf of the Board of Directors of
Persistent Systems Limited

Dr. Anand Deshpande
Chairman and Managing Director

Kiran Umrootkar
Director

Rohit Kamat
Chief Financial Officer

Amit Atre
Company Secretary

Place : Pune
Date : April 19, 2014

Place : Pune
Date : April 19, 2014