




SIMPLY
PRECISE

DELIVERING INCREASING VALUE
TO THE CUSTOMER

Annual Report 2001 - 2002



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A complete version of this book is available at the site www.polaris.co.in

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power of precision

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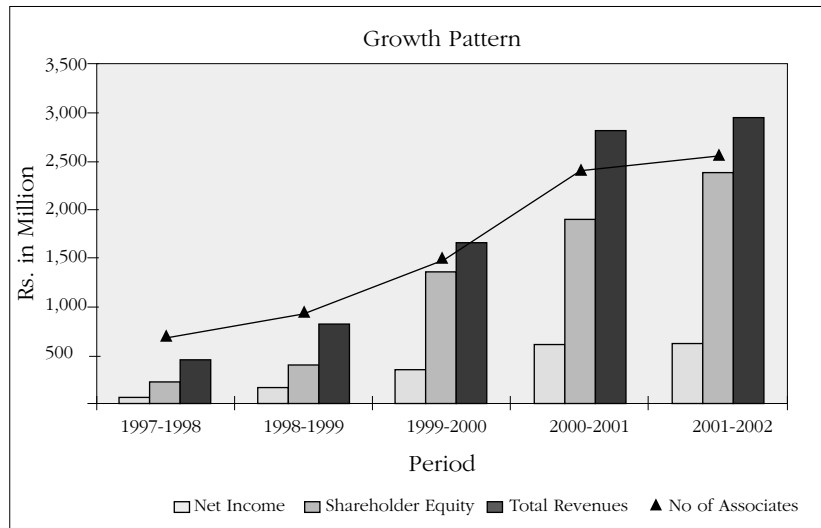
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FINANCIAL HIGHLIGHTS



POLARIS SOFTWARE GROUP

FINANCIAL HIGHLIGHTS

	Rs. in Million				
For the Year	1997-1998	1998-1999	1999-2000	2000-2001	2001- 2002
Total Revenues	443.37	823.98	1,657.21	2,825.09	2,938.03
Operating Income	64.85	181.99	391.41	672.20	723.38
Net Income	54.17	153.06	338.51	602.40	627.56
At the Year end					
Total Fixed Assets	66.20	112.82	276.88	555.78	876.35
Shareholder Equity	218.41	388.74	1,356.92	1,900.52	2,388.90
Number of Shares Outstanding of Rs. 5 each	8.7	27.1	34.12	34.12	51.19
Earnings Per Share-Basic *	3.61	3.60	7.95	11.74	12.04
Dividend %	20%	20%	30%	30%	35%
Number of Associates	685	915	1465	2415	2556

* Adjusted for the Bonus Issue

LETTER TO SHAREHOLDERS

Dear Shareholders,

'In motor racing, overtaking is planned for the curves'.

I saw the year gone by as the first signs of the curve in the global IT services space and therein I saw opportunity. An opportunity to step back and review, consolidate, rejuvenate and work to get closer to the dream of an Indian institution providing global leadership. At Polaris, we did just that.

We invested into creating a powerful service differentiator "Precision". We are part of an industry that benefits from the inefficiencies of our own creation. While dynamic changes in technology do necessitate this to a large extent, we could, as an industry, certainly eliminate the errors of commission. We took it as a challenge to become the "gold standard" in the international quality arena.

It is indeed a proud feeling when I announce to all you shareholders that your company became THE FIRST EVER COMPANY IN THE WORLD to achieve CMMi Level 5 (Integrated - Capability Maturity Model, Software Engineering Institute, Carnegie Mellon University, USA). We extended the processes to all our business areas like Human Resources, Sales and Marketing, thus creating a culture of precision across the business. Employee practices at Polaris were



*"We are committed to deliver ever increasing returns on technology investment to the customer, through our people, processes and technology," **Arun Jain**, Chairman & Managing Director.*

recognized in more than one forum this year. We were rated amongst the top 25 best employers in India by Business Today - Hewitt Associates, and awarded for Managerial Excellence in the service sector by the Madras Management Association (MMA).

The addition of trophy relationships like AIG - USA, Commerzbank - Germany, Snecma Moteurs - France, to name a few, reaffirms the faith that global leaders place in Polaris.

2001 was the year of Precision. We are now entering a new era of growth driven by the Power of Precision supported by the proven passion of the employees of Polaris.

With best regards



Arun Jain

Chairman & Managing Director

Chennai, 29 July, 2002.

P R E F A C E

A P P R O A C H
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PREFACE

Polaris' mission is to deliver to our customers, increasing returns on their technology investment. The intent of the organization is to work with 100 trophy relationships, wherein we deliver ever-increasing returns by focusing on the 5 critical customer values (Cost, Quality, Reliability, Flexibility and Time to Market) and the 7 business levers (Knowledge of the customer environment, business domain knowledge, technology knowledge, process knowledge, methodology / tools, component reusability and energy & drive of our employees).

$$\left[\begin{array}{c} \text{Return on technology} \\ \text{investment} \\ \text{for the customer} \end{array} \propto \frac{\text{Measurable business value}}{\text{Effort}} \right]$$

Return on technology investment for the customer is a function of factors that influence business value and the efforts to achieve the same. The higher the business value generated and lesser the effort spent in generating it, higher is the throughput per dollar spent by the customer.

It's a simple formula, but a powerful one when put to use. And in a nutshell this is what we have been focusing on at Polaris during the last year.

The following chapters show how Polaris uses processes and methodologies to deliver value to customers the world over.



“Optimization and enhancement of process capability not only gives a competitive advantage, but also continuously lifts the bar on performance benchmarks,” **Sudha Ramesh**, Sr. Vice President.

Chapter 1 gives an insight into the 5 critical customer values (Cost, Quality, Reliability, Flexibility and Time to Market) that Polaris is delivering.

Chapter 2 discusses how Polaris delivers these 5 values using the 7 business levers - (Knowledge of the customer environment, business domain knowledge, technology knowledge, process knowledge, methodology / tools, component reusability and energy & drive of our employees).

Chapter 3 describes the processes put in place towards acquiring 100 lifetime customer relationships.

Chapter 4 an example of building a lifetime customer relationship through continuous business value creation.

Chapter 5 touches upon the innovation and new offerings at Polaris.

Chapter 6 talks about the employee development measures in Polaris in the past year and how they are making a difference in the organization.

Chapter 7 outlines the social initiatives of Polaris and how it is giving back to the society what it has gained from it.

The chapters attempt to offer a glimpse into how we at Polaris are offering increasing value to the customer, shareholders, employees and society.

VISION

To build future leaders through continuous learning, creativity, excellence and mutual respect, and reaching new horizons with our creative energies ensuring customer delight and social fusion.

CHAPTER

1

FIRST
CUSTOMER

CUSTOMER FIRST

Recent changes in the global economy have necessitated a paradigm shift in the Indian software industry. The industry had to shift gears from a demand surplus mode to the demand creation mode. Polaris has successfully handled the shift by continuing to focus steadily on the customer.

Delivering the 5 critical customer values of Cost, Quality, Reliability, Flexibility and Time to Market remains a priority. To this end, the scope of ENTITY Polaris' popular bi-coastal outsourcing methodology, has been increased. The thrust is still on increasing the customer's comfort in outsourcing specialized software solutions from a company across the seas.

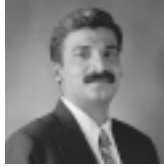
While the previous year a single manager placed at the customer site was responsible for a smooth customer relationship, the last year has seen an entire unit - the Strategic Relationship Development Unit (SRDU), assigned to each customer or relationship.

Customers' apprehension of the outsourcing partner's understanding of the domain has been addressed by the creation of domain specific units as well as technology specific units - the Strategic Practice Units (SPU). The availability of the entire range of related technologies and domain expertise from a single vendor saves hassles for the customer.

Building trust is key to ensuring that a prospect or customer interaction results in a win-win relationship. Also, at every step right from the dialogue stage to the



"We are consciously following the component based approach to give our customers the time and cost advantage," **Aruna Kasbinath**, Managing Partner.



“Building trust is the first step in establishing a win-win relationship with the customer,” **V. Mahadevan**, Sr. Vice President.

delivery of the project, care is taken to save cost for the customer in delivering a quality product.

Innovative methods have been evolved for quick, reliable solutions delivery. For example, automation of project components has significantly improved chances of zero defect delivery. A tool-based approach is used to speed up delivery, where the tools specific to the project are developed in-house.

At the same time the customer is assured flexibility. The solution is designed as far as possible using a component-based approach so changes from client’s end can be incorporated without making drastic changes in the software. Also given the clear understanding of customer requirements, solutions are made scalable and adaptable to future directions of the customer organization.

The focus on predictability, measurability and transparency of the above rigorous practices and processes has helped Polaris achieve a unique distinction. Polaris became the World’s First to achieve SEI-CMMi Level 5 certification, the highest certification in software quality.

5
V A L U E S

Every employee in the organization is contributing to delivering the 5 critical customer values of Cost, Quality, Reliability, Flexibility and Time to Market.



**World's First
CMMi-Level 5
Highest Quality in
Software Engineering**

Felicitation

On the event of achieving the world's first SEI-CMMI Level 5 certification, Polaris was felicitated at a ceremony in New Delhi. The occasion was graced by Shri. Pramod Mahajan, Hon'ble Union Minister for Information Technology and Parliamentary Affairs and Kiran Karnik, Director, Nasscom.

HIGHLIGHTS:

- ✓ A Strategic Relationship Development Unit (SRDU) is assigned to each customer.
- ✓ Domain and technology specific units called Strategic Practice Units (SPU) have been created.
- ✓ Quality focus is maintained so as to deliver 'first time right' solutions.

CHAPTER

2

I N S I G H T S
BUSINESS

BUSINESS INSIGHTS

Behind every successful client relationship are some wholesome business insights. Here's how we achieve them at Polaris using the 7 business levers - Knowledge of the customer environment, business domain knowledge, technology knowledge, process knowledge, methodology / tools, component reusability and energy & drive of employees.

The culture of the people, organization structure, how work flows between departments...these are some nuances of customer environment one needs to understand. For example, things as basic as presentation styles to be adopted can vary between two companies. The gestation time for finalization of the contract varies, and the delivery pattern can change vastly depending on the culture of the organization. In each situation understanding of the customer environment is critical for a successful client relationship. The fact that we have been successfully managing and growing the relationships with customers who are "architects of their own future" is proof of our ability to adapt to the customer's internal environment.

Once the contract is on, systematic processes are in place to help the Polaris team understand customers' business and technology needs. Here's an example of a Fortune 500 bank that needed to port from a legacy system to state of the art middleware.

- ◆ To start with, a core team of 5 Polaris associates was placed at the client premises. The team worked to understand and develop the most optimal

*"The seven levers identified by Polaris are critical in delivering technology throughput to the customer," **Asbok Korwar**, Strategic Advisor.*





"The new organization structure is flexible enough to meet our customer's dynamic needs," **Rajiv Malhotra**, Sr. Vice President.

processes, develop the interaction model and to learn and work on the legacy system.

- ◆ A Relationship Manager from Polaris was positioned at the premises to assess the technology and to understand the business. The requirements were mapped onto Polaris' technology expertise.
- ◆ Based on the 'understanding' exercise an outsourcing plan was prepared and Proof of Concept (POC) delivered.
- ◆ 40 Polaris associates with expertise in Middleware worked on the project. Independent testing and validation team, tests and certifies releases for various businesses across geographies.

The result - The transition to the legacy system was smooth, 100 releases were developed and certified in two years of operation. Currently 25 associates are working onsite and 70 working offshore.

The situation was a little different for another fast growing Fortune 500 company, with a presence in four continents in 65 different locations. The customer, a global contract manufacturer providing services to the electronics manufacturing services (EMS) market, was re-looking at the existing Help Desk facility. They ended up outsourcing the entire Helpdesk operations to Polaris. In this case, the customer provided training to a few selected call handling specialists and other specialists of Polaris in USA. They have also provided training manuals and procedural guides, facilitating knowledge transfer to the Polaris personnel associated with the initiative.

As can be seen from the above examples Business Domain Knowledge, Technology Knowledge and Process Knowledge play a key role in the successful implementation of the project.

In order to speed up delivery and constantly upgrade the quality of output to the customer, tools are developed and used. To help a leading bank serve its customers better and take better decisions, Polaris implemented the Data Warehouse system. The system would tap the potential in the information provided by customers and their transactions.



The 7 business levers: Knowledge of the customer environment, business domain knowledge, technology knowledge, process knowledge, methodology / tools, component reusability and energy & drive of the people.



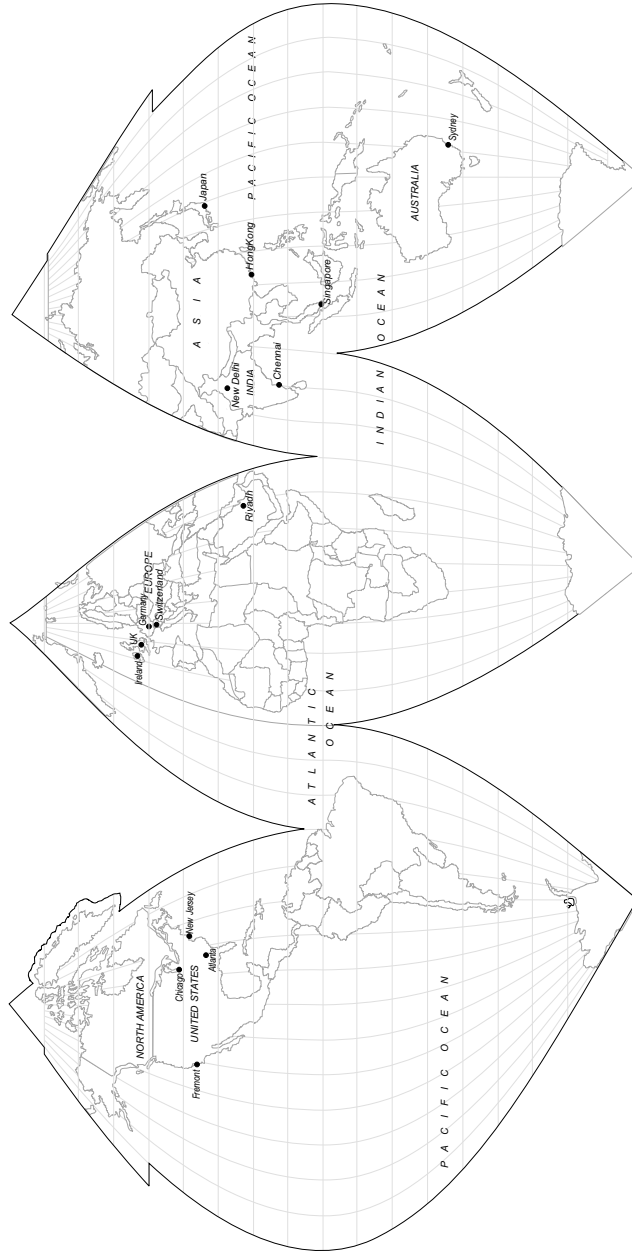
Polaris developed and used tools such as OLAP (On-Line Analytical Processing), to enable users to gain insight into data. OLAP provides fast, consistent and interactive access to a wide variety of possible views of information that has been transformed from raw data. The success of the project and the customer first approach of Polaris helped the organization build a mutually beneficial relationship. The customer commissioned Polaris to develop an exciting new system, the first of its kind in the country.

Component based object technology approach used in many projects at Polaris is driven by the productivity gains of reusability. The system saves time in the project because the components are tested just once, even if they are used in numerous applications. Also the maintenance of the solutions becomes a lot easier and cost-effective as only a particular problem component needs to be attended to.

Time to market - The first bank to launch credit cards in India approached Polaris to help deliver the project in 8 months when the project would have normally taken at least three years! The customer wanted to launch their credit card first in the market to establish their brand as a pioneer and market leader. And through rigorous planning and collaboration with the customer, Polaris was able to deliver this time to market advantage by completing the project within the near impossible deadline! Around 400 person

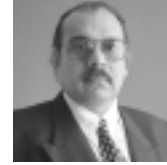
Polaris delivered the project in 8 months when the project would have normally taken at least three years!

GLOBAL NETWORK



Polaris' presence is global with offices in each of the above marked places.

“Delivering value to the customer is a fine balancing act where the customer is serviced through intelligent cost incurrence,”
N.Vaidyanathan, Sr. Vice President & Chief Finance Officer.



years of effort have gone into the development and support of the cards system, which speaks for its complexity and size.

What's more, the system developed not only supports one million cards as desired by the customer, but can also be scaled to any number of cards. The design takes care of the expandability and flexibility, which is also one of the critical advantages the client looks for.

Here's another example of flexibility achieved for the customer. UNIQUE is a centralized web based HR Portal developed by Polaris for a global Fast Moving Consumer Goods (FMCG) major. The solution is scalable, with provision to integrate new HR systems that are to be introduced at a later date. It also provides a forward extension to PeopleSoft and other databases making them accessible on the Intranet across the organization.

Even while developing the software the processes are strong and flexible enough to accommodate changes in customer specifications. Sometimes in large projects alterations based on changing requirements can be upwards of 50%. Polaris understands that changes are inevitable and ensures they are made without affecting the final delivery of the project.

HIGHLIGHTS:

- ✓ Understanding customer environment saves time and costs.
- ✓ Process expertise and well defined methodologies ensure high predictability in project delivery.
- ✓ Polaris applies tools developed internally and the component based approach to save time and get things right first time.

CHAPTER

3

A C Q U I S I T I O N

CUSTOMER

CUSTOMER ACQUISITION

Signing up 100 lifetime customer relationships requires a keen sense of the market, a sound qualification process and focus on management of key accounts. At Polaris we have defined the sales process (from pre-sales right up to sales closure) in 28 definite steps. The very fact that the acquisition of the customer in the software industry is so different from any conventional sales process (involves many more people on both sides of business to interact to arrive at the final decision), made the defining of the process more critical. Each step defines the roles, interaction model, the activities involved and has clear measurability. Following is a gist of the process.

The pre-sales process begins with research and input from Polaris' sales team present in the US, Europe, Asia Pacific, the Middle East and India. The Polaris marketing team looks at segments with business potential in terms of geography, offerings and current and anticipated customer needs. With need gap analysis completed, offerings that can meet these needs are defined and packaged. The launch plan is laid down with definite dates earmarked for each activity. Campaign planning and execution including marketing collaterals, advertising and events is readied in tune with product positioning.

To deliver these offerings to the market, a prospective list of clients is culled out from a master list. Prospects are prioritized on select criteria. The account information is fed into an internally developed sales management system for access across the Polaris global network. Prospects that qualify right away are



"We have clearly shifted from the "what is" mode to the "what can be" mode in tune with the demand creation needs of the industry,"

K.Srinivasan, Sr. Vice President.

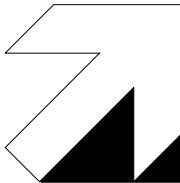


“Even when an opportunity window is opened, understanding the customer is key to the beginning of a relationship,”

Vijay R Narasimban, Sr. Vice President.

passed on to the next phase for focused action. A second list is kept ready for future induction.

From there on a credible contact with the prospect is created. With dialogue initiation, Polaris finds an opportunity to value add to the prospects’ business drawing on its domain and technology capabilities. A model to deliver the key value proposition is developed. This is followed by a highly active phase where the solution is architected, the proposal packaged and then cleared by the management team. The client presentation is followed by a Win / Loss Analysis. Favorable responses are passed onto the closure team, for steps leading to sign off, followed by project delivery initiation planning.



The shift is from a ‘what is’ mode to a ‘what can be’ mode and the onus is on Polaris to be proactive.

For each of the above steps towards acquiring a new client, the global sales team, the corporate marketing team and strategic practice units invest considerable time and effort on interactions and discussions.

The marketing activities at Polaris are based on inputs received from the various Polaris centers around the world as well as by tracking market trends. The key role of the marketing department is to create demand. The shift is from a ‘what is’ mode to a ‘what can be’ mode and the onus is on Polaris to be proactive. Given the

stature of our target audience Polaris has chosen a more focused relationship approach. Cost per customer acquired is tracked and the learning is applied to future efforts.

A clear focus on customer needs combined with the proactive opportunity creation process will make Polaris' brand presence increasingly felt in a global competitive scenario.

HIGHLIGHTS:

- ✓ A 28 step sales process makes customer acquisition a highly scientific process.
- ✓ Marketing initiatives are geared for a more personalized customer need based approach.
- ✓ Initiatives are on for global brand building.

*"Our mission now is to make Polaris' brand presence felt globally,"
Kartik Kaushik, Vice President.*



CHAPTER

4

S E R V I C I N G

CUSTOMER

CUSTOMER SERVICING

THE NEC STORY

NEC is a diversified conglomerate based in Japan recognized as a worldwide leader in high-end technology. It has global operations, cutting-edge technology in numerous fields and over 100 years of business experience. The organization's vision is to link the world and transform it into a co-operative global village.

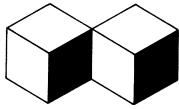
The customer wanted to develop a Global Banking System (GBS) aimed at sweeping the high-end mission critical financial market, integrating web computing and other delivery channels, using new-age technologies. GBS is planned for financial markets in Japan, keeping in mind the immediate requirements of cost cutting, financial application integration, risk management and a shift from legacy systems to new-age technologies.

Polaris is involved in building over 60% of GBS.

The following is an excerpt from an interview with Govind Singhal, Executive Director, Polaris Software. He is also the chief player in the NEC relationship.

HOW DID POLARIS MANAGE TO SUCCEED AMID FIERCE COMPETITION?

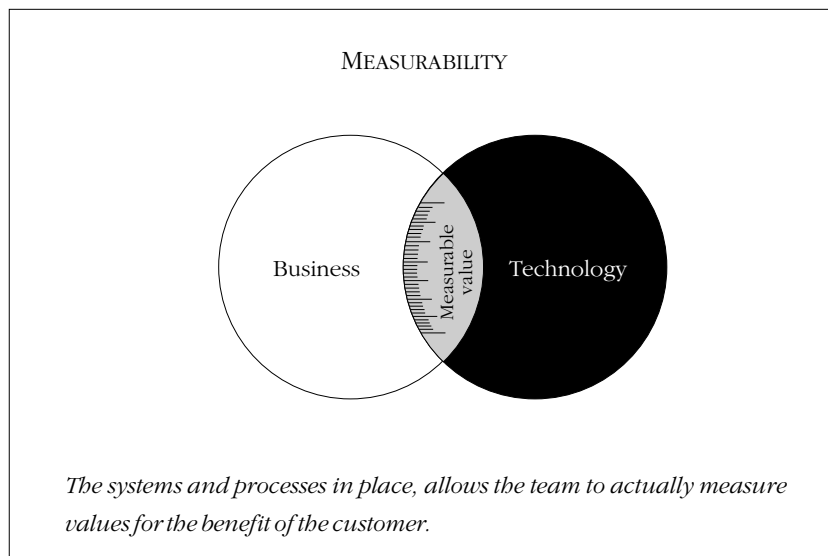
We really had to prove our mettle, as the client is quality conscious and fastidious. We were first required to build a prototype based on the NEC's base model. Our team was always thinking of ways to simplify the project for ensuring quick, defect free delivery. We were able to identify various problems and suggested the prototype should be broken into smaller components to minimize customization efforts. Also we suggested an open integration architecture to facilitate expansion of product capabilities. The client's confidence in us grew at successive prototype presentations. The final prototype was considered as the Proof of Concept (POC) and NEC signed us on as a partner for the GBS project.



We were able to identify various problems and suggested the prototype should be broken into smaller components to minimize customization efforts.

WHAT DO YOU THINK IMPRESSED THE CUSTOMERS?

Well, we were always thinking of ways to increase productivity through new methods of working. For instance, we proposed the concept of 'Design Partitioning' as standard architecture for the GBS system development. Design Partitioning enables logical separation of activities and the ability to work on each of them independently. In this case Process Control and Business Logic were the components partitioned. This achieves maximum automation ensuring faster development. Also the dependencies are minimized leading to reusability, quality improvement and cost savings. I think our complete involvement in the project stood us in good stead.



HOW ARE THE RESOURCES DISTRIBUTED BETWEEN ONSITE AND OFFSHORE?

When the project began, it required a rapid ramp up of resources at Polaris. Currently, a team of almost 300 professionals is working out of Polaris' state-of-the-art offshore development center in Chennai, India.

The onsite team of designers is working from the NEC Financial Systems Division's premises at San Jose, USA. The team is involved in the design and integrated testing of various logical servers. Rational Unified Process (RUP) is used for the development process, while Rapid Application Development (RAD) ensures that coding is minimized.

WHAT ARE THE MAIN CHALLENGES YOU FACE IN THIS PROJECT?

The customer relationship has been an intense and dynamic one. When we began, the challenge was the sudden ramp up to the large high-quality human resource the project demanded. But a challenge that continues even today is managing and understanding the impact of the constant change in specifications of the client, given the colossal size of the project. A Unified Change Management system has been especially implemented to handle these situations.

The greater challenge is to make these changes without affecting the ongoing execution of the project. Without proper processes and methods in place this could place the team under extreme stress almost on a daily basis. We have been able to avoid this by continuous project tracking, daily review reports from the team of 300 people and very productive quarterly steering committee meetings with the client.



"Our goal has been to constantly improve and raise our delivery benchmark. My team's most satisfying moment was when we achieved zero defect delivery," **Govind Singhal**, Executive Director.

WHAT DO YOU THINK IS THE SECRET OF SUCCESS OF THIS RELATIONSHIP?

Integrated working of team across functions (design, development and testing), manageable team size, taking the ownership on delivery, efficient project controls and tracking, tailor made processes and of course the motivation of the entire team with performance and target based incentive schemes are some of the factors. But over and above all of this, success has been possible through automation and well-established processes. Newly developed tools have made the processes error free and fast. This has seen one of our delivery teams winning gold medal at the corporate level for zero defect delivery. Today the design team deliveries are near zero defect and consistent. This makes a great difference in subsequent stages of development.



Members of the zero defect delivery team who were awarded Gold Medals, seen here with Arun Jain.

WHAT VALUE ADDITIONS HAVE WE DELIVERED TO THE CUSTOMER?

We have been delivering changes and additions to 2000+ transactions across 7 Modules in Global Banking System for the client in a record time of 13 weeks. There are many ways in which we endeavor to add value. For example there was a time when the team took 3.0 person days per transaction in base version of the project 18 months back, whereas now it takes only 1.0 person day per transaction in the current version. It is definite value creation and productivity gains are passed on to the client.

ANY LEARNING FROM THIS PROJECT?

Polaris has always had a rich tradition of quality. This led Polaris to become the World's First to achieve SEI-CMMi Level 5 certification. Hence the Japanese stern dedication to quality was a pleasure to adhere to. And, I think I speak for the team when I say that their eye for detail is simply amazing. Their patience is equally impressive. The need to meet the deadline despite changes puts the creative thinking of the team under severe test. I must say we have become pretty good at that now.

Continuous project tracking, daily review reports from the team and very productive quarterly steering committee meetings with the client, keep the project on track.

CHAPTER

5

INNOVATION

MORE

MORE INNOVATION

Innovation is a part of Polaris. It was among the first organizations to implement component reusability through the Component Warehouse model, to accelerate delivery. It was the first to introduce an internal knowledge management portal, Funda, integrating the global Polaris family. Each employee's experience and learning is captured and shared through Funda. Polaris also pioneered the concept of an exclusive corporate university for the organization, Nalanda.

Polaris continues its trail of innovation. Recently, the organization structure was rearchitected in line with the strategic initiative to offer Accelerated Time to Market to clients. The move is based on the simple philosophy of "Purpose, Process and People". The new architecture addresses the domain and technology needs on one hand and the delivery and relationship building requirements on the other. From the Strategic Business Units (SBU) structure Polaris has bifurcated the organization into two streams, the Strategic Practice Units (SPU) and the Strategic Relationship Development Units (SRDU). The current structure accelerates the speed of delivery of the solutions by ensuring things are right first time.

Innovation in automation of certain sections of the delivery process are carried out on a regular basis using new tools. It's an ongoing process to maintain high quality, ensure reliability and speed up processes.

All the above methods ensure that the customer enjoys higher returns on his technology investment.



"Innovation is not about 'eureka!' but about customer insight based technology development," **Nat Narayanaswamy**, Sr. Vice President.



"Polaris is refreshing in its approach to technology. It is always open to reliable business concepts based on promising technology," **V. Balakrishnan**, Sr. Vice President.

PRODUCT OFFERINGS

While outsourcing remains the major source of business for Polaris, it is slowly making a difference in the product segments. New offerings are being developed to meet the customer needs in the market, unearthed through systematic research and need-gap analysis. The products are being positioned, packaged and launched through the efforts of the marketing team.

RETAIL EXCEL

Retail Excel, the retail offering of Polaris draws from the unique "Coffet" concept. Coffet is nothing but a word derived from the phrase "Component Buffet". As the name implies, Retail Excel offers a range of components suited for varied business needs. Retail segments broadly fall under the following categories: multiple outlets, multiple locations, multiple categories, multiple merchandize types and multiple ownership types. Customized offering of Retail Excel can be speeded up by picking up the component relevant to the category and integrating it with the basic product framework. Almost 80% of the solution is out of the box and 20% consists of customizable components. All this was achieved through understanding the fundamental customer insight 'No two retail businesses are alike'.

**Retail Excel is built
on a unique concept
called "Coffet".**

PACE (POLARIS APPLICATION CERTIFICATION ENTERPRISE)

Polaris' experience in testing applications in-house for customers has led to the creation of a unique "in-process control" approach to testing. Using the huge test case repository (a proof of knowledge mining), PACE offers specialized services in the otherwise undifferentiated market. A team of over 425 professionals with expertise in the latest automated testing tools, work as part of PACE. They bring a

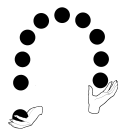
collective experience of over 5000 person-months of focused Quality Assurance service. The well-balanced team consists of Technical Test Consultants, Business Analysts and Certified Quality Analysts (CQA) a mix of technical and domain specialists. It is this competence, which allows us to “certify” and give a performance warranty on our certification.

TECHPORT

While PACE is a crystallization of Polaris’ testing and validation capabilities, TechPort is a product of Polaris’ support capabilities. TechPort is a practical and cost effective alternative to be within reach of one’s clients 24 x 7. It is a Technology Support Center that would be the first and final port of call for clients in the event of any IT related problem. The customer not only benefits in cost terms but also experiences significant productivity enhancement. TechPort is another example of mapping our technology competence onto customer insights, resulting in a value added service.

HIGHLIGHTS:

- ✓ The focus is on innovation based on customer insights.
- ✓ Creating a measurable business impact through appropriate deployment of technology expertise, results in differentiation in the market.



There's a sharpened focus on Unified Change Management ensuring minimal error and faster recovery.

CHAPTER

6

DEVELOPMENT

EMPLOYEE

EMPLOYEE DEVELOPMENT

The last year has seen illustrious additions to the senior management of Polaris. Drawn from some of the world's most admired companies such as Accenture, Arthur Andersen, Bank of America, Commerce Bank, IBM, GE, HLL, Standard Chartered and Xerox these leaders occupy key positions in the company.

Similarly, Quality, Human Resources, Business Planning, Strategic Alliances and other vital initiatives are also being spearheaded by stalwarts from renowned global organizations, along side seasoned Polaris veterans. And the recruitment drive has not stopped with the top and middle management. The organization has been growing, with new entrants at every level hired through rigorous recruitment processes.

At Polaris, associates enjoy "freedom within a framework". 100% people capacity utilization is not the aim. The objective is to generate as much value as possible through the unique abilities of each associate. In keeping with this thinking associates are given enough space to fully realize their abilities. Efforts are made at all levels to reward and nurture them.

At Nalanda, the corporate university, we introduced the system of 7 Chakras of learning. In addition a mandatory certification process for all employees was instituted, thus ensuring improvement in the basic level of skills and competencies. Keeping in line the customer focus, Nalanda school of languages was introduced. Foreign languages, culture and business etiquette courses, modules on

"The challenge is to maintain an equilibrium between professional freedom and adherence to processes," **R.Shekar**, Sr. Vice President.





"At Polaris we have a vision for our associates and we make sure our people practices are in line with them," **G.N. Matbur**, Executive Director.

presentation skills and social etiquette in different countries are part of the curriculum. More importantly, the courses are open to every associate who is interested and are mandatory for those posted abroad.

One of the most significant contributions to business was the initiation of PMP certification for 22 Project Managers. The certification is given by the Project Management Institute, Pittsburgh in the US and ensures that the project management skills are current and gold standard. Undoubtedly a sizeable investment into skills by the organization.

The entrepreneurship streak in each associate is nurtured through Nalanda and also through another unique practice at Polaris - Lakshya. Every year, the management team of Polaris from around the world, with no exceptions, meets up to chart a goal for the organization for the coming year.

Each associate present gets the opportunity to put forth his or her ideas. Presentations are made well into every night. Heated discussions take place. At the end of it all, a clear direction is outlined for the organization. Lakshya 2002, brought into focus, the organization's collective vision to become a global leader in the Banking, Financial Services and Insurance space.

*The organization has been growing,
emerging as an exciting place to work,
attracting the best of talent.*



HIGHLIGHTS:

- ✓ While growing in numbers and adopting practices from best-of-breed companies, the culture of entrepreneurship continues to thrive.
- ✓ Nalanda, the corporate university, is contributing to creation of differentiators based on skills and values.
- ✓ Lakshya builds organization-wide tacit commitment to a common business vision.

CHAPTER

7

SOCIAL
COMMITMENT

SOCIAL COMMITMENT

Polaris has always believed in “giving back to the society, what the society has given to it.” Having committed itself to the cause, Polaris believes that donating money is not enough to make a difference. True change will be triggered only when the financially challenged are empowered through education.

That explains why Polaris set up the Ullas Trust. The Trust aims to empower children, through education. It fully involves the associates of Polaris, who fund it too. The unique aspect of Ullas Trust is that it encourages ‘mentoring’ and not just funding. The Trust supports children from the economically backward sections of society. Forty percent of the amount per student is borne by a Polaris associate and the rest by Polaris Software, the company.

And it’s not just a one-off exercise. The associates get to know each child they are lending a hand to. Through the year, the Ullas Trust chapters created within the business units at Polaris mentor a small group of students. “You can do it too” is the message that is sent out to these children. This year long mentoring culminates in a workshop where achievers, who have made it on their own, address the students.

What began as a social responsibility initiative has today snow balled into an active movement. From just a few students five years ago, there were over 2000 beneficiaries in 2001. This has been possible chiefly because of the personal involvement of associates. Many Ullas Trust students have been top rankers in the school leaving exams. Their dreams are big and they believe they can achieve them too.

*Ullas Trust is proud of **C. Chitra** a student of Corporation Girls Hr. Sec. School, Saidapet who ranked first among 40 corporation schools in Chennai City in Standard X.*





“Giving is not about how much you give but how you give... that’s why the mentoring and participation in Ullas Trust is so unique,”
K.Govindarajan, Sr. Vice President.

The thrust on education, information and knowledge is being extended to another field too - journalism. Mass awareness of people about issues related to IT is only possible through the media. To contribute its bit to ensure excellence in IT journalism, Polaris instituted the PoleStar Award in 1998. The award encourages excellence in analyses from media citizens.

Instituted when IT journalism was at its nascent stage, the PoleStar Award is now a coveted prize in the field. The winners get a beautifully crafted trophy, a citation and a cash prize to pursue any course in IT education. The winners are selected by an independent jury of experts.

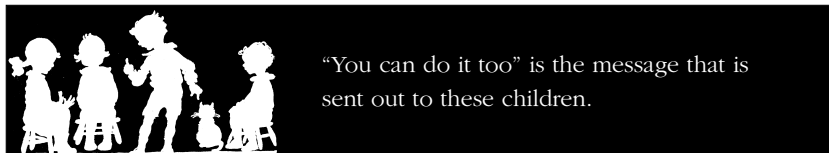
These are just some of the initiatives of Polaris in making this world a happier place.



*The winners of The PoleStar Award 2001, **Shweta Verma**, Dataquest
& **Samar Halarnkar**, Business Today, with their trophies.*

HIGHLIGHTS:

- ✓ Ullas Trust continues to make a difference to the lives of financially challenged children.
- ✓ The PoleStar Award encourages journalists to excel in their contribution towards creating higher IT awareness.



FINANCIAL REPORT

FINANCIAL
R E P O R T

POLARIS SOFTWARE LAB LIMITED

Financial Statements for the year ended 31 March 2002

Polaris House, 244 Anna Salai, Chennai - 600 006.
INDIA

POLARIS SOFTWARE LAB LTD

Board of Directors



Arun Jain
Chairman & Managing Director



Govind Singhal
Executive Director



G.N. Mathur
Executive Director



R.C. Bhargava
*Former Managing Director - Maruti
Udyog Ltd.*



Satya Pal
*Retd. Secretary - Telecom Commission
Ex. Chairman - MTNL*



M.L. Garg
*Former Chairman - Trade
Development Authority*



Arvind Kumar
Senior Lawyer - Supreme Court



Ashok Jhunjhunwala
*Professor & Head, Dept. of Electrical Engg.
IIT, Madras*



Abhay Agarwal
Practicing Chartered Accountant



V. Balaraman
Former Executive Director, HLL



Ajay Relan
India Head - Citibank N.A. Private Equity

POLARIS SOFTWARE LAB LTD

BANKERS : Citibank N.A
Vijaya Bank
HDFC Bank
Fleet Bank, New Jersey
Chase Bank, New Jersey

AUDITORS : M/s. Bharat S. Raut & Co.
Wescare Towers
No.16, Cenotaph Road
Teynampet
Chennai - 600 018

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POLARIS SOFTWARE LAB LIMITED**Directors' Report**

To the Members,

Your Directors have great pleasure in presenting the Ninth Annual Report together with the Audited Statements of Accounts for the year ended 31 March 2002.

1. Financial Highlights

Financial results for the year ending,

Rs. Lakhs

	31 March 2002	31 March 2001
Profit before Depreciation and Tax	7,481.53	6,745.82
Less : Depreciation	939.43	679.31
Profit Before Tax	6,542.10	6,066.51
Less : Provision for tax	377.18	56.11
Profit After Tax	6,164.92	6,010.40
Add : Surplus brought forward	115.79	—
Profit available for appropriation	6,280.71	6,010.40

Appropriated as follows:

Rs. Lakhs

	31 March 2002	31 March 2001
Provision for proposed dividend	895.78	511.88
Tax on Distributed profits	—	115.68
Transferred to General Reserve	616.50	5,267.05
Excess provision on tax on dividend for previous year written back	(63.48)	—
Balance Transferred to Balance Sheet	4,831.91	115.79

2. Performance

* Overview

Polaris Software Lab Limited's revenues for the year ending March 31, 2002 stood at Rs. 283.94 crore, registering a growth of around 5.3% over the previous year's revenues of Rs. 269.67 crore. The provision for taxation has increased to Rs. 3.77 crore up from Rs. 0.56 crore, mainly due to tax on domestic income for Section 10A (under Income Tax Act) Companies from the current fiscal year. Polaris Software Lab Limited's Net Profit for the fiscal year ending March 31, 2002 stood at Rs. 61.65 crore, representing a growth of 2.6% over the previous year's Net Profit of Rs. 60.10 crore. The Reserves went up from Rs.175.38 crore in 2000-2001 to Rs. 218.48 crore in 2001-2002.

Your company's offshore-centric revenues have grown by 45 % to Rs.177 crore for the year ending March 31, 2002. Your Company has recognized the need to adapt to the changing market requirements and has displayed greater business clarity to shift some of its services to major clients, moving from the onsite model to the offshore outsourcing model. This shifting pattern is also an appreciation of the value-proposition that outsourcing offers. Such transition has impacted the top-line growth in the current year, although the profit margins have been sustained, which symbolizes that offshore business is gaining momentum. Polaris remains confident that the offshore-centric relationships are stocked with tremendous business potential, providing it enough scope for value enhancement in the long-term, both in terms of volume and returns.

* Banking Products Division – BankWare™

BankWare™, the products division of your Company, has in its short existence, successfully implemented its core product and modular product offering in various banks in India and abroad, especially in comparison to its competitors in the same space. The product has been successfully implemented in the Himachal Pradesh State Co-operative Bank (the 2nd highest profit making Co-operative bank in India, with 138 branches) and Bank Artha Graha (a leading Indonesian bank with 72 branches). It is also being implemented in Yemen Kuwait Bank (one of the largest banks in Yemen, with over 50,000 depositors). BankWare™ would be bagging potential multi-million dollar orders that are in the pipeline. Your company remains confident that its diligent mapping and opening up of the Asian banking market place will produce significant results in growing BankWare™'s market share in the region.

3. Dividend

Your Directors are pleased to recommend a dividend of 35% (Rs.1.75 per share, on par value of Rs.5) on the post-bonus expanded capital base for the year-ended March 31, 2002, subject to deduction of tax at source at the rates applicable as against 30% dividend declared during the previous year. The dividend, if approved at the forthcoming Annual General Meeting, will be paid out of the profits of the Company for the year to all those equity shareholders whose names appear on the Register of Members of the Company as on 3rd September, 2002 being the first day of the book closure, and to those whose names appear as beneficial owners in the records of National Securities Depository Limited and Central Depository Services (India) Limited as on the said date.

4. Issue of Bonus Shares

Your directors had recommended the issue of Bonus Shares in the ratio of 1 (one) equity share for every 2 (two) equity shares held, which was approved by the shareholders at the last AGM held on the 16th of June 2001. Pursuant to this approval, 1,70,62,550 equity shares were allotted on the 13th of August 2001 to the shareholders whose names appeared on the Register of Members on the 19th of July, being the record date fixed for the purpose of issue of Bonus Shares. The Bonus Shares were listed on the Madras, Mumbai and National Stock Exchanges on 31st August 2001, 3rd September 2001 and 6th September 2001 respectively. As a result of the Bonus issue the paid up share capital of the Company stands increased to Rs 25.59 crores divided into 5,11,87,650 equity shares of Rs. 5 each.

5. Employee Stock Option Scheme

The Company has two Employee Stock Option Schemes, viz ASOP (Associate Stock Option Plan) 2000 and ASOP 2001. ASOP 2000 was formulated vide resolution passed in the Extra-ordinary General Meeting (EGM) held on 9th March, 2000. The Members had authorised the Company to issue options convertible into equity shares not exceeding 2.75% of the issued capital of the Company.

ASOP 2001 was formulated vide resolution passed in the Extra-ordinary General Meeting (EGM) held on 7th March, 2001. The members had authorised the Company to issue options convertible into equity shares not exceeding 3.5% of the issued capital of the Company. The total number of options which can be granted pursuant to the ASOP 2000 and ASOP 2001 are 6.25% of the total issued capital of the Company.

The Details of options issued under ASOP 2000 during the year are given hereunder:

(a)	Options outstanding as on 01-04-2001	8,54,000
(b)	Options granted during the year	4,68,850
(c)	The pricing formula	Not less than 75% of the market value on the date of grant
(d)	Options vested	Nil
(e)	The total number of shares arising as a result of exercise of options	Nil
(f)	Options lapsed / surrendered	7,97,550
(g)	Variation of terms of options	The compensation committee has been vested with more powers with respect to cancellation, acceptance, surrender of and reissue of cancelled options etc. for administrative convenience
(h)	Money realized by exercise of options	Nil
(i)	Total number of options in force	5,25,300
(j)	Employee wise details of options granted to;	
	(i) senior managerial personnel;	Nil
	(ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year.	Nil
	(iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant;	Nil
(k)	Diluted Earnings Per Share (EPS) pursuant to issue of Shares on exercise of option	Rs. 11.86

The Details of options issued under ASOP 2001 during the year are given hereunder:

(a)	Options granted;	17,23,025
(b)	The pricing formula	Not less than the market value on the date of grant
(c)	Options vested	Nil
(d)	The total number of shares arising as a result of exercise of options	Nil
(e)	Total number of shares arising as a result of exercise of options	Nil
(f)	Options lapsed;	13,850
(g)	Variation of terms of options	The compensation committee has been vested with more powers with respect to cancellation, acceptance, surrender of and reissue of cancelled options etc. for administrative convenience
(h)	Money realised by exercise of options	Nil
(i)	Total number of options in force	17,09,175
(j)	Employee wise details of options granted to;	
	(i)senior managerial personnel;	As per list given hereunder
	(ii)any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year.	Nil
	(iii)identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant;	Nil
(k)	Diluted Earnings Per Share (EPS) pursuant to issue of Shares on exercise of option	Rs. 11.86

Employee wise details of stock options granted to senior managerial personnel of the Company

SNo	Name	No. of options
1	Aruna Kashinath	65,000
2	Balakrishnan. V	25,000
3	Gopal Narain Mathur	9,000
4	Govind Singhal	90,000
5	Mahadevan. V	25,250
6	Natarajan Narayanasamy	25,250
7	Rajiv Malhotra	55,250
8	Shekar. R	15,000
9	Vaidyanathan. N	15,250

The shareholders at the EGM held on 7th March, 2001 modified the ASOP schemes, thereby authorising the Company to :

- Make adjustments, as may be required and to the extent permissible by law, for dividends, bonus and other rights and accretions to the warrants, options or the equity shares in respect of which options have been granted.
- Withdraw, recall, cancel or accept surrender of options/warrants already issued/to be issued, to re-issue the options/warrants withdrawn, recalled, canceled or surrendered, to issue fresh options in lieu thereof at such price, in such manner, during such period in one or more tranches and on such terms and conditions as the Compensation Committee deems fit.

As the Company had issued Bonus Shares in the ratio of 1(one) share for every 2 (two) shares held, the intrinsic value of the ASOPs issued already was reduced on account of the said Bonus issue. The Board of Directors therefore, in order to maintain the intrinsic worth of the ASOPs granted, resolved to make adjustments to the number of ASOPs to be issued. Therefore the total number of ASOPs that can be issued under ASOP 2000 stands revised accordingly. The aggregate number of options that can be granted by the Company would still remain at 6.25% of the share capital, as approved by the shareholders, but however, would stand applicable on the expanded capital base of 5,11,87,650 shares of Rs. 5/- each.

Surrender of Stock Options:

The Company during the year 2000-2001, had issued 8,20,700 stock options @ Rs 480/- on 24th of July 2000 to 863 employees and 36,800 stock options @ Rs. 326/- to 13 employees including Directors on the 18th of October 2000 under ASOP 2000. Out of these, 659 employees holding 6,63,100 shares had surrendered their options as they found that the exercise of the options issued to them at the above prices was no longer attractive to them. The Compensation Committee, in terms of the powers vested in them by the resolution passed by the shareholders in the Extraordinary General Meeting held on the 7th March 2001, had accepted the surrender of the above options in its meeting held on the 29th March 2002. These options surrendered are available for re-issue.

6. Strategic Initiatives During the Year

Quality

Your Company became the first organisation across the globe to be assessed on Capability Maturity Model Integrated (CMMi) - the latest quality model developed under the stewardship of the globally renowned quality rating centre, the Software Engineering Institute (SEI) - US. Polaris achieved the highest quality standards in software and had the unique distinction of having achieved a double feat in precision engineering. Not only did the company achieve the SEI-CMMi Level 5 certification, it also became the first company in the world to be certified

along these parameters, thereby establishing a giant leap forward for Indian IT. The CMMi model (ver 1.02) was released by the SEI in August 2000 and provides an integrated approach across the enterprise for improving processes, while reducing the redundancy, complexity and cost, resulting from the use of separate and multiple Capability Maturity Models (CMMs). The Union Ministry of Information Technology - Government of India, The National Association of Software and Services Companies (NASSCOM) – the country’s apex IT industry association, and The Software Technology Parks of India (STPI) – TamilNadu, all felicitated your Company on this unique achievement.

Infrastructural Expansion

During the year, your Company established a wholly owned subsidiary in Japan as part of the expansion plans in the Asia Pacific region. Your company also established a Sales and Marketing office at Chicago in the US, aimed at strengthening the company’s operational base in the US. Recently, Polaris established an office in Hong Kong. This office has been set up in order to consolidate the company’s Asia-Pacific focus, thereby strengthening its operational base in the region.

The company’s facilities have expanded to accommodate the growing team. Two new facilities are well underway named ‘Track I’ at Chennai and ‘Polaris Towers’ at New Delhi. Both the projects are being constructed at a project cost of Rs.33 crores and Rs. 20 crores respectively. Track I will have a built up area of 200,000 sq. ft to accommodate 1200 workstations and Polaris Towers will have a built up area of 90,000 sq. ft to house 700 workstations.

Human Resources

Your company added 210 associates to its total manpower strength during the past year, which grew to 2544 associates from 2334 associates. Your company had 87.8% of its associates employed as software professionals, while the remaining 12.3% constituted support staff. The attrition rate for the year was at 11%. The average utilisation rate stood at 67.1%.

Awards and Accolades

1. Business Today, issue dated March 3, 2002, ranked Polaris among Top 25 Best Employers in the country
2. Business Today, issue dated Feb. 17, 2002, has ranked Polaris as the 6th biggest IT wealth creator
3. NASSCOM / STPI felicitated your Company for being “Worlds first company to achieve CMMi Level 5” - Dec 3, 2001
4. Computers Today, issue dated June 2001, ranked Polaris as 6th Fastest growing company
5. Businessworld, issue dated April 9, 2001, ranked Polaris as India’s fastest growing IT company

6. Spark 2002 – 25th Advertising Club Awards on March 22, 2002 awarded Polaris - Gold award for the Best Annual Report 2001 and Bronze award for the Best Lotus Notes brochure in the Print Category
7. Polaris was ranked at No.75 in The Economic Times Top 500 Companies in India listing, a study based solely on market capitalization – March 2002

Nalanda – the Corporate University

Named after the ancient University of Learning, Polaris has acquired the necessary land, has developed the essential architecture and has even put a world class faculty in place. What Nalanda, where ‘experience learning’ is the motto, aims to do is to create learning opportunities in technical, behavioural and managerial skills domains, thereby ensuring the opportunities are unlimited. Conceptualised and driven by one of the country’s strategic thinkers, Dr. Ashok Korwar, on specific leave from the IIM (Ahmedabad) and currently Strategic Advisor at Polaris, has already put four doctorates on board to steer the functioning of the University.

Nalanda, which is capable of imparting over 50,000 person days of training, is the fulcrum of Polaris’ individual and organisational learning initiatives. It will act as a centralized umbrella for strategically relevant solutions for each job family within the organisation. With a competency based career focus, the education at Nalanda covers the PROSPECT path__PROcess, Skills, PEople, management, Customer management and profit management over the career of each associate. Essentially, learning and development is aligned with key business goals along with the creation of a common culture and value system across the organization. To ensure effective learning, Nalanda focuses on integrating knowledge management, training and continuous learning. Strategy focussed e-learning programs are also part of this corporate entity – learn at your own pace, time, and place. Computer Based Tutorials and Web Based Tutorials along with video programs for information sharing are the delivery media that are currently deployed. The Nalanda Language School functions with a specific aim to bridge the language and culture gap and empower associates in their client interaction.

The PoleStar Foundation

The PoleStar Foundation was set up to reward and honour excellence in IT writing from across the country. Each year, a high calibre Jury, comprising members of the media, advertising and corporate worlds, gather together to decide the PoleStar Award winners. The Award, which has come to symbolise excellence in IT writing, is given away in three categories – IT for the Masses, IT for Competitive Advantage and Internet IT Journalism. Winners are invited to a glittering ceremony, which is traditionally held in Chennai every year, where the Award and cash prizes are given away. This year saw a huge increase in the number of nominations that the Foundation received, signalling the birth of a true award. The Jury consistently strives to keep all their decisions above board, and retain objectivity at all times. And if the success of this year’s event was anything to go by, ‘The PoleStar Foundation’ is already gearing up for another stellar year for The PoleStar Awards 2002.

Ullas Trust

The Ullas Trust is founded and funded by associates (employees) of Polaris Software Lab. “Give back to the society what the society gave you” has been the underlying philosophy of this Trust, which helps support the education of children from economically backward sections of society. Forty percent of this amount per student is borne by a Polaris associate and 60 % is borne by Polaris Software, the company. Commendably, the Ullas Trust, which is Chennai-based, has been conducting these kinds of events and workshops over the last six years. The Ullas Trust gives away educational scholarships to each child. Every year, the Trust identifies deserving students through a simple yet effective selection process and rewards them with a scholarship that takes care of their annual education expenses. This year, the Trust reached out to over 2000 Corporation school children from the city of Chennai, making it one of the most endearing events of the year.

7. Subsidiaries

Overseas Subsidiaries

The Company has Wholly Owned Subsidiaries in the United Kingdom (UK), Singapore, Germany, Switzerland, Australia, Ireland and Japan. While the subsidiaries in the UK and Singapore have been operating for over three years and are earning profits, the subsidiaries in Germany, Switzerland and Australia have been functioning for around two years and are in the investment mode. They are also providing the front-end support for the Marketing initiatives of the company in their respective geographies.

The subsidiaries in Ireland and Japan were established during the year to tap the business opportunities available in these regions. The results of the operations of these subsidiaries have been provided in the appended financial statements.

Strategic Investment

The company made a strategic investment of Rs. 3 Crore in an incubated entity, NMSWorks Software Limited, jointly with the Nilgiri Network Pvt Ltd and TeNet Group of IIT Madras led by Padmashri Prof. Ashok Jhunjhunwala. NMSWorks Software Limited provides complete solutions for the management of network infrastructure and bandwidth which results in efficient and faster networks.

NMSWorks develops and architects world class Integrated Network Management Systems (INMS) for the emerging convergent networks. Aimed at achieving a significant market share in the growing INMS segment, the large potential of the market is evident from the growth the industry is witnessing. The total network management need in India is growing rapidly and the total number of lines will exceed 60 million by 2004. NMSWorks’ key product, Cygnet, is catering to WLL and other telecom networks.

Polaris Software also picked up a strategic stake of 25% in Eternet Inc. through a strategic investment of US\$ 250,000. Through this investment, Polaris has strengthened its focus on Enterprise Knowledge Management (EKM). Eternet Inc was incorporated in January 2000 and is promoted by Mr. Dinesh Chandra with the objective to develop Knowledge Management Systems and related products using the latest technology, and to support global organizations in building learning communities using these products. Eternet Inc. currently consults Fortune 100 companies like Motorola, Lucent and Boeing. Polaris Software Lab Ltd. intends to work along with Eternet Inc. by bringing in technology focus and developing solutions and products around collaborative technologies and groupware like Lotus Notes and Microsoft Exchange. Polaris has been extensively working on these technologies over the past few years to enhance business productivity within the organization.

Indian Subsidiaries

Polaris Retail Infotech Ltd. (PRIIL) has made further significant strides this year in terms of Product Development. The Company continued its focus for Development of “Superstore” and “NTErprise”, during the first half of the year. However, due to relevant market signals and corresponding market trends, the Company started developing a product for Tier I customer segment. As a result, this year saw the launch of product development efforts for the new generation retail software solution called Retail Excel. Built on a far more robust technology platform with world class product features, the results of the operations of this Company are given in the appended Financial Statements.

The other subsidiary, M/s Tiptop Holdings Limited, had landed properties in Gurgaon. In order to consolidate the resources, your Company has, during the year, decided to merge Tiptop Holdings Limited with the Company. The said merger was subject to the approval of the Hon'ble High Courts of Chennai and Delhi within whose jurisdiction the respective Registered Offices of Polaris and Tiptop Holdings Ltd. were situated. A shareholders meeting was convened on 12th December 2001, as per the directions of the Hon'ble High Court of Madras, for approving the Scheme of Amalgamation. The Scheme was subsequently approved by the Hon'ble High Court of Madras vide its order dated 14th February 2002 and by the Hon'ble High Court of Delhi vide its order dated 10th April 2002.

8. Fixed Deposits

Your Company has not accepted any deposits and, as such, no amount of principal or interest was outstanding on the date of the Balance Sheet.

9. Auditors

M/s Bharat S Raut and Co. who are the Statutory Auditors of the Company retire at the forthcoming Annual General Meeting and are eligible for re-appointment. The retiring Auditors have furnished a Certificate of their eligibility for re-appointment under Section 224 (1B) of the Companies Act, 1956, and have indicated their willingness to continue.

10. Directors

Mr. M L Garg and Mr. Abhay Agarwal, Directors, retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

Dr. Ashok Jhunjhunwala was appointed as an Additional Director of the Company on 16th June, 2001 under section 260 of the Companies Act, 1956, to hold office until the ensuing Annual General Meeting of the Company. The Company has received a notice in writing from a member proposing his candidature as a Director liable to retire by rotation in terms of section 257 of the Companies Act, 1956.

Mr. G N Mathur was appointed as a Whole time Director of the Company for two years with effect from 1st July, 2000 and his tenure as a Whole time Director ends on 30th June, 2002. The Board has recommended his re-appointment for a period of 2 (two) years with effect from July 1st 2002 and the said appointment is subject to the approval of shareholders at the ensuing AGM.

11. Corporate Governance

In line with the recommendations of the Securities and Exchange Board of India (SEBI) on Corporate Governance, three separate Committees for Audit, Remuneration and Protection of Shareholders' Interest were formed in the year 2000 and named as the Audit Committee, the Remuneration Committee and the Shareholders Committee respectively. The Company has taken steps to comply with the provisions of the Corporate Governance Report and the Listing Agreements of the Stock Exchanges. A separate report on Corporate Governance and Management Discussions & Analysis are provided as a part of the Annual Report.

12. Impending Litigation(s)

Details of impending litigation are given under Note No. 14 of Significant Accounting Policies and Notes to Accounts provided as an annexure to the Balance Sheet and Profit and Loss Account.

13. Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The particulars, as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are set out in the annexure included in this report.

14. Particulars of Employees

The information required under Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, and forming part of the Directors' Report for the year ended March 31, 2002 is annexed.

15. Directors' Responsibility

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors confirm that :

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- (iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) the directors had prepared the annual accounts on a "going concern basis".

16. Acknowledgment

Your Board takes this opportunity for thanking its clients, vendors, shareholders and bankers for their support to the development of the Company. Your Board also wishes to thank the Government of India, the Customs and Excise Departments, Software Technology Park - Chennai, Noida and Gurgaon, RBI, VSNL, the State Government and other Government agencies for their continued support.

Place: Chennai,

Date : 22nd April, 2002

By Order of the Board

For Polaris Software Lab Limited

Sd/-

ARUN JAIN

Chairman & Managing Director

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 :

1. Details of Conservation of Energy

The operations of your company do not consume high levels of energy. Adequate measures have been taken to conserve energy by using energy-efficient computers and equipment with the latest technologies. Your company is on the constant look out for newer and efficient energy conservation technologies and introduces them appropriately. As the cost of energy consumed by the Company forms a very small portion of the total costs, the impact of changes in energy cost on total costs is insignificant.

2. Research and Development

Being a global player in the information technology arena, your Company is constantly engaged in the research and development of newer technologies. Much effort has been put into the development of newer processes, frameworks and methodologies that will help the Company in delivering the best solutions to its customers with productivity and service levels comparable to the best in the industry.

a. Specific Areas of R & D at Polaris

As the environment is fast changing, your company continually invests in research and development ensuring the lead in technical competence in the areas of project management and technology management. Your company always focuses on the initiatives that are beneficial either to the company or to its clients. The Company is in a continuous process of improving its delivery capabilities and offshore project management techniques to sustain its lead in emerging technologies. Your company has made significant strides in the evolution of the object and component technologies by creating a Component Warehouse. Apart from all these high technology areas, your company is also constantly improving its processes to reduce the time-to-market and to increase productivity with better quality.

Polaris has set up several competency centers specifically focussing on Component Technologies, Web Technologies, WAP, and Knowledge Management. Polaris has also set up a new learning university, Nalanda, that focuses on enhancing the skills of associates as part of the skill development initiative.

b. Benefits Derived

Your company achieved a higher degree of methodology standardization in handling software projects, which has resulted in delivering better solutions to its customers with improved margins.

c. Future Plan of Actions

Your Company is continuously strengthening its research exposure in application development areas, absorption of new languages and technologies. It has started two practice units in the area of web-related technologies and object and component technologies. Your company is on its way to create a world standard virtual workplace, which connects each office, across geographies, on a real time mode with multimedia linkups.

3. Technology Absorption, Adaptation, and Innovation

Your Company during the year 2001-02, adopted to new methodologies to track sales and established new development centers. Your company adopted two new systems - Saleslogix - a CRM application to track sales and Marketing activities / intelligence and an inhouse developed associate portal with integrated Human Resources, Payment, Asset Management Systems to name a few.

The most important addition to your company, in this year, has been the Mainframe S/390 server and AS400 server for the new "IBM competency center". This completes the heterogeneous environment of the technology infrastructure that your company can offer to clients and prospects.

Two new development centers - one in Delhi and the other one at Chennai were inaugurated in the last year with the state of art technology infrastructure like 100Mbps switched network at Desktops, 1000Mbps fiber backbone for servers, IP telephony, LTO library, Windows 2000 network to name a few.

Your company also successfully tested and implemented a new 'thin client' technology "Citrix" for Saleslogix and NTerprise (in house developed Financial Accounting system).

There is a special drive and strategic focus on the Security and "Continuity of Business" in the last year and will continue in the coming year also. New systems and new products are being developed and implemented to reinforce information security. New technology "LTO" was implemented in one of the centers for the faster, reliable and efficient data backup and recovery in the last year and will be continued for other centers in this year.

New IPLC between Delhi and London was commissioned and the existing IPLC between Chennai - New Jersey was upgraded. Five new domestic links were added in the last year and 6 more are planned in this year. This will complete your company's preparedness to handle failure of any circuit or crash of any service provider. In order to improve the availability and reliability of the network links, DLCs (Digital Loop Carrier) were commissioned in some of our critical centers, thanks to BSNL.

4. Foreign Exchange Earnings and Outgo

a. Export Initiatives and Development of New Export Markets

Your Company is registered as a 100% Export Oriented Unit with the Software Technology Park of India and has a network of international offices across the globe. In North America, Polaris has offices at New Jersey, Fremont, Atlanta and Chicago. In Europe, your Company has set up wholly owned subsidiaries at UK, Switzerland, Germany and Ireland. In the Asia Pacific region, Polaris has wholly-owned subsidiaries in Singapore, Japan and Australia. Polaris also has long term business partnerships in the Middle East for its client operations.

In the year 2001-2002, the revenue derived out of software exports stood at Rs. 22,763.12 Lakhs, which is 83.10% of the total revenue from operations generated by the Company. Your Company has been participating in international exhibitions for the promotion of its products and services and will continue to do so in the days to come.

b. Foreign Exchange Earned and Used for the Year-ended March 31

	<i>Rs. in Lakhs</i>	
	2002	2001
Foreign exchange earnings	22,763.12	24,928.76
Foreign exchange outgo(including capital goods)	12,456.31	14,322.83

Place: Chennai,

Date : 22nd April, 2002

By Order of the Board

For Polaris Software Lab Limited

Sd/-

ARUN JAIN

Chairman & Managing Director

POLARIS SOFTWARE LAB LIMITED

Annexure to Directors' Report for the year ended 31 March 2002

Statement of particulars pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975.

Sl. No.	SI. Name	Designation	Qualification	Age Yrs.	Date of Joining	Experience in Years	Gross Remuneration	Designation - Previous Employment
1	Abhinav Kalra *	Software Consultant	BA, DCE	26	02-Sept-01	4	1,519,421	Software Consultant-Tata Consultancy Services
2	Adusumali, Vijay Kumar *	Software Consultant	BE	30	27-Nov-00	5	213,449	Software Engineer-Heidelberg Web Systems Inc
3	Advaney, Ajay	Assistant Vice President	BE	34	21-Aug-00	11	2,432,127	VP Marketing-Novara Computer Services Inc
4	Agarwal Sanjeev	Software Consultant	BS	27	19-Jun-00	3	2,083,884	Software Consultant-GE Capital India
5	Agarwal, Neeraj *	Software Consultant	BE, MBA	27	10-Mar-02	3	162,695	Software Consultant, Tata Infotech Limited
6	Ahamed Mohammed Riyaz *	Software Consultant	BS	27	01-Jul-00	5	1,050,451	Software Engineer - Imagetek Software Limited
7	Ali Tasadduq Suhail *	Software Consultant	MBA, BA	29	11-Jun-01	7	2,392,841	Programmer - Software Architects India Pvt Ltd.
8	Araju, Thiruchenthi	Software Consultant	MSC	30	28-Feb-00	9	3,161,172	Software Consultant-Ivory Consulting Inc
9	Aravind Arunachalam *	Software Consultant	BSc, PGDCA	26	04-Jun-01	4	2,356,138	Programmer -Vyapin, Advance Tech Lab, Softpro info solution
10	Arockiadoss Antonysanmy *	Software Consultant	B.E	28	22-Apr-01	6	2,552,551	Software Consultant-Arcsan Chit Systems
11	Arun Jain	Chairman & Managing director	B.E. Electrical Engg	42	01-Jun-96	19	2,674,010	Director - NucleusSoftware Workshop Pvt.ltd
12	Ashraf Syed Blal *	System Engineer	B.E	25	03-Apr-00	3	466,646	Software Consultant - Bilech
13	Balakrishnan Venkataraman	Senior Vice President	BE (Elec), M.Tech	52	17-Jan-97	30	2,692,919	Vice President-HCL Connet
14	Barejje, Arjan *	Senior Vice President	B Com (Hons.)	51	05-Feb-02	21	734,089	President-Virtual Dynamics Software
15	Bathu Saraschandra *	Software Consultant	MCA, BSc	27	30-Jul-01	5	2,158,628	Programmer-Newgen Software Tech
16	Bhatnagar, Manoj	Software Consultant	BSc	28	26-Sep-00	6	3,604,545	Software consultant-Reuters Corporation
17	Chandrasekaran, Sathish	Software Consultant	M.Sc	28	01-Feb-99	6	3,735,568	Application Specialist-TSG Integrations, Div. Of Intelligent Instruments Pvt. Ltd
18	Chellappan, Jayakumar	Software Consultant	BE	29	26-Jan-98	6	3,320,306	Software Consultant-Software Applications
19	Chenji, Ramesh Dattatreya	Manager - Finance	MBA	33	08-Apr-96	11	2,608,813	Jr Professional Accountant - Madras Local Library Authority
20	Chinniasamy, Yuvaraj	Software Consultant	MSc	31	01-Jan-00	7	2,817,330	Software Consultant-Polaris Software Lab Inc, USA
21	Chinniaswamy, Selvakumar	Software Consultant	Dipl. In Software	31	14-Aug-00	11	4,070,620	Software consultant-KG Denim Ltd

POLARIS SOFTWARE LAB LIMITED

Annexure to Directors' Report for the year ended 31 March 2002

Statement of particulars pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 (Continued).

Sl. No.	Designation	Qualification	Age Yrs.	Date of Joining	Experience in Years	Gross Remuneration	Designation - Previous Employment	
22	Software Consultant	B.Sc	41	16-Dec-00	8	3,488,753	Senior Systems Analyst - DSQ Software Limited	
23	David Philip Dhinakaran *	Software Consultant	26	22-May-00	2	509,841	-	
24	DeCunha Bernard *	Business Manager	35	09-Jan-00	10	276,692	Business Manager-Xerox Canada Ltd	
25	Dhanapaul S.Pari *	Software Consultant	27	12-Apr-00	6	675,778	Software Consultant-Computer Point	
26	Dhanasekharan, Sidhar	Software Consultant	30	19-Jan-00	7	2,778,721	Software Engineer-Crompton Greaves	
27	Gajria Hemant *	Account Manager	28	6-Sep-00	5	932,833	Account Manager-Data Edge Inc.	
28	Gnanaprakasam, Uthiramadhasamy	Software Consultant	32	11-Apr-97	8	3,097,387	Software Engineer - Logic Version Computers	
29	Goel Ashish *	Consultant	B.Sc, MCA	28	05-Jun-00	5	412,438	Software Consultant - Softek Limited
30	Gopal Muthu	Software Consultant	Bcom, PG Dipl	25	15-Jul-00	7	2,465,235	Executive - Sterling Holiday Resorts Ltd.
31	Goud Chintakunta Vijaykumar *	Software Consultant	BE	30	25-Jul-99	9	1,197,761	Customer Support Manager - Cansus Services Pvt. Ltd.
32	Govind Singhal	Executive Director	M.Sc	41	01-Nov-96	17	3,235,250	Asst Vice President - Systems, Bank of America
33	Govindakrishnan, Ramesh V	Software Consultant	BS	33	02-May-00	7	4,122,114	Senior Systems Analyst - Software Technology Group
34	Goyal, Ashish *	Software Consultant	Bcom	24	16-Feb-02	5	990,604	Software Consultant, VC Limited
35	Gudurupratap Kumar *	Software Consultant	MSC	31	21-Aug-00	6	733,314	Software Consultant, ADA
36	Gupta, Vidhuhushana	Software Consultant	MCA	28	07-Oct-00	4	2,874,390	Software Consultant-Metamor Global Solutions Ltd
37	Hareesh, Nathu	Software Consultant	BBA	28	09-Apr-00	7	2,566,796	Programmer -Business India Information Technology
38	Hanharan Balasubramanian *	Manager - Finance	MBA	37	04-Dec-98	13	1,087,005	VP- TSN Shopping Network Limited
39	Hanharan, Sankaran	Software Consultant	BE	27	12-Apr-00	7	2,629,686	Software Consultant-Visual Tech
40	Imam, Syed Manzar	Software Consultant	MCA	28	01-Jan-00	6	3,253,904	Software Consultant-Polaris Software Lab Inc, USA
41	Jain Akash *	Regional Director	MBA	37	03-Sep-00	12	950,731	Maverik Systems Limited
42	Jambukesan, Murugesan	Vice President - Technology	PG Dipl, BA	38	01-Jan-00	15	3,557,475	Software Engineer-Polaris Software Lab Inc, USA
43	Jayakumar, Mambakkam A	Software Consultant	BSc	52	12-Sep-99	8	3,422,244	Software Consultant-Whirlpool India
44	Jayaraman, Sathyanarayanan	Software Consultant	B.Sc	32	01-Nov-00	10	2,855,687	Software Consultant -Ibhar Software Innovations Pvt.Ltd

POLARIS SOFTWARE LAB LIMITED

Annexure to Directors' Report for the year ended 31 March 2002

Statement of particulars pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 (Continued).

Sl. No.	Name	Designation	Qualification	Age Yrs.	Date of Joining	Experience in Years	Gross Remuneration	Designation - Previous Employment
45	Johnson, Hudson	Software Consultant	MCA, MSc	30	03-Sep-00	5	2,553,517	Software Engineer - Magus Marketing Support Pvt. Ltd.
46	Joshi, Ajay	Software Consultant	B Tech	29	19-Jun-98	6	3,374,526	Software Engineer - Crompton Greaves
47	Kalatheeswaran Shivanesan *	Software Consultant	MCA	25	29-Aug-01	1	1,463,364	-
48	Kaliyaperumal Dhamodharan *	Software Consultant	MS	39	17-Jul-00	12	982,989	Software Consultant, Florida Power and Light company
49	Kambaath, Manoj K	Vice President	MCA	37	07-Jan-99	11	7,065,572	Asst. Systems Manager - Card Systems Pvt. Ltd.
50	Kanchan Sujata *	Software Consultant	BS	30	17-Jul-00	7	911,662	Software Engineer - Britannia Industries Ltd.
51	Kandakumar Velusamy	Software Consultant	DEE	30	19-Feb-01	9	2,828,352	Software Consultant, Wintech, Ispat Profiles India Ltd
52	Khanra, Vikas	Software Consultant	MCA	30	10-Jan-00	2	2,919,027	-
53	Khuria, Rajiv	Software Consultant	BSc	32	02-Jun-99	5	2,931,676	Software Consultant - Gemo Systems
54	Kishore Kumar, Jayapal	Software Consultant	BE	29	22-Jul-00	5	2,670,416	Programmer - Focus Information Technology
55	Koka, Sikanth	Software Consultant	BE	33	01-Jan-00	7	6,217,043	Software Engineer - Polaris Software Lab Inc, USA
56	Kommuri Narayana Murthy	Software Consultant	BSc	27	21-Feb-01	5	3,348,106	Software Consultant - Citibank, India
57	Krishnamurthy Stram M *	Software Consultant	BS	25	23-Jun-00	3	712,633	Software Consultant - Data Software Research Co Ltd
58	Krishnan Sundarajan *	Software Consultant	BS	31	12-Jan-99	9	282,858	Programmer Analyst - Rane (Madras) Ltd.
59	Kumar Narayan *	Assistant System Manager	BE, MBA	30	01-Sep-01	7	1,680,155	Software Consultant, Pentafour Software Limited
60	Lakshmanan Thiagarajan *	Software Consultant	BS	31	06-Aug-00	7	630,811	Software Consultant, Nexus Computers
61	Leelararnial, Mahesh *	Software Consultant	BE	30	11-Feb-02	5	594,434	Software Consultant, IT SOLUTIONS CHENNAI
62	Louis Britto Nazarius	Software Consultant	BSc	26	19-Apr-00	5	2,504,414	Senior Programmer - Object Oriented Programming Service Limited
63	Madapusi, Balaji	Software Consultant	MSc, BE	35	14-Jun-00	7	3,360,106	Project Manager - Webproducts, Net Inc
64	Manirangan, Preetha *	Software Consultant	BE	24	17-Jan-02	1	532,988	-
65	Maruthapan Kathiresan *	Software Consultant	BS	28	11-Apr-99	4	834,204	Software Consultant - Cyber Tech
66	Mohammed Ismail Jaleel *	Associate Consultant	BE	25	17-May-99	3	479,184	Software Consultant - Perfect Computers
67	Mohammed, KaleemAbdul	Software Consultant	BE	30	29-Dec-99	8	3,383,824	Software Consultant - Aptech Limited

POLARIS SOFTWARE LAB LIMITED

Annexure to Directors' Report for the year ended 31 March 2002

Statement of particulars pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 (Continued).

Sl. No.	SI. Name	Designation	Qualification	Age Yrs.	Date of Joining	Experience in Years	Gross Remuneration	Designation - Previous Employment
68	Mohanarajan, Ramprakash	Software Consultant	BE	27	01-Jan-00	5	3,188,731	Software Consultant-Polaris Software Lab Inc, USA
69	Mohany Sathyendu	Software Consultant	Btech	30	22-Apr-00	4	2,612,230	Graduate Engineer, Trainee-Rajendar Steels P. Ltd.
70	Mukherji, Abhradeep	Assistant Vice President	MBA	31	07-May-00	6	3,043,728	Business Manager-Transcom Intl
71	Murugesan, Vijayakumar	Software Consultant	BSc, Dipl in Comp	28	04-Jan-99	7	3,728,438	Software Consultant - Waptech Design
72	Muthiah Karuppan *	Software Consultant	BS	27	26-Dec-00	4	548,404	Software Consultant-Lotus Lamination Ltd
73	Muthukrishnan, Ramakrishnan	Software Consultant	MSc, BSc	31	03-Jun-00	5	3,347,235	Software Consultant - Citibank, India
74	Muzzammil Fatgur Rabbani *	Software Consultant	BS	31	16-Aug-00	8	321,501	Program Analyst-Almosteerd AC Contracting
75	Nagarajan, Mohan Kumar	Software Consultant	BE	31	17-Jan-00	8	2,818,546	Software Consultant-Bearad Software Services
76	Nagarajan, Prathad	Software Consultant	PG Dipl., Bcom	28	01-Jan-00	4	3,577,098	Software Consultant-Polaris Software Lab Inc, USA
77	Nagarajan, Rajesh Kannan	Software Consultant	ME, BE	31	25-Jan-99	10	3,241,130	Software Engineer-Indus Electronics
78	Nagarajan, Sikanth	Software Consultant	MCA	30	01-Nov-94	10	3,586,107	Developer - Brilliant Computer Center
79	Nagesh, Kiran	Assistant Vice President	MBA	29	01-Jun-99	7	2,980,958	Asst Manager - Agro Pulping Machinery Ltd.
80	Nair, Jayachandran V	Assistant Vice President	MBA	30	04-Jan-01	8	3,557,475	Assistant Vice President-Paint Computer Systems
81	Narasimayam Kundhavaidevi *	Software Consultant	MCA	34	14-Jun-99	5	624,550	Program Analyst-Computer Point
82	Narasimhan, Senthilkumar	Software Consultant	MBA, Btech	30	22-Nov-99	5	2,466,516	Software Consultant-Vivid Consultancy Services
83	Natarajan Hope Kavita	Software Consultant	MCA	25	30-Jun-00	5	2,196,290	Software Engineer - Haritha Infoserve India Ltd.
84	Nelson, Vijai	Software Consultant	BE	32	26-Feb-97	9	2,988,279	Software Consultant-Systech System and Consultant
85	P V Bharathkumar *	Software Consultant	BS	24	17-Oct-00	2	688,214	-
86	Packiresany, Gopalakrishnan	Software Consultant	MSc	30	27-Jan-99	6	3,288,508	Software Consultant-Info Process
87	Pandurang Elango *	Software Consultant	MCA	31	26-May-99	8	257,719	Program Analyst-Sanmar Shipping
88	Pattamada Babu, Jawahar	Software Consultant	BE	26	20-Jun-00	2	2,575,612	-
89	Pazhaniappan, Vijayakumar	Software Consultant	BE	28	01-Jan-00	6	2,518,076	Software Consultant-Polaris Software Lab Inc, USA
90	Posapadi Solaimalai, Raja Jayakumar *	Software Consultant	B.Tech	31	22-Apr-01	5	2,382,021	Consultant-IQNET Softs
91	Prakesh Nataraj *	Software Consultant	BS	24	06-May-00	3	467,025	Software Consultant-Billing Inc

POLARIS SOFTWARE LAB LIMITED

Annexure to Directors' Report for the year ended 31 March 2002

Statement of particulars pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 (Continued).

Sl. No.	Designation	Qualification	Age Yrs.	Date of Joining	Experience in Years	Gross Remuneration	Designation - Previous Employment
92	Puthisigamani Satheshkumar *	BS	31	15-Nov-99	7	471,270	Software Consultant - Ramesh Chitfund Pvt. Ltd.
93	Raghavendra, LM Swamy	B.Sc	27	23-Nov-98	5	3,704,719	Programmer - Aditi Technologies Pvt Ltd.
94	Raja Krishnamoorthy	M.B.A	49	15-Jan-01	26	2,608,076	Human Resource consultant
95	Rajan Manu *	MBA	27	06-Dec-00	4	990,164	Manager-Magma Consulting, Inc.
96	Rajaram, Rathmakumar	MBA, MSc	38	01-Jan-00	15	3,557,475	Vice President-Polaris Software Lab Inc, USA
97	Rajendran Sathisikumar *	BS	27	07-Feb-00	5	359,480	Programmer - NPT Offset Pvt. Ltd.
98	Rajpal Davinder	B.Com	36	17-Feb-99	8	2,584,750	Program Analyst-Pashupati Spinning & Weaving
99	Ramakrishnan, Srinivasan	MCA, BSc	30	01-Jan-00	6	4,080,595	Software Consultant-Polaris Software Lab Inc, USA
100	Ramanujulu Saravanan *	BS	30	21-Mar-00	7	1,126,580	Software Consultant - Polaris Software Lab Inc, USA
101	Ramiah Kumar *	BS	30	05-Jan-00	5	442,740	Software Consultant - Polaris Software Lab Inc, USA
102	Rao Ramesh Narayana	MCA	37	20-Jul-99	11	1,462,597	Systems Analyst-Indira Gandhi Inst. for atomic research
103	Rao Sreenivasa K B *	BS	39	26-Jun-00	5	665,707	Software Consultant-Niche Digital Systems
104	Sai Satya	MCA	30	06-Jul-99	6	3,047,870	Systems Analyst-Sona Steering Systems Ltd.
105	Sankaralingam, Ganapathy S.	MSc	28	01-Jan-00	4	3,098,893	Software Consultant-Polaris Software Lab Inc, USA
106	Santoshkumar Venkatarao G *	Account Manager	35	25-Sep-00	10	784,826	Software Consultant-Aventi Soft Corp
107	Saravanan, RG	B.Sc	31	01-Aug-99	8	2,946,045	Programmer Analyst -LK Global Software Eng.
108	Saravaya, Tejas Kumar C	MCA	28	01-Mar-00	4	4,269,302	Software Consultant- Samtel Group of Companies
109	Sathyanarayanan, Balaji Venkatesh	Head - HR & Mgmt Svcs	31	27-Oct-99	11	3,472,031	Director -Resources-Leading Edge Systems Inc
110	Seetharaman Venkatarayanan *	Software Consultant	25	24-Aug-00	2	1,028,410	-
111	Seshadri, Venkata Ramanan	Assistant Vice President	32	06-Oct-99	10	3,557,475	Manager-Business India
112	Shahul Hameed Sheik Syed *	Assistant System Manager	25	01-Sep-96	7	1,101,631	Software Consultant - DSO Software Limited.
113	Shanmugam Sivakumar *	Software Consultant	30	07-Oct-00	6	209,496	Software Consultant-CitiBank, Singapore
114	Shanmugam, Selraj	Software Consultant	28	01-Jan-00	6	2,580,828	Software Consultant-Polaris Software Lab Inc, USA

POLARIS SOFTWARE LAB LIMITED

Annexure to Directors' Report for the year ended 31 March 2002

Statement of particulars pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 (Continued).

Sl. No.	Designation	Qualification	Age Yrs.	Date of Joining	Experience in Years	Gross Remuneration	Designation - Previous Employment
115	Shekar Rangarajan	BE, MBA	51	21-Apr-00	26	3,146,289	Director Quality - Citibank N.A (Global Consumer Banking)
116	Sherpakam, Dinesh T	Software Consultant	25	14-Aug-00	2	2,755,210	-
117	Singam Sudhakar Reddy *	Software Consultant	26	10-Jul-00	4	791,024	Associate Systems Executive- Info-matics technomet solutions Pvt. Ltd.
118	Singh, Paramjeet	Software Consultant	29	01-May-00	5	3,504,004	Software Consultant- Gurukul Software Systems Ltd.
119	Singh, Raman Preet	Software Consultant	28	01-Mar-00	4	3,020,887	Software Consultant- TOIL Bell South Ltd
120	Sivagurunathan, Ramesh	Software Consultant	30	27-Aug-00	7	2,589,842	White House Cotton Industries Ltd. - Analyst Programmer
121	Somu Chockalingam	BS	30	16-Mar-98	9	4,061,877	Software Consultant-Vipro
122	Srinivasan, Krishnan	MBA, BSc	34	03-Oct-96	13	8,410,725	Head - Commercial, Shogun Paper Industries Ltd.
123	Srinivasan, Vijayanand	BE	27	08-Sep-00	5	2,744,887	Software Consultant- Commercial Bank of Kuwait
124	Sriram, Manickam *	MCA	26	23-Sep-01	1	1,238,524	-
125	Subashree Shanithi *	Software Consultant	34	14-Sep-97	8	2,723,539	Software consultant-Nucleus Software Workshop Limited
126	Subbiah, Parthiban	Software Consultant	31	01-Jan-00	6	4,696,863	Software Consultant-Polaris Software Lab Inc, USA
127	Subramaniam Dharan *	Software Consultant	32	09-Aug-99	8	997,611	Software Consultant-Tata Consultancy Services
128	Subramaniam Swaminath *	Software Consultant	33	09-May-00	10	213,686	Systems Engineer-SFIC-SMO
129	Subramaniam, Kadrivel	Software Consultant	37	25-Sep-00	9	2,845,981	Systems Analyst-GeeVee AR Rubbers Pvt. Ltd.
130	Subramanian, Hariharadhamarajan	Software Consultant	36	17-Apr-00	5	2,751,161	Consultant-Benchmark Softeck Ltd.
131	Suchitra Madhavan *	Software Consultant	29	11-Aug-01	5	1,818,249	Software Consultant - Vyapin Systems Private Limited
132	Sudhakar, Kaliyamurthy	Software Consultant	32	29-Jun-98	6	2,736,400	Software Consultant-Syntel Software
133	Sukumar, Shankar *	MBA, Bcom	25	05-Jun-01	5	1,949,988	Analyst/Programmer - Sam Consultancy
134	Sundaram, Murali	Software Consultant	29	01-Jan-00	7	2,686,811	Software Consultant-Polaris Software Lab Inc, USA
135	Sunil Kumar *	Software Consultant	30	04-Jun-01	5	2,356,138	Software Consultant - Win DB Computer Solutions (P) Limited
136	Swamyathan, Prabhakaran	Software Consultant	34	31-Oct-97	9	3,046,068	Software Consultant-Abacus Computers
137	Tewari Neeraja	Software Consultant	30	15-Jan-01	6	2,492,699	Software Consultant - Tech Solutions

POLARIS SOFTWARE LAB LIMITED

Annexure to Directors' Report for the year ended 31 March 2002

Statement of particulars pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 (Continued).

Sl. No.	SI. Name	Designation	Qualification	Age Yrs.	Date of Joining	Experience In Years	Gross Remuneration	Designation - Previous Employment
138	Thakkar, Ketan	Assistant Vice President	BE	31	26-May-99	9	3,770,983	Sales Engineer-Kanell Oil Industries
139	Thangapanian Mungapandi *	Software Consultant	MS	28	17-Nov-99	4	130,441	Software Consultant-Sterling Holiday Resorts Ltd.
140	Thianiyakumaran Chakravarthy *	Software Consultant	BS	31	01-Jan-00	7	374,863	Software Consultant-Polaris Software Lab Inc, USA
141	Thattai Jose Roy	Software Consultant	BS	32	06-Jan-98	8	2,874,990	Software Consultant-Eastern Software Systems
142	Thiagarajan, Janarthanan	Software Consultant	BE	31	01-Jan-00	4	3,563,216	Software Consultant-Polaris Software Lab Inc, USA
143	Thoopul, Rajesh Raman *	Software Consultant	BE	27	01-Jan-00	5	926,651	Software Consultant-Polaris Software Lab Inc, USA
144	Tomar Ajeet	Software Consultant	BS	31	01-Jan-00	9	2,606,269	Software Consultant-Polaris Software Lab Inc, USA
145	UNK Kanakrajan *	Software Consultant	BS	28	19-Jan-00	6	627,823	Software Consultant-L&T Information Technology Ltd.
146	Vaidyanathan, Arunachalam	Software Consultant	MCA	26	07-Nov-00	2	2,691,790	Software Consultant- Citibank, India
147	Vallur, S Sathyarayanan	Software Consultant	MCA, BSc	28	03-Jul-00	2	2,666,587	-
148	Veerasami, Ananthprakash *	Software Consultant	B.Sc, Dip Comp.	28	20-Jul-01	6	1,657,611	Programmer-SBB Project and Consultancy Ltd
149	Venkatachalam, Perumal	Software Consultant	MSc	41	01-Jan-00	9	3,088,789	Software Consultant-Polaris Software Lab Inc, USA
150	Venugopal Sureshkumar *	Software Consultant	BS	32	30-Apr-97	8	209,512	Systems Analyst- Informatics Computer Systems
151	Vishwanathan T Mahendran *	Software Consultant	BSc	28	17-Apr-00	7	619,396	Analyst Programmer - DSQ Ltd.
152	Wadhvani Avinash *	Asst. Vice President	MBA	34	02-Jan-00	10	561,275	Head Inst. Sales-Vickers Ballias Investment Bank
153	Winston, Edison	Software Consultant	B.E	27	31-Oct-00	6	2,654,098	Consultant - Tachyon
154	Yada, Viswa Prasad	Software Consultant	ME	35	21-Nov-97	6	2,924,562	Software Consultant-Polaris Software Lab Inc, USA
155	Yadav, Dharmendra Kumar	Software Consultant	BE	30	22-May-00	5	3,115,370	Software Consultant- Sony Precision Engineering, Singapore
156	Yagnaraman, Nagalakshmi	Software Consultant	B.Sc	31	01-Mar-00	7	2,991,376	Consultant- GEC Alsthom

1. None of the above employees are related to any director of the Company.
2. All appointments other than Sl.Nos 11 & 32 are non contractual and are in terms of respective letters of appointment and subject to the rules and regulations of the Company.
3. *Denotes employed for part of the year.

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REPORT ON CORPORATE GOVERNANCE

POLARIS SOFTWARE LAB LIMITED

Report on Corporate Governance

Recommendations

This report on Corporate Governance has been introduced by SEBI for promoting and raising the standards of Corporate Governance among listed companies in India. The recommendations provided for various amendments to the listing agreement by introducing measures for continuous disclosure of material information (both financial and non-financial), manner and frequency of disclosures, responsibilities of independent and outside directors, regulating the use of insider information and control of insider trading.

The recommendations of SEBI aimed at improving the standards of Corporate Governance are divided into Mandatory and Non-Mandatory recommendations. Some of the recommendations are absolutely essential for the framework of Corporate Governance hence mandatory, while others which are considered as desirable are categorized as non-mandatory. Recommendations which can be enforced through the amendment of the listing agreement were classified as mandatory and others, which are either desirable or which may require change of laws, for the time being, were classified as non-mandatory.

Applicability

The recommendations have been made applicable to all listed companies, their directors, management, employees and professionals associated with such companies, in accordance with the time table proposed. The ultimate responsibility for putting the recommendations into practice lies directly with the board of directors and the management of the company. The companies have to comply with the requirements of Clause 49 of the Listing Agreement regarding Corporate Governance.

1. Preamble

Polaris perceives Corporate Governance as an endeavor for transparency, and a wholehearted approach towards establishing a Professional Management aimed at continuous enhancement of Shareholders' value.

The Directors have pleasure in presenting the Corporate Governance Report for the year ended 31 March 2002.

2. Board of Directors:

Composition of the Board of Directors as on 31 March, 2002

The Managing Director along with the Executive Directors manage the day-to-day affairs of the Company. The Company has an optimum combination of executive and non-executive directors with seventy percent of the Board of Directors comprising of non-executive directors. The independent directors apart from receiving director's remuneration, do not have any other material pecuniary relationship or transactions with the company, its promoters, its management or its subsidiaries which in the judgement of the Board may affect independence of judgement of the Directors. All pecuniary relationship or transactions of the Non-Executive Directors viz-a-viz. the Company are disclosed in the Annual Report.

Composition of the Board of Directors

Directors	Number
Executive	Three
Non-Executive	Seven
Total	Ten

Our Board of Directors met six times during the period under review on the following dates:

- i) 21st April, 2001
- ii) 16th June, 2001
- iii) 23rd July, 2001
- iv) 18th October, 2001
- v) 23rd January, 2002
- vi) 22nd February, 2002.

The maximum gap between two meetings was 96 days.

Attendance Record of Directors attending the Board Meetings and Annual General Meeting during the year 2001-2002

Name	Designation	In person	By tele**	Last AGM attendance
Arun Jain	Chairman & Managing Director	6	0	Yes
G.N. Mathur	Executive Director	5	1	Yes
Govind Singhal	Executive Director	6	0	Yes
Abhay Agarwal	Non-Executive Director	6	0	Yes
Arvind Kumar	Non-Executive Director	5	1	Yes
M. L. Garg	Non-Executive Director	3	3	No
R.C. Bhargava	Non-Executive Director	6	0	Yes
Satya Pal	Non-Executive Director	5	1	Yes
Ashok Jhunjhunwala*	Non-Executive Director	4	1	Yes
Ajay Relan	Nominee Director, Citicorp Finance (India) Limited.	0	0	No
Six Board Meetings were held during the year 2001-02				

Notes:

- * Dr. Ashok Jhunjhunwala was appointed as a director on 16th June, 2001.
- ** Directors who could not attend the Board Meetings in person have participated in the discussions through tele-conferencing.

The brief profile of each of the Directors is given below:

MR. ARUN JAIN

Chairman & Managing Director

Mr. Arun Jain is a first generation entrepreneur and the promoter of Polaris. He holds a degree in Electrical Engineering from the Delhi College of Engineering. In 1983, he started International Information Systems and undertook various software projects in India. In 1985 he left for United States of America for a 6 month training in Wang Computers, U.S.A. He returned to India in 1986 and formed Nucleus Software Workshop Pvt. Ltd., where he was actively involved in developing systems for Citibank (India) restructuring the group's export activities. In 1993 he promoted Polaris Software Lab Limited and has been serving as a Director since its inception. His personal philosophies, his goal orientation "Lakshya", his efforts to "empower associates" and his concept of "Konark Programme" to reward individual brilliance, all combined to lead the company from strength to strength.

MR. G.N. MATHUR, WING CDR. (RETD)

Executive Director

Mr. G.N. Mathur has been associated with the growth of Polaris since inception. He is responsible for formulating corporate policies. Commissioned in I.A.F. on 22nd June 1963 in Flying Navigation Branch, he was superannuated on 31st July, 1989. Besides flying, G.N. Mathur has experience in various fields like general administration, personnel management, canteen stores department, administration and Air Defense. He joined the Company as Manager – Administration & Personnel and later, he was invited to join the Board. Mr. G.N. Mathur is a member of the Shareholders' Committee, Share issue and Allotment Committee and the Compensation Committee of the Board of Directors of Polaris.

MR. GOVIND SINGHAL

Executive Director

A graduate in Physics from Delhi University, he started his career with International Information Systems, New Delhi in 1985. In 1991, he joined Bank of America and went on to manage their data center operations and technology infrastructure. In 1996, he joined Polaris and was placed in charge of a separate Strategic Business Unit (SBU 5), which under his stewardship became one of the largest SBUs both in terms of revenue and manpower. He was co-opted to the Board of Polaris on 18th October, 2000.

MR. R.C. BHARGAVA

Former Chairman and Managing Director of Maruti Udyog Ltd.

A post graduate in Mathematics from Allahabad University, India, Mr. R C Bhargava joined the Indian Administrative Service (I.A.S.), in 1956 and stood 1st in the batch and was allotted to the U.P. cadre. He is also a post graduate in Development Economics from Williams College, Williamstown (Mass), USA.

From 1968 to 1973, he was the Agricultural Production Commissioner and Secretary to the Government of the State of Jammu and Kashmir for the Departments of Agriculture, Horticulture, Animal Husbandry, Forests, Co-operation. He was a Special Assistant to the Union Minister of Energy, Government of India from 1973 to 1974, and between 1974 to 1978, he served as the Joint Secretary to the Government of India, Ministry of Energy and the Cabinet Secretariat.

Thereafter, Mr. Bhargava moved to Bharat Heavy Electricals Limited as the Director (Commercial). From 1981 to 1997, he was working in Maruti Udyog Limited. Initially on deputation from the I.A.S. as Director (Marketing), in 1985 he was appointed as the Managing Director and as a Chairman cum Managing Director in 1990. In 1992, when Suzuki acquired 50% equity in Maruti, he continued as a Managing Director as Suzuki's nominee. While in Maruti, he was on the National Committee of the Confederation of Indian Industry (CII), a member of the Steering Committee of CII as well as Chairman of the Economic Affairs Committee of CII for four years.

Presently, he is the President and CEO of RCB Consulting Private Limited. Mr. R.C. Bhargava is a Director of Infrastructure Leasing & Financial Services Limited, Grasim Industries Limited, Machino-Bassel (India) Limited, and Chairman of Roulunds Codan (India) Ltd. He is the Chairman of the Audit Committee of Infrastructure Leasing & Financial Services Limited and Member of the Audit Committees of Grasim Industries Limited and Machino-Bassel (India) Ltd.

He was invited to join the Board of Polaris in March, 1999. He chairs the Polaris Board Committee on Remuneration and is a member of the Audit Committee and Compensation Committee.

MR. SATYA PAL

Former Chairman, MTNL, Secretary (Telecom) and a telecom expert

A graduate in Electrical and Electrical Communication Engineering, Mr. Satya Pal joined the Department of Telecommunications in 1955 and became a Member, Telecom Board in 1986. In 1988 he became Secretary, Department of Telecommunications, and then was appointed as Chairman of the Telecom Board and Chairman, MTNL. He retired in 1989. He is a Fellow of The Indian Institute of Electronics and Telecommunication Engineering. Mr. Satya Pal was invited to join the Board of Polaris in April, 1997. He Chairs the Shareholders Committee and the Compensation Committee of the Board of Directors of Polaris. Mr. Satya Pal advises Polaris on operational and strategic issues.

MR. M L GARG

Former Chairman Trade Development Authority

Mr. M.L. Garg has a Masters Degree in Economics from a leading University in India and has completed a course in International Marketing held at the Harvard Business School, Boston, USA. He has forty years of experience in International Trade and Marketing and has led several trade delegations and sales missions to USA, Canada, Brazil, UK, Germany, France, Italy, Norway, Japan, Malaysia, Zimbabwe and Egypt.

Mr. Garg is author of more than 20 publications and reports and has published over 50 research papers and articles on international trade and export marketing. He has presented papers on different aspects of export development at various conferences and seminars held all around the World.

Mr. M.L. Garg was a Former Chairman, Trade Development Authority and a Senior Consultant in the Commonwealth Secretariat, London. He has held various positions including Professor in the Indian Institute of Foreign Trade, Officer on Special Duty in the Ministry of Commerce, Resident Director of Trade Development Authority of India (New York), Marketing Advisor - Department of External Trade, Government of Kenya, Export Promotion Advisor, Ministry of Commerce, Government of Mozambique and Government of Namibia.

He joined the Board of Polaris in April 1997 and is also a member of the Audit Committee and Share Issue and Allotment Committee of the Board.

MR. ABHAY AGARWAL

Practicing Chartered Accountant

Mr. Abhay Agarwal is a practicing Chartered Accountant based at Delhi. He is well experienced in the areas of accounting, finance, management and corporate advisory and his proficiency and competency in the said areas are an asset to the company. Mr. Abhay Agarwal was invited to join the Board of Directors in May, 1995 as an independent director. He is also a member of the Audit Committee, Share Issue and Allotment Committee, Remuneration Committee and Compensation Committee of the Board of Polaris.

MR. ARVIND KUMAR

Sr. Lawyer, Supreme Court

Mr. Arvind Kumar, who is an M.A., L.L.B., enrolled as an Advocate on 12th November, 1963 at Kanpur from the U.P. Bar Council at Allahabad, and practiced in the High Court of Judicature at Allahabad from 1966 to 1972. Later in the year 1972 he shifted to Supreme Court of India at New Delhi and started practicing there. He is a Senior Lawyer having 37 years of professional standing at Bar, and has gained enough global experience by participating in civil and corporate cases around the world. Presently serving as a Senior Advocate of Supreme Court, he is a reputed corporate legal expert and advises Polaris on issues relating to Corporate Governance and other Legal and Statutory Compliance issues. He was appointed as a Director on the Board of Polaris in May 1995 and he Chairs the Board Committee on Audit and is also a member of the Remuneration Committee and Share Issue and Allotment Committee.

DR. ASHOK JHUNJHUNWALA

Head, Department of Electrical Engineering, Indian Institute of Technology (IIT), Madras

Dr. Ashok Jhunjunwala aged 49 is a technical and a research scholar in the field of Engineering and Science. He completed his B.Tech in I.I.T. Kanpur and pursued his M.S., Ph.D from the University of Maine, U.S.A. He is currently the Professor & Head of the Department of Electrical Engineering at the Indian Institute of Technology in Chennai. Professor Jhunjunwala has over 200 research journals to his credit. Dr. Jhunjunwala leads the team that developed CorDECT, India's indigenous Wireless Local Loop technology that is winning accolades the world over. His research interests span Telecommunications, Computer Networks and Fibre Optics, and he is particularly active in developing cost-effective wireless telecommunication solutions. Awarded the Dr.Vikram Sarabhai Research Award in 1997, Dr. Ashok Jhunjunwala's contributions to the fields of Electronics, Informatics, Telematics and Automation have been commendable. Dr Ashok Jhunjunwala, with his vision to enable India to have 150 to 200 million telecom and Internet connections, is leading a movement to make India a premier design house for telecom and IT products. Dr. Ashok Jhunjunwala, has also been awarded by the central government with *Padma Shri* for his pioneering work in the Science, Engineering and Telecommunications category on the eve of India's 53rd Republic Day. He was invited to join the Polaris Board in June, 2001 as a Director, and he advises Polaris on various Operational, Strategic and Technical issues.

MR. AJAY RELAN

Indian Head-Citibank N.A. Private Equity

Mr. Ajay Relan graduated from St. Stephens College, University of Delhi and holds an MBA from IIM. He served as the head of Saudi American Bank's Corporate Finance Division and thereafter, Senior Consultant, Swicorp, Geneva, where he was involved in restructuring of financial institutions. In 1993, he took over as CEO of Citicorp Securities and Investments Ltd, Bombay and in 1995 became the India Head for Private Equity Citibank, New Delhi. He was appointed as a Nominee Director of Polaris in February, 1998 and is also a member of the Shareholders Committee of the Board of Directors of Polaris.

3. Audit Committee of the Board

The company has a qualified and independent audit committee comprising non-executive directors. The Chairman of the committee is an independent Director. The Company Secretary acts as the Secretary to the Committee.

The Committee was formed on 29th April, 2000, with qualified and independent members of the Board of Directors of the Company with the purpose of enhancing the credibility of the financial disclosures of the Company and for promoting transparency. The Audit Committee has met four times during the year 2001-2002 on 20th April, 2001, 22nd July, 2001, 18th October, 2001 and 23rd January, 2002.

Members of the Audit Committee and the number of Meetings attended by each director for the financial year 2001-2002		
Name	Designation	Meetings Attended
Arvind Kumar	Chairman / Non-Executive Director	3
Abhay Agarwal	Non-Executive Director	4
M.L. Garg	Non-Executive Director	2
R.C. Bhargava	Non-Executive Director	4

Powers of the Committee:

- To investigate any activity within its terms of reference.
- To obtain outside legal or other professional advice, if necessary.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.
- To ensure that the financial statement is correct, sufficient and credible.
- To recommend the appointment and removal of external auditor.
- To ensure compliance of accounting standards
- To ensure compliance with stock exchange and legal requirements concerning financial statements.

Functions of the Committee:

- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on :
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgement by management.
 - Qualifications in draft audit report.
 - Significant adjustments arising out of audit.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Compliance with stock exchange and legal requirements concerning financial statements
- Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.

- Reviewing with the management, external and internal auditors, on the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors on any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- Discussion with external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- Reviewing the company's financial and risk management policies.
- Investigate the reasons for substantial defaults in the payment to the shareholders (in case of non payment of declared dividends) and creditors.

4. Remuneration Committee of the Board

The Remuneration Policy of the Company has been so structured in order to match the market trends of the IT industry. The Remuneration Policy for whole time Directors is decided by the Board in consultation with the Remuneration Committee. Adequate disclosures to members on the remuneration paid to directors has been made by the Company from time to time. Remuneration payable to directors is determined by the contributions made by respective Directors for the betterment of the Company. The Committee had met on 20th April, 2001 for recommending the remuneration payable to Mr. Arun Jain, Managing Director.

Members of the Remuneration Committee and the number of Meetings attended by each director for the financial year 2001-2002		
Name	Designation	Meetings Attended
R C Bhargava	Chairman / Non-Executive Director	1
Abhay Agarwal	Non-Executive Director	1
Arvind Kumar	Non-Executive Director	1

Remuneration policy

The remuneration structure of the Managing / Executive Directors comprises of salary, perquisites and allowances, contribution to provident fund, superannuation and gratuity. The Non-Executive Directors are paid sitting fees for attending the Board and Committee Meetings and a fixed annual remuneration, the details of which are provided hereunder. Remuneration paid/payable to Executive and Non-Executive Directors are approved by the shareholders and such other authorities as may be necessary.

Gross Remuneration paid/ payable to directors for the financial year 2001-2002					
Name of the Director	Salary Perquisites & Allowances	Contribution to provident	Commission	Sitting Fees	Stock Options
Arun Jain	24,95,510	1,78,500	-	-	-
G.N. Mathur	14,07,025	60,000	-	-	9,000
Govind Singhal	29,71,250	2,64,000	-	-	90,000
R.C. Bhargava	-	-	2,00,000	55,000	6,000
M.L. Garg	-	-	1,00,000	25,000	1,500
Satya Pal	-	-	2,00,000	45,000	4,500
Arvind Kumar	-	-	2,00,000	45,000	4,500
Abhay Agarwal	-	-	2,00,000	55,000	4,500
Ashok Jhunjhunwala	-	-	-	20,000	-
Ajay Relan	-	-	-	-	-

Note: Annual Remuneration and sitting fees are payable to non-whole time Directors. Annual Remuneration to non-whole time Directors has been approved by the shareholders in the EGM held on 7th March, 2001 and approved by the Central Government under Section 309 of the Companies Act, 1956 vide its order dated 8th August, 2001.

5-A. Shareholders Committee of the Board

The said Committee has been formed on 29th April, 2000, to specifically look into the redressing of shareholder complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. The purpose of forming this Committee is to uphold the basic rights of the shareholders including right to transfer and registration of shares, obtaining relevant information on the company on a timely and regular basis, participating and voting in shareholder meetings, electing members of the Board and sharing in the residual profits of the corporation. The Shareholders Committee had met four times during the year 2001-2002 on 21st April, 2001, 14th July, 2001, 18th October, 2001 and 23rd January, 2002.

Members of the Shareholders Committee and the number of Meetings attended by them for the financial year 2001-2002		
Name	Designation	Meetings Attended
Satya Pal	Chairman/Non-Executive Director	4
G.N. Mathur	Executive Director	4
Ajay Relan	Non-Executive Director	1

Note: Mr. G. Rajesh, Company Secretary is the compliance officer.

Details of request / complaints received during the year 2001 - 2002

S.No.	Nature of Requests	Received	Solved	Pending*
1	CHANGE OF ADDRESS IN THE REGISTER OF MEMBER	220	220	-
2	CHANGE/CORRECTION OF BANK MANDATE	278	278	-
3	GENERAL CORRESPONDENCE RELATING TO NSDL OPERATIONS	82	82	-
4	REVALIDATION OF DIVIDEND WARRANTS	98	98	-
5	REVALIDATION OF REFUND ORDERS	5	5	-
6	ISSUE OF DUPLICATE SHARE CERTIFICATES	16	14	2
7	SPLITTING AND DEMAT	1,755	1,755	-
8	REQUEST FOR STOPTRANSFER	6	6	-
9	TRANSFER, TRANSMISSION, TRANSPOSITION ETC.	290	290	-
10	OTHERS	617	617	-
TOTAL		3,367	3,365	2

* Status as on 31st March 2002.

In addition, the Company during the year received 162 complaints from shareholders for non receipt of share certificates after transfer/split, non receipt of dividend warrants, refund orders, name corrections in the share certificates etc. which were duly attended to . Most of the complaints were attended to by the Company within 7 days from the date of receipt, except in cases of any legal disputes or constraints.

5-B. Other Committees

Compensation Committee

A Compensation Committee was formed on 9th March, 2000 for finalising among other things, the procedures and modalities for giving effect to the Employee Stock Option Scheme which, inter alia, includes determination of eligibility criteria, maximum number of options/shares offered to each employee and the aggregate number of options / shares offered during the period covered under the Schemes, identification of classes of employees entitled to participate in the scheme, framing of a detailed pricing formula, mode or process of exercise of the option etc.

The Compensation Committee of the Company comprises of the following directors:

Name of Member	Designation
Satya Pal	Chairman / Non-Executive Director
R.C. Bhargava	Non-Executive Director
Abhay Agarwal	Non-Executive Director
G.N. Mathur	Executive Director

The Company has in force two separate stock option schemes for the benefit of employees viz. Associate Stock Option Plan 2000 (ASOP 2000) and Associate Stock Option Plan 2001 (ASOP 2001).

The Committee had met four times during the year under the Chairmanship of Mr. Satya Pal. The meetings were held on 12th April, 2001, 26th September, 2001, 18th October, 2001 and 29th March, 2002. The options were granted at the closing market price of shares prevailing on the date of grant.

Date of Grant	No. of Employees	No. of Shares	Exercise Price (Rs.)
12/04/01 (ASOP 2001)	19	13,850	192
26/09/01 (ASOP 2001)	782	14,66,675	57
18/10/01 (ASOP 2000)	396	4,68,850	71.5
18/10/01 (ASOP 2001)	55	2,42,500	71.5

Note: The exercise price is the market price in the National Stock Exchange Ltd. on the date of grant.

Subsequent to the issue of options under ASOP 2000, the stock market prices fell. Many associates to whom options were issued surrendered their options. The Compensation Committee in its meeting held on 29th March, 2002, accepted the surrender of 6,63,100 stock options made by 659 associates. The options surrendered are available for re-issue.

Share Issue & Allotment Committee

The said committee is empowered to act on behalf of the Board, in the matters connected with allotment of shares, issuing of duplicate share certificates, split and consolidation of shares into marketable lots etc. The quorum for the committee meetings is three directors out of which one will be a whole-time director. The Committee has met four times during the year 2001-2002 on 7th April, 2001, 13th August, 2001, 10th December, 2001 and 26th March, 2002.

The Committee comprises of the following Directors:

Name of Director	Designation
Arun Jain	Executive Director
G.N. Mathur	Executive Director
Abhay Agarwal	Non-Executive Director
Arvind Kumar	Non-Executive Director
M.L. Garg	Non-Executive Director
R.C. Bhargava	Non-Executive Director

Share Transfer Committee

The Share Transfer Committee is empowered to consider and approve the transfer, transmission, transposition etc. of the shares of the Company. The Committee has met 24 times during the year 2001-2002. The committee comprises of the following members:

Name of Member	Designation
G.N. Mathur	Executive Director
N. Vaidyanathan	Chief Finance Officer
G. Rajesh	Company Secretary

6. General Body meetings

Particulars of Annual General Meetings (AGM) held during the three previous years and previous three Extra-ordinary General Meetings (EGM)

Meeting Date	REG. AGM	REG. AGM	REG. AGM	EGM	EGM	EGM
Sl. No.	Resolutions Passed	Type	Resolutions Passed	Type	Resolutions Passed	Type
1	Adoption of Annual Accounts (21/02/2021)	O	Adoption of Annual Accounts (21/02/2021)	O	Resolution of existing options in issue of fresh equity shares of Rs.10/- each	S
2	Declaration of Dividend (30%)	O	Declaration of Dividend (30%)	O	Resolution of Associate Stock Option Plan 2020	S
3	Appt. of Mr. Dhruv S. Raut & Co. as Statutory Auditors	O	Appt. of Mr. Dhruv S. Raut & Co. as Statutory Auditors	O	Introduction of New Associate Stock Option Plan-2021	S
4	Appt. of Mr. M. L. Gang as a director	O	Appt. of Mr. Anand Kuntekar as a director	O	Issue of Stock Options to employees of the holding and subsidiary companies	S
5	Appt. of Mr. Ashay Agarwal as a director	O	Appt. of Mr. R. G. N. Mathur as a director	O	Alteration of the Capital Structure in the Articles of Association	S
6	Appt. of Mr. R. G. Bhargava as a director under Sec. 252	O	Appt. of Mr. R. G. Bhargava as a director	O	Alteration of the Capital Structure in the Articles of Association	S
7	Reappointment of Mr. G. N. Mathur as a director for 2 years	O	Issue of ADR/GDR	O	Alteration of Articles of Association to include provisions for share repurchase	S
8			Reappointment of Mr. Arun Jain as a Managing Director for 5 years	S	Alteration of Articles of Association to include provisions for holding Board Meetings through e-voting (www.evotingindia.com)	S
9			Alteration of Capital Clause in the Memorandum of Association	O		
10			Alteration of Capital Clause in the Articles of Association	S		
11			Capitalisation of free reserves for issue of bonus shares	S		
12			Appointment of Mr. Vinay Gang as a Financial Controller for US operations	S		

Type - O=Ordinary Resolution
S=Special Resolution

Note: No resolutions were put through postal ballots till the last general meeting, as the nature of resolutions did not require for a postal ballot at the time of approval

7. Disclosures

Related Party Transactions

Related Party Transactions are defined as transactions of the Company of material nature, with Promoters, Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.

Details on significant related party transactions are given in the appended financial statement under note 13 of the notes to accounts annexed to the financials.

Statutory Compliance, Penalties & Strictures

Details of non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchange or SEBI or any other statutory authority, on any matter related to capital markets during the last three years

- None -

8. Means of communication

Quarterly and Half-yearly financial results

Quarterly Provisional financial results and the Half-yearly financial results subjected to a limited review of the Company are published in one widely circulated English Newspaper and a Vernacular (Tamil) Newspaper. The results are also promptly forwarded to stock exchanges in which the shares of the Company are listed and simultaneously displayed on the Company's website www.polaris.co.in. The website also displays all official news releases issued by the Company from time to time.

Investor Education

Investors are being provided with timely information on all company related matters including recruitment / appointment and remuneration of executive directors, circulars on the advantages of Dematerialisation and sub-division of shares were sent to shareholders at the appropriate time.

The company's official web site www.polaris.co.in has in it a separate page for investor relations in which the quarterly, half-yearly and annual results of the Company are displayed. All press releases issued by the Company from time to time are informed to the respective stock exchanges in which the shares of the Company are listed and the same are also hosted in the Company's web site for the knowledge of the investors. A separate column in the website called "Frequently Asked Questions" is given, which answers substantially all the expected queries of investors about the Company, its history, its promoters, the public issue, employees, its Registrars, share transfers, dematerialisation etc.

The Management Discussion & Analysis report (MDA)

The MDA giving an overview of the Industry, Company's business and its financials etc, is provided separately as a part of this Annual Report .

9. General Shareholder information

Date of incorporation	:	5th January 1993
Registered Office	:	Carex Center, 244 (Old No.713), Anna Salai, Chennai - 600 006
Date and time of Annual General Meeting	:	6th September 2002 at 11.30 A.M
Venue of Annual General Meeting	:	The Music Academy, Chennai
Financial Calendar (tentative and subject to change)	:	
Financial reporting for the first quarter ending June 30, 2002	:	Between 15th and 30th of July 2002
Financial reporting for the second quarter ending September 30, 2002	:	Between 15th and 25th of October 2002
Financial reporting for the third quarter ending December 31, 2002	:	Between 15th and 25th of January 2003
Financial results for the year ending March 31, 2003	:	Between 15th and 25th of April 2003
Annual General Meeting for the year ending March 31, 2003	:	June / July 2003
Date of Book closure for dividend	:	From September 3, 2002 to September 6, 2002
Dividend Payment Date	:	Within thirty days from the Annual General Meeting
Listing on Stock Exchanges	:	Polaris shares are traded in Madras Stock Exchange w.e.f. 27th September, 1999. The Stock Exchange Mumbai w.e.f. 29th September, 1999. National Stock Exchange w.e.f. 24th November, 1999.
Reuters code	:	POLS.BO (BSE) POLS.NS (NSE)
Scrip Code (BSE)	:	532254
Scrip Code(NSE)	:	POLARIS
ISIN Code (NSDL)	:	INE763A01023
Bloomberg Code	:	POL@IN

The Company's scrips are traded in "Group A" category in the Stock Exchange, Mumbai since 26th March 2001.

The Company hereby confirms that the listing fee for the year 2002-2003, payable to each of the stock exchanges in which the Company's shares are listed have been paid.

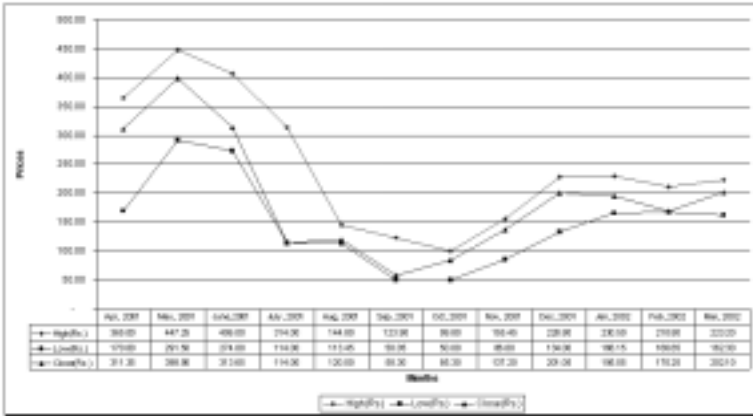
Registrars and Share Transfer Agent	Karvy Consultants Limited Unit: Polaris Software Lab Limited "Karvy House" 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad 500 034 Tel: +91-40-3312454 / 3320751/52/53 www.karvy.com
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Market Price Data : Opening, High, Low, Closing prices and number of shares traded during each month in the last financial year

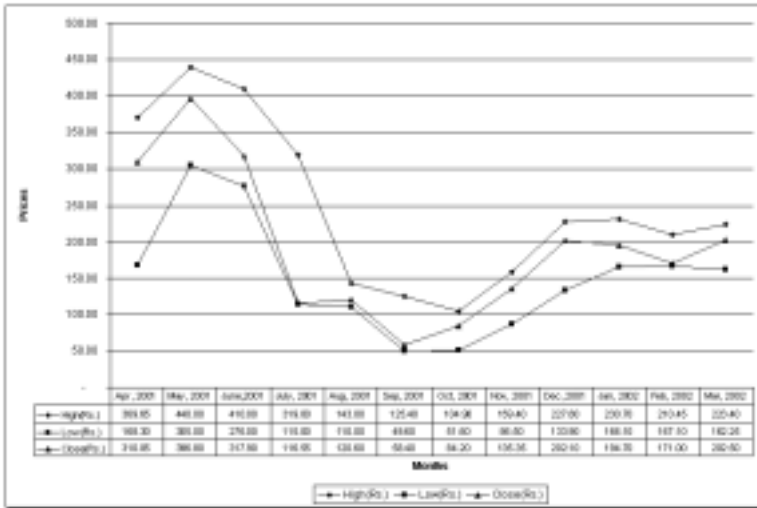
Stock Market data for the period commencing from April 2001 to March 2002 on the Mumbai Stock Exchange Ltd.(BSE) & The National Stock Exchange Ltd.(NSE)										
Month	BSE	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE	NSE
	Open (Rs.)	Open (Rs.)	High (Rs.)	High (Rs.)	Low (Rs.)	Low (Rs.)	Close (Rs.)	Close (Rs.)	No of Shares	No of Shares
Apr, 2001	250.35	245.00	365.00	369.65	170.00	168.30	311.35	310.05	1,328,483	2,532,456
May, 2001	319.00	330.00	447.25	440.00	291.50	305.00	398.90	396.80	1,294,810	1,415,545
June, 2001	404.00	405.00	406.00	410.00	274.00	276.00	313.65	317.90	1,541,569	1,800,212
July, 2001	300.00	305.00	314.00	319.00	114.00	115.00	114.00	116.55	750,493	1,466,315
Aug, 2001	119.00	110.00	144.80	143.00	113.45	110.00	120.00	120.60	526,967	1,097,526
Sep, 2001	120.50	124.40	123.90	125.40	50.05	49.60	58.30	58.40	1,491,013	3,639,329
Oct, 2001	60.90	59.00	99.80	104.90	50.00	51.60	85.30	84.20	5,195,484	7,526,775
Nov, 2001	88.10	86.90	155.45	159.40	86.00	86.50	137.20	135.35	24,412,378	30,192,302
Dec, 2001	142.10	138.00	228.80	227.80	134.00	133.90	201.05	202.10	46,838,572	67,968,525
Jan, 2002	202.00	204.00	230.50	230.70	166.15	166.10	195.05	194.70	77,409,369	92,521,196
Feb, 2002	198.00	198.00	210.80	210.45	166.65	167.10	170.25	171.00	41,153,197	48,872,077
Mar, 2002	171.00	173.00	223.20	223.40	162.30	162.25	202.10	202.50	59,731,271	91,850,445
Total Shares traded during the year									261,673,606	350,882,703

Graphical representation of the movement of closing market prices of the Company's shares quoted in the Mumbai (BSE) and National (NSE) Stock Exchanges from April, 2001 to March, 2002.

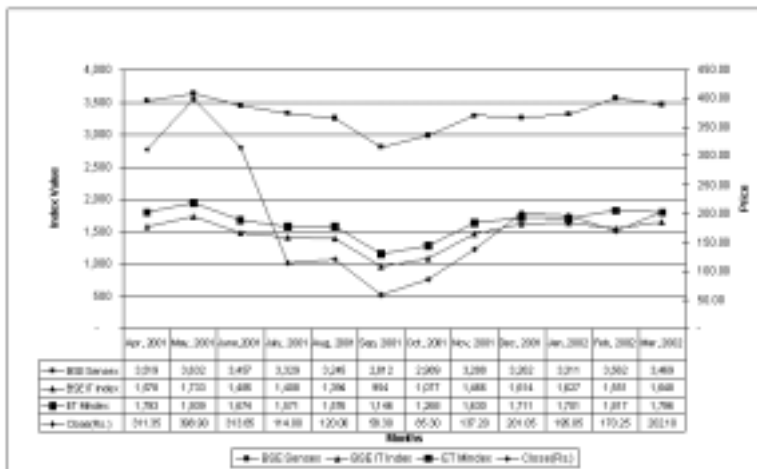
BSE Stock Market Price Data



NSE Stock Market Price Data



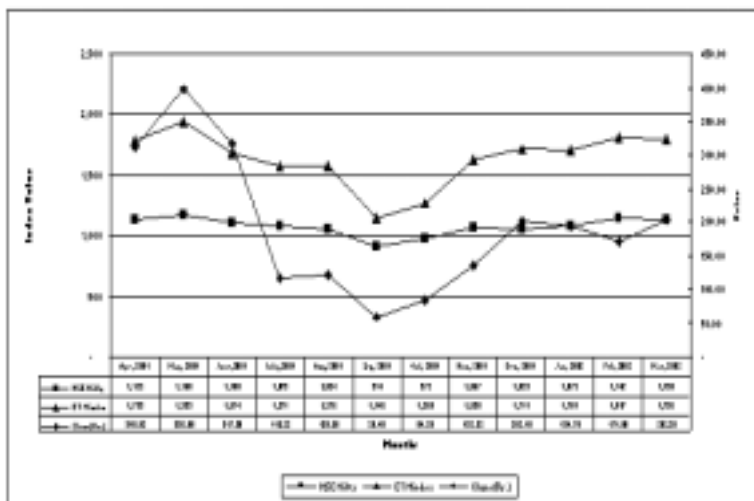
Graphical representation of the movement of Company's shares quoted in the Mumbai Stock Exchange (BSE) in comparison with Stock Indices



Note : The closing prices at BSE and closing Indices have been taken for comparison.

Graphical representation of the movement of Company's shares quoted in the National Stock Exchange (NSE) in comparison with Stock Indices.

Performance of Polaris Shares at NSE vis-a-vis NSE Nifty and ET Mindex

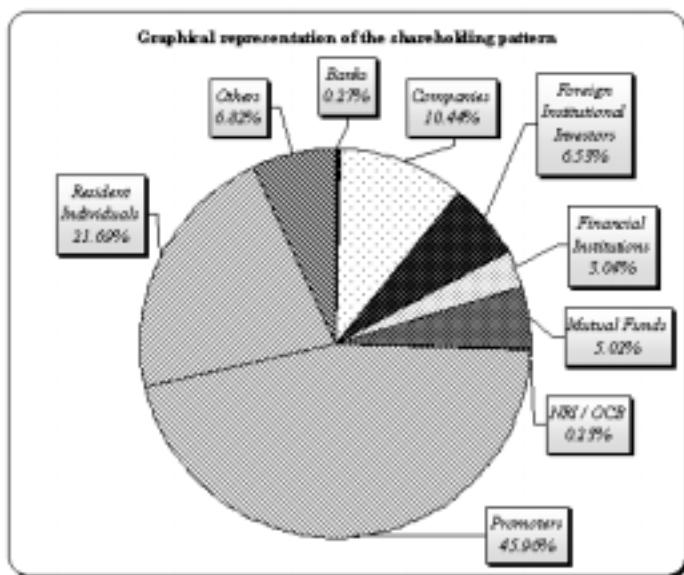


Note : The closing prices at NSE and closing Indices have been taken for comparison.

Shareholding Pattern of the Company as on 31st March, 2002

Category	No. of Holders	No. of Shares
Banks	10	135,891
Companies	2,032	5,341,486
Foreign Institutional Investors	20	3,342,499
Financial Institutions	7	1,558,378
Mutual Funds	35	2,571,091
NRI / OCB	284	118,401
Promoters	6	23,526,814
Resident Individuals	31,826	11,102,395
Others	10	3,490,695
TOTAL	34,230	51,187,650

Note : The non-promoter holding in the Company as on 31st March 2002 is 54.04%



Distribution Schedule of Shares as on 31st March 2002

CATEGORY	NO OF	CUMULA-	% OF	NO OF	CUMULA-	% OF
From - To	Holders	Holdes	Holdes	Shares	Shares	Shares
Up to 500	31,377	31,377	91.67	3,975,059	3,975,059	7.77
500 - 1000	1,391	32,768	4.06	1,034,544	5,009,603	2.02
1000 - 5000	1,189	33,957	3.47	2,327,909	7,337,512	4.55
5000 - 10000	113	34,070	0.33	806,489	8,144,001	1.58
10000 +	160	34,230	0.47	43,043,649	51,187,650	84.09
TOTAL	34,230	100		5,11,87,650		100
Up to 500	2,924	2,924	8.54	514,791	514,791	1.01
500 - 1000	84	3,008	0.25	56,350	571,141	0.11
1000 - 5000	112	3,120	0.33	180,800	751,941	0.35
5000 - 10000	8	3,128	0.02	47,600	799,541	0.09
10000 +	4	3,132	0.01	1,351,270	2,150,811	2.64
PHYSICAL	3,132		9.15	21,50,811		4.20
Up to 500	28,453	28,453	83.12	3,460,268	3,460,268	6.76
500 - 1000	1,307	29,760	3.82	978,194	4,438,462	1.91
1000 - 5000	1,077	30,837	3.15	2,147,109	6,585,571	4.19
5000 - 10000	105	30,942	0.31	758,889	7,344,460	1.48
10000 +	156	31,098	0.46	41,692,379	49,036,839	81.45
DEMAT	31,098		90.85	4,90,36,839		95.80

Comparative shareholding pattern

As on	Physical Shares		Demat Shares		Total Shares	
	Nos.	%	Nos.	%	Nos.	%
31/03/01	4,974,192	9.72	46,213,458	90.28	51,187,650	100
31/03/02	2,150,811	4.20	49,036,839	95.80	51,187,650	100
	Physical Holders		Demat Holders		Total Holders	
	Nos.	%	Nos.	%	Nos.	%
31/03/01	4,024	17.99	18,343	82.01	22,367	100
31/03/02	3,132	9.15	31,098	90.85	34,230	100

Note: The Company had issued fully paid bonus shares in the ratio of 2:1 in August 2001, hence the Shareholding pattern on 31st March 2001 has been suitably adjusted to reflect the post-bonus scenario.

Share Transfer System

The application for transfers, transmission and transposition are received by the Company at its Registered office address at Chennai or at M/s Karvy Consultants Limited, Registrar and Transfer Agents, Hyderabad. As the Company's shares are currently traded in dematerialized form, the transfers are processed and approved in the electronic form by NSDL/CDSL through their depository participants. The physical transfers are processed by the Company on a regular basis and the certificates are dispatched by the Registrars directly to the transferees.

Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity

Not applicable

Share Transaction Regulatory System in place for controlling insider trading**Policy on Insider Trading,**

Effective date : 15th December, 1999.

A Policy on insider trading has been implemented and continues to be in force since December, 1999. This Policy deals with the rules, regulations and process for transactions in the shares of the Company and shall apply to all transactions and for all associates in whatever capacity they may be including Directors. This code forms part and parcel of the service conditions of the employees of the Company.

Locations

The Company's headquarters and corporate offices are located at Chennai, India. Polaris currently operates out of five offshore development centers located in India, totaling approximately 2,50,000 sq. feet space. Polaris also has branch offices at Atlanta, Chicago, New Jersey, Fremont, Dubai, Riyadh and Hong Kong. In addition, the Company has subsidiaries in Singapore, Germany, Switzerland, Australia, Ireland, UK and Japan. Polaris is also expanding with additional infrastructure to augment the future business growth requirements in Chennai and New Delhi.

Address for correspondence

The Company Secretary
POLARIS SOFTWARE LAB LIMITED
Regd. Office : Carex Center, 244(Old No.713) , Anna Salai, Chennai - 600 006
Phone 044-852 4154, Fax : 044-852 3280. investor@polaris.co.in

Place: Chennai,

Date : 22nd April, 2002

By Order of the Board

For Polaris Software Lab Limited

Sd/-

ARUN JAIN

Chairman & Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Polaris Software Lab Limited

We have examined the compliance of conditions of corporate governance by Polaris Software Lab Limited ("the Company") for the year ended on 31 March 2002, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreements.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

for **Bharat S Raut & Co.**

Chartered Accountants

S Balasubrahmanyam

Partner

Chennai

22 April 2002

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AUDITORS' REPORT

Financial Statements for the year ended 31 March 2002

AUDITORS' REPORT

To the Members of Polaris Software Lab Limited

We have audited the attached Balance Sheet of Polaris Software Lab Limited, as at 31st March, 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books of account;
- (iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors, as on 31 March 2002, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2002; and
 - b. in the case of the Profit and Loss Account, of the profit for the year ended on that date.

for **Bharat S Raut & Co.**

Chartered Accountants

S Balasubrahmanyam

Partner

Chennai

22 April 2002

Annexure referred to in paragraph 1 of the Auditors' Report to the members of Polaris Software Lab Limited for the year ended 31 March 2002.

1. The provisions of clauses (C), (D) and subclauses (iii), (iv), (v), (vi), (xii), (xiii), (xiv), (xvi) and (xx) of clause (A) of the Manufacturing and Other Companies (Auditors' Report) Order, 1988 are not applicable to the Company.

Internal Controls

2. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of computer hardware and software, plant and machinery, equipment and other assets. The activities of the Company do not involve sale of goods.
3. In our opinion and according to the information and explanations given to us, in respect of the service activities of the Company:
 - the nature of services rendered are such that they do not involve consumption of materials and stores; and
 - the Company has a reasonable system of allocating man-hours to the relative jobs, commensurate with its size and nature of its business.
4. In our opinion, the Company has an internal audit function, commensurate with its size and the nature of its business.

Fixed Assets

5. The Company has maintained proper records of fixed assets showing full particulars including quantitative details and locations. Physical verification of fixed assets has been carried out during the year. No material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable.
6. None of the fixed assets have been revalued during the year.

Loans and Advances

7. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, or from companies under the same management as defined under Section 370(1B) of the Companies Act, 1956.
8. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, or to companies under the same management as defined under Section 370(1B) of the Companies Act, 1956.
9. The parties to whom loans or advances in the nature of loans were given by the Company are regular in repaying the principal amounts stipulated and interest where applicable.

Related parties

10. In our opinion, and according to the information and explanations given to us and having regard to the fact that some of the items purchased are of a special nature and suitable alternative sources do not exist for obtaining comparative quotations, the transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs 50,000 or more in respect of each party were made at prices which are reasonable having regard to prevailing market prices as available with the Company for such goods, materials or services or the prices at which transactions for similar goods or services were made with other parties.

Staff Welfare

11. The Company has been generally regular in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities during the current year.
12. According to the information and explanations given to us, and on the basis of the examination of the books of account carried out by us, no personal expenses of employees have been charged to the profit and loss account, other than those payable under contractual obligations or in accordance with generally accepted business practice.

Taxation

13. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty which are outstanding as at 31 March 2002 for a period of more than six months from the date they became payable.

for **Bharat S Raut & Co.**

Chartered Accountants

S Balasubrahmanyam

Partner

Chennai

22 April 2002

POLARIS SOFTWARE LAB LIMITED

Balance Sheet as at

	Schedule	31 March 2002 (Rs)	31 March 2001 (Rs)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	255,938,250	170,625,500
Reserves and surplus	2	2,184,796,448	1,753,804,932
		2,440,734,698	1,924,430,432
APPLICATION OF FUNDS			
FIXED ASSETS			
Cost	3	704,595,681	546,916,661
Less: Depreciation		207,247,246	113,977,372
Net book value		497,348,435	432,939,289
Capital work-in-progress		372,878,525	87,498,392
		870,226,960	520,437,681
INVESTMENTS	4	616,123,424	539,194,378
CURRENT ASSETS, LOANS AND ADVANCES			
Cash and bank balances	5	352,572,594	313,114,852
Sundry Debtors	6	792,958,468	703,406,814
Loans and advances	7	178,557,839	197,290,351
		1,324,088,901	1,213,812,017
CURRENT LIABILITIES			
Liabilities	8	201,923,199	242,999,585
Provisions	9	165,663,388	106,014,059
		367,586,587	349,013,644
NET CURRENT ASSETS		956,502,314	864,798,373
DEFERRED TAX LIABILITY	10	2,118,000	---
		2,440,734,698	1,924,430,432

Significant accounting policies and notes to accounts 16

The Schedules referred to above and the notes thereon form an integral part of these financial statements.

This is the Balance Sheet referred to in our report of even date.

for **Bharat S Raut & Co.**

Chartered Accountants

S. Balasubrahmanyam

Partner

Arun Jain **G N Mathur** **Abhay Agarwal** **Arvind Kumar** **Satya Pal** **R C Bhargava**

Chairman & Executive Director Director Director Director

Managing Director Director

Ashok Jhunjhunwala

Director

M L Garg

Director

N Vaidyanathan

Chief Finance Officer

G Rajesh

Company Secretary

Chennai

22 April 2002

POLARIS SOFTWARE LAB LIMITED
Profit and Loss Account for the year ended

	Schedule	31 March 2002 (Rs)	31 March 2001 (Rs)
INCOME			
Software development services and products			
- Overseas		2,276,312,017	2,492,875,736
- Domestic		462,840,131	161,130,130
Other income	11	100,229,997	42,729,544
		2,839,382,145	2,696,735,410
EXPENDITURE			
Software development expenses	12	1,595,312,184	1,518,770,901
Administrative and other expenses	13	399,420,874	419,333,653
Product Development Costs	14	96,496,437	83,723,090
		2,091,229,495	2,021,827,644
Operating profit		748,152,650	674,907,766
Finance Charges	15	---	324,918
Depreciation	3	93,942,900	67,931,483
		93,942,900	68,256,401
Profit before taxation		654,209,750	606,651,365
Income-taxes - Current tax		38,000,000	5,611,000
- Deferred tax		(282,000)	---
Profit after taxation		616,491,750	601,040,365
Profit brought forward from previous year		11,578,919	---
Amount available for appropriation		628,070,669	601,040,365
Appropriations			
Proposed Dividend		89,578,388	51,187,650
Tax on proposed Dividend		---	11,568,409
Excess provision on tax on dividend for previous year written back		(6,348,980)	---
Amount transferred to general reserve		61,650,000	526,705,387
Balance carried to Balance Sheet		483,191,261	11,578,919
		628,070,669	601,040,365
Earnings per share (equity shares par value Rs.5 each)			
Basic		12.04	11.74
Diluted		11.86	11.74
Number of shares used in computing earnings per share			
Basic		51,187,650	51,187,650
Diluted		51,993,647	51,187,650

Significant accounting policies and notes to accounts 16

The Schedules referred to above and the notes thereon form an integral part of these financial statements.
This is the Profit & Loss account referred to in our report of even date.

for **Bharat S Raut & Co.**

Chartered Accountants

S. Balasubrahmanyam

Partner

Arun Jain

Chairman &
Managing Director

G N Mathur

Executive
Director

Abhay Agarwal

Director

Arvind Kumar

Director

Satya Pal

Director

R C Bhargava

Director

Ashok Jhunjunwala

Director

M L Garg

Director

N Vaidyanathan

Chief Finance Officer

G Rajesh

Company Secretary

Chennai

22 April 2002

POLARIS SOFTWARE LAB LIMITED

Schedules to the Balance Sheet as at

	31 March 2002 (Rs)	31 March 2001 (Rs)
1. SHARE CAPITAL		
Authorised Capital		
70,000,000 equity shares of Rs 5 each (2001: 50,000,000 equity shares of Rs 5 each)	350,000,000	250,000,000
10,000,000 11 % preference shares of Rs 5 each (2001: 10,000,000 11% preference shares of Rs 5 each)	50,000,000	50,000,000
	400,000,000	300,000,000
Issued, Subscribed and Paid-up Capital		
51,187,650 (2001: 34,125,100 Equity Shares of Rs 5 each) Equity Shares of Rs 5 each fully paid up.	255,938,250	170,625,500
During the year the Company issued 17,062,550 Equity Shares of Rs 5 each as fully paid-up bonus shares by capitalisation of the securities premium account.		
	255,938,250	170,625,500
2. RESERVES AND SURPLUS		
GENERAL RESERVE		
As per last balance sheet	1,057,689,969	541,766,775
Less: Capital loss on merger	---	10,782,193
Transition adjustment on adoption of new Accounting Standard 22 'Taxes on income'	2,400,000	
Add: Capital surplus on merger	2,627,992	---
Transferred from profit & loss account	61,650,000	526,705,387
	1,119,567,961	1,057,689,969
SECURITIES PREMIUM ACCOUNT		
As per last Balance Sheet	665,081,041	665,081,041
Less: Amount capitalised	85,312,750	---
	579,768,291	665,081,041
Employee stock option outstanding account		
As per last balance sheet	131,033,164	---
Add: Employee compensation on options issued during the year	---	131,033,164
Less: Surrenders / resignations	123,979,147	---
	7,054,017	131,033,164
Less: Deferred employee compensation expenses account	(4,785,082)	(111,578,161)
	2,268,935	19,455,003
Profit and loss account balance	483,191,261	11,578,919
	2,184,796,448	1,753,804,932

POLARIS SOFTWARE LAB LIMITED

Schedules to the Balance Sheet as at

3 FIXED ASSETS

(Rs)

Sl. No.	Assets	COST				DEPRECIATION				NET BOOK VALUE	
		1 April 2001	Additions	Deletions	31 March 2002	1 April 2001	For the year	On Deletions	31 March 2002	31 March 2002	31 March 2001
1.	Land	41,094,160	31,500,000	---	72,594,160	---	---	---	---	72,594,160	41,094,160
2.	Buildings	120,664,630	18,909,588	---	139,574,218	---	4,396,473	---	8,541,867	131,032,351	116,519,236
3.	Plant and machinery	20,416,431	1,089,840	---	21,506,271	---	3,194,648	---	7,489,915	14,016,356	16,121,164
4.	Computer equipment and accessories	218,996,218	71,529,998	---	290,526,216	---	68,779,486	---	151,587,921	138,938,295	136,187,783
5.	Electricals	13,990,144	10,092,111	---	24,082,255	---	2,081,006	---	5,760,405	18,321,850	10,310,745
6.	Office equipments	48,025,735	5,969,857	---	53,995,592	---	4,814,951	---	10,674,374	43,321,218	42,166,312
7.	Furniture and fixtures	77,582,718	18,387,658	213,150	95,757,226	213,150	9,202,691	213,150	20,105,419	75,651,807	66,466,840
8.	Vehicles	6,146,625	1,179,767	766,649	6,559,743	---	1,473,645	459,876	3,087,345	3,472,398	4,073,049
		546,916,661	158,658,819	979,799	704,595,681	979,799	93,942,900	673,026	207,247,246	497,348,435	432,939,289
	Previous year	221,632,122	326,724,836	1,440,297	546,916,661	1,440,297	67,931,483	897,718	113,977,372	432,939,289	

POLARIS SOFTWARE LAB LIMITED**Schedules to the Balance Sheet as at**

	31 March 2002 (Rs)	31 March 2001 (Rs)
4 INVESTMENTS		
TRADE (UNQUOTED)		
LONG TERM INVESTMENT		
Polaris Software Lab Pte Ltd	9,459,814	9,459,814
A wholly owned subsidiary company incorporated in Singapore. 385,000 ordinary shares of Sing\$ 1 each fully paid (2001: 385,000 ordinary shares of Sing\$ 1 each fully paid)		
Polaris Software Lab Limited UK	61,750,095	26,511,095
A wholly owned subsidiary company incorporated in the UK - 889,000 equity shares of GBP 1 each fully paid (2001: 365,000 equity shares of GBP 1 each fully paid)		
Polaris Retail Infotech Limited	49,999,930	45,000,000
A wholly owned subsidiary company incorporated in India 4,999,993 equity shares of Rs. 10 each fully paid (2001: 4,500,000 Equity shares of Rs. 10 each fully paid)		
Tip Top Holdings Limited	---	27,943,105
A wholly owned subsidiary company incorporated in India 2,994,285 equity shares of Rs.10 each fully paid (2001: 855,510 equity shares of Rs. 10 each fully paid)		
Polaris Software Lab GmbH	17,450,895	4,469,900
A wholly owned subsidiary company incorporated in Germany Common stock of 400,000 Euros (2001: Common stock of 101,000 Euros)		
Polaris Software Lab SA	4,101,795	2,694,609
A wholly owned subsidiary company incorporated in Switzerland 15,000 equity shares of CHF 10 each (2001: 10,000 Equity Shares of CHF 10 each)		
Polaris Software Lab Pty - Australia	810,750	810,750
A wholly owned subsidiary company incorporated in Australia 25,000 Ordinary Shares of A\$ 1 each (2001: 25,000 Ordinary Shares of A\$ 1 each)		
Polaris Software Lab Ireland Ltd	3,294,209	---
A wholly owned subsidiary company incorporated in Ireland 76,186 Ordinary Shares of Euro 1 each (2001: Nil)		
Polaris Software Lab Japan KK	3,957,560	---
A wholly owned subsidiary company incorporated in Japan 200 Ordinary Shares of 50,000 yen each (2001: Nil)		
Software Sidoun -Germany	52,760,681	52,370,393
A company incorporated in Germany Common stock of DM 2,300,000 (2001: Common stock of DM 2,300,000)		
Eternet Inc	11,625,000	---
A company incorporated in USA 1,250,000 shares of US\$ 0.2 each. (2001: Nil)		
NMSWorks Software Limited (refer note 16B 13)	30,000,000	---
A company incorporated in India 500,000 - 0% convertible debentures of Rs.60 each (2001: Nil)		
	245,210,729	169,259,666

POLARIS SOFTWARE LAB LIMITED**Schedules to the Balance Sheet as at**

	31 March 2002	31 March 2001
	(Rs)	(Rs)
4 INVESTMENTS (Continued)		
CURRENT (QUOTED)		
Mutual Funds		
Chola Triple Ace	---	7,306,273
Nil units(2001: 449,064 units)		
Alliance Cash Manager - Dividend	---	46,372,128
Nil units (2001:46,361 units)		
Templeton India Income Fund	59,208,861	49,224,488
5,562,426 units (2001: 4,640,766 units)		
Sundaram Bond Saver	62,032,722	48,732,089
6,054,404 units (2001: 4,769,308 units)		
Birla Income Plus	59,648,701	49,707,252
6,120,047 units (2001: 5,114,010 units)		
Zurich India High Interest Fund	61,706,842	51,769,713
6,015,588 units (2001: 5,076,620 units)		
Jardine Fleming India Bond Fund	---	48,471,658
Nil units (2001: 4,652,830 units)		
Prudential ICICI Income Fund - Dividend Plan	57,265,457	35,973,988
5,542,072 units (2001: 3,530,322 units)		
Prudential ICICI Income Fund - Growth Plan	---	17,377,123
Nil units (2001: 1,256,480units)		
Investments -Grindlays Cash Fund	21,724,967	---
2,170,346 units (2001: Nil)		
Investments - Kothari Income fund	18,043,145	---
1,557,032 units (2001:Nil)		
Kothari Treasury MGMT Fund	6,282,000	---
4,469 units (2001: Nil units)		
K bond -Unit Scheme 99 (wholesale plan dividend).	25,000,000	15,000,000
2,486,683 units (2001: 1,498,052 units)		
Total	370,912,695	369,934,712
Aggregate market value of the non-trade investments		
31 March 2002 - Rs 376,296,321		
31 March 2001 - Rs 375,351,285		
	616,123,424	539,194,378

POLARIS SOFTWARE LAB LIMITED

Schedules to the Balance Sheet as at

	31 March 2002	31 March 2001
	(Rs)	(Rs)
5. CASH AND BANK BALANCES		
Cash on hand	221,728	272,141
Balances with scheduled banks		
- in current accounts	181,210,936	210,062,736
- in deposit accounts	30,325,000	70,225,000
Balances with non-scheduled banks in current accounts		
- Fleet Bank, New Jersey	96,331,324	28,620,079
- Wells Fargo Bank, California	---	100,749
- Bank of America , Atlanta	---	96,177
- Chase Bank, New Jersey	44,483,606	3,737,970
	352,572,594	313,114,852
Maximum balances held in non-scheduled banks		
- Fleet Bank, New Jersey	126,732,178	94,130,472
- Wells Fargo Bank, California	101,993	231,955
- Bank of America, Atlanta	97,908	96,669
- Chase Bank, New Jersey	73,186,053	43,086,343
6 SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months.		
Unsecured		
- considered good	80,364,788	61,379,342
- considered doubtful	47,500,274	21,924,021
Other debts - unsecured, considered good	712,593,680	642,027,472
	840,458,742	725,330,835
Less: Provision for doubtful debts	47,500,274	21,924,021
	792,958,468	703,406,814

POLARIS SOFTWARE LAB LIMITED**Schedules to the Balance Sheet as at**

	31 March 2002	31 March 2001
	(Rs)	(Rs)
7 LOANS AND ADVANCES		
(Unsecured considered good)		
Advances recoverable in cash or in kind or for value to be received	45,328,537	87,411,860
Advance income tax (including tax deducted at source)	64,199,590	46,942,552
Loans to employees	25,057,102	16,124,655
Other advances	1,430,888	1,941,360
Interest/dividend receivable	3,029,845	1,712,613
Rent, maintenance and security deposits	39,511,877	43,157,311
	178,557,839	197,290,351
8 CURRENT LIABILITIES		
Sundry creditors		
- for goods	21,319,492	23,153,325
- for expenses	179,594,941	160,864,808
Unclaimed dividends	665,766	385,819
Advances received from clients	343,000	58,595,633
	201,923,199	242,999,585
9 PROVISIONS		
Provision for taxation	76,085,000	43,258,000
Proposed dividend	89,578,388	51,187,650
Provision for tax on proposed dividend	---	11,568,409
	165,663,388	106,014,059
10 DEFERRED TAX LIABILITY		
Fixed assets	7,655,000	---
Sundry debtors	(5,537,000)	---
	2,118,000	---

POLARIS SOFTWARE LAB LIMITED

Schedules to the Profit and Loss Account for the year ended

	31 March 2002	31 March 2001
	(Rs)	(Rs)
11 OTHER INCOME		
Interest received on deposits with banks and others (Tax deducted at source Rs.168,137 2001: Rs 336,700)	2,483,661	4,789,611
Miscellaneous Income	55,100,453	26,188,183
Exchange Gains	42,645,883	11,751,750
	100,229,997	42,729,544
12 SOFTWARE DEVELOPMENT EXPENSES		
Salaries and bonus including overseas staff expenses	1,232,086,464	1,118,571,981
Employee stock compensation expense	(17,186,068)	19,455,003
Staff welfare	97,097,401	81,779,319
Contribution to provident fund & other funds	44,372,862	30,621,931
Foreign tour and travel	131,099,321	135,316,383
Consumables & computer maintenance	7,198,960	4,128,577
Communication expenses	41,082,809	42,811,897
Sponsorship charges	59,560,435	86,085,810
	1,595,312,184	1,518,770,901
13 ADMINISTRATION AND OTHER EXPENSES		
Salaries and bonus including overseas staff expenses	127,564,152	167,699,756
Contribution to provident fund & other funds	6,049,555	3,893,302
Professional charges	22,635,818	27,949,902
Legal expenses	12,853,367	30,060,377
Travelling and conveyance	39,890,204	41,867,580
Rent	42,974,112	22,895,190
Business promotion	19,312,073	24,145,607
Power and fuel	30,395,325	27,208,349
Printing and stationery	8,690,345	8,805,411
Office Maintenance	14,195,054	9,674,747
Provision for doubtful debts	25,576,253	9,131,101
Insurance charges	6,761,471	4,810,676
Advertisements	4,228,760	6,759,780
Bad debts written off	11,595,387	10,483,457
Rates & taxes	4,053,517	2,645,345
Auditors' remuneration	1,082,250	1,046,241
Repairs - Building	566,961	2,061,442
Repairs - Plant & machinery	6,467,244	5,379,031
Repairs - Others	4,867,540	4,507,131
Bank charges and commission	392,620	554,832
Provision (reversed)/made for diminution in value of investments	---	(463,172)
Directors' sitting fees	260,000	152,000
Donations	2,093,821	1,739,201
Miscellaneous expenses	6,915,045	6,326,367
	399,420,874	419,333,653

POLARIS SOFTWARE LAB LIMITED**Schedules to the Profit and Loss Account for the year ended**

	31 March 2002	31 March 2001
	(Rs)	(Rs)
14 PRODUCT DEVELOPMENT COSTS		
Salaries and bonus including overseas staff expenses	71,930,010	48,857,078
Foreign tour and travel	15,312,346	12,261,509
Business Promotion	3,260,216	3,090,975
Professional and consultancy charges	1,816,085	4,319,259
Other administrative costs	4,177,780	15,194,269
	96,496,437	83,723,090
15 FINANCE CHARGES		
Interest on term loan	---	58,299
Interest on others	---	266,619
	---	324,918

POLARIS SOFTWARE LAB LIMITED

Schedules to the Balance Sheet and Profit and Loss Account

16. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation

The financial statements are prepared under the historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP), and materially comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956. All income and expenditure having a material bearing on the financial statements are recognised on the accrual basis.

The ICAI has issued new accounting standards on segmental reporting, related party disclosures, leases, earnings per share, consolidated financial statements and accounting for taxes on income. The Company has for the first time in the current year adopted these accounting standards in the preparation of these financial statements.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from these estimates.

2. Revenue recognition

Revenue from software development services comprises income from time-and-material and fixed price contracts. Revenue is recognized in accordance with the terms of the contract with the customer. Revenue with respect to time-and-material contracts is recognized as related services are performed. Revenue from fixed-price contracts is recognized in accordance with the percentage of completion method. Provision for estimated losses on incomplete contract is recorded in the period in which such losses become probable based on the current contract estimates.

Revenue from licensing of software products is recognized on commencement of the license period and fulfillment of acceptance terms, provided that no significant vendor obligations remain and the collection of the related receivable is reasonably certain.

3. Fixed assets and capital work in progress

Fixed assets are stated at cost, after reducing accumulated depreciation until the date of the balance sheet. Direct costs are capitalized until the assets are ready for use and include the borrowing costs related to the acquisition or construction of qualifying assets for the period up to the completion of construction or installation of such assets respectively and pre-operative expenses incurred during the construction period. Capital work-in-progress includes advances paid to acquire fixed assets and the cost of assets not ready for intended use before the balance sheet date.

POLARIS SOFTWARE LAB LIMITED**Schedules to the Balance Sheet and Profit and Loss Account****16. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)****4. Depreciation**

Depreciation on fixed assets is provided using the straight-line method based on useful lives of assets as estimated by the Company. Depreciation is charged on a proportionate basis for all assets purchased and sold during the period. Individual assets costing less than Rs 5,000 are depreciated in full in the period of purchase.

Depreciation was being charged at the rates specified in the Schedule XIV to the Companies Act, 1956 till 31 March 1999. However, with effect from 1 April 1999, the management revised the estimates of useful lives of assets as listed below:

Asset category	Estimated Useful Life (years)
Buildings	29
Plant and machinery	6-7
Computer equipment	3
Servers & computer accessories	5
Software	3
Air conditioners	6-7
Furniture and fixtures, office equipment and electrical fittings	10
Vehicles	6

5. Foreign currency transactions

Transactions in foreign currencies are recorded at a rate that approximates the exchange rate prevailing at the date of the transaction. Revenue items, except depreciation, incurred by overseas branch is translated at the rates of exchange which approximate the rate prevailing as at that date. Current assets and liabilities denominated in foreign currency are translated at the rate of exchange as at the balance sheet date. All resulting gains or losses are recognised in the profit and loss account.

6. Investments

Investments are classified as long term investments and current investments. Long term investments are stated at cost and any decline, other than temporary, in the value of such investments is charged to profit and loss account. Current investments are stated at the lower of cost and market value.

7. Retirement benefits*Provident Fund*

In accordance with Indian law, employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the Company make monthly contributions to the Regional Provident Fund equal to a specified percentage of the covered employee's salary. The Company has no further obligations under the plan beyond its monthly contributions.

POLARIS SOFTWARE LAB LIMITED

Schedules to the Balance Sheet and Profit and Loss Account

16. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)

7. Retirement benefits (Continued)

Gratuity

In accordance with the Payment of Gratuity Act, 1972, the Company provides for gratuity, a defined benefit retirement plan (the plan) covering all employees. The plan, subject to the provisions of the above Act, provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. The Company estimates its liability as of each balance sheet date based on an actuarial valuation. The plan is unfunded.

Superannuation

The Company contributes annually 10% of the eligible employees' basic salary towards superannuation (the plan) to a fund managed by Life Insurance Corporation of India. A trust has been created and approved by the Income-tax authorities for this purpose. This plan provides for various options for payment of pension at retirement or termination of employment as per trust rules. The Company has no further obligations under the plan beyond its annual contribution.

Leave Encashment

As per the employment policy of the Company, employees are required to avail their annual leave by the end of the respective financial year and leave is not allowed to be encashed.

8. Income taxes

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company. Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences that result between the profit offered for income taxes and the profit as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the period that includes the enactment date. Deferred tax assets in respect of losses carried forward are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Other deferred tax assets are recognised only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised and are reassessed for the appropriateness of their respective carrying values at each balance sheet date.

9. Stock based Compensation

In accordance with the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India ("SEBI"), the 'Option Discount' has been amortised on a straight-line basis over the vesting period of the shares to be issued under Stock Option Plans and disclosed as 'employee stock compensation expense' in the Profit and Loss Account.

'Option Discount' means the excess of the market price / fair value of the underlying shares at the date of grant of the options over the exercise price of the options.

POLARIS SOFTWARE LAB LIMITED**Schedules to the Balance Sheet and Profit and Loss Account****16. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)****B. NOTES TO ACCOUNTS****1. Earnings in foreign currency**

	Year ended 31 March 2002 (Rs)	Year ended 31 March 2001 (Rs)
--	--	--

Income from software development services and products	2,276,312,017	2,492,875,736
--	---------------	---------------

2. Expenditure in foreign currency

Travel expenses	85,038,746	141,282,950
Professional charges	11,207,698	7,562,302
Other expenditure incurred overseas for software development	995,851,126	1,164,922,850

3. CIF Value of Imports

Capital goods	153,533,579	118,514,885
---------------	-------------	-------------

4. Capital commitments and contingent liabilities

The estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is Rs 82,742,163 as at 31 March 2002. The amount of such contracts as at 31 March 2001 was Rs 133,157,816.

The company has outstanding guarantees and counter guarantees of Rs 8,828,750 (31 March 2001: Rs 15,026,976) as at 31 March 2002, to various banks, in respect of guarantees given by the banks in favour of various government authorities.

The Company has committed to invest Rs 10,000,000 in NMSWorks Software Limited by 31 May 2002.

5. Quantitative details

The Company is engaged in the development of computer software. The production and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and the information as required under paragraphs 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.

POLARIS SOFTWARE LAB LIMITED

Schedules to the Balance Sheet and Profit and Loss Account

16. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)

6. Managerial remuneration

	Year ended 31 March 2002 (Rs)	Year ended 31 March 2001 (Rs)
<i>Managing Director</i>		
Salary	2,495,510	2,220,052
Contribution to provident and other funds	178,500	153,000
<i>Executive Director & Other Directors</i>		
Salary	5,478,275	3,016,690
Contribution to provident and other funds	324,000	178,000
Sitting fees	260,000	152,000

In 2000- 2001 the Company issued 30,000 stock options under the 2000 plan to certain directors. Of the above, 10,000 options were subsequently surrendered by the directors in the current year. Compensation cost of Rs 434,720 and compensation cost reversal of Rs 233,175 have been recognized in the profit and loss account for the year ended 31 March 2001 and 2002 respectively.

In the current year the Company issued 120,000 stock options to the directors. No compensation cost arises as a result of these options as these were issued at prevailing market prices.

7. Auditors' remuneration

	Year ended 31 March 2002 (Rs)	Year ended 31 March 2001 (Rs)
Statutory audit fees (including service tax)	682,500	682,500
For other services (including service tax)	183,750	194,650
Out of pocket expenses	216,000	169,091
Total	1,082,250	1,046,241

8. Stock option plans

The Company has two stock option plans that provide for the granting of stock options to employees including directors of the Company (not being promoter directors and not holding more than 10% of the equity shares of the Company). The objectives of these plans include attracting and retaining the best personnel, providing for additional performance incentives and promoting the success of the Company by providing employees the opportunity to acquire equity shares. The option plans are summarized below:

POLARIS SOFTWARE LAB LIMITED**Schedules to the Balance Sheet and Profit and Loss Account****16. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)****8. Stock option plans (Continued)****Associate Stock Option Plan 2000 (the 2000 Plan)**

On 9 March 2000, the Company's shareholders approved in the Extraordinary General Meeting (EGM) an Associate Stock Option Plan ("the 2000 Plan"). The 2000 Plan provides for issuance of 938,400 equity shares of Rs 5 each to the employees including directors. Employee Compensation Committee administers the 2000 Plan. Under the Plan, based on the recommendation of Employee Compensation Committee, the options are granted at a discount not exceeding 25% of the market price of shares on the date of grant. The option vests over a period of five years from the grant date. Subsequent to the approval of the shareholders in the EGM held on 7 March 2001, the 2000 Plan has been modified to permit cancellation/accept surrender of options.

A summary of the status of the 2000 plan is presented below.

Number of options granted, exercised, cancelled / surrendered and forfeited	Year ended 31 March 2002 (Rs)	Year ended 31 March 2001 (Rs)
Options outstanding at the beginning of the year	854,000	---
Granted during the year	468,850	857,500
Exercised during the year	---	---
Forfeited during the year	(134,450)	3,500
Cancelled during the year	(663,100)	---
Outstanding at the end of the year	525,300	854,000

Associate Stock Option Plan 2001 (the 2001 Plan)

The Shareholders of the Company in the Extraordinary General Meeting (EGM) held on the 7 March 2001 approved an Associate Stock Option Plan (the 2001 Plan). The 2001 Plan provides for issuance of 1,194,000 equity shares of Rs 5 each to the employees including directors at the closing market price of shares on the date of grant. The option vests over a period of five years from the grant date.

A summary of the status of the 2001 plan at 31 March 2002 is presented below:

Number of options granted, exercised and forfeited	Year ended 31 March 2002 (Rs)
Options outstanding at the beginning of the year	---
Granted during the year	1,723,025
Exercised during the year	---
Forfeited/surrendered during the year	(13,850)
Outstanding at the end of the year	1,709,175

POLARIS SOFTWARE LAB LIMITED

Schedules to the Balance Sheet and Profit and Loss Account

16. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)

8. Stock option plans (Continued)

The Company during the year announced and allotted bonus shares by capitalising a part of share premium account in the ratio of 1 equity share for every 2 shares held on the record date. The ASOP schemes mentioned above provide power to the compensation committee for suitable adjustments to the quantum and price of ASOPs in case of corporate actions such as stock split, bonus etc. The holders of options granted prior to issuance of bonus shares by the Company are entitled to receive additional options in the ratio of one additional option for every two options held.

9. Balance of unutilized money raised in the Initial Public Offer (IPO)

The amount of Rs. 737,635,500 raised by the Company in its Initial Public Offer (IPO) has been utilized as follows:

	Year ended 31 March 2002 (Rs)
For various software development centers including overseas offices (net of amount funded out of internal accruals)	665,088,087
Issue expenses	<u>51,835,367</u>
Balance IPO proceeds	20,712,046
Represented by:	
Investments in Mutual funds and banks	20,712,046

10. Segment reporting

The Company's operations predominantly relate to providing IT services, delivered to customers operating in various industry segments globally. Accordingly, IT service revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is based on the geographical location of customers.

The accounting policies consistently used in the preparation of the financial statements are also applied to record revenue and expenditure in individual segments.

Business (primary) segments of the Company are:

- a) Banking and financial services; and
- b) Emerging verticals

Revenue and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while other costs, wherever allocable, are apportioned to the segments on an appropriate basis. Certain expenses are not specifically allocable to individual segments as the underlying services are used interchangeably. The Company believes that it is not practicable to provide segment disclosures relating to such expenses, and accordingly such expenses are separately disclosed as 'unallocated' and directly charged against total income.

POLARIS SOFTWARE LAB LIMITED**Schedules to the Balance Sheet and Profit and Loss Account****16. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)****10. Segment reporting (Continued)**

Fixed assets used in the company's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. The company believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of the available data is onerous.

Customer relationships are driven based on the location of the respective client. The geographical segments include:

- a) United States of America;
- b) Europe;
- c) Asia Pacific; and
- d) India and the Middle East.

Primary segment information	In Rs
	Year ended
	31 March 2002
<i>Segment revenues</i>	
Banking and financial services	1,947,106,825
Emerging verticals	792,045,323
	<u>2,739,152,148</u>
<i>Segment profit</i>	
Banking and financial services	799,500,280
Emerging verticals	258,646,615
	<u>1,058,146,895</u>
Interest (net)	
Other unallocable expenditure net of unallocable income	(403,937,145)
	<u>654,209,750</u>
<i>Profit before taxation</i>	654,209,750
Income taxes	37,718,000
	<u>616,491,750</u>
<i>Profit after taxation</i>	<u>616,491,750</u>
Secondary segment information	
	In Rs
	Year ended
	31 March 2002
Region	
United States of America	1,091,775,204
Europe	454,001,237
Asia Pacific	647,442,140
India and the Middle East	545,933,567
	<u>2,739,152,148</u>

Revenues by geographic area are based on the geographic location of the customer.

POLARIS SOFTWARE LAB LIMITED

Schedules to the Balance Sheet and Profit and Loss Account

16. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)

11. Earnings per Share (EPS)

Reconciliation of basic and diluted shares used in computing EPS:

	Year ended 31 March 2002 (Rs)	Year ended 31 March 2001 (Rs)
Number of shares considered as basic weighted average shares outstanding	51,187,650	51,187,650
Add: Effect of dilutive issue of stock options	805,997	-
Number of shares considered as weighted average shares and potential shares outstanding	<u>51,993,647</u>	<u>51,187,650</u>

In computing the diluted EPS, only potential equity shares that are dilutive and that either reduce earning per equity share or increase loss per equity share are included.

12. Amalgamation

The Honorable High Courts at New Delhi and Chennai have approved on 14 February 2002 and 10 April 2002 respectively the Scheme of Amalgamation (“the Scheme”) of Tiptop Holdings Private Limited (Tiptop), a wholly owned subsidiary with Polaris.

The amalgamation has been accounted for under the “pooling of interests” method. Pursuant to the above approval, the Company has transferred all the assets and liabilities of Tiptop with effect from 1 October 2001. The summary of the assets and liabilities is as follows:

	<i>In Rs</i>
Land	31,500,000
Net current assets	16,040
Miscellaneous expenditure	16,572
Accumulated losses	<u>180,401</u>
Total Assets	<u>31,713,013</u>
Share capital	29,942,820
Reserves	825,250
Other liabilities	<u>944,943</u>
Total Liabilities	<u>31,713,013</u>

Excess of net asset value over the carrying value of investment on the date of merger of Rs 2,627,992 has been transferred to the capital reserve.

POLARIS SOFTWARE LAB LIMITED**Schedules to the Balance Sheet and Profit and Loss Account****16. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)****13 Related party transactions**

Following are the related parties with whom transactions have taken place during the year:

Subsidiaries

- Polaris Software Lab Pte Limited, Singapore
- Polaris Software Lab Limited, UK
- Polaris Retail Infotech Limited, India
- Polaris Software Lab GmbH, Germany
- Polaris Software Lab SA, Switzerland
- Polaris Software Pty, Ltd., Australia
- Polaris Software Lab Ireland Ltd., Ireland
- Polaris Software Lab Japan KK, Japan

Associates

- Polaris Holdings Private Limited
- Eternet Inc.
- NMSWorks Software Limited
- Card Systems Private Limited
- Nucleus Software Workshop Private Limited
- Dispo Medi Products India Limited
- Konark Trust

		Year ended	Year ended
		31 March 2002	31 March 2001
Subsidiaries :	Sales related	7% of revenue	7% of revenue
	Purchase of services & others	5% of revenue	4% of revenue
Associate			
Companies :	Purchase of assets	1% of additions	2.87% of additions
	Services	0.28% of revenue	0.30% of revenue

POLARIS SOFTWARE LAB LIMITED

Schedules to the Balance Sheet and Profit and Loss Account

16. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)

13 Related party transactions (Continued)

- Sales include sale of a software product developed over a period to NMSWorks Software Limited (NMS), a Company in which Polaris intends to be a strategic investor, for an amount of Rs 30,039,333. The Company has received 500,000 0% convertible debentures in NMS as consideration for the sale which is included in investments.
 - Sales includes an amount of Rs 9,007,075 pertaining to the sale of an internally developed software product by the Company to Polaris Software Lab Pte. Limited, a wholly owned subsidiary.
 - Training costs reimbursed to the Company by Polaris Software Lab Pte. Limited, amount to Rs 4,401,375.
 - Sundry debtors includes a sum of Rs 29,095,146 (Previous year: Rs 5,854,547) being due from subsidiaries and Rs 42,327 from an associate company.
 - Loans and advances include a sum of Rs 17,485,920 (Previous year: Rs 53,758,171) being due from subsidiaries.
 - Loans and advances include a sum of Rs 3,421,598 (Previous year Rs.500,000) being due from associates.
 - Current liabilities include an amount of Rs.14,828,409 being due to subsidiaries (Previous year Nil).
 - Details of remuneration paid to directors are given in Note 6 above. Maximum amount due from directors of the company during the year is Rs.2,505,000 (Previous year: Rs 2,565,000).
 - Trade investments include:
 - Rs 11,625,000 in Eternet Inc. to acquire 25% equity in that company during the year; and
 - Investment in NMS as stated above.
- 14 Arun Verma and Data Inc. (the plaintiffs) have filed a complaint against the Company in a US court for damages towards breach of contract and fraud, for non acquisition of Data Inc. It is not possible for the Company to predict the outcome of the case. However the court has passed orders limiting the extent of claim by the plaintiff to USD 100,000. The Company believes that the allegations are without merit and is vigorously contesting the case. The Company further believes that any outcome of the case will not have a material adverse effect on its earnings or financial position.
- 15 As at 31 March 2002, the company had no outstanding dues to small-scale industrial undertakings (Previous year: Nil).
- 16 Previous year figures have been regrouped / reclassified, wherever necessary, to conform to the current year presentation.

AUDITORS' REPORT ON STATEMENT OF CASH FLOWS**Auditors' Report to the Members of Polaris Software Lab Limited**

We have examined the attached cash flow statements of the Company for the year ended 31 March 2002. The statements have been prepared by the Company in accordance with the requirements of clause 32 of the listing agreements entered into with the stock exchanges.

for **Bharat S Raut & Co.**

Chartered Accountants

S. Balasubrahmanyam

Partner

Chennai

22 April 2002

POLARIS SOFTWARE LAB LIMITED
Statement of cash flows for the years ended

	31 March 2002 (Rs)	31 March 2001 (Rs)
Cash flows from operations		
Profit before tax	654,209,750	606,651,365
Other income	(57,584,114)	(30,977,794)
Sale of software for consideration other than cash	(30,000,000)	-
Finance charges	-	324,918
Foreign exchange translation	(10,245,158)	(10,548,807)
Depreciation	93,942,900	67,931,483
Amortisation of ESOP	(17,186,068)	19,455,003
Loss on sale of assets	106,674	217,164
Diminution in value of investments	-	(463,172)
Increase in sundry debtors	(89,551,654)	(219,241,885)
Increase / (decrease) in loans and advances	10,073,865	(4,360,014)
(Increase) / decrease in current liabilities & provisions	(46,256,446)	77,417,398
Net Cash from operations	507,509,749	506,405,659
Cash flows from financing		
Repayment of borrowings	-	(633,198)
Dividends paid	(51,187,650)	(46,741,628)
Taxes paid, including taxes on dividend	(22,476,467)	(13,769,599)
Net cash from financing activities	(73,664,117)	(61,144,425)
Cash flows from investing		
Proceeds from sale of fixed assets	200,099	325,415
Purchase of fixed assets	(412,538,952)	(301,728,663)
Investment in subsidiaries	(26,639,880)	(33,060,289)
Investment in associate companies	(12,015,288)	(52,370,393)
Net increase in non-trade investments	(977,983)	115,428,669
Interest and dividend received	57,584,114	30,977,794
Net cash from investing activities	(394,387,890)	(240,427,467)
Total increase / (decrease) in cash and equivalents during the year	39,457,742	204,833,767
Cash and equivalents at the beginning of the year	313,114,852	108,281,085
Cash and equivalents at the end of the year	352,572,594	313,114,852

Note: The above cash flow does not include the transfer of assets and liabilities of TipTop Holdings Private Limited to the Company, consequent to the merger effective 1 October 2001. (Refer Note B 12 of the Schedule 16 to the financial statements). Previous year's figures have been regrouped to conform to the current year's presentation.

This is the Cash Flow Statement referred to in our report of even date.

for **Bharat S Raut & Co.**
Chartered Accountants

S. Balasubrahmanyam
Partner

Arun Jain Chairman & Managing Director	G N Mathur Executive Director	Abhay Agarwal Director	Arvind Kumar Director	Satya Pal Director	R C Bhargava Director
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Ashok Jhunjhunwala Director	M L Garg Director	N Vaidyanathan Chief Finance Officer	G Rajesh Company Secretary
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Chennai
22 April 2002

POLARIS SOFTWARE LAB LIMITED**Balance Sheet Abstract and Company's General Profile****I.Registration Details**

Registration No	18-24142	State Code	18
Balance Sheet	31.03.2002		

II. Capital Raised during the Year

Public issue	Nil	Rights Issue	Nil
Bonus Issue	85,312,750	Private Placement	Nil

III. Position of Mobilisation and deployment of funds (Amount in Thousands)

Total Liabilities	2,440,735	Total Assets	2,440,735
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Source of funds

Paid up Capital	255,938	Reserves & Surplus	2,184,797
Secured Loans	---	Unsecured Loans	---

Application of funds

Net fixed assets	870,227	Investments	616,123
Net Current Assets	954,385	Misc Expenditure	---

IV.Performance of the Company(Amount in thousands)

Total Turnover	2,839,382	Total expenditure	2,185,172
Profit before tax	654,210	Profit after tax	616,492
Earning per share in Rs	12.04	Dividend Rate	35%

V.Generic names of three principal products/services of Company (as per monetary terms)

Item Code No (ITC Code) Not Applicable

Product description Computer Software

Arun Jain	G N Mathur	Abhay Agarwal	Arvind Kumar	Satya Pal	R.C.Bhargava
Chairman & Managing Director	Executive Director	Director	Director	Director	Director

Ashok Jhunjunwala	M L Garg	N Vaidyanathan	G Rajesh
Director	Director	Chief Finance Officer	Company Secretary

Chennai

22 April 2002

POLARIS SOFTWARE LAB LIMITED

Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Company

1. Name of subsidiary	Polaris Software Lab Pte Limited, Singapore
2. Financial year ended	March 31, 2002
3. Holding Company's interest	100%
4. Shares held by the holding company in the Subsidiary's common stock at S\$	385,000 shares @ S \$1 each
5. The net aggregate of profits or losses for the current financial year of the subsidiary so far as it concerns the members of the holding company	
a. dealt with or provided for in the accounts of the holding company	Nil
b. not dealt with or provided for in the accounts of the holding company	Profit S \$ 186,840 .42
6. The net aggregate of profits or losses for the previous financial year of the subsidiary so far as it concerns the members of the holding company	
a. dealt with or provided for in the accounts of the holding company	Nil
b. not dealt with or provided for in the accounts of the holding company	Profit S \$ 60,938 .17

Statement pursuant to section 212(5) of the Companies Act, 1956 relating to subsidiary company.

1. There has been no change in the holding company's interest in the subsidiary between the end of the financial year of the subsidiary and that of the holding company in respect of:
 - a. Fixed assets of the subsidiary
 - b. Investments of the subsidiary
 - c. Moneys lent by the subsidiary
 - d. Moneys borrowed by the subsidiary for any purpose other than that of meeting current liabilities

Arun Jain Chairman & Managing Director	G N Mathur Executive Director	Abhay Agarwal Director	Arvind Kumar Director	Satya Pal Director	R C Bhargava Director
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Ashok Jhunjunwala Director Chennai,	M L Garg Director	N Vaidyanathan Chief Finance Officer	G Rajesh Company Secretary
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22 April 2002

POLARIS SOFTWARE LAB LIMITED**Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Company**

1.	Name of subsidiary	Polaris Software Lab Limited, UK
2.	Financial year ended	September 30, 2001
3.	Holding Company's interest	100%
4.	Shares held by the holding company in the subsidiary's common stock at GBP	8,89,000 shares @ GBP 1 each
5.	The net aggregate of profits or losses for the current financial year of the subsidiary so far as it concerns the members of the holding company	
	a. dealt with or provided for in the accounts of the holding company	Nil
	b. not dealt with or provided for in the accounts of the holding company	Profit GBP 83,009
6.	The net aggregate of profits or losses for the previous financial year of the subsidiary so far as it concerns the members of the holding company	
	a. dealt with or provided for in the accounts of the holding company	Nil
	b. not dealt with or provided for in the accounts of the holding company	Profit GBP 9,934

Statement pursuant to section 212(5) of the Companies Act, 1956 relating to subsidiary company

1.	Statement of material change which has occurred in respect of the following in the case of the Subsidiary, between the end of the financial year of the subsidiary and that of the holding company	
	a. Fixed Assets	GBP 2,584
	b. Investments of the subsidiary	Nil
	c. Moneys lent by the subsidiary	Nil
	d. Moneys borrowed by the subsidiary for the purpose other than that of meeting current liabilities	Nil

Arun Jain	G N Mathur	Abhay Agarwal	Arvind Kumar	Satya Pal	R C Bhargava
Chairman & Managing Director	Executive Director	Director	Director	Director	Director

Ashok Jhunjunwala	M L Garg	N Vaidyanathan	G Rajesh
Director	Director	Chief Finance Officer	Company Secretary

Chennai

22 April 2002

POLARIS SOFTWARE LAB LIMITED

Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Company

1.	Name of subsidiary	Polaris Software Lab S.A, Switzerland
2.	Financial year ended	March 31, 2002
3.	Holding Company's interest	100%
4.	Shares held by the holding company in the Subsidiary's common stock at CHF	15,000 shares @ CHF10 each
5.	The net aggregate of profits or losses for the current financial year of the subsidiary so far as it concerns the members of the holding company	
	a. dealt with or provided for in the accounts of the holding company	Nil
	b. not dealt with or provided for in the accounts of the holding company	Loss CHF 26,085
6.	The net aggregate of profits or losses for the previous financial year of the subsidiary so far as it concerns the members of the holding company	
	a. dealt with or provided for in the accounts of the holding company	Nil
	b. not dealt with or provided for in the accounts of the holding company	Loss CHF 57,671

Statement pursuant to section 212(5) of the Companies Act, 1956 relating to subsidiary company.

- 1 There has been no change in the holding company's interest in the subsidiary between the end of the financial year of the subsidiary and that of the holding company in respect of:
 - a. Fixed assets of the subsidiary
 - b. Investments of the subsidiary
 - c. Moneys lent by the subsidiary
 - d. Moneys borrowed by the subsidiary for any purpose other than that of meeting current liabilities

Arun Jain Chairman & Managing Director	G N Mathur Executive Director	Abhay Agarwal Director	Arvind Kumar Director	Satya Pal Director	R C Bhargava Director
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Ashok Jhunjhunwala Director	M L Garg Director	N Vaidyanathan Chief Finance Officer	G Rajesh Company Secretary
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Chennai

22 April 2002

POLARIS SOFTWARE LAB LIMITED**Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Company**

1. Name of subsidiary	Polaris Software Lab GmbH, Germany
2. Financial year ended	March 31, 2002
3. Holding Company's interest	100%
4. Shares held by the holding company in the Subsidiary's common stock at Euro	Euro 4,00,000
5. The net aggregate of profits or losses for the current financial year of the subsidiary so far as it concerns the members of the holding company	
a. dealt with or provided for in the accounts of the holding company	NIL
b. not dealt with or provided for in the accounts of the holding company	Loss Euro 320,365.48
6. The net aggregate of profits or losses for the previous financial year of the subsidiary so far as it concerns the members of the holding company	
a. dealt with or provided for in the accounts of the holding company	Not Applicable
b. not dealt with or provided for in the accounts of the holding company	Loss Euro 58,143.03

Statement pursuant to section 212(5) of the Companies Act, 1956 relating to subsidiary company.

1. There has been no change in the holding company's interest in the subsidiary between the end of the financial year of the subsidiary and that of the holding company in respect of:
 - a. Fixed assets of the subsidiary
 - b. Investments of the subsidiary
 - c. Moneys lent by the subsidiary
 - d. Moneys borrowed by the subsidiary for any purpose other than that of meeting current liabilities

Arun Jain	G N Mathur	Abhay Agarwal	Arvind Kumar	Satya Pal	R C Bhargava
Chairman & Managing Director	Executive Director	Director	Director	Director	Director

Ashok Jhunjunwala	M L Garg	N Vaidyanathan	G Rajesh
Director	Director	Chief Finance Officer	Company Secretary

Chennai

22 April 2002

POLARIS SOFTWARE LAB LIMITED

Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Company

- | | |
|--|---|
| 1. Name of subsidiary | Polaris Software Pty Limited,
Australia |
| 2. Financial year ended | First financial year for this Subsidiary
30th June 2001
Subsequently the Financial year
was changed to 31.03. 2002 |
| 3. Holding Company's interest | 100% |
| 4. Shares held by the holding company in the
Subsidiary's common stock at A \$ | 25,000 Shares @ A \$ 1 each |
| 5. The net aggregate of profits or losses for the
current financial year of the subsidiary so far as it
concerns the members of the holding company | |
| a. dealt with or provided for in the accounts of
the holding company | Nil |
| b. not dealt with or provided for in the accounts
of the holding company | Profit A \$ 8,156 |
| 6. The net aggregate of profits or losses for the
previous financial year of the subsidiary so far as
it concerns the members of the holding company | |
| a. dealt with or provided for in the accounts of
the holding company | Nil |
| b. not dealt with or provided for in the accounts
of the holding company | Profit A \$ 4,270 |

Statement pursuant to section 212(5) of the Companies Act, 1956 relating to subsidiary company.

- 1 There has been no change in the holding company's interest in the subsidiary between the end of the financial year of the subsidiary and that of the holding company in respect of:
 - a. Fixed assets of the subsidiary
 - b. Investments of the subsidiary
 - c. Moneys lent by the subsidiary
 - d. Moneys borrowed by the subsidiary for any purpose other than that of meeting current liabilities

Arun Jain Chairman & Managing Director	G N Mathur Executive Director	Abhay Agarwal Director	Arvind Kumar Director	Satya Pal Director	R C Bhargava Director
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Ashok Jhunjhunwala Director	M L Garg Director	N Vaidyanathan Chief Finance Officer	G Rajesh Company Secretary
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Chennai

22 April 2002

POLARIS SOFTWARE LAB LIMITED**Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Company**

1. Name of subsidiary	Polaris Software Lab Ireland Limited, Ireland
2. Financial year ended	March 31, 2002
3. Holding Company's interest	100%
4. Shares held by the holding company in the Subsidiary's common stock at Euro	76,186 Shares @ Euro 1 each
5. The net aggregate of profits or losses for the current financial year of the subsidiary so far as it concerns the members of the holding company	
a. dealt with or provided for in the accounts of the holding company	Nil
b. not dealt with or provided for in the accounts of the holding company	Loss Euro 39,267
6. The net aggregate of profits or losses for the previous financial year of the subsidiary so far as it concerns the members of the holding company	
a. dealt with or provided for in the accounts of the holding company	Not applicable
b. not dealt with or provided for in the accounts of the holding company	Not applicable

Statement pursuant to section 212(5) of the Companies Act, 1956 relating to subsidiary company.

- 1 There has been no change in the holding company's interest in the subsidiary between the end of the financial year of the subsidiary and that of the holding company in respect of:
 - a. Fixed assets of the subsidiary
 - b. Investments of the subsidiary
 - c. Moneys lent by the subsidiary
 - d. Moneys borrowed by the subsidiary for any purpose other than that of meeting current liabilities

Arun Jain Chairman & Managing Director	G N Mathur Executive Director	Abhay Agarwal Director	Arvind Kumar Director	Satya Pal Director	R C Bhargava Director
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Ashok Jhunjhunwala Director	M L Garg Director	N Vaidyanathan Chief Finance Officer	G Rajesh Company Secretary
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Chennai

22 April 2002

POLARIS SOFTWARE LAB LIMITED

Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Company

1.	Name of subsidiary	Polaris Software Lab Japan KK, Japan
2.	Financial year ended	March 31, 2002
3.	Holding Company's interest	100%
4.	Shares held by the holding company in the Subsidiary's common stock at JPY	200 Shares @ JPY 50,000 each
5.	The net aggregate of profits or losses for the current financial year of the subsidiary so far as it concerns the members of the holding company	
	a. dealt with or provided for in the accounts of the holding company	Nil
	b. not dealt with or provided for in the accounts of the holding company	Loss JPY 33,96,399
6.	The net aggregate of profits or losses for the previous financial year of the subsidiary so far as it concerns the members of the holding company	
	a. dealt with or provided for in the accounts of the holding company	Not applicable
	b. not dealt with or provided for in the accounts of the holding company	Not applicable

Statement pursuant to section 212(5) of the Companies Act, 1956 relating to subsidiary company.

1. There has been no change in the holding company's interest in the subsidiary between the end of the financial year of the subsidiary and that of the holding company in respect of:
 - a. Fixed assets of the subsidiary
 - b. Investments of the subsidiary
 - c. Moneys lent by the subsidiary
 - d. Moneys borrowed by the subsidiary for any purpose other than that of meeting current liabilities.

Arun Jain Chairman & Managing Director	G N Mathur Executive Director	Abhay Agarwal Director	Arvind Kumar Director	Satya Pal Director	R C Bhargava Director
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Ashok Jhunjunwala Director	M L Garg Director	N Vaidyanathan Chief Finance Officer	G Rajesh Company Secretary
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Chennai

22 April 2002

POLARIS SOFTWARE LAB LIMITED**Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Company**

1	Name of subsidiary	Polaris Retail Infotech Limited
2	Financial year ended	September 30, 2001
3	Holding Company's interest	100%
4	Shares held by the holding company in the subsidiary's common stock at Rs.	50,00,000 shares @ Rs 10 each
5	The net aggregate of profits or losses for the current financial year of the subsidiary so far as it concerns the members of the holding company	
a	dealt with or provided for in the accounts of the holding company	Nil
b	not dealt with or provided for in the accounts of the holding company	Loss: Rs. 15,495,960
6	The net aggregate of profits or losses for the previous financial year of the subsidiary so far as it concerns the members of the holding company	
a	dealt with or provided for in the accounts of the holding company	Nil
b	not dealt with or provided for in the accounts of the holding company	Loss : Rs. 16,166,860

Statement pursuant to section 212(5) of the Companies Act, 1956 relating to subsidiary company

1.	The holding company's investment in the subsidiary between the end of the financial year of the subsidiary and that of the holding company -	Nil
2.	Statement of material change which has occurred in respect of the following in the case of the subsidiary, between the end of the financial year of the subsidiary and that of the holding company:	
a.	Fixed Assets (CWIP)	Rs. 14,324,449
b.	Investments of the subsidiary	Not Applicable
c.	Moneys lent by the subsidiary	Not Applicable
d.	Moneys borrowed by the subsidiary for the purpose other than that of meeting current liabilities.	Not Applicable

Arun Jain	G N Mathur	Abhay Agarwal	Arvind Kumar	Satya Pal	R C Bhargava
Chairman & Managing Director	Executive Director	Director	Director	Director	Director

Ashok Jhunjunwala	M L Garg	N Vaidyanathan	G Rajesh
Director	Director	Chief Finance Officer	Company Secretary

Chennai

22 April 2002

MANAGEMENT DISCUSSIONS & ANALYSIS

Forming part of the Financial Statements for the year ended 31 March 2002

POLARIS SOFTWARE LAB LIMITED

Information on the Company

HISTORY AND EVOLUTION OF THE COMPANY

- a) Polaris Software Lab was incorporated in 1993 as a Private Limited Company in Chennai, India and was subsequently converted to a Public Limited Company in June 1996. The Company's Registered Office stands at Polaris House, No. 244 (Old No. 713), Anna Salai, Chennai – 600 006 and the telephone number of the office is +91-44-852-4154
- b) Polaris is among India's leading software solution providers, specializing in providing quality and customized Information Technology (IT) solutions to several multinational clients in the Banking, Financial Services and Insurance (BFSI) segment
- c) Headquartered in Chennai, Polaris is operational across the globe, with five development centers in India, and offices in Chennai, Hong Kong, London, New Delhi, Dubai, and four more in the US. Polaris also operates as wholly owned subsidiaries in Singapore, UK, Germany, Switzerland, Australia, Ireland and Japan
- d) In August 1999, Polaris went in for an Initial Public Offering (IPO). The Company is today listed on the National Stock Exchange (NSE), the Bombay Stock Exchange (BSE), and the Madras Stock Exchange (MSE). Polaris enjoys an "A" group listing on the BSE and is among the stocks that determine the BSE Teck Index movement, a premium rating of technology stocks. The Company was recently inducted onto the Junior Nifty Index
- e) Polaris has now enhanced its global delivery capability, with a clear focus on Accelerated Time-To-Market (ATTM) and on creating value for its clients
- f) Some of the notable accolades and achievements that the Company received during 2001-02 include :
 - i. Became **the First Company in the World** to be assessed and certified *CMMi Level 5* (Capability Maturity Model Integrated) by the globally renowned quality rating body, the Software Engineering Institute (October 2001)
 - ii. Named among *Business Today's* "**Tomorrow's Organisations**" (January 2002)
 - iii. Voted among *Business Today* – Hewitt Associates' **Top 25 Best Employers in India** (February 2002)
 - iv. Among *Business Today's* **Largest IT Wealth Creators in India** (February 2002)
 - v. Polaris won the **Best Annual Report 2000-01 Award** from the Advertising Club, Chennai (March 2002)
 - vi. Polaris was ranked at No.75 in *The Economic Times* Top 500 Companies in India listing, a study based solely on market capitalization (March 2002)

BUSINESS AND CORPORATE OVERVIEW

- a) While Polaris' core focus area is the global BFSI segment, the Company also focuses on providing state-of-the-art solutions on a product framework for the Banking and Retailing segments. Primarily, the Company's business focus is two-fold:
- *Banking, Financial Services and Insurance:* Polaris provides global solutions to BFSI clients based across the globe. The BFSI segment accounted for 71.1% of the Company's revenues for 2001-02 and 66.2% in 2000-01
 - *Emerging Verticals:* The Company continues to focus on this revenue stream which contributed 28.9% in 2001-02 and 33.8% in 2000-01.
- b) Polaris caters to its clients through its worldwide offices and its global business distribution encompasses US/North America, Europe, Asia Pacific & Japan and India.
- In 2001-02, US/North America contributed 41.2%, Europe contributed 20.4%, Asia Pacific & Japan contributed 21.5% and India contributed 16.9%.
 - In 2000-01, US/North America contributed 65.5%, Europe contributed 19.8%, Asia Pacific & Japan contributed 8.7% and India contributed 6.0%

INDUSTRY OVERVIEW

- a) As recognised by the world, India has emerged as the right outsourcing destination. Globally, there has been a search to identify the right place at the right cost for providing services and India is emerging as the leading knowledge superpower. India has the quality advantage, offers benefits of higher productivity and offers cost advantages. The current challenges of the global IT scenario have only increased the value of outsourcing and made it a recognized, widely accepted and viable business option
- b) India is projected to become the country with the second fastest growing IT industries between now and 2005, second only to China, according to an *IDC Study**
- c) This period is the beginning of the "Formalisation of the Software Industrialisation" and the roadmap of the shape of things to come for the Indian IT industry. The future is vibrant for high quality Indian IT corporates that have the right management team and proven delivery capabilities. Specifically, the IT scenario is in its 'high growth' stages and the offshore rates will see the reflection of India's supremacy in being the preferred outsourcing solutions partner
- d) The number of IT companies in India, which grew from 8082* to 16,530* between 1995 to 2001 is projected to grow to 26,648* by 2005

- e) Industry experts have observed significant shifts in the decision-making patterns in the global outsourcing industry. Decision-making has shifted from operation managers to strategic managers and this has impacted IT sourcing from India as well. Large customers are looking at cost savings of anywhere between \$ 50 million to \$ 100 million a year for projects out of India, an observation validated by many IT companies too. Even as IT outsourcing from India moves into the third orbit of maturity, Indian IT has emerged in the reckoning for key global projects among Fortune 500 clients
- f) According to a *Gartner Report*, North America and the US will continue to drive IT growth worldwide, and Indian IT corporates will be looking to consolidate their position in these markets
- g) The US will continue to hold around 39%** of the worldwide financial services IT spend, which amounts to around USD 328 billion** in 2001. The lion's share of this IT spend will be shared among relatively fewer vendors, with factors pertaining to effective relationship management, delivery capability, quality and domain expertise becoming key decision making factors
- h) While India has emerged as the hub for IT-enabled services, the perception of India as a 'code' level, English-speaking destination is fast changing. Hence, the global potential is there and outsourcing from the Indian sub-continent remains a viable choice
- i) The number of jobs created in the IT sector, which grew from 2, 31,647* to 5,61,357* between 1995 to 2001 is projected to grow to 11,81,735* by 2005. The total revenues from the IT sector are projected to grow from USD 4.7 billion* in 2001 to USD 12 billion* by 2005 at a CAGR of 26%*
- j) Despite the tragic incidents of September 11, and the subsequent downturn of global markets, the industry remains confident of its growth and envisions a vibrant future

[* Source: *IDC Study*]

[** Source: *Gartner*]

COMPETITIVE STRENGTHS

Polaris Software has developed some core intrinsic strengths, which, the Company believes, are the key determinants and drivers of its business performance and global strategy. Despite a rapidly evolving marketplace characterised by changing buying patterns, Polaris' expertise in the BFSI segment has proved to be of strategic significance. These core strengths include:

- a) **BFSI Focus:** Polaris' BFSI focus has been its forte and has helped the organisation carve a niche for itself in the global IT solutions marketplace. In partnering with key technology players and complementary solution providers, Polaris has added a new dimension of strength to its BFSI focus. Firmly positioned among the top BFSI solution providers from India, Polaris remains dedicated to the creation, development and maintenance of the BFSI industry's most advanced technologies and solutions, providing meaningful technology advancements and continuously translating these advanced solutions into

tremendous value for its clients. In developing high quality solutions and in Accelerating Time-To-Market for its customers, the company has been continuously creating value enhancements and providing end-to-end solutions with speed. According to a report by IDC, the current estimates of global IT budgets are projected to be in the range of USD 40 billion, while Indian IT companies still do not enjoy even a single digit share of this potential. The report further stated that, the global outsourcing market is said to be worth around USD 440 billion and is expected to grow to USD 700 billion by 2005, while India's "addressable" market accounts for USD 137 billion. Hence, the growth potential is extensive, as are the skills availability and the cost competitiveness. Polaris is looking to standardize its revenues with around 70-75% coming in from the BFSI domain and 20-25% coming in from Emerging Verticals.

- b) ***Comprehensive Range of IT Services:*** Polaris has remained a customer-focused business and has a clear purpose to create value for the customer's business, which forms the core anchor of the Company's business outlook. With a strategic drive to create the demand in the global marketplace and invest in a superlative delivery capability, Polaris is currently poised to offer clients a range of globally viable solutions, including Networking and Communications, Transportation and ERP / EIS. The Company has also been moving steadily up the value chain with its Component Warehouse technology and the Polaris WebLab, both developed with the focus of Accelerated Time-to-Market (ATTM). The emphasis has been on value creation for businesses rather than replacement of technology platforms, which is why the offshore delivery model as practiced by Polaris is likely to continue yielding rich returns for its shareholders. With more than half a million square feet of state-of-the-art infrastructure, Polaris has put in place globally comparable infrastructure, giving itself a sustainable competitive advantage. With the focus clearly on Global 1000 clients, Polaris has aligned each of its facilities in order that it can service its customers better. Polaris' global network has been expanded and intensified to place teams closer to the customer. With offices in 16 global locations, Polaris has placed its team close to its clients, irrespective of geographic distance
- c) ***Quality Through CMMi Level 5 - Highest Standards:*** One of the key determinants of Polaris' business strategy has been a single-minded focus on quality. Polaris already had an established Quality Management System (QMS) aligned to the ISO standards and the organization has been certified along ISO 9001 standards from the year 1998. The organisation was also aligned to SEI-CMM from the year 1995. In 2000, Polaris was certified on the newer ISO 9001:2000 standard. As early as October 2001, Polaris became the first organisation across the globe to be assessed on Software Engineering Institute - Capability Maturity Model Integrated (CMMi) – the latest model developed under the stewardship of the globally renowned quality rating centre, the Software Engineering Institute (SEI)- US. Polaris Software has the unique distinction of being the first Company

in the world to be assessed and certified on this version. The CMMi model (ver 1.02) was released by the SEI in August 2000 and provides an integrated approach across the enterprise for improving processes, while reducing the redundancy, complexity and cost, resulting from the use of separate and multiple Capability Maturity Models (CMMs). Apart from decreasing defect levels, increasing productivity, and reducing cycle time, the certified quality process also ensures that the organisation's overall process performance is continuously improving. Sustained value addition for clients and the creation of an enterprise-wide knowledge warehouse that has evolved, will serve as an effective source for reference and decision making through this quality certification. Polaris was felicitated by *National Association of Software and Service Companies (NASSCOM)* and by the *Software Technology Parks of India (STPI)* upon achieving this certification

- d) ***Polaris' Offshore Development Model:*** This knowledge is further strengthened by the Company's strong relationship focus. ENTITY (Extended Technology Facility), the Polaris business model, has been tremendously successful with clients from across the globe. The current challenges of the global IT scenario have only increased the value of outsourcing and made it a recognized, widely acceptable and viable business option. While the outsourcing model does indeed offer immense potential for cost saving, this remains unrecognized during the early stages of any outsourced business relationship. Given Polaris' critical first-mover advantage into the BFSI space, the Company's experience as a preferred outsourcing partner has confirmed that the following parameters, in order of their priority, are what determine the fusion of the business relationship. These are:
- *Good Referral Projects and Renowned Specialisations:* Also called segment expertise. Under this domain, another specific parameter would be skill sets / experience
 - *Global Quality Standards*
 - *Delivery Commitments :* Meeting project deadlines on time, every time
 - *Infrastructure:* The physical support to ensure near-perfect execution of these projects
 - *Cost :* Competitive costs will continue to be a tremendous advantage
 - *Government Policies :* Economic liberation, procedure simplification
- e) ***Making Relationships a Global Mantra:*** Polaris' clients include some key relationships that have been nurtured during the past decade. Polaris' Top Five clients contributed 43.8% to the revenues in 2001-02. Specifically, Polaris' long-term relationships with NEC of Japan and the CitiGroup has emphasised the company's expertise in delivering end-to-end solutions and is the single differentiating factor that has helped Polaris retain such long-term relationships. **"The New Millennium Banking Software"** which is the centerpiece of technology major, NEC's banking offering, has grown into a mega-project for Polaris. While NEC is Polaris' largest individual client, contributing to 16.6% of its

revenues, the CitiGroup also contributes significantly to the Company's revenues. Polaris also has ongoing relationships with trophy clients like Hewlett Packard, Sanmina Corporation, Commerzbank, Reuters, Wesco, GE Power Systems, Panasonic, American Insurance Group (AIG), Snecma Moteurs and Thomson Financial Corporation to name a few.

- f) ***Nurturing a Globally Effective Workplace:*** Attracting and retaining the best talent in the industry is of strategic importance in the knowledge-based economy. Polaris has over 2544 professionals (as on March 31, 2002) and pays special attention to the management of its people. With well-established human resource processes, the Company added 210 associates during the year. In creating and nurturing a "learning" culture, Polaris established *Nalanda*, named after the ancient University of Learning, as its Corporate University. Programmed to impart over 50,000 person days of training, *Nalanda* is being driven by strategic thinker and IIM (A) Professor, Dr. Ashok Korwar, currently the Strategic Advisor at Polaris. As part of its people-focus, Polaris has enhanced its workplace culture by creating an element of fun @ work. Associate-focused programs, such as the BONZER program, the GEM Awards (for associates who are Going the Extra Mile), Team Excellence Awards and stream outings are all aimed at encouraging proactiveness and creativity at the workplace. The Company also has a unique goal-oriented performance appraisal system that ensures that the focus on excellence is never lost. *Funda*, the Company's Intranet portal, makes information easily accessible and has created a sense of integration amongst the associates. Polaris has realised how important it is to nurture its knowledge workers and, in keeping with that philosophy, the Board of Directors of Polaris Software had formulated an Associate Stock Option Plan (ASOP). The ASOP provides for the issue of stock options to employees of the Company that could be converted into equity shares, with a vesting option over a period of 5 years. In celebration of its workplace practices and people focus, Polaris was recently (February 2002) named among the **Top 25 Best Employers in India** by a *Business Today* – Hewitt Associates Indian corporates study
- g) ***The New Organisational DNA :*** Polaris re-engineered its DNA to encompass Strategic Relationship and Delivery Units (SRDUs) and Strategic Practice Units (SPUs). The SRDUs therefore, will mine existing clients for more business, while the SPUs will adopt an emerging-technology approach. The SPUs will focus on building and honing competencies through the development of Vertical (domain-focused) and Horizontal (technology-focused) SPUs. The SPUs will form the second organisational pillar and will *fuel the growth engine*, while the SRDUs will provide *the cash engine for growth*. This complementary approach will open the boundaries of opportunities and lead to better cross dissemination of knowledge across the organisation. The current organisational DNA represents dynamic management leadership, high quality processes and capabilities

to deliver global solution offerings. This evolving DNA change forms the strategic crux aimed at helping the organisation move into the desired Tier I status. The new structure has been implemented across the organisation and specific processes are now in place across each geography to ensure the sales funnel is consistently engaged, with other processes that define the rate of conversion from ‘prospective’ to ‘client acquisition’

- h) ***Broad Basing the Management Bandwidth*** : Behind every process and organisational change, there needs to be a certain degree of management width and depth to provide the driving force that will focus on people. While it is the people who dictate the levels of transformation, not the process itself, Polaris has reached out and recruited expertise in three key domains that it identified as ‘strategically crucial’ to its business. These three domains are:

- **Relationship Experts** – People capable of sustaining long-term business relationships and initiating more business from the same clients
- **Domain Specialists** - Banking experts in Polaris’ core area – the Banking, Financial Services and Insurance (BFSI) industry
- **Marketing / Sales Process Drivers** - Capable of driving the new processes and scientifically developing client acquisitions

Senior people with wide expertise from the Big 5 consulting firms, which are known for their ‘relationship’ expertise, like Accenture, Arthur Andersen and EDS have joined the Company. In terms of domain specialists, Polaris has brought in talent from Citibank, HSBC, Commerce Bank, Bank of America, Goldman Sachs and Standard Chartered. The organisation’s branding and sales focus has been sharpened with senior members coming in from sales/branding specialists like HLL, IBM and GE. Powered by the new organisational DNA, these lateral recruitments will provide the organisation with the necessary associate-level leadership and is aimed at moving the Company into the next orbit of growth

- i) ***Extended Technology Facility*** : Polaris has been able to successfully churn out – around the clock - globally qualitative solutions to clients located across the globe. With more than half a million square feet of state-of-the-art infrastructure already in place, Polaris has established 5 Offshore Development Centres (ODCs). Essentially, state-of-the-art facilities that are tailored to the strategic requirements of quality conscious Global 1000 corporates
- The facilities are designed to facilitate enhanced security to its clients’ software assets - each of the twelve development modules are effectively ‘sanitized’ by proximity cards, thereby restricting access

- The campus is equipped with high-speed data links and optical fibre cables for broad bandwidth. A 100% captive power generation facility of 2.1MW, enables Polaris to offer 24*7*365 serviceability to its customers
- The networking of all these facilities is the responsibility of a specialised Communications Network unit. This forms the backbone of the Company's infrastructure set-up and monitors software and the desktop as part of its workstation policy. In its role as an intelligence organ in charge of monitoring and surveillance, this Unit has laid out the Internet policy and the backup and virus control policies of the Company. Processes such as those applied to realise quality are housed on the internet to facilitate online access. A powerful feedback option facilitates speedy interaction between the user and the Process Excellence Group. This ensures uniformity in governing all the centres, irrespective of the geography of operation. The dynamic environment is also cushioned as this allows processes to be improved to suit the evolving needs of the user, and allows adaptations to the changing paradigms of technology
- *The Foundation*, Polaris' sprawling 1,30,000 square feet offshore development facility, based in Chennai, is the hub of the Company's global operations

Infrastructure development on two new facilities is well underway, named *Track I* and *Polaris Towers*, these facilities are to house 1200 and 700 associates in Chennai and New Delhi respectively. Both these projects are being constructed at project costs of Rs.33 crores (*Track I*) and Rs.20 crores (*Polaris Towers*) respectively. *Track I*, with a built up area of 2,00,000 square feet, will have a development block, a food court and 1,200 workstations. *Polaris Towers*, with a built up area of 90,000 square feet, will have 700 workstations

THE STRATEGIC ROADMAP

- a) The **100 : 5 : 7 methodology focus** has laid the milestones for the strategic roadmap the Company has charted for itself. Polaris is looking to acquire 100 relationships over the next three years. These relationships are denoted by the dollar-value that each relationship will bring to Polaris. Relationships valued at over \$10 million are 'AAA' relationships, those valued at between \$5 million to \$10 million are 'AA' relationships and those between \$1 million to \$5 million are 'A' relationships. Polaris will also simultaneously bring 5 key "values" to these relationships, which will act as catalysts in the client-acquisition phase. These 'values' include improved quality, reduced cost, speed, reliability and flexibility. Polaris will leverage 7 growth levers to sustain this methodology and ensure that it moves into the desired orbit of change. These 7 levers include domain knowledge, technology platform expertise, customer environment knowledge, methodology, tools, re-usable components and learning derived over the years and the organisational energy, which has developed an inertia of its own.

- **Transforming into the Bankers' Bank:** Polaris' client roster holds several marquee names and with each of these trophy clients positioned among the Top 5 in their respective domains, and all relationships stocked with tremendous business potential over the long-term, Polaris is looking to capitalise heavily on the relationship approach. Aiming to be in the premium 'software solutions consultancy' status, using the long-term relationship approach, Polaris has evolved and today partners some of the globe's leading names in developing solutions. Each module enjoys high levels of security for each client team, underlining the organisation's commitment to client confidentiality. With an emphasis on personalising the entire 'delivery' approach to suit each client requirement, Polaris is aiming to become a global hub for its clients, making it the Bankers' Bank
- **'Productising' the Global Strategy:** The traditional services sector is gradually shifting its focus to include a product buying and selling mechanism to its business model. Hence, the aggressiveness in the sales channel will be maintained, while a strategic shift is also being included with a second business channel – products. After having acquired over 15 years of experience in developing core banking software solutions, the logical step was to get into products in order to leverage the domain experience and expertise to address the bank's needs. Polaris' suite of retail banking products, *BankWare™*, has already begun enhancing three aspects – the brand, the technology and the value to the end user. These products come with a unique modular configuration, which allows banks to selectively deploy its independent modules. *BankWare™* has the ability to integrate its offerings with the best-of-breed in areas of investment banking and corporate banking. Headquartered in New Delhi, the *BankWare™* unit also operates with strategic alliances at Kuala Lumpur, Jakarta, Dubai and Cairo. The *BankWare™* suite has, as its current offerings, *BankNow* and *BankWise*, which assure extensive value propositions to potential stakeholder groups
- **'Component'ising the Gameplan:** Polaris' core technology framework, the Component Warehouse, accelerates the time-to-market and reduces the software development cycle time by over 300%. Aimed at bringing more value to its client relationships, the technology framework is composed of reusable technology components that will speed up the customisation phase in the software development cycle. Built on a Co-Authoring Methodology, the Component Warehouse is an aggregation of a varied set of components that come under the heads of Knowledge, Technology and Business Components, amassed by Polaris, that provide developers the latitude to develop solutions that account for several of the inherent demands of modern business. The direct returns from this framework include building products on this platform for Polaris' existing suite of core retail banking products, *BankWare™* and for Polaris Retail (a wholly owned subsidiary of Polaris Software)

thereby reducing product building costs significantly to less than 1/3rd of the cost in building a new product

- **Selective and Growth-oriented Acquisitions:** While the Company has historically grown organically, in order to augment its business plans, Polaris may consider proposals which would synchronise with the values and vision of the Company, simultaneously ensuring that such a move would remain in the best interests of its stakeholders

CLIENTS:

- a) Polaris provides IT software solutions to clients predominantly in the BFSI domain and seeks to expand its level of business with its existing clients by increasing the type and range of services it provides to them. Polaris is continuously expanding its offerings in other Emerging Verticals. The table below illustrates the size of the Company’s client project work as measured by revenues:

Per client revenue (\$)	Number of clients in			
	Year ended March 31, 1999	Year ended March 31, 2000	Year ended March 31, 2001	Year ended March 31, 2002
2,50,000- 1 Mn.	6	10	20	24
1-5 Million	3	4	9	10
>5 Million	-	1	2	2
Total	9	15	31	36

MARKETING AND SALES:

- a) **Underlining the Sales Process:** The organisation also ushered in a new scientifically driven sales process methodology, aimed at creating a global sales organisation, sans boundaries. Clarity was established within the sales process with responsibilities to SPUs and Sales Teams. While the SPUs will back-end the sales effort with an added technology focus, there will be a larger marketing support to the sales funnel through enhanced and scientific branding processes. With the Chairman and Managing Director driving the sales process, key stages have been identified to ensure that the organisation gets the results it envisioned. From the P1 stage, where a credible contact is established, up to the P5 stage, where the closure is made, clear documentation is available to the management leadership at any point of time. Backed by *SalesLogix*, a scientific customer relationship management (CRM) tool that captures all the relevant information required in making an effective sale, Polaris has succeeded in increasing the visibility in the sales funnel and has

improved the predictability of the sales process. *SalesLogic* is able to provide the management leadership with an effective tracking mechanism to track salesperson productivity, request-for-proposal (RFP) tracking and quality, leadership intervention for acceleration towards closure and serves as a readily available Management Information System (MIS) on the sales effort. With the establishing of a 24-hour help desk, the institutionalising of *SalesLogic* Support Material and the release of a Pocket Sales Bluebook, the company is scientifically driving results through its entire sales channels in each target geography

- b) ***Enhancing the Branding Process:*** The Polaris brand has carved a niche for itself and has ridden the crest of Indian outsourcing to emerge among the top BFSI solution providers from the Indian sub-continent. The company has also brought on board branding experts with expertise from global majors to support its branding initiatives. In 2001-02, Polaris' Business Leadership Team has been strategizing various business roadmaps and decisions with the objective to attain the '**Power of Precision**'. This exercise signifies the current strategic thinking of the Company, which is scientifically charting out its growth plans and is in keeping with the 'precision' that Polaris is bringing its clients in its delivery capability having adopted the Best processes, infrastructure, people and leadership

COMPETITION:

- a) The IT industry is evolving at a rapid pace wherein neck to neck competition abounds, especially in the high growth, time-and-technology-bound software industry. For Polaris, competition is a welcome sign for growth, up-gradation and value addition
- b) Polaris' competition includes global consulting firms such as Accenture, EDS and India-based companies such as Tata Consultancy Services, Wipro, Infosys, Mphasis BFL and I-Flex Solutions
- c) Despite the fact that the competition is rising, businesses that are customer-focused and have a clear purpose to create value for the customer's business will always be more stable than 'opportunistic' businesses. The focus therefore, is on "creating demand" and investing in superlative delivery capability
- d) Polaris' strategy in the face of competition has concentrated on "Creating Demand" across four areas:
- Packaging the offerings
 - Communicating and reaching the right prospects
 - Integrating global sales processes
 - Building a zero-defect 'remote delivery' model

- e) While the cost- advantage continues to play an important role, our ability to effectively compete will be dictated by our segment expertise in relation to those of the competition, quality standards, delivery commitments and infrastructure
- f) Polaris also acknowledges that some factors, like the ability of the competition to retain or attract good talent and / or the ability of the competition to deliver on complex and highly specific specialisations are factors that are not within the control of the Company. However, Polaris remains confident that its processes, its infrastructure, its people and its leadership – all four key focus areas – will combine to create a well-defined strategy that will allow Polaris to compete successfully in the face of all these factors.

PRODUCTS:

BankWare™:

- a) Polaris' foray into the product segment was an extension of its business focus. Polaris' BankWare™, a suite of core retail banking products, has as its current offerings, BankNow and BankWise, which assure extensive value propositions to potential stakeholder groups
- b) Through BankNow, Polaris offers the following features:
 - Customer-centric approach
 - Virtual banking through browser-enabled solutions and
 - An integration of multiple delivery channels including ATMs, the Net and mobile phones
- c) Each of the component modules of BankWare™ have unique features that will ensure convenience to not just the customer, but also the internal user
- d) BankNow is a superior core retail-banking framework, derived from M&I's EastPoint which is successfully running in over 60 banks in the U.S and 10 banks outside USA. The strategic alliance between Polaris and M&I EastPoint Technology Inc. gives Polaris the licensing rights for the international version of EastPoint. Polaris has put in over 450 man-months of development effort into the product and has enhanced it by adding new product processors and features, to create a seamless banking solution
- e) BankNow is a highly scalable customer-centric solution for banks of various sizes and is a relationship-oriented core retail banking product that helps banks address the needs of diverse and new channels of delivery. A modular product configuration allows selective deployment of independent modules that can integrate with existing applications

- f) Other offerings from BankNow:
- **HomeLoanNow** - The latest offering from BankWare™ is a dedicated, integrated, end-to-end solution for housing loan companies and mortgage institutions. This solution allows for mortgage life cycle management and seamlessly integrates loan origination, processing, accounting, management, collections and securitisation. HomeLoanNow brings a solution that is current and sophisticated and allows Indian Housing Finance Companies (HFCs) and banks to offer flexible products on the fly with features like: floating interest rates mapped to internal primes; principle moratorium till possession of flat / house loans; or no payments during *Divali* month *et al.* These flexibilities allow banks and HFCs to provide offerings that are way ahead of what are currently being offered through solutions which are typically generalized installment loan avatars and do not give an integrated view of Mortgage life cycle
 - **CollectNow** - The delinquent loan tracking and collection system that can be completely integrated with BankNow, has the inherent advantages of automatic queue management. This module is integrated with HomeLoanNow for tracking of delinquent loans and efficient handling of the collection process
 - **OriginateNow** - The Loan Origination System that can be completely integrated with BankNow, provides a complete process automation framework for loan origination of a retail loan. The system contains all the functionality to support any type of loan origination cycle spanning loan applications at point of sale, eligibility checks, verification at credit agency, credit approval and finally, the loan disbursement at the Financial Institution
 - **DeliverNow** - Provides interface with the best-of-breed third party products in areas like ATM switch, Voice Banking, Internet Banking & Mobile Banking and implements a multi-tiered architecture that can enable rapid deployment of new delivery channels
 - **AlertNow** – This is the customer messaging and notification module, that is completely integrated with BankNow. It automatically triggers alerts to customers in case of occurrence of certain events selected by the customer. Customer notification is enabled through SMS messages, e-mail, pager or tele-call. The customer can choose any number of events from a comprehensive list covering almost all the transactions. The System aims at providing the Customer with a service where alerts, reminders and confirmations can be sent to him while giving an opportunity to the bank to also use it as a medium for cross-selling and marketing purposes
 - **PaybillNow** -This is the Electronic Bill Payment module of BankNow that provides the functionality of a state-of-the-art EBPP system. The system allows various modes of presentation of the customer's bills on the Internet and accepts payments. It integrates the "biller" with the consumer and the financial institution. It serves to reduce the high cost of traditional billing, enhances customer care and capitalises on one-to-one marketing
- g) Through BankWare, Polaris offers a banking solution that would evolve out of strategic consulting, making optimum use of reusable components and Polaris' expertise with best-of-breed satellite products

Polaris Retail Infotech Limited

- a) Polaris Retail Infotech Limited (PRIL), a wholly owned subsidiary of Polaris Software, has registered a revenue of Rs. 22.09 Lakhs. The company believes that its latest offering, Retail Excel, will help PRIL showcase an increase in revenue in the near future
- b) Polaris was an early mover into this space and today, PRIL is an established name in the retail industry. Specifically in the Indian and Middle East markets, PRIL has notched up several satisfied clients and the sales funnel is looking very encouraging
- c) It is heartening to note that, when foreign competition has found it difficult to penetrate the retail market, PRIL has not only signed on clients but has firmly entrenched itself as one of the reputed players in the industry, and today offers its clients a wide range of retail solutions for stores, enterprises and chains
- d) Some of PRIL's established clientele include Adidas, Tanishq, Archies, Maxwell and Crossroads, Marlo Furnitures and others in Dubai
- e) Using its Component Technology framework, PRIL also recently launched *Retail Excel*, a product aimed at revolutionising the largely untapped global retail market
- f) ***Retail Excel*** leverages a new branded construction and architecting methodology developed by Polaris Retail called '*Coffet*', which ushers in a totally new approach to technology in retail. *Coffet* is a portmanteau word denoting "*Component Buffet*", and at the heart of this technology revolution lies the recognition that "no two retail businesses are identical"
- g) ***Retail Excel*** has been developed using pre-defined components, which allow the user to pick and choose, while providing Polaris Retail the liberty of slashing customization costs in the 'ground-up' phase, making the product economical and flexible
- h) Despite multiple facets and interpretations of what growth means to a retailer, Polaris Retail recognizes that growth is always aimed at higher profitability, greater productivity and total control. It is propelled by greater scalability and unparalleled flexibility to changing business strategies and, at the core, lies customer satisfaction
- i) The underlying concept behind *Retail Excel* as a simple retail solution is its *Five Dimensional Approach to Growth*, which ensures that every type or aspect of growth is supported by suitable functionality within the product, and can help the retailer achieve its objective
- j) This Five Dimensional Growth encompasses:
 - Multiple outlets
 - Multiple locations
 - Multiple categories
 - Multiple merchandise types
 - Multiple ownership types

MARKETS AND SALES REVENUE:

- a) Our revenues for the last four fiscal years by geographic areas are as follows:

Geographic Area	Fiscal year ended 31 March (in %)			
	1999	2000	2001	2002
US/ North America	57.50%	68.00%	65.48%	41.20%
Europe	7.50%	14.00%	19.79%	20.4%
India	14.50%	8.00%	6.07%	16.9%
ASPAC and Japan	20.50%	10.00%	8.66%	21.5%
Total	100%	100%	100%	100%

ORGANISATIONAL SUBSIDIARIES STRUCTURE:

- a) Polaris Software has eight subsidiaries in the following locations:

Polaris Software Lab Pte Ltd.	Singapore
Polaris Software Lab Ltd.	United Kingdom
Polaris Software Lab GmbH	Germany
Polaris Software Lab S.A	Switzerland
Polaris Software Pty Ltd.	Australia
Polaris Software Lab Ireland Ltd.	Ireland
Polaris Software Lab Japan KK	Japan
Polaris Retail Infotech Ltd.	India

FACILITIES:

- a) The Company's headquarters and corporate office is located at Chennai, India. Polaris currently operates out of five offshore development centers located in India, totaling approximately 2,50,000 square feet space
- b) Polaris also has branch offices at the following global locations: Atlanta, Chicago, New Jersey, Fremont, Dubai, Riyadh and Hong Kong
- c) The Company is also expanding with additional infrastructure to augment the future business growth requirements in two locations, namely Chennai and Gurgaon, the details are:
- **'Polaris Towers'**, a development center near New Delhi with 90,000 square feet space to accommodate 700 associates
 - **'Track P'**, another development center in Chennai with 200,000 square feet space to accommodate 1200 associates

- d) Polaris’ software development facilities are equipped with a world class technology infrastructure that includes networked workstations, servers, data communication links, captive power generation plants and ambient workspaces

Location of Software Development Facilities	Building Approx. Sq. Ft	Ownership
Chennai, ‘Polaris House’, Carex Center	30,000	Long Term Lease/ Owned
Chennai, ‘Shakti Towers’	55,000	Long Term Lease
Chennai, ‘Foundation’, Navalur	1,30,000	Owned
Chennai, ‘Track-1’, Navalur	2,00,000	Under Construction
Noida, New Delhi	50,000	Long Term Lease
Gurgaon, ‘Polaris Towers’, New Delhi	90,000	Under Construction
Total	5,55,000	

INTERNAL CONTROLS & SYSTEMS

- The Company became the first organization across the globe to be assessed on Software Engineering Institute - Capability Maturity Model Integrated (CMMi) – the latest model developed under the stewardship of the globally renowned quality rating center, the Software Engineering Institute (SEI)- US.
- The CMMi model (ver 1.02) was released by the SEI in August 2000 and provides an integrated approach across the enterprise for improving processes, while reducing the redundancy, complexity and cost, resulting from the use of separate and multiple capability maturity models (CMM’s).
- Apart from decreasing defect levels, increasing productivity, and reducing cycle time, the certified quality process also ensures that the organization’s overall process performance is continuously improving.
- The Company has been certified under the ISO standards 9001:2000, which is a new standard created by the ISO organization and as per auditors, Polaris is the third organization in the world to be certified on these standards
- The Company is registered for its quality system in marketing, design, development, support and maintenance of application software for projects and products in the areas of banking, finance, distribution and construction on the mainframe and midrange, client server platforms, offering consultants to meet customer demands at their site and the departmental activities
- The Company believes that “We cannot improve unless we measure” and for that matter, the company has a metrics/measurement system aligned to the business goals of the organization. This is really a corner-stone of the company’s quality programme
- The Company also has an internal audit system to ensure compliance with the laid down systems and processes

POLARIS SOFTWARE LAB LIMITED

Discussion on Financial Performance

The financial statements are prepared in compliance with the requirements of the Companies Act, 1956 and the accounting standards prescribed by the Institute of Chartered Accountants of India and Generally Accepted Accounting Principles in India.

1. Balance Sheet as at March 31, 2002

a) Equity Shares

- The issue of bonus shares by Polaris has resulted in an increase in the Equity Share Capital of the company from Rs. 1,706.25 Lakhs to Rs. 2,559.38 Lakhs. The Company had issued one equity share for two equity shares held in the financial year.
- The Authorised Equity Capital of the company has also been increased to Rs.3,500 Lakhs consequent to above issue of bonus shares.

b) Reserves & Surplus

- Reserves and Surplus of the Company stood at Rs. 21,847.96 Lakhs as on March 31, 2002, an increase by Rs. 4,310 Lakhs compared to the last financial year

c) Fixed Assets

- The Company in the current year, has invested Rs. 1,586.58 Lakhs on Fixed Assets for creating the offshore software development facilities.
- The Company has spent Rs. 715 Lakhs of the above for acquiring state-of-the-art computing facilities (Hardware) and Software. In the current year, the Company has also focussed on Mainframe Practice to establish it as one of the key growth levers.
- The Charge towards depreciation has increased by Rs. 260 Lakhs to Rs. 939 Lakhs in the year 2001 – 2002.

d) Investments

i) *Additional Investments*

During the year the company had made additional investments on the following Subsidiaries

- Polaris Software Lab Limited, UK
- Polaris Software Lab SA, Switzerland
- Polaris Software Lab GmbH, Germany
- Polaris Retail Infotech Limited

ii) *New Investments*

- During the Financial year, the Company acquired a 25% stake in USA based Eternet Inc. for USD 250,000 (Rs. 11,625,000)
- The Company has also invested in Rs. 300 Lakhs in NMS Works Software Limited in the form of 5,00,000 0% convertible debentures of Rs. 60 each.
- During the year, the Company made new investments in two new geographies by establishing wholly-owned subsidiaries in Ireland (an investment of EURO 76,186, the equivalent of Rs. 3,294,209) and Japan (an investment of Japanese Yen 10,000,000, an equivalent of Rs. 3,957,560).

e) Cash & Bank Balances

- Cash and Bank balances have gone up to Rs. 3,526 Lakhs in year 2001 – 2002 from Rs. 3,131 Lakhs in last year.

f) Sundry Debtors

- The sundry debtors (net of provision) for the current year is at Rs. 7,930 Lakhs as against Rs. 7,034 Lakhs in the previous year.
- The days of sales outstanding were around 99 days at the end of current year.
- With the Provision of Rs. 255.76 Lakhs during the year, the “Provision for doubtful debts” has increased to Rs. 475 Lakhs. The prime reason being sudden change in economic scenario and global recession that has led to cash flow variations with some of our customers, and as part of the prudent practice the Company has made adequate provisions.

g) Loans & Advances

- The Advance Income Tax has increased to Rs. 642 Lakhs including Tax Deducted at Source (TDS) in the current year from Rs. 469 Lakhs as on last financial year.
- Also, the loans to employees has increased to Rs. 251 Lakhs in the current year from Rs. 161 Lakhs as on last financial year. This was due to the liberal loan policy of the organisation.
- During the year the total Loans & Advances have decreased to Rs. 1,786 Lakhs from Rs. 1,973 Lakhs in the previous year.

2. Profit & Loss Statement for the year ending on March 31, 2002

a) Income from Sales & Services

- Income from Sales and Services has grown by 3.2 % in the current year despite of the global recession in the Information Technology Sector.
- The Domestic Revenue has increased from Rs. 1,611 Lakhs to Rs. 4,628 Lakhs in the current year resulting in a growth of 187.2 %, totaling Rs. 3,017 Lakhs in absolute terms.

b. Other Income

- In the current financial year, the Miscellaneous Income increased from Rs. 262 Lakhs to Rs. 551 Lakhs. This was due to higher dividend receipts on the various investments on Mutual Fund Instruments.
- Income due to Foreign Exchange gains in the year was Rs. 426 Lakhs and was higher by Rs. 309 Lakhs, as compared to the last financial year

c) Software Development Expenses

Rs. in Lakhs

Particulars	31 March 2002		31 March 2001		Increase
	Amount	%	Amount	%	%
Salaries and bonus including overseas staff expenses	12,320.86	45.0	11,185.72	42.1	10.1
Employee stock compensation expense	(171.86)	(0.6)	194.55	0.7	(188.3)
Staff welfare	970.97	3.5	817.79	3.1	18.7
Contribution to provident fund & other funds	443.73	1.6	306.22	1.2	44.9
Foreign tour and travel	1,310.99	4.8	1,353.16	5.1	(3.1)
Consumables & computer maintenance	71.99	0.3	41.29	0.2	74.4
Communication expenses	410.83	1.5	428.12	1.6	(4.0)
Sponsorship charges	595.60	2.2	860.86	3.2	(30.8)
Total	15,953.12	58.2	15,187.71	57.2	5.0
Income from Sales and Services	27,391.52	100.0	26,540.06	100.0	

- The total Software Development Expenses showed an increase of 5.0% compared to last year.
- It was primarily due to an increase in the Salaries cost from Rs. 11,186 Lakhs in the last fiscal to Rs. 12,321 Lakhs in the Current fiscal.
- The foreign tour and travel cost has come down by 3.1% as the Company focussed on the offshore development model and better interaction with the virtual project teams at the customer's site.

d) Administrative & Other Expenses

Rs. in Lakhs

Particulars	31 March 2002		31 March 2001		Increase
	Amount	%	Amount	%	%
Salaries and bonus including overseas staff expenses	1,275.64	4.7	1,677.00	6.3	(23.9)
Contribution to provident fund & other funds	60.50	0.2	38.93	0.1	55.4
Professional charges	226.36	0.8	279.50	1.1	(19.0)
Legal expenses	128.53	0.5	300.60	1.1	(57.2)
Travelling and conveyance	398.90	1.5	418.68	1.6	(4.7)
Rent	429.74	1.6	228.95	0.9	87.7
Business promotion	193.12	0.7	241.46	0.9	(20.0)
Power and fuel	303.95	1.1	272.08	1.0	11.7
Printing and stationery	86.90	0.3	88.05	0.3	(1.3)
Office Maintenance	141.95	0.5	96.75	0.4	46.7
Provision for doubtful debts	255.76	0.9	91.31	0.3	180.1
Insurance charges	67.61	0.2	48.11	0.2	40.6
Advertisements	42.29	0.2	67.60	0.3	(37.4)
Bad debts written off	115.95	0.4	104.83	0.4	10.6
Rates & taxes	40.54	0.1	26.45	0.1	53.2
Auditors' remuneration	10.82	0.0	10.46	0.0	3.4
Repairs - Building	5.67	0.0	20.61	0.1	(72.5)
Repairs - Plant & machinery	64.67	0.2	53.79	0.2	20.2
Repairs - Others	48.68	0.2	45.07	0.2	8.0
Bank charges and commission	3.93	0.0	5.55	0.0	(29.2)
Provision (reversed)/made for diminution in value of investments	-	0.0	(4.63)	0.0	(100.0)
Directors' sitting fees	2.60	0.0	1.52	0.0	71.1
Donations	20.94	0.1	17.39	0.12	0.4
Miscellaneous expenses	69.15	0.3	63.26	0.2	9.3
Total	3,994.21	14.6	4,193.34	15.8	-4.7
Income from Sales and Services	27,391.52	100.0	26,540.06	100.0	

- Administrative and Other Expenses saw a decrease by 4.7 % and by Rs. 199 Lakhs in absolute terms.
- There is a reduction in the Salary Cost from Rs. 1,677 Lakhs to Rs. 1,276 Lakhs on account of better utilisation of support services, automation and redeployment of resources.
- The Legal Expenses have come down due to a higher cost incidence in the previous year on account of the Data Inc. legal case.
- There has been an increase on Provision for Doubtful Debts by Rs. 160 Lakhs.

e) Product Development Expenses

Rs. in Lakhs

Particulars	March 31, 2002		March 31, 2001		Increase
	Amount	%	Amount	%	%
Salaries and bonus including overseas staff expenses	719.30	2.6	488.57	1.8	47.2
Foreign tour and travel	153.12	0.6	122.62	0.5	24.9
Business Promotion	32.60	0.1	30.91	0.1	5.5
Professional and consultancy charges	18.16	0.1	43.19	0.2	-58.0
Other administrative costs	41.78	0.2	151.94	0.6	-72.5
Total	964.96	3.5	837.23	3.2	15.3
Income from Sales and Services	27,391.52	100.0	26,540.06	100.0	

f) Finance Charges

- Finance Charges for the financial year was Zero, a result of the conscious effort made by the company to remain debt free. In the last financial year the term loan was repaid in full.

g) Income Taxes

- The increase in Income Tax was due to higher Domestic business and the consequent Income Tax impact.

h) Appropriations from Profit

- The amount available for appropriation of Rs. 6,280 Lakhs is apportioned as follows:
- Proposed Dividend on equity shares of Rs. 896 Lakhs.
- Transfer to General Reserve of Rs. 616 Lakhs.
- The Remaining Rs. 4,832 Lakhs is transferred to the Balance Sheet

POLARIS SOFTWARE LAB LIMITED

RISK FACTORS

The company classifies all the risks / challenges into six broad areas:

1. Organisational
2. Technological
3. Business
4. Economic
5. Geographical
6. Political

Organisational Risks:

- a) **Internal Upgradation:** Polaris acknowledges that it requires to consistently upgrade the value of its systems, processes and people in administrative, financial and operational domains, as these factors are capable of hampering growth and thereby capable of affecting shareholders.
- b) **Internal Controls:** The growing demands / pressures of the nature of the work causes the company to develop and enhance internal controls. The challenges the Company faces will also be felt in areas like:
 - attracting and retaining skilled professionals
 - provision of adequate training
 - preservation of culture, values and the leadership environment
- c) **People Enhancement:** The organisation's success depends upon its people. It is critical that the leadership team and skilled professionals are attracted or retained within the organisation. However, in a fluid environment, attracting or retaining good people may pose difficulties and may directly impact the Company's revenues, causing loss of shareholder value

Technological Risks:

- a) **Evolving Marketplace:** The high growth IT industry is prey to the sudden changes in demand for the Company's services which may impact growth / revenues

Business Risks

- a) **Core Focus:** Polaris has remained a core Banking, Financial Services and Insurance (BFSI) player and this segment contributed 71.1% to the company's revenues in 2001-02. This over-dependence on one segment may be conceived as a disadvantage by market analysts and may impact the share prices.
- b) **Client Focus:** Polaris' client concentration shows that its two biggest clients, NEC and CitiGroup, contribute to a major portion of the revenues. This over dependence on two clients may also be perceived to hold numerous business risks.
- c) **Client Damages:** Owing to mission critical nature of most of the Company's projects, client system failures caused at the site of implementation may cause clients to claim substantial damages against the Company. While the Company has taken efforts to limit its contractual liability arising out of such failures, client claims need to be factored in appropriately, as it can cause damage to Polaris' reputation and to its revenues.
- d) **Credit Control:** The average credit ability of Polaris is higher than the industry average and may cause some impact to the revenues.

Economic Risks:

- a) **Market Fluidity:** Given the volatility that has come to characterise the markets, the Company's revenues can fluctuate depending upon market circumstances. This also increases the likelihood that the revenue performance may fall below the expectations of market analysts.
- b) **Growing Competition:** The prevailing intensely competitive market situation, both domestically and internationally, could affect the Company's cost advantages, thereby impacting its revenues.
- c) **Competitive Levels:** Polaris also acknowledges that it may lose clients to competitors with larger financial muscle, deeper technical expertise and larger manpower drive.
- d) **Competitor Controls:** The Company believes that its ability to directly compete also depends upon a number of factors outside the control of the Company, like competitor ability to attract or retain talent, extent of competitor responsiveness to their clients and the price at which the competitors wish to compete with, in the marketplace.
- e) **Compensation Increases:** While cost advantages have remained an Indian forte, wage increases here in India may substantially impact the Company's revenues and profit margins. Should the Company require to increase the amount of associate compensation, there is potential for some impact on the profit margins.

- f) **Challenging Environment:** The continued economic slowdown will continue to present itself as a growth deterrent. While the Company has developed an effective strategy to sustain growth despite the slowdown, clients in the US region may choose to cut their IT spending budgets, a move that could impact the Company's profitability.
- g) **International Regulations:** The Company's international operations may undergo some alteration owing to difficulties in regulating its business globally, varying export requirements of each nation and multiple tax structures, any of which may impact revenues.
- h) **Intellectual Property:** Indian Laws do not provide for intellectual property rights to the same extent as the US and there is a risk that the company may not be in a position to protect its intellectual property rights at a specific time. Under such circumstances, unauthorized use of the Company's intellectual property rights may result in the development of technology / services that can compete directly with us.
- i) **Impactful Events:** The tragedy arising out of the September-11 disaster in the US caused global disharmony and economies worldwide went into recession. Such instances are beyond the control of the Company and economic recession caused by such instances can indirectly affect the Company's revenues.
- j) **Federal Rates:** Exchange rate fluctuations, global recession arising out of a single incident and / or changes in federal rates can adversely affect the Company's revenues.
- k) **Tax Impacts:** If tax benefits / other benefits are either withheld or reduced by the Government of India, this could increase the Company's costs. Given that the Company's exposure to Indian tax liabilities is quite low, there will be a significant impact on the software sector owing to the shrinkage in the exemption limits under S.10A and 10B from 100% to 90% in the newly announced Budget 2002. While Polaris believes that there is enough opportunity for the industry to continue to grow at impressive rates, what must be factored in is the fact that future Government direction can impact the course of the company's growth / revenues.

Geographical Risks

- g) **Immigration Laws:** If US Immigration Laws change and the visa-obtaining phase gets stretched, the Company's ability to compete in the US may be affected. Given that a number of its associates are deployed onsite at client establishments, the threat this poses is quite large. If the limit imposed by the Immigration Authorities limits the Company's people deployment, then this could hamper growth plans and adversely affect the Company's plans for that region.

- h) **Infrastructure Requirements:** Polaris' infrastructure network continues to remain an integral part of the growth strategy, in order that the Company can enhance its strategically located network. However, there are numerous improbables like the ability to attract talent to manage these facilities, the ability to service clients on a regional or a global basis, and the ability to provide clients a 24x7 service capability, any of which may directly impact the Company's revenues.
- i) **Regional Conflicts:** Regional conflicts in South East Asia could disrupt the Indian economy, impair the Company's operations and cause the Company's business to suffer. Civil unrest, military confrontations and hostilities between India and its neighbouring countries and between neighbouring countries themselves could affect the Company's business operations.
- j) **Emerging Chinese Dominance:** In 2001-02, China has emerged as dominant player in the global IT marketplace. Having established itself through domestic growth, the nation is now emerging on the IT solutions landscape as one of the top contenders for the outsourcing destination of choice. Clients may distribute valuable IT orders to China, given the cost competitiveness and technological superiority that the nation is displaying, which may cause some effect to the Company's revenues.

Political Risks:

- a) **Indian Political Instability:** Political instability in the domestic economy can impact the Company's revenues. Government policies of economic liberalisation, policies directed towards technology companies, policies related to foreign investment and / or currency exchange, all could adversely affect the business conditions in India, causing some direct impact on revenues.

POLARIS SOFTWARE LAB LIMITED

Consolidated Financial Statements as per Indian GAAP for the year ended 31 March 2002

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Auditors' report to the Board of Directors of Polaris Software Lab Limited on the consolidated financial statements of Polaris Software Lab Limited and its subsidiaries

1. We have examined the attached consolidated balance sheet of Polaris Software Lab Limited and its subsidiaries as at 31 March 2002, and the consolidated profit and loss account for the year then ended.
2. These financial statements are the responsibility of the Polaris Software Lab Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with the financial reporting framework generally accepted in India and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs 110,470,050 as at 31 March 2002 and total revenues of Rs 100,667,404 for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.
4. We report that:
 - a) the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Polaris Software Lab Limited and its subsidiaries included in the consolidated financial statements; and
 - b) this being the first year of preparation of consolidated financial statements, the corresponding comparative figures as at and for the previous year ended 31 March 2001, have not been audited by us. Accordingly, we express no opinion or any other form of assurance on such comparative figures.
5. On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of Polaris Software Lab Limited and its subsidiaries, subject to our observation in paragraph 4(b) stated above, we are of the opinion that:
 - a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Polaris Software Lab Limited and its subsidiaries as at 31 March 2002; and
 - b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Polaris Software Lab Limited and its subsidiaries for the year then ended.

for **Bharat S Raut & Co.**
Chartered Accountants

S Balasubrahmanyam
Partner

Chennai
22 April 2002

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES**Consolidated Balance Sheet as at**

	Schedule	31 March 2002 (Rs)	31 March 2001 (Rs)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	255,938,250	170,625,500
Reserves and surplus	2	2,132,964,660	1,729,895,359
		2,388,902,910	1,900,520,859
APPLICATION OF FUNDS			
FIXED ASSETS			
Cost	3	715,999,658	585,613,528
Less: Depreciation		212,532,128	117,380,081
Net Book Value		503,467,530	468,233,447
Capital Work in Progress		372,878,524	87,543,392
		876,346,054	555,776,839
INVESTMENTS	4	465,298,376	422,305,105
CURRENT ASSETS, LOANS AND ADVANCES			
Cash and bank balances	5	413,920,211	349,833,375
Sundry debtors	6	823,892,775	780,809,062
Loans and advances	7	190,626,871	174,755,117
		1,428,439,857	1,305,397,554
CURRENT LIABILITIES			
Liabilities	8	222,915,032	291,619,625
Provisions	9	167,138,769	106,134,475
		390,053,801	397,754,100
NET CURRENT ASSETS		1,038,386,056	907,643,454
DEFERRED TAX LIABILITY	10	2,118,000	---
Miscellaneous Expenditure to the extent not written off or adjusted	11	10,990,424	14,795,461
		2,388,902,910	1,900,520,859

Significant accounting policies and notes to accounts 17

The Schedules referred to above and the notes thereon form an integral part of these financial statements.

This is the Balance Sheet referred to in our report of even date.

for **Bharat S Raut & Co.**

Chartered Accountants

S. Balasubrahmanyam

Partner

Arun Jain Chairman & Managing Director	G N Mathur Executive Director	Abhay Agarwal Director	Arvind Kumar Director	Satya Pal Director	R C Bhargava Director
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Ashok Jhunjhunwala Director	M L Garg Director	N Vaidyanathan Chief Finance Officer	G Rajesh Company Secretary
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Chennai

22 April 2002

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES**Consolidated Profit and Loss Account for the year ended**

	Schedule	31 March 2002 (Rs)	31 March 2001 (Rs)
INCOME			
Software development services and products			
- Overseas		2,375,114,639	2,606,037,075
- Domestic		464,704,913	176,227,681
Other income	12	98,206,823	42,827,194
		2,938,026,375	2,825,091,950
EXPENDITURE			
Software development expenses	13	1,655,280,459	1,612,503,735
Administrative and other expenses	14	462,867,431	456,669,806
Product Development Cost	15	96,496,437	83,723,090
		2,214,644,327	2,152,896,631
Operating profit		723,382,048	672,195,319
Finance Charges	16	---	324,918
Depreciation	3	95,825,072	69,472,346
		95,825,072	69,797,264
Profit before taxation		627,556,976	602,398,055
Income taxes - current tax		39,269,441	5,731,416
- deferred tax		(282,000)	---
Profit after taxation		588,569,535	596,666,639
Amount available for appropriation		588,569,535	596,666,639
Appropriations			
Proposed Dividend		89,578,388	51,187,650
Tax on proposed Dividend		---	11,568,409
Excess provision on tax on dividend for previous year written back		(6,348,980)	---
Amount transferred to general reserve		61,650,000	533,910,580
Balance carried to Balance Sheet		443,690,127	---
		588,569,535	596,666,639
Earnings per share			
(equity shares par value Rs.5 each)			
Basic		11.50	11.66
Diluted		11.32	11.66
Number of shares used in computing earnings per share			
Basic		51,187,650	51,187,650
Diluted		51,993,647	51,187,650

Significant accounting policies and notes to accounts 17

The Schedules referred to above and the notes thereon form an integral part of these financial statements. This is the Profit and Loss account referred to in our report of even date.

for **Bharat S Raut & Co.**

Chartered Accountants

S. Balasubrahmanyam

Partner

Arun Jain	G N Mathur	Abhay Agarwal	Arvind Kumar	Satya Pal	R C Bhargava
Chairman & Managing Director	Executive Director	Director	Director	Director	Director

Ashok Jhunjhunwala	M L Garg	N Vaidyanathan	G Rajesh
Director	Director	Chief Finance Officer	Company Secretary

Chennai

22 April 2002

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES**Schedules to the Consolidated Balance Sheet as at**

	31 March 2002	31 March 2001
	(Rs)	(Rs)
1. SHARE CAPITAL		
Authorised Capital		
70,000,000 equity shares of Rs 5 each. (2001: 50,000,000 equity shares of Rs 5 each)	350,000,000	250,000,000
10,000,000 11 % preference shares of Rs 5 each. (2001: 10,000,000 11% preference shares of Rs 5 each)	50,000,000	50,000,000
	400,000,000	300,000,000
Issued, Subscribed and Paid-up Capital		
51,187,650 (2001: 34,125,100 Equity Shares of Rs 5 each) Equity Shares of Rs 5 each fully paid-up.	255,938,250	170,625,500
During the year the Company issued 17,062,550 Equity Shares of Rs.5 each as fully paid-up bonus shares by capitalisation of the securities premium account.		
	255,938,250	170,625,500
2. RESERVES AND SURPLUS		
GENERAL RESERVE		
As per last Balance Sheet	1,045,359,315	511,448,735
Less : Transition adjustment on adoption of new Accounting Standard 22 'Taxes on income'	(2,400,000)	---
Add: Capital surplus on merger	2,627,992	---
Transferred from profit and loss account	61,650,000	533,910,580
	1,107,237,307	1,045,359,315
SECURITIES PREMIUM ACCOUNT		
As per last Balance Sheet	665,081,041	665,081,041
Less: Amount Capitalised	(85,312,750)	---
	579,768,291	665,081,041
EMPLOYEE STOCK OPTIONS OUTSTANDING ACCOUNT		
As per last Balance Sheet	131,033,164	131,033,164
Less: Surrender / Resignations	(123,979,147)	---
	7,054,017	131,033,164
Less: Deferred employee compensation expenses account	(4,785,082)	(111,578,161)
	2,268,935	19,455,003
PROFIT AND LOSS ACCOUNT BALANCE	443,690,127	---
	2,132,964,660	1,729,895,359

POLARIS SOFTWARE LAB LIMITED
Schedules to the Consolidated Balance Sheet as at

3 FIXED ASSETS (Rs)

Sl. No.	Assets	COST			DEPRECIATION			NET BOOK VALUE		
		1 April 2001	Additions	Deletions	31 March 2002	1 April 2001	For the year	On Deletions	31 March 2002	31 March 2001
1.	Land	69,769,195	2,824,965	---	72,594,160	---	---	---	72,594,160	69,769,195
2.	Buildings	120,664,630	18,909,588	---	139,574,218	4,145,394	---	8,541,867	131,032,351	116,519,236
3.	Plant and Machinery	21,014,755	1,089,840	---	22,104,595	4,324,773	---	7,609,170	14,495,425	16,689,982
4.	Computer Equipment and Accessories	224,558,903	72,011,203	---	296,570,106	85,767,372	---	155,802,682	140,767,424	138,791,531
5.	Electricals	14,463,089	10,092,111	---	24,555,200	3,694,948	---	5,823,248	18,731,952	10,768,141
6.	Office Equipment	48,619,151	6,282,993	---	54,902,144	5,995,956	---	10,935,352	43,966,792	42,623,195
7.	Furniture and fixtures	80,377,180	18,975,462	213,150	99,139,492	11,378,062	213,150	20,732,464	78,407,028	68,999,118
8.	Vehicles	6,146,625	1,179,767	766,649	6,559,743	1,473,644	459,875	3,087,345	3,472,398	4,073,049
		585,613,528	131,365,929	979,799	715,999,658	117,380,081	673,025	212,532,128	503,467,530	468,233,447
	Previous year	226,208,216	360,845,610	1,440,298	585,613,528	48,808,828	904,092	117,380,081	468,233,447	

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES
Schedules to the Consolidated Balance Sheet as at

	31 March 2002 (Rs)	31 March 2001 (Rs)
4 INVESTMENTS		
LONG TERM INVESTMENT		
TRADE (UNQUOTED)		
Software Sidoun -Germany	52,760,681	52,370,393
A Company incorporated in Germany		
Common stock of DM 2,300,000		
(2001: Common stock of DM 2,300,000)		
Eternet Inc		
A Company incorporated in USA	11,625,000	---
1,250,000 shares of US\$ 0.2 each.		
(2001: Nil)		
NMSWorks Software Limited (refer note 17(B)10)	30,000,000	---
A Company incorporated in India		
500,000 - 0% convertible debentures of Rs.60 each		
(2001: Nil)		
	94,385,681	52,370,393
<hr/>		
CURRENT (NON TRADE-QUOTED)		
Mutual Funds		
Chola Triple Ace	---	7,306,273
Nil Units (2001 :449,064 units)		
Jardine Fleming India Bond Fund	---	48,471,658
Nil units (2001: 4,652,830 units)		
Alliance Cash Manager - Dividend	---	46,372,128
Nil units (2001:46,361 units)		
Templeton India Income Fund	59,208,861	49,224,488
5,562,426 units (2001: 4,640,766 units)		
Sundaram Bond Saver	62,032,722	48,732,089
6,054,404 units (2001: 4,769,308 units)		
Birla Income Plus	59,648,701	49,707,252
6,120,047 units (2001: 5,114,010 units)		
Kothari Treasury MGMT Fund	6,282,000	---
4,469 units (2001: Nil units)		
Zurich India High Interest Fund	61,706,842	51,769,713
6,015,588 units (2001: 5,076,620 units)		
Investments -Grindlays Cash Fund	21,724,967	---
2,170,346 units (2001: Nil)		
Prudential ICICI Income Fund - Growth Plan	---	17,377,123
Nil units (2001: 1,256,480 units)		
Prudential ICICI Income Fund - Dividend Plan	57,265,457	35,973,988
5,542,072 units (2001: 3,530,322 units)		
Investments - Kothari Income Fund	18,043,145	---
1,557,032 units (2001:Nil)		
K bond -Unit Scheme 99 (wholesale plan dividend)	25,000,000	15,000,000
2,486,683 units (2001: 1,498,052 units)		
	370,912,695	369,934,712
<hr/>		
Aggregate market value of non-trade investments		
31 March 2002: Rs.376,296,321		
31 March 2001: Rs.375,351,285		
	465,298,376	422,305,105

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES

Schedules to the Consolidated Balance Sheet as at

	31 March 2002 (Rs)	31 March 2001 (Rs)
5 CASH AND BANK BALANCES		
Cash on hand	272,796	307,515
Balances with scheduled banks		
- in current accounts	184,351,123	218,562,439
- in deposit accounts	30,325,000	70,225,000
Balances with non-scheduled banks in current accounts		
- Fleet Bank, New Jersey	96,331,324	28,620,079
- Wells Fargo Bank, California	---	100,749
- Bank of America, Atlanta	---	96,177
- Chase Bank, New Jersey	44,483,606	3,737,970
- Barclays Bank, UK	45,208,313	21,404,105
- Citi Bank, Singapore	1,332,113	---
- ANZ Bank, Australia	6,691,652	4,045,279
- Dresdner Bank, Germany	1,337,170	2,111,678
- Ulster Bank, Ireland	1,783,576	---
- UBS Bank, Switzerland	408,380	622,384
- Bank of Tokyo Mitsubishi, Japan	1,395,158	---
	413,920,211	349,833,375
Maximum balances held in non-scheduled banks		
- Fleet Bank, New Jersey	126,732,178	94,130,472
- Wells Fargo Bank, California	101,993	231,955
- Bank of America, Atlanta	97,908	96,669
- Chase Bank, New Jersey	73,186,053	43,086,343
- Barclays Bank, UK	57,274,443	62,338,017
- Citi Bank, Singapore	12,673,351	---
- ANZ Bank, Australia	12,978,087	4,165,248
- Dresdner Bank, Germany	9,181,194	2,165,248
- Ulster Bank, Ireland	3,294,209	---
- UBS Bank, Switzerland	1,758,850	2,694,000
- Bank of Tokyo Mitsubishi, Japan	3,989,500	---
6 SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured		
- considered good	82,997,970	61,379,342
- considered doubtful	51,501,538	21,980,711
Other debts - unsecured, considered good	740,894,805	719,429,720
	875,394,313	802,789,773
Less: Provision for doubtful debts	51,501,538	21,980,711
	823,892,775	780,809,062

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES**Schedules to the Consolidated Balance Sheet as at**

	31 March 2002 (Rs)	31 March 2001 (Rs)
7 LOANS AND ADVANCES		
(Unsecured considered good)		
Advances recoverable in cash or in kind or for value to be received	37,797,892	55,263,196
Advance income tax (Including tax deducted at source)	64,714,668	47,275,671
Loans to employees	25,061,154	16,585,326
Other advances	2,604,425	1,952,360
Interest/Dividend receivable	3,029,845	1,712,613
Rent, maintenance and security deposits	42,861,039	45,029,260
Other assets	14,557,848	6,936,691
	190,626,871	174,755,117
8 CURRENT LIABILITIES		
Sundry Creditors		
- for goods	21,646,657	43,333,948
- for expenses	200,142,170	189,204,244
Unclaimed dividend	665,766	385,819
Advances received from clients	460,439	58,695,614
	222,915,032	291,619,625
9 PROVISIONS		
Provision for taxation	77,560,381	43,378,416
Proposed dividend	89,578,388	51,187,650
Provision for tax on proposed dividend	---	11,568,409
	167,138,769	106,134,475
10 DEFERRED TAX LIABILITY		
Fixed assets	7,655,000	---
Sundry debtors	(5,537,000)	---
	2,118,000	---
11 MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Preliminary expenses	75,568	113,352
Deferred revenue expenses - Opening balance	14,682,109	15,388,452
Add: Deferred current year expenses	---	5,368,105
Less: Amortisation made during the year	3,767,253	6,074,448
	10,914,856	14,682,109
	10,990,424	14,795,461

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES
Schedules to the Consolidated Profit and Loss Account for the year ended

	31 March 2002 (Rs)	31 March 2001 (Rs)
12 OTHER INCOME		
Interest received on deposits with banks and others	3,147,000	4,871,670
(Tax deducted at source Rs.168,137 2001: Rs 336,700)		
Miscellaneous income	55,500,599	26,203,774
Gains from translation of foreign branch balances	39,559,224	11,751,750
	98,206,823	42,827,194
13 SOFTWARE DEVELOPMENT EXPENSES		
Salaries and bonus including overseas staff expenses	1,232,836,175	1,134,419,567
Employee stock compensation expenses	(17,186,068)	19,455,003
Staff welfare	101,563,133	95,151,976
Contribution to provident fund and other funds	52,703,579	32,108,638
Foreign tour and travel	140,392,348	135,881,566
Consumables and computer maintenance	8,105,116	7,764,902
Communication expenses	48,004,512	46,735,858
Sponsorship charges	88,861,664	140,986,225
	1,655,280,459	1,612,503,735
14 ADMINISTRATION AND OTHER EXPENSES		
Salaries and bonus including overseas staff expenses	153,721,624	167,699,756
Contribution to provident fund and other funds	6,049,555	3,893,302
Professional charges	25,831,553	29,904,089
Legal expenses	13,600,744	33,441,806
Travelling and conveyance	49,582,479	55,297,893
Rent	56,398,084	30,760,099
Business promotion	15,572,415	24,906,732
Power and fuel	30,813,354	27,459,930
Printing and stationery	9,307,110	9,294,094
Office Maintenance	14,260,613	9,853,581
Provision for doubtful debts	29,520,827	9,187,791
Insurance charges	8,150,286	5,225,425
Advertisements	4,349,494	6,789,068
Bad debts written off	12,044,195	11,035,516
Rates and taxes	4,586,055	3,147,978
Auditors' remuneration	1,082,250	1,046,241
Loss on sale of assets	---	217,164
Repairs - Building	566,961	2,061,442
Repairs - Plant & machinery	6,467,244	5,417,186
Repairs - Others	4,994,725	4,632,580
Bank charges and commission	953,819	830,731
Provision (reversed)/made for diminution in value of investments	---	(463,172)
Directors' sitting fees	260,000	152,000
Donations	2,093,821	1,739,201
Miscellaneous expenses written off	3,767,253	6,074,448
Preliminary expenses written off	37,784	37,784
Other expenses	8,855,186	7,027,141
	462,867,431	456,669,806

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES**Schedules to the Consolidated Profit and Loss Account for the year ended**

	31 March 2002	31 March 2001
	(Rs)	(Rs)
15 PRODUCT DEVELOPMENT COSTS		
Staff costs	71,930,010	48,857,078
Travel costs	15,312,346	12,261,509
Business promotion	3,260,216	3,090,975
Professional and consultancy charges	1,816,085	4,319,259
Other administrative costs	4,177,780	15,194,269
	96,496,437	83,723,090
16 FINANCE CHARGES		
Interest on term loan	---	58,299
Interest on others	---	266,619
	---	324,918

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES

Schedules to the Consolidated Balance Sheet and Consolidated Profit and Loss Account

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Group Overview

Polaris Software Lab Limited (“Polaris” or “the Company”) together with its subsidiaries Polaris Software Lab Ltd UK., Polaris Software Pty Limited., Australia, Polaris Software Lab SA, Switzerland., Polaris Software Lab GmbH., Germany, Polaris Software Lab Pte Limited., Singapore, Polaris Software Lab Japan KK, Japan, Polaris Software Lab (Ireland) Limited, Ireland and Polaris Retail Infotech Limited, (collectively “the Group”) are engaged in the business of delivering customized software solutions and products in the domain of contemporary services which include banking and financial services.

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation

The consolidated financial statements are prepared under the historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP), and materially comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956. All income and expenditure having a material bearing on the financial statements are recognised on the accrual basis.

The ICAI has issued new Accounting Standards (AS) on segmental reporting, related party disclosures, leases, earnings per share, consolidated financial statements and accounting for taxes on income. The Group has for the first time in the current year adopted these accounting standards in the preparation of these financial statements.

The consolidated financial statements include the financial statements of Polaris Software Lab Limited and all its subsidiaries which are more than 50% owned or controlled. The financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as laid down under AS 21 by the ICAI. All material inter-company transactions and accounts are eliminated on consolidation. This being the first occasion of presentation of consolidated financial statements in line with AS 21, unaudited previous year figures have been provided by management for the purpose of comparison.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from these estimates.

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES**Schedules to the Consolidated Balance Sheet and Consolidated Profit and Loss Account****17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)****2. Revenue recognition**

The Group derives its revenue primarily from software services and projects. Revenue from software development services comprises income from time-and-material and fixed price contracts. Revenue is recognized in accordance with the terms of the contracts with the customers. Revenue with respect to time-and-material contracts is recognized as related services are performed. Revenue from fixed-price contracts is recognized in accordance with the percentage of completion method. Provision for estimated losses on incomplete contracts are recorded in the period in which such losses become probable based on the current contract estimates.

Revenue from licensing of software products is recognized on commencement of the license period and fulfillment of acceptance terms, provided that no significant vendor obligations remain and the collection of the related receivable is reasonably certain.

3. Costs incurred towards development of software products

Product development costs are deferred upon establishment of technical and commercial feasibility and when the Group estimates that it has adequate resources to market the product. Such costs are amortised based on estimated revenues expected to be generated through sale of such software products in future years.

4. Fixed assets and capital work in progress

Fixed assets are stated at cost, after reducing accumulated depreciation until the date of the balance sheet. Direct costs are capitalized until the assets are ready for use and include the borrowing costs related to the acquisition or construction of qualifying assets for the period up to the completion of construction or installation of such assets respectively and pre-operative expenses incurred during the construction period. Capital work-in-progress includes advances paid to acquire fixed assets and the cost of assets not ready for intended use before the balance sheet date.

5. Depreciation

Depreciation on fixed assets is provided using the straight-line method based on useful lives of assets as estimated by the Group. Depreciation is charged on a proportionate basis for all assets purchased and sold during the period. Individual assets costing less than Rs 5,000 are depreciated in full in the period of purchase.

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES

Schedules to the Consolidated Balance Sheet and Consolidated Profit and Loss Account

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)

5. Depreciation (Continued)

Depreciation was being charged at the rates specified in the Schedule XIV of the Companies Act, 1956 till 31 March 1999. However, with effect from 1 April 1999, the management revised the estimates of useful lives of assets as listed below:

Asset category	Estimated Useful Life (years)
Buildings	29
Plant and Machinery	6-7
Computer Equipment & Accessories	3-5
Electricals	10
Office Equipment	10
Furniture and Fixtures	10
Vehicles	6

6. Foreign currency transactions

Transactions in foreign currencies are recorded at a rate that approximates the exchange rate prevailing at the date of the transaction. Revenue items, except depreciation, incurred by overseas branch is translated at the rates of exchange which approximate the rate prevailing as at that date. Current assets and liabilities denominated in foreign currency are translated at the rate of exchange as at the balance sheet date. All resulting gains or losses are recognised in the profit and loss account. Foreign currency monetary assets and liabilities at the date of the balance sheet are translated at the rates of exchange prevailing on that date. Fixed assets at overseas branches and subsidiaries are accounted for at the historical exchange rates at the end of the month in which assets are purchased.

7. Investments

Investments are classified as long term investments and current investments. Long term investments are stated at cost and any decline, other than temporary, in the value of such investments is charged to profit and loss account. Current investments are stated at the lower of cost and market value.

8. Retirement benefits

Provident Fund

In accordance with Indian law, eligible employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the Group make monthly contributions to the Regional Provident Fund equal to a specified percentage of the covered employee's salary. The Group has no further obligations under the plan beyond its monthly contributions.

Gratuity

In accordance with the Payment of Gratuity Act, 1972, the Group provides for gratuity, a defined benefit retirement plan (the plan) covering the eligible employees. The plan, subject to the provisions of the above Act, provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. The Group estimates its liability as of each balance sheet date based on an actuarial valuation. The plan is unfunded.

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES**Schedules to the Consolidated Balance Sheet and Consolidated Profit and Loss Account****17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)****8. Retirement benefits (Continued)***Superannuation*

The Group contributes annually 10% of the eligible employees' basic salary towards superannuation (the plan) to a fund managed by Life Insurance Corporation of India. A trust has been created and approved by the Income-tax authorities for this purpose. This plan provides for various options for payment of pension at retirement or termination of employment as per trust rules. The Group has no further obligations under the plan beyond its annual contribution.

Leave Encashment

As per the employment policy of the Group, employees are required to avail their annual leave by the end of the respective financial year and leave is not allowed to be encashed.

9. Income taxes

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Group. Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences that result between the profit offered for income taxes and the profit as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the period that includes the enactment date. Deferred tax assets in respect of losses carried forward are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Other deferred tax assets are recognised only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised and are reassessed for the appropriateness of their respective carrying values at each balance sheet date.

10. Stock based compensation

In accordance with the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India ("SEBI"), the 'Option Discount' has been amortised on a straight-line basis over the vesting period of the shares to be issued under Stock Option Plans and disclosed as 'employee stock compensation expense' in the Profit and Loss Account.

'Option Discount' means the excess of the market price / fair value of the underlying shares at the date of grant of the options over the exercise price of the options.

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES

Schedules to the Consolidated Balance Sheet and Consolidated Profit and Loss Account

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)

B. NOTES TO ACCOUNTS:

1. Description of the Group

Polaris Software Lab Ltd is registered under the Indian Companies Act, 1956 with its Registered Office at New No 244 (old No 713) Carex Centre, Anna Salai, Chennai - 600006. This is the flagship company of the Group and is listed on the principal stock exchanges of India.

List of subsidiaries with percentage holding

Subsidiaries	Country of incorporation	Proportion of ownership interest (%)
Polaris Software Lab Ltd	United Kingdom	100%
Polaris Software Pty Limited	Australia	100%
Polaris Software Lab SA	Switzerland	100%
Polaris Software Lab GmbH	Germany	100%
Polaris Software Lab Pte Limited	Singapore	100%
Polaris Software Lab Japan KK	Japan	100%
Polaris Software Lab Ireland Limited	Ireland	100%
Polaris Retail Infotech Limited	India	100%

2. Capital commitments and contingent liabilities

The estimated amount of contracts remaining to be executed on capital account, and not provided for (net of advances) is Rs 82,742,163 as at 31 March 2002. The amount of such contracts as at 31 March 2001 was Rs 133,157,816.

The Group has outstanding guarantees and counter guarantees of Rs 8,828,750 (31 March 2001 : Rs 15,026,976) as at 31 March 2002, to various banks, in respect of the guarantees given by the banks in favor of various government authorities.

The Group has committed to invest Rs 10,000,000 in NMS Works Software Limited by 31 May 2002.

3. Quantitative details

The Group is engaged in the development of computer software. The production and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and the information as required under paragraphs 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.

4. Costs incurred towards development of software products

Other assets under loans and advances include an amount of Rs 8,555,883 (Previous year: Rs 5,768,565) that has been deferred, relating to costs incurred to develop certain software products.

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES**Schedules to the Consolidated Balance Sheet and Consolidated Profit and Loss Account****17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)****B. NOTES TO ACCOUNTS (Continued)****5. Stock Option Plan**

The Group has two stock option plans that provides for the granting of stock options to employees including Directors of the Company (not being promoter directors and not holding more than 10% of the equity shares of the Company). The objectives of these plans include attracting and retaining the best personnel, providing for additional performance incentives and promoting the success of the Group by providing employees the opportunity to acquire equity shares. The option plans are summarized below:

Associate Stock Option Plan 2000 (the 2000 Plan)

On 9 March 2000, the Company's shareholders approved in the Extraordinary General Meeting (EGM) an Associate Stock Option Plan (ASOP). The 2000 Plan provides for issuance of 938,400 equity shares of Rs 5 each to the employees including Directors. The Employee Compensation Committee administers the 2000 Plan. Under the 2000 Plan, based on the recommendation of Employee Compensation Committee, the options are granted at a discount not exceeding 25% of the market price of shares on the date of grant. The option vests over a period of five years from the grant date. Subsequent to the approval of the shareholders in the EGM held on 7 March 2001, the 2000 Plan is modified to permit cancellation/accept surrender of options.

A summary of the status of the 2000 plan is presented below.

Number of options granted, exercised, cancelled / surrendered and forfeited	Year ended 31 March 2002	Year ended 31 March 2001
Options outstanding at the beginning of the year	854,000	---
Granted during the year	468,850	857,500
Exercised during the year	---	---
Forfeited during the year	(134,450)	3,500
Cancelled during the year	(663,100)	---
Outstanding at the end of the year	525,300	854,000

Associate Stock Option Plan 2001 (the 2001 Plan)

The Shareholders of the Company in the Extraordinary General Meeting (EGM) held on 7 March 2001 approved an Associate Stock Option Plan (ASOP). The 2001 Plan provides for issuance of 1,194,000 equity shares of Rs 5 each to the employees including Directors at the closing market price of shares on the date of grant. The option vests over a period of five years from the grant date.

A summary of the status of the 2001 plan at 31 March 2002 is presented below:

Number of options granted, exercised, and forfeited	Year ended 31 March 2002
Options outstanding at the beginning of the year	---
Granted during the year	1,723,025
Exercised during the year	---
Forfeited/Surrendered during the year	(13,850)
Outstanding at the end of the year	1,709,175

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES

Schedules to the Consolidated Balance Sheet and Consolidated Profit and Loss Account

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)

B. NOTES TO ACCOUNTS (Continued)

5. Stock Option Plan (Continued)

The Company during the year announced and allotted bonus shares by capitalising a part of share premium account in the ratio of 1 equity share for every 2 shares held on the 'record date'. The ASOP schemes above mentioned provide power to the compensation committee for suitable adjustments to the quantum and price of ASOPs in case of corporate actions like stock split, bonus etc. The holders of options granted prior to issuance of bonus shares by the Company are entitled to receive additional options in the ratio of one additional option for every two options held.

6. Balance of unutilized money raised in its Initial Public Offer (IPO)

The amount of Rs. 737,635,500 raised by the Company in its IPO has been utilized as follows:

	<i>In Rs</i>
	Year ended 31 March 2002
For various software development centers including overseas offices (net of amount funded out of internal accruals)	665,088,087
Issue expenses	51,835,367
Balance IPO proceeds	20,712,046
Represented by:	
Investments in Mutual funds and banks	20,712,046

7. Segment Reporting

The Group's operations predominantly relate to providing IT services, delivered to customers operating in various industry segments globally. Accordingly, IT service revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is based on the geographical location of customers.

The accounting policies consistently used in the preparation of the financial statements are also applied to record revenue and expenditure in individual segments.

Business (primary) segments of the Group are:

- a) Banking and financial services; and
- b) Emerging verticals.

Revenue and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while other costs, wherever allocable, is apportioned to the segments on an appropriate basis. Certain expenses are not specifically allocable to individual segments as the underlying services are used interchangeably. The Group believes that it is not practicable to provide segment disclosures relating to such expenses, and accordingly such expenses are separately disclosed as 'unallocated' and directly charged against total income.

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES**Schedules to the Consolidated Balance Sheet and Consolidated Profit and Loss Account****17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)****B. NOTES TO ACCOUNTS (Continued)****7. Segment Reporting (Continued)**

Fixed assets used in the Group's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. The Group believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of the available data is onerous.

Customer relationships are driven based on the location of the respective client. The geographical segments include:

- a) United States of America;
- b) Europe;
- c) Asia Pacific; and
- d) India and the Middle East.

Primary segment information	<i>In Rs</i>
	Year ended 31 March 2002
<i>Segment revenues</i>	
Banking and financial services	1,987,375,762
Emerging verticals	852,443,790
	<u>2,839,819,552</u>
<i>Segment profit</i>	
Banking and financial services	833,451,495
Emerging verticals	270,662,149
	<u>1,104,113,644</u>
Interest (net)	
Other unallocable expenditure net of unallocable income	(476,556,668)
<i>Profit before taxation</i>	<u>627,556,976</u>

Secondary segment information	<i>In Rs</i>
Region	Year ended 31 March 2002
United States of America	1,091,775,204
Europe	477,700,607
Asia Pacific	722,203,038
India and the Middle East	548,140,703
	<u>2,839,819,552</u>

Revenues by geographic area are based on the geographic location of the customer.

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES

Schedules to the Consolidated Balance Sheet and Consolidated Profit and Loss Account

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)

B. NOTES TO ACCOUNTS (Continued)

8. Earnings per Share (EPS)

Reconciliation of basic and diluted shares used in computing EPS:

	Year Ended 31 March 2002	Year Ended 31 March 2001
Number of shares considered as basic		
weighted average shares outstanding	51,187,650	51,187,650
Add: Effect of dilutive issue of stock options	805,997	---
Number of shares considered as weighted		
average shares and potential shares outstanding	51,993,647	51,187,650

In computing the diluted EPS, only potential equity shares that are dilutive and that either reduce earnings per equity share or increase loss per equity share are included.

9. Amalgamation

The Honorable High Courts at New Delhi and Chennai have approved on 14 February 2002 and 10 April 2002 respectively the Scheme of Amalgamation (the Scheme) of Tiptop Holdings Private Limited (Tiptop), a wholly owned subsidiary with Polaris.

The amalgamation has been accounted for under the "pooling of interests" method. Pursuant to the above approval, the Company has transferred all the assets and liabilities of Tiptop with effect from 1 October 2001. The summary of the assets and liabilities is as follows:

	<i>In Rs.</i>
Land	31,500,000
Net current assets	16,040
Miscellaneous expenditure	16,572
Accumulated losses	180,401
Total Assets	31,713,013
Share capital	29,942,820
Reserves	825,250
Other liabilities	944,943
Total Liabilities	31,713,013

Excess of net asset value over the carrying value of investment on the date of merger of Rs 2,627,992 has been transferred to the capital reserve.

10. Related party transactions

Following are the related parties with whom transactions have taken place during the year:

Associates

- a) Polaris Holdings Limited
- b) Eternet Inc.
- c) NMS Works Software Limited
- d) Card Systems Private Limited
- e) Nucleus Software Workshop Private Limited
- f) Dispo Medi Products India Limited
- g) Konark Trust

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES**Schedules to the Consolidated Balance Sheet and Consolidated Profit and Loss Account****17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)****B. NOTES TO ACCOUNTS (Continued)****10 Related party transactions (Continued)****Sales to related parties**

	Year Ended 31 March 2002	Year Ended 31 March 2001
Associate companies - purchase of assets	1% of additions	2.87% of additions
- Services	0.28% of revenue	0.30% of revenue

- Sales include sale of a software product developed over a period to NMSWorks Software Limited (NMS), a company in which Polaris intends to be a strategic investor, for an amount of Rs 30,039,333. The Company has received 500,000 0% convertible debentures in NMS as consideration for the sale which is included in investments.
 - Sundry debtors include an amount of Rs 42,327 (Previous year Rs Nil) due from associates.
 - Loans and advances include a sum of Rs 3,421,598 (Previous year Rs 500,000) being due from an associate company.
 - Trade investments include:
 - Rs 11,625,000 in Eternet Inc. to acquire 25% equity in that company during the year; and
 - Investment in NMS as stated above.
 - The Group has during the year paid Rs 8,736,285 (Previous year: Rs 5,719,742) as remuneration to the directors of the Company. Maximum amount due from directors of the Company during the year is Rs 2,505,000 (Previous year: Rs 2,565,000).
 - In 2000- 2001 the Group issued 30,000 stock options under the 2000 plan to certain directors. Of the above, 10,000 options were subsequently surrendered by the directors in the current year. Compensation cost of Rs 434,720 and compensation cost reversal of Rs 233,175 have been recognized in the profit and loss account for the year ended 31 March 2001 and 2002 respectively.
 - In the current year the Group issued 120,000 stock options to the Directors. No compensation cost arises as a result of these options as these were issued at prevailing market prices.
11. Arun Verma and Data Inc. (the plaintiffs) have filed a complaint against the Company in a US court for damages towards breach of contract and fraud, for non acquisition of Data Inc. It is not possible for the Company to predict the outcome of the case. However the court has passed orders on limiting the extent of claim by the plaintiff to USD 100,000. The Company believes that the allegations are without merit and is vigorously contesting the case. The Company further believes that any outcome of the case will not have a material adverse effect on its earnings or financial position
 12. As at 31 March 2002, the Company had no outstanding dues to small-scale industrial undertakings (Previous year: Rs Nil).
 13. Previous year figures have been regrouped / reclassified, wherever necessary, to conform to the current year presentation.

AUDITORS' REPORT FOR CONSOLIDATED STATEMENT OF CASH FLOWS

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF POLARIS SOFTWARE LAB LIMITED ON THE CONSOLIDATED CASH FLOW STATEMENT OF POLARIS SOFTWARE LAB LIMITED AND ITS SUBSIDIARIES

We have examined the attached Consolidated Cash Flow Statement of Polaris Software Lab Limited (“the Company”) and its subsidiaries (collectively referred to as “the Group”) for the year ended 31 March 2002. The Statement has been prepared in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements and AS 3, Cash Flow Statements, issued by the Institute of Chartered Accountants of India and is based on and is in agreement with the corresponding Consolidated Profit and Loss Account and Consolidated Balance Sheet of the Group and the notes thereon on which we have issued our audit report dated 22 April 2002 to the Board of directors of the Company.

for Bharat S Raut & Co.
Chartered Accountants

S Balasubrahmanyam

Partner

Chennai

22 April 2002

POLARIS SOFTWARE LAB LIMITED AND SUBSIDIARIES**Statement of cash flows for the year ended**

	31 March 2002
	(Rs)
Cash flows from operations	
Profit before tax	627,556,976
Other income	(58,647,599)
Sale of software for consideration other than cash	(30,000,000)
Foreign exchange translation	(7,158,499)
Depreciation	95,825,072
Amortisation of ESOP	(17,186,068)
Loss on sale of assets	106,674
(Increase)/decrease in sundry debtors	(43,083,713)
(Increase) / decrease in advance tax	(22,658,426)
(Increase) / decrease in loans and advances	8,725,742
Increase / (decrease) in current liabilities & provisions	(73,792,068)
Miscellaneous expenditure written off	3,805,037
Net Cash from operations	483,493,128
Cash flows from financing	
Dividends paid	(51,187,650)
Net cash from financing activities	(51,187,650)
Cash flows from investing	
Proceeds from sale of fixed assets	200,099
Purchase of fixed assets	(414,073,069)
Investment in associate companies	(12,015,288)
Net increase in non-trade investments	(977,983)
Interest and dividend received	58,647,599
Net cash from investing activities	(368,218,642)
Total increase / (decrease) in cash and equivalents during the year	64,086,836
Cash and equivalents at the beginning of the year	349,833,375
Cash and equivalents at the end of the year	413,920,211

For BHARAT S RAUT & CO.

Chartered Accountants

S. Balasubramanyam

Partner

Chennai

22 April 2002

Arun Jain Chairman & Managing Director	G N Mathur Executive Director	Abhay Agarwal Director	Arvind Kumar Director	Satya Pal Director	R C Bhargava Director
Ashok Jhunjhunwala Director	M L Garg Director	N Vaidyanathan Chief Finance Officer	G Rajesh Company Secretary		

POL ARIS SOFTWARE LAB PTE LTD, SINGAPORE

Financial Statements for the year ended 31 March 2002

12-01 High Street Center, 1, North Bridge Road, Singapore - 179094
SINGAPORE

POLARIS SOFTWARE LAB PTE LTD
(Incorporated in the Republic of Singapore)

DIRECTORS	ARUN JAIN G.N. MATHUR KUMARAN SUNILKUMAR
SECRETARY	Yacoob s/o M A Abdul Kassim
AUDITORS	M/S. Natarajan & Swaminathan Certified Public Accountants 1 North Bridge Road #19-04/05 High Street Centre Singapore 179094

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POLARIS SOFTWARE LAB PTE LTD

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 March, 2002.

1 DIRECTORS

The Directors of the Company in office at the date of this report are:

Mr Arun Jain

Mr G.N. Mathur

Mr Kumaran Sunilkumar

2 PRINCIPAL ACTIVITIES

The principal activities of the Company are to develop software and to provide software related services. There has been no significant change in the nature of these activities during the financial year.

3 HOLDING COMPANY

The Company is a subsidiary of 'POLARIS SOFTWARE LAB LTD' incorporated in India which owns 100% shares of the Company and which is also the ultimate holding company.

4 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

There were no acquisition or disposal of subsidiaries during the financial year.

5 RESULTS FOR THE FINANCIAL YEAR

	S\$
Profit after tax	186,840
	<hr/> <hr/>

6 MATERIAL TRANSFER TO/FROM RESERVES AND PROVISIONS

Material movements in reserves and provisions are disclosed in the notes to the financial statements.

POLARIS SOFTWARE LAB PTE LTD**Report of the Directors (Continued)****7 SHARE CAPITAL AND DEBENTURES**

No shares or debentures were issued during the financial year.

8 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITIONS OF SHARES AND DEBENTURES

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits through the acquisition of shares in or debentures of the Company or any other body corporate.

9 DIRECTORS' INTEREST IN SHARES AND DEBENTURES

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Cap.50, particulars of beneficial interests of directors who held office at the end of the year in the ultimate holding company are as follows:

Name of Directors of this Company	At the beginning of the year	Additions/ (Transfers)	At the end of the year	As at date of report
Deemed Interest				
Mr Arun Jain	2,048,944	1,024,472 (10,500)	3,062,916	3,062,916
Mr G.N. Mathur	24,820	12,410 (5,000)	32,230	32,230
Mr Kumaran Sunilkumar	300	1,725	2,025	2,025

All the shares of 'Polaris Software Lab Pte Ltd' is 100% held by the Holding Company in India.

10 DIVIDENDS

No dividend has been paid, declared or recommended by the Company since the end of the previous financial year.

11 DIRECTORS' ACTIONS RELATING TO BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain the action taken in relation to the writing off of bad debts and providing for doubtful debts and have satisfied themselves that all known bad debts have been written off and that adequate provision has been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad debts or provided for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

POLARIS SOFTWARE LAB PTE LTD

Report of the Directors (Continued)

12 DIRECTORS' ACTIONS RELATING TO CURRENT ASSETS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values, or that adequate provision has been made for the diminution in values of such current assets.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of the Company misleading.

13 CHARGE ON ASSETS AND EXISTENCE OF CONTINGENT LIABILITIES AFTER YEAR END DATE

At the date of this report, there does not exist any

- (a) charge on the assets of the Company which has arisen since the end of the financial year which secures the liability of any other person, and
- (b) contingent liability of the Company which has arisen since the end of the financial year.

14 ABILITY TO MEET OBLIGATIONS

No contingent or other liability of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

15 OTHER CIRCUMSTANCES AFFECTING FINANCIAL STATEMENTS

As at the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in their report or financial statements of the Company which would render any amount stated in the financial statements misleading.

16 UNUSUAL ITEMS

In the opinion of the Directors, the results of the operations of the Company have not been substantially affected by any item, transaction or event of a material and unusual nature during the financial year.

17 UNUSUAL ITEMS AFTER YEAR END DATE

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Company for the current financial year.

POLARIS SOFTWARE LAB PTE LTD**Report of the Directors (Continued)****18 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS**

Since the beginning of the financial year, no Director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Companies Act, by reason of a contract made by the Company or a related corporation with the Director or with a Firm of which he is a member, or with a Company in which he has a substantial financial interest.

19 OPTIONS TO TAKE UP UNISSUED SHARES

During the financial year, no option to take up unissued shares of the Company was granted.

20 OPTIONS EXERCISED

During the financial year, there were no shares of the Company issued by virtue of the exercise of an option to take up unissued shares.

21 UNISSUED SHARES UNDER OPTION

At the end of the financial year, there were no unissued shares of the Company under option.

22 AUDITORS

The auditors, Natarajan & Swaminathan, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

ARUN JAIN

G.N. MATHUR

Singapore,

Date: April 9, 2002

POLARIS SOFTWARE LAB PTE LTD

Statement of Directors

We, Arun Jain and G.N. Mathur, being two of the Directors of **POLARIS SOFTWARE LAB PTE LTD**, do hereby state that, in the opinion of the directors,

- (i) the accompanying balance sheet, profit and loss account, statement of changes in equity and cash flow statement, together with the notes thereto are drawn up so as to exhibit a true and fair view of the state of affairs of the Company as at March 31, 2002 and of the results of the business of the Company for the year then ended, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors authorised these financial statements for issue on April 9, 2002.

ON BEHALF OF THE DIRECTORS

ARUN JAIN

G.N. MATHUR

Singapore,

Date: April 9, 2002

M/S. NATARAJAN & SWAMINATHAN

Certified Public Accountants

1 North Bridge Road, #19-04/05 High Street Centre, Singapore 179094

AUDITOR'S REPORT**TO THE MEMBERS OF POLARIS SOFTWARE LAB PTE LTD**

We have audited the accompanying balance sheet of POLARIS SOFTWARE LAB PTE LTD as at March 31, 2002, the profit and loss account, statement of changes in equity and the cash flow statement for the year then ended. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act and Statements of Accounting Standard and so as to give a true and fair view of:
 - i) the state of affairs of the Company as at March 31, 2002 and of the results and the statement of changes in equity and cash flows of the Company for the year then ended on that date; and
 - ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements;
- (b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Natarajan & Swaminathan

Certified Public Accountants

Singapore,

Date: April 9, 2002

POLARIS SOFTWARE LAB PTE LTD

Balance Sheet as at 31 March

	Notes	2002 S\$	2002 Rs.	2001 S\$	2001 Rs.
Non-Current Assets					
Fixed Assets	4	324,068.87	8,594,306	56,034.84	1,448,501
		324,068.87	8,594,306	56,034.84	1,448,501
Current Assets					
Trade Debtors Less Provision		710,395.50	18,839,689	311,389.70	8,049,424
Other Debtors	5	64,145.72	1,701,144	23,739.28	613,660
Cash and Bank Balances	6	149,994.56	3,977,856	207,602.86	5,366,534
		924,535.78	24,518,689	542,731.84	14,029,618
Less: Current Liabilities					
Trade Creditors and Accruals	7	118,332.02	3,138,165	135,221.22	3,495,469
Amount due to Holding company	8	480,547.48	12,744,119	11,407.29	294,878
Provision for Income Tax		6,200.00	164,424	6,200.00	160,270
		605,079.50	16,046,708	152,828.51	3,950,617
NET CURRENT ASSETS		319,456.28	8,471,981	389,903.33	10,079,001
Net Assets		643,525.15	17,066,287	445,938.17	11,527,502
EQUITY					
Share Capital	9	385,000.00	10,210,200	385,000.00	9,952,250
Exchange Fluctuation Reserve	10	10,746.56	284,999	-	-
Accumulated Profit		247,778.59	6,571,088	60,938.17	1,575,252
Total Equity		643,525.15	17,066,287	445,938.17	11,527,502

Note : The annexed accounting policies and explanatory notes form an integral part of financial statements. The Rupee equivalent of Singapore Dollars for the period ended 31-03-2002 and 31-03-2001 has been arrived at by converting at the closing exchange rate of S \$1 = Rs. 26.52 and S \$1 = Rs. 25.85 respectively. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.

POLARIS SOFTWARE LAB PTE LTD**Profit and Loss Account for the year ended 31 March**

	Note	2002 S\$	2002 Rs.	2001 S\$	2001 Rs.
Revenue					
Income from Software Projects		2,749,686.50	72,921,686	1,540,565.38	39,823,615
Other Operating Income	11	1,137.50	30,167	-	-
		2,750,824.00	72,951,853	1,540,565.38	39,823,615
Expenses					
Salary and Employee Benefits	11	2,185,985.08	57,972,324	1,285,656.42	33,234,218
Administrative Expenses	11	77,777.15	2,062,650	80,737.82	2,087,073
Other Operating Expenses		222,300.35	5,895,406	99,692.71	2,577,057
Foreign Currency (Gain)		(33,391.97)	(885,555)	(6,492.99)	(167,844)
Provision for Bad Debts		9,800.00	259,896	21,356.26	552,059
Depreciation		101,512.97	2,692,124	28,286.00	731,193
		2,563,983.58	67,996,845	1,509,236.22	39,013,756
Profit before tax		186,840.42	4,955,008	31,329.16	809,859
Income Tax Expense					
- Current Year		-	-	(6,200.00)	(160,270)
- Previous Year		-	-	3,600.00	93,060
		186,840.42	4,955,008	(2,600.00)	(67,210)
Net Profit for the year		186,840.42	4,955,008	28,729.16	742,649

Note : The annexed accounting policies and explanatory notes form an integral part of financial statements. The Rupee equivalent of Singapore Dollars for the period ended 31-03-2002 and 31-03-2001 has been arrived at by converting at the closing exchange rate of S \$1 = Rs. 26.52 and S \$1 = Rs. 25.85 respectively. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.

POLARIS SOFTWARE LAB PTE LTD

Statement of changes in Equity for the year ended 31 March 2002

	Note	Share Capital		Exchange Fluctuation Reserve		Accumulated Profit	
		S\$	Rs.	S\$	Rs.	S\$	Rs.
Balance at 01.04.2000		385,000.00	10,210,200	-	-	32,209.01	854,183
Net Profit for the year		-	-	-	-	28,729.16	761,897
Balance at 31.03.2001		385,000.00	10,210,200	-	-	60,938.17	1,616,080
Currency Translation Differences		-	-	10,746.56	284,999	-	-
Net Gains and Losses not recognised in the profit and loss account	10	-	-	10,746.56	284,999	-	-
Net Profit for the year		-	-	-	-	186,840.42	4,955,008
Balance at 31.03.2002		385,000.00	10,210,200	10,746.56	284,999	247,778.59	6,571,088

Note : The annexed accounting policies and explanatory notes form an integral part of financial statements. The Rupee equivalent of Singapore Dollars for the period ended 31-03-2002 and 31-03-2001 has been arrived at by converting at the closing exchange rate of S \$1 = Rs. 26.52 and S \$1 = Rs. 25.85 respectively. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.

POLARIS SOFTWARE LAB PTE LTD**Cash Flow Statement for the year ended 31 March**

	2002 S\$	2002 Rs.	2001 S\$	2001 Rs.
CASH FLOW FROM OPERATING ACTIVITIES				
Operating Profit before taxation	186,840.42	4,955,008	31,329.16	809,859
Adjustments for:-				
Exchange Fluctuation Reserve	10,746.56	284,999	-	-
Depreciation	101,512.97	2,692,124	28,286.00	731,193
Operating cash before working capital changes	299,099.95	7,932,131	59,615.16	1,541,052
(Increase) in Trade Debtors	(399,005.80)	(10,581,634)	(77,017.40)	(1,990,900)
(Increase) in Other Debtors	(40,406.44)	(1,071,579)	(5,924.44)	(153,147)
(Decrease)/Increase in Trade Creditors and Accruals	(27,075.36)	(718,039)	117,598.72	3,039,927
Increase/(Decrease) in Amount due to Holding Company	469,140.19	12,441,598	(11,879.12)	(307,075)
Increase in GST Payable	10,186.16	270,137	-	-
Net cash from operating activities	311,938.70	8,272,614	82,392.92	2,129,857
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(369,547.00)	(9,800,386)	(8,973.19)	(231,957)
Net cash (used in) investing activities	(369,547.00)	(9,800,386)	(8,973.19)	(231,957)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(57,608.30)	(1,527,772)	73,419.73	1,897,900
Cash and Cash Equivalents at the beginning of the year	207,602.86	5,505,628	134,183.13	3,468,634
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	149,994.56	3,977,856	207,602.86	5,366,534

NOTES TO THE CASH FLOW STATEMENT:

Cash and Cash Equivalents in the cash flow statement comprise the following balance sheet amounts:-

Cash at Banks	149,842.57	3,973,825	207,121.12	5,354,081
Cash in Hand	151.99	4,031	481.74	12,453
	149,994.56	3,977,856	207,602.86	5,366,534

Note : The annexed accounting policies and explanatory notes form an integral part of financial statements. The Rupee equivalent of Singapore Dollars for the period ended 31-03-2002 and 31-03-2001 has been arrived at by converting at the closing exchange rate of S \$1 = Rs. 26.52 and S \$1 = Rs. 25.85 respectively. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.

POLARIS SOFTWARE LAB PTE LTD

Notes to the financial statements for the year ended 31 March 2002

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 CORPORATE INFORMATION

The financial statements of the Company for the year ended March 31, 2002 were authorised for issue in accordance with a resolution of the directors on April 9, 2002. POLARIS SOFTWARE LAB PTE LTD is a limited liability company, which is incorporated in Singapore.

The registered office of the Company is located at 1, North Bridge Road, #19-04/05 High Street Centre, Singapore 179094.

During the financial year, the principal activities of the Company are to develop software and to provide software related services.

There has been no significant change in the nature of these activities during the financial year.

The Company employed 45 employees as of March 31, 2002 and 38 employees as of March 31, 2001.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The financial statements of the company have been prepared in accordance with Singapore Statement of Accounting Standard (SAS) and applicable requirements of Singapore Law.

The financial statements of the Company have been prepared on a historical cost basis.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

The financial statements are presented in Singapore Dollars (SGD or S\$).

b) Revenue Recognition

The Company develops software and provides onsite consulting for customers in Singapore. The software project development for various projects takes a period of six months to twelve months. The software fees are collected progressively as per the terms accepted with the customers. The income is recognised based on the work completed for each software project undertaken by the Company.

c) Foreign Currency Transactions

Transactions in foreign currencies are recorded in Singapore dollars at the rate ruling on the date of transaction. At each balance sheet date, recorded monetary balances that are denominated in foreign currencies are reported at the rate ruling on the balance sheet date.

All realised exchange adjustment gains and losses are dealt within the profit and loss statements.

All unrealised exchange adjustment gains and losses are transferred to the exchange fluctuation reserve. When the unrealised gain or losses becomes realised, they are then transferred from Exchange Fluctuation Reserve to Profit and Loss Account.

POLARIS SOFTWARE LAB PTE LTD**Notes to the financial statements for the year ended 31 March 2002 (Continued)****d) Income Tax**

The tax expense is determined on the basis of tax effect accounting, using the liability method, and is applied to all significant timing differences. Deferred tax benefits are not recognised unless there is reasonable expectation of their realisation.

e) Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

f) Depreciation

Depreciation is calculated on a straight-line method to write off the cost of the Fixed Assets over their estimated useful lives at the following annual rates:

Furniture & Fittings	10%
Office Equipment	10%
Computers & Peripherals	20%
Computer Software	20%

g) Trade Debtors

Trade Debtors are recognised and carried at original invoice amount less an allowance for any un-collectible amounts. An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad Debts are written-off as incurred.

h) Trade and Other Creditors

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

3 HOLDING COMPANY

The Company is a subsidiary of 'POLARIS SOFTWARE LAB LTD' incorporated in India which owns 100% shares of the Company and which is also the ultimate holding company.

4 FIXED ASSETS

A separate schedule for Fixed Assets is enclosed.

POLARIS SOFTWARE LAB PTE LTD

Notes to the financial statements for the year ended 31 March 2002 (Continued)

	2002	2002	2001	2001
	S\$	Rs.	S\$	Rs.
5 OTHER DEBTORS				
Other Debtors	46,301.64	1,227,919	6,591.58	170,392
Prepayment	5,374.08	142,521	6,377.70	164,864
Other Deposits	12,470.00	330,704	10,770.00	278,404
	64,145.72	1,701,144	23,739.28	613,660

6 CASH AND BANK BALANCES

Cash at Bank	149,842.57	3,973,825	207,121.12	5,354,081
Cash in Hand	151.99	4,031	481.74	12,453
	149,994.56	3,977,856	207,602.86	5,366,534

7 TRADE CREDITORS AND ACCRUALS

Trade Creditors	22,778.13	604,076	12,591.97	325,502
Accrued Expenses	95,553.89	2,534,089	122,629.25	3,169,967
	118,332.02	3,138,165	135,221.22	3,495,469

8 HOLDING COMPANY TRANSACTIONS

The Company's transactions are made in the ordinary course of business and are reflected in these financial statements.

The inter-company balances are without fixed repayment terms and interest.

During the financial year, the Company had the following transactions with the holding company:-

	2002	2002	2001	2001
	S\$	Rs.	S\$	Rs.
Training of Staff (Expense)	158,812.00	4,211,694	80,425.00	2,078,986
Relocation of Staff (Expense)	56,549.60	1,499,695	27,677.00	715,450
Purchase of Computer Software (Fixed Assets)	360,283.00	9,554,705	-	-

9 SHARE CAPITAL

Authorised:-

500,000 Ordinary Shares

of S\$1/- each 500,000.00 13,260,000 500,000.00 12,925,000

Issued And Fully Paid:-

385,000 Ordinary Shares

of S\$1/- each 385,000.00 10,210,200 385,000.00 9,952,250

POLARIS SOFTWARE LAB PTE LTD**Notes to the financial statements for the year ended 31 March 2002 (Continued)**

	2002	2002	2001	2001
	S\$	Rs.	S\$	Rs.
10 EXCHANGE FLUCTUATION RESERVE				
Balance as at 01.04.2001	-	-	-	-
Add : Unrealised Exchange Gain	10,746.56	284,999	-	-
BALANCE AS AT 31.03.2002	10,746.56	284,999	-	-

The net unrealised exchange gain arising from the conversion of trade debtors, made in foreign currencies, to Singapore Dollars at the rate as at balance sheet date is transferred to the above account.

11 OTHER OPERATING INCOME AND EXPENSES

Other Operating Income, Salary and Employee Benefits and Administrative Expenses included the following for the year ended 31 March;

	2002		2001	
	S\$	Rs.	S\$	Rs.
Other Operating Income				
Provision for Expenses no longer required	1,137.50	30,167	-	-
Salary and Employee Benefits				
Director's Remuneration	104,400.00	2,768,688	85,500.00	2,210,175
Director's Sales Incentives	24,270.95	643,666	8,414.43	217,513
Director's CPF	2,592.43	68,751	-	-
Administrative Expenses				
Auditor's Remuneration	5,000.00	132,600	3,090.00	79,877

12 TAXATION

Provision for income tax is not required for the current financial year. As at March 31, 2002, the Company had estimated capital allowances of S\$394,316/- available for set off against current year's profit and the future taxable profits, subject to compliance with Section 37 of the Income Tax Act, Cap.134 and agreement by the Comptroller of Income Tax

13 COMPARATIVE FIGURES

The presentation and classification of items in the financial statements have been changed due to the adoption of the requirements of SAS 1 (Revised 1999) "Presentation of Financial Statements". As a result, additional line items have been included on the face of the profit and loss account and a statement of changes in equity has been presented as required by SAS 1 (Revised 1999). Certain comparative figures have been reclassified to conform with the current year's presentation.

POLARIS SOFTWARE LAB PTE LTD
SCHEDULE FOR FIXED ASSETS

PARTICULARS	FURNITURE & FITTINGS		OFFICE EQUIPMENT		COMPUTERS & PERIPHERALS		COMPUTER SOFTWARE		TOTAL
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	
COST OR VALUATION									
At April 1, 2001	4,472.31	8,031.09	87,130.38	48,047.92	147,681.70	3,916,519			
Additions	-	6,824.22	2,439.78	360,283.00	369,547.00	9,800,386			
Disposals	-	-	-	-	-	-			
At March 31, 2002	4,472.31	14,855.31	89,570.16	408,330.92	517,228.70	13,716,905			
DEPRECIATION									
At April 1, 2001	1,366.82	1,408.09	60,052.79	28,819.16	91,646.86	2,430,475			
Depreciation for the year	447.23	1,485.53	17,914.03	81,666.18	101,512.97	2,692,124			
Disposals	-	-	-	-	-	-			
At March 31, 2002	1,814.05	2,893.62	77,966.82	110,485.34	193,159.83	5,122,599			
Depreciation as at March 31, 2001	447.23	803.11	17,426.08	9,609.58	28,286.00	750,145			
NET BOOK VALUE									
At March 31, 2002	2,658.26	11,961.69	11,603.34	297,845.58	324,068.87	8,594,306			
At March 31, 2001	3,105.49	6,623.00	27,077.59	19,228.76	56,034.84	1,486,044			

Note : The Rupee equivalent of Singapore Dollars for the period ended 31-03-2002 and 31-03-2001 has been arrived at by converting at the closing exchange rate of S \$1 = Rs 26.52 and S \$1 = Rs. 25.85 respectively. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.

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POLARIS SOFTWARE LAB LTD, UK

Financial Statements for the year ended 30 September 2001

Osprey House, 22-24, Goodmayes Road,
Goodmayes ILFORD ESSEX IG3 9 UN
UNITED KINGDOM

POLARIS SOFTWARE LAB LIMITED, UK

DIRECTORS	Arun Jain G.N. Mathur
SECRETARY	Rakesh Singhanian
COMPANY NUMBER	03574904
REGISTERED OFFICE	22 – 24 Goodmayes Road Goodmayes Illford Essex IG3 9UN
AUDITORS	MB Mehta Ableman 8a Elm Park Road Pinner Middlesex HA5 3LA
BUSINESS ADDRESS	100 Longwater Avenue Greenpark Reading RG2 6GP
BANKERS	Barclays Bank PLC P.O.Box 544 54 Lombard Street London EC3V 9EX

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POLARIS SOFTWARE LAB LTD

Directors' Report for the year ended 30 September 2001

The Directors present their report and financial statements for the year ended 30 September 2001.

Principal activities and review of the business

The principal activity of the company continued to be that of computer software development, software engineering and IT consultancy.

Results and dividends

The results for the year are set out on next page.

The directors do not propose payment of an ordinary dividend.

Directors

The following directors have held office since 1 October 2000:

Arun Jain

G.N. Mathur

Directors' interests

The Directors' interests in the shares of the company were as stated below:

	Ordinary shares of Pounds 1 each	
	30 September 2001	1 October 2000
Arun Jain	-	-
G.N. Mathur	-	-

The above directors have an indirect interest in the company by virtue of their shareholdings in the parent company.

Auditors:

MB Mehta Ableman were appointed auditors to the company and in accordance with Section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

POLARIS SOFTWARE LAB LTD**Directors' Report for the year ended 30 September 2001 (Continued)**

Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Rakesh Singhania

Secretary

POLARIS SOFTWARE LAB LTD

Independent Auditors' Report to the Shareholders of POLARIS SOFTWARE LAB LTD

We have audited the financial statements of Polaris Software Lab Limited on pages 4 to 11 for the year ended 30th September 2001. These financial statements have been prepared under the historical cost convention and the accounting policies set out herein.

Respective responsibilities of the Directors and Auditors

As described in the statement of Directors' responsibilities on page 2 the company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act, 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the company is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 30 September 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act, 1985.

MB Mehta Ableman

Chartered Certified Accountants
Registered Auditor

21 December 2001

8a Elm Park Road
Pinner
Middlesex
HA5 3LA

POLARIS SOFTWARE LAB LTD**Profit and Loss Account for the year ended 30 September**

	Notes	2001 £	2001 Rs.	2000 £	2000 Rs.
Turnover	2	3,822,459	270,286,076	1,823,554	122,925,775
Cost of sales		(3,660,643)	(258,844,067)	(1,731,962)	(116,751,558)
Gross Profit		161,816	11,442,009	91,592	6,174,217
Distribution costs		(37,500)	(2,651,625)	(4,700)	(316,827)
Administrative expenses		(339,247)	(23,988,155)	(145,972)	(9,839,973)
Other operating income		314,077	22,208,385	107,938	7,276,101
Operating Profit	3	99,146	7,010,614	48,858	3,293,518
Other interest receivable and similar income		4,713	333,256	25	1,685
Profit on ordinary activities before taxation		103,859	7,343,870	48,883	3,295,203
Tax on profit on ordinary activities	4	(20,850)	(1,474,304)	(1,782)	(120,125)
Profit on ordinary activities after taxation	10	83,009	5,869,566	47,101	3,175,078

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

Note : The Rupee equivalent of Pound sterling for the period ended 30-09-2001 and 30-09-2000 has been arrived at by converting at the closing exchange rate of GBP 1 = Rs. 70.71 and GBP 1 = Rs. 67.41 respectively. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.

POLARIS SOFTWARE LAB LTD

Balance Sheet as at 30 September

	Notes	2001 £	2001 Rs.	2000 £	2000 Rs.
Fixed Assets					
Tangible assets	5	20,361	1,439,726	6,512	438,974
Current Assets					
Debtors	6	1,009,131	71,355,653	916,215	61,762,053
Cash at Bank and in hand		426,085	30,128,470	127,016	8,562,149
		1,435,216	101,484,123	1,043,231	70,324,202
Creditors: amounts falling due within one year	7	(473,634)	(33,490,660)	(874,809)	(58,970,875)
Net current assets		961,582	67,993,463	168,422	11,353,327
Total assets less current liabilities		981,943	69,433,190	174,934	11,792,301
Capital and reserves					
Called up share capital	9	889,000	62,861,190	165,000	11,122,650
Profit and loss account	10	92,943	6,572,000	9,934	669,651
Shareholders' funds-equity interests	11	981,943	69,433,190	174,934	11,792,301

The financial statements were approved by the Board on 17 December 2001.

Arun Jain

Director

Note : The Rupee equivalent of Pound sterling for the period ended 30-09-2001 and 30-09-2000 has been arrived at by converting at the closing exchange rate of GBP 1 = Rs. 70.71 and GBP 1 = Rs. 67.41 respectively. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.

POLARIS SOFTWARE LAB LTD**Cash Flow Statement for the year ended 30 September**

	2001 £	2001 Rs.	2000 £	2000 Rs.
Net cash (outflow)/inflow from operating activities	(411,700)	(29,111,307)	23,444	1,580,360
Returns on investments and servicing of finance				
Interest received	4,713	333,256	25	1,685
Net cash inflow for returns on investments and servicing of finance	4,713	333,256	25	1,685
Taxation	(1,782)	(126,005)	-	-
Capital expenditure				
Payments to acquire tangible assets	(20,635)	(1,459,101)	(6,190)	(417,268)
Net cash outflow for capital expenditure	(20,635)	(1,459,101)	(6,190)	(417,268)
Net cash (outflow)/inflow before management of liquid resources and financing	(429,404)	(30,363,157)	17,279	1,164,777
Financing				
Issue of ordinary share capital	724,000	51,194,040	75,000	5,055,750
Net cash inflow from financing	724,000	51,194,040	75,000	5,055,750
Increase in cash in the year	294,596	20,830,883	92,279	6,220,527

POLARIS SOFTWARE LAB LTD

Notes to the Cash Flow Statement for the year ended 30 September

	2001 £	2001 Rs.	2000 £	2000 Rs.
1. Reconciliation of operating profit to net cash (outflow)/inflow from operating activities				
Operating Profit	99,146	7,010,614	48,858	3,293,518
Depreciation of tangible assets	6,786	479,838	2,170	146,280
Increase in debtors	(92,916)	(6,570,090)	(783,790)	(52,835,284)
(Decrease)/Increase in creditors within one year	(424,716)	(30,031,668)	756,206	50,975,846
Net cash (outflow)/inflow from operating activities	(411,700)	(29,111,306)	23,444	1,580,360

2. Analysis of net funds	1-Oct 2000 £	Cash Flow £	Other- non-cash changes £	30 Sep 2001 £	30 Sep 2001 Rs.
Net cash					
Cash at Bank and in hand	127,016	299,069	-	426,085	30,128,470
Bank overdrafts	-	(4,473)	-	(4,473)	(316,286)
Net funds	127,016	294,596	-	421,612	29,812,184

3. Reconciliation of net cash flow to movement in net funds	2001 £	2001 Rs.	2000 £	2000 Rs.
Increase in cash in the year	294,596	20,830,883	92,279	6,220,527
Movement in net funds in the year	294,596	20,830,883	92,279	6,220,527
Opening net funds	127,016	8,981,301	34,737	2,341,621
Closing net funds	421,612	29,812,184	127,016	8,562,148

POLARIS SOFTWARE LAB LTD**Notes to the Financial Statements for the year ended 30 September 2001****1. Accounting policies****1.1 Accounting convention**

The financial statements are prepared under the historical cost convention.

1.2 Turnover

Turnover represents amounts receivable for services net of VAT.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment 25% reducing balance per annum

1.4 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

1.5 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.6 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2. Turnover

The turnover attributable to geographical markets outside the United Kingdom amounted to 15% for the year.

3. Operating Profit

Operating Profit is stated after charging:

Depreciation of tangible assets	6,786	479,838	2,170	146,280
Auditors' remuneration	8,000	565,680	4,000	269,640

4. Taxation**Domestic current year taxation**

U.K. Corporation Tax	20,850	1,474,304	1,782	120,125
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POLARIS SOFTWARE LAB LTD

Notes to the Financial Statements for the year ended 30 September 2001 (Continued)

5. Tangible fixed assets

	£	Rs.
Cost		
1st October 2000	9,512	672,594
Additions	20,635	1,459,101
At 30th September 2001	<u>30,147</u>	<u>2,131,695</u>
Depreciation		
At 1st October 2000	3,000	212,130
Charge for the year	6,786	479,839
At 30th September 2001	<u>9,786</u>	<u>691,969</u>
Net book value		
At 30th September 2001	<u>20,361</u>	<u>1,439,726</u>
At 30th September 2000	<u>6,512</u>	<u>460,464</u>

6. Debtors

	2001 £	2001 Rs.	2000 £	2000 Rs.
Trade debtors	938,195	66,339,768	881,496	59,421,645
Other debtors	57,975	4,099,412	31,335	2,112,293
Prepayments and accrued income	12,961	916,473	3,384	228,115
	<u>1,009,131</u>	<u>71,355,653</u>	<u>916,215</u>	<u>61,762,053</u>

7. Creditors: amounts falling due within one year

Bank loans and overdrafts	4,473	316,286	-	-
Trade creditors	103,954	7,350,587	79,049	5,328,693
Amounts owed to parent and fellow subsidiary undertakings	14,204	1,004,365	429,355	28,942,821
Corporation Tax	20,850	1,474,304	1,782	120,125
Other taxes and social security costs	97,126	6,867,779	143,183	9,651,966
Other creditors	139,706	9,878,611	100,045	6,744,033
Accruals and deferred income	93,321	6,598,728	121,395	8,183,237
	<u>473,634</u>	<u>33,490,660</u>	<u>874,809</u>	<u>58,970,875</u>

POLARIS SOFTWARE LAB LTD**Notes to the Financial Statements for the year ended 30 September 2001 (Continued)****8 Pension Costs**

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £ 7,348 (2000 - £ 3,750). Contributions totalling Pounds 4,696 (2000 - £ NIL) were payable to the fund at the year end and are included in creditors.

9 Share Capital	2001	2000
	£	£
Authorised		
1,000,000 Ordinary shares of £ 1 each	1,000,000	1,000,000
Allotted, called-up and fully paid		
889,000 Ordinary shares of £1 each	889,000	165,000

10 Statement of movements on profit and loss account

	£	Rs.
Balance at 1 October 2000	9,934	702,434
Retained profit for the year	83,009	5,869,566
Balance at 30 September 2001	92,943	6,572,000

11 Reconciliation of movements in shareholders' funds

	2001	2001	2000	2000
	£	Rs.	£	Rs.
Profit for the financial year	83,009	5,869,566	47,101	3,175,078
Proceeds from issue of shares	724,000	51,194,040	75,000	5,055,750
Net addition to shareholders' funds	807,009	57,063,606	122,101	8,230,828
Opening shareholders' funds	174,934	12,369,583	52,833	3,561,473
Closing shareholders' funds	981,943	69,433,190	174,934	11,792,301

POLARIS SOFTWARE LAB LTD

Notes to the Financial Statements for the year ended 30 September 2001 (Continued)

12. Employees

Number of employees

The average monthly number of employees
(including Directors) during the year was:

	2001	2000
	(in Nos.)	(in Nos.)
Software engineers, IT Consultants, and Management	<u>58</u>	<u>50</u>
Employment costs	<u>£</u>	<u>£</u>
Wages and Salaries	1,626,086	820,406
Other pension costs	<u>7,348</u>	<u>3,750</u>
	<u>1,633,434</u>	<u>824,156</u>

13. Control

The ultimate parent company is Polaris Software Lab Limited, a company registered in India which owns 100% of the issued share capital. Polaris Software Lab Limited prepares group financial statements, and copies of the financial statements can be obtained from Polaris Software Lab Limited, Polaris House, 244 Anna Salai, Chennai - 600 006, India.

14. Related Party transactions

During the year Polaris Software Lab Limited paid outsourcing charges of Pounds 1,205,342 (2000 - Pounds 571,708) to its parent company. During the year, Polaris Software Lab Limited received service charges of Pounds 315,623 (2000 - Pounds 113,984) from its parent company. The balance due to the parent Company at the year end was Pounds 14,204 (2000 - Pounds 429,355).

POLARIS SOFTWARE LAB LTD**Detailed Trading and Profit and Loss Account for the year ended 30 September**

	2001 £	2001 Rs.	2000 £	2000 Rs.
Turnover				
Sales	3,822,459	270,286,076	1,823,554	122,925,775
Cost of Sales				
Salaries and NIC	1,626,086	114,980,541	820,406	55,303,568
Outsourcing charges	1,205,342	85,229,733	571,708	38,538,836
Consultants	642,904	45,459,742	275,647	18,581,364
Travelling, fares etc	186,311	13,174,051	64,201	4,327,789
	(3,660,643)	(258,844,067)	(1,731,962)	(116,751,557)
Gross Profit	161,816	11,442,009	91,592	6,174,217
Distribution costs	37,500	2,651,625	4,700	316,827
Administrative expenses	339,247	23,988,155	145,972	9,839,973
	(376,747)	(26,639,780)	(150,672)	(10,156,800)
	(214,931)	(15,197,771)	(59,080)	(3,982,583)
Other operating income				
Service charges received	315,623	22,317,702	113,984	7,683,661
Exchange gains	(1,546)	(109,318)	(6,046)	(407,561)
	314,077	22,208,385	107,938	7,276,100
Operating Profit	99,146	7,010,614	48,858	3,293,518
Other interest receivable and similar income				
Bank deposit interest	4,552	321,872	25	1,685
Other interest received	161	11,384	-	-
	4,713	333,256	25	1,685
Profit before taxation	103,859	7,343,870	48,883	3,295,203

Note : The Rupee equivalent of Pound sterling for the period ended 30-09-2001 and 30-09-2000 has been arrived at by converting at the closing exchange rate of GBP 1 = Rs. 70.71 and GBP 1 = Rs. 67.41 respectively. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.

POLARIS SOFTWARE LAB LTD

Schedule of Distribution costs and administrative expenses for the year ended 30 September

	2001 £	2001 Rs.	2000 £	2000 Rs.
Distribution costs				
Commissions	37,500	2,651,625	4,700	316,827
	37,500	2,651,625	4,700	316,827
Administrative expenses:				
Pension scheme contributions	7,348	519,577	3,750	252,788
Seminars and conferences	-	-	4,455	300,312
Rent and service charges	71,332	5,043,886	34,580	2,331,038
Acquisition of database	-	-	10,000	674,100
Health insurance	4,799	339,337	1,360	91,678
Insurances	3,447	243,737	-	-
Guest house rent and services	50,212	3,550,491	12,765	860,489
Repairs and maintenance	154	10889	34	2,291
Internet expenses	2,742	193,887	-	-
Courier	1,543	109,106	407	27,436
Printing postage and stationery	4,671	330,286	1,701	114,664
Advertising	13,437	950,130	-	-
Telephone	47,847	3,383,261	19,923	1,343,009
Computer running costs	3,403	240,626	1,121	75,567
Legal and professional fees	40,828	2,886,948	39,137	2,638,225
Accountancy	17,100	1,209,141	7,000	471,870
Auditor's remuneration	8,000	565,680	4,000	269,640
Bank charges and interest	4,488	317,346	1,232	83,049
Provision for bad debts	46,928	3,318,279	-	-
Sundry expenses	3,973	280,932	1,988	134,011
Magazines, journals and periodicals	209	14,778	349	23,526
Depreciation on office equipment	6,786	479,838	2,170	146,280
	339,247	23,988,155	145,972	9,839,973

Note : The Rupee equivalent of Pound sterling for the period ended 30-09-2001 and 30-09-2000 has been arrived at by converting at the closing exchange rate of GBP 1 = Rs. 70.71 and GBP 1 = Rs. 67.41 respectively. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.

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POLARIS SOFTWARE LAB S.A., SWITZERLAND

Financial Statements for the year ended 31 March 2002

Passage Max-Meuron 1 P.O. Box 4652001 Neuchatel
SWITZERLAND

POLARIS SOFTWARE LAB S.A., SWITZERLAND

DIRECTOR	Francis Sermet
AUDITORS	Mueller & Christe S.A. Temple-Neuf 4, 2001 Neuchatel, Switzerland

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FIDUCIAIRE
MULLER & CHRISTE S A

Associés: Christe Jacques, Schneider Georges, Voirol Roger, Vonlanthen Alain
Experts comptables diplômés

**Report of the statutory auditors to the general meeting
of Polaris Software Lab S.A., Switzerland**

As statutory auditors, we have audited the accounting records and the financial statements (Balance Sheet, Income Statement and notes) of Polaris Software Lab S.A. for the year ended 31st March 2002.

These financial statements are the responsibility of the board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements comply with Swiss law and the Company's articles of incorporation.

We recommend that the financial statement submitted to you be approved.

We draw your attention to the requirements of art. 725 al. I CO (Swiss code of obligations) since the net equity of the company is less than 50% of the Share Capital and legal reserves.

Neuchâtel, the 15 April 2002

FIDUCIAIRE
MULLER ET CHRISTE S.A

Damieh Schaller
Chartered accountant

Georges Schneider
Chartered accountant
(Auditor in charge)

Enclosures: Financial Statements (balance sheet, income statement and notes)

Temple-Neuf 4, 2001 Neuchâtel
Tel: +41(0)32 722 1919 Internet: www.muller-et-christe.ch TVA No.246 674
Fax: +41(0)32 722 1920 e-mail: fiduciaire@muller-et-christe.ch

POLARIS SOFTWARE LAB S.A., SWITZERLAND**Balance Sheet as at 31 March**

	2002	2002	2001	2001
	CHF	Rs.	CHF	Rs.
FIXED ASSETS	654	18,973	252	6,743
TOTAL FIXED ASSETS	654	18,973	252	6,743
CURRENT ASSETS				
Bank Accounts	14,074	408,287	23,258	622,384
Accounts Receivable				
- Related parties	106,581	3,091,915	28,372	759,235
Accounts Receivable				
- third parties	80,792	2,343,776	-	-
Staff loan	-	-	12,407	332,011
Deposit guarantees	5,833	169,215	2,255	60,344
Tax recoverable	52	1,509	30	803
Sundry debtors	900	26,109	-	-
Prepayments	7,975	231,355	3,892	104,150
TOTAL CURRENT ASSETS	216,208	6,272,194	70,214	1,878,927
LESS: CURRENT LIABILITIES				
Salary control a/c	(25,704)	(745,673)	(8,059)	(215,659)
Social security charges control a/c	(13,624)	(395,232)	(6,556)	(175,438)
Tax at Source	(9,244)	(268,168)	(3,528)	(94,409)
Creditors - third parties	(12,738)	(369,529)	(1,755)	(46,964)
Creditors - related parties	(75,000)	(2,175,750)	-	-
VAT payable	(8,658)	(251,169)	-	-
Accruals	(5,650)	(163,907)	(8,239)	(220,476)
TOTAL CURRENT LIABILITIES	(150,618)	(4,369,428)	(28,137)	(752,946)
NET CURRENT ASSETS	65,590	1,902,766	42,077	1,125,981
TOTAL FIXED AND NET CURRENT ASSETS	66,244	1,921,738	42,329	1,132,724
REPRESENTED BY:				
Share Capital	150,000	4,351,500	100,000	2,676,000
Revenue reserves brought forward	(57,671)	(1,673,036)	-	-
Profit/(Loss) for the period	(26,085)	(756,726)	(57,671)	(1,543,276)
TOTAL REVENUE RESERVES	(83,756)	(2,429,762)	(57,671)	(1,543,276)
TOTAL CAPITAL	66,244	1,921,738	42,329	1,132,724

Note : The annexed accounting policies and explanatory notes form an integral part of the financial statements. The Rupee equivalent of Swiss Francs for the period ended 31-03-2002 and 31-03-2001 has been arrived at by converting at the closing exchange rate of CHF 1 = Rs. 29.01 and CHF 1 = Rs. 26.76 respectively. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.

POLARIS SOFTWARE LAB S.A., SWITZERLAND

Profit and Loss Account for the year ended 31 March

	2002	2002	2001	2001
	CHF	Rs.	CHF	Rs.
FINANCIAL INCOME				
Service income - third party	227,700	6,605,577	28,372	759,235
Service income - related party	106,581	3,091,915	-	-
Bank interest income	91	2,640	85	2,275
TOTAL FINANCIAL INCOME	334,372	9,700,132	28,457	761,509
EXPENSES				
Salaries and wages	150,920	4,378,189	29,120	779,251
Social security charges	23,066	669,145	4,597	123,016
Lump sum allowances	41,928	1,216,331	8,976	240,198
Employees welfare	(3,120)	(90,511)	3,120	83,491
Accommodation costs	20,883	605,816	4,694	125,611
Employees private insurances	8,963	260,017	2,197	58,792
Travelling expenses	17,920	519,859	3,772	100,939
Entertaining expenses	1,781	51,667	972	26,011
Administrative and marketing costs				
- related parties	55,000	1,595,550	-	-
Consultants allowances	5,625	163,181	-	-
Recovered expenses	(30,000)	(870,300)	-	-
Office rent and cleaning	18,510	536,975	2,340	62,618
Foundation costs	-	-	6,500	173,940
Administration costs	4,564	132,402	9,588	256,575
Telephone, fax, postage and stationery	26,629	772,507	-	-
Directors fees	5,625	163,181	2,917	78,059
Accounting fees	3,960	114,880	1,500	40,140
Audit fees	3,480	100,955	1,500	40,140
Legal and consultancy fees	2,850	82,679	1,500	40,140
Bank interest and charges	101	2,930	254	6,797
Depreciation charges on office equipment	390	11,314	126	3,372
Tax on capital	499	14,476	250	6,690
Foreign exchange loss	885	25,674	-	-
Irrecoverable VAT	-	-	2,205	59,006
TOTAL EXPENSES	(360,457)	(10,456,858)	(86,128)	(2,304,785)
PROFIT/(LOSS) FOR THE PERIOD	(26,085)	(756,726)	(57,671)	(1,543,276)

Note : The annexed accounting policies and explanatory notes form an integral part of the financial statements. The Rupee equivalent of Swiss Francs for the period ended 31-03-2002 and 31-03-2001 has been arrived at by converting at the closing exchange rate of CHF 1 = Rs. 29.01 and CHF 1 = Rs. 26.76 respectively. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.

POLARIS SOFTWARE LAB S.A., SWITZERLAND**NOTES TO THE FINANCIAL STATEMENTS**

There are no items which require disclosure in the notes to the financial statements for the year ended, in accordance with Article 663b of the Swiss Code of Obligations.

POLARIS SOFTWARE LAB GmbH, GERMANY

Financial Statements for the year ended 31 March 2002

West End Street 19, 60325 Frankfurt
GERMANY

POLARIS SOFTWARE LAB GmbH, GERMANY

AUDITORS

Treu GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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TREU - GMBH Wirtschaftsprüfungsgesellschaft - Steuerberatungsgesellschaft - Frankfurt

AUDITORS' CERTIFICATE

Our audit did not result in any objections.

In our opinion the financial statements present, in compliance with generally accepted accounting principles, a true and fair view of the financial position of the company.

Frankfurt am Main, April 2, 2002.

TREU - GMBH

Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Sohr

Wirtschaftsprüfer.

POLARIS SOFTWARE LAB GmbH**Balance Sheet as at 31 March**

ASSETS	2002	2002	2001	2001
	Euro	Rs.	Euro	Rs.
A. FIXED ASSETS				
I. Tangible Asset	5,166.63	219,788	5,767.12	236,567
B. CURRENT ASSETS				
I. Receivables and other assets	52,638.99	2,239,263	7,077.67	290,326
II. Cash	31,430.21	1,337,041	51,487.06	2,111,999
C. PREPAID EXPENSES				
	2,403.73	102,255	5,552.12	227,748
	91,639.56	3,898,347	69,883.97	2,866,640

LIABILITIES	2002	2002	2001	2001
	Euro	Rs.	Euro	Rs.
A. SHAREHOLDERS EQUITY				
I. Share capital	400,000.00	17,016,000	101,000.00	4,143,020
II. Retained Earnings	(58,143.03)	(2,473,404)	-	-
III. Loss for the year	(320,365.48)	(13,628,348)	(58,143.03)	(2,385,027)
B. ACCRUALS				
	27,176.64	1,156,094	22,005.77	902,677
C. LIABILITIES				
	42,971.43	1,828,005	5,021.23	205,970
	91,639.56	3,898,347	69,883.97	2,866,640

Note: The Rupee equivalent of Euro for the period ended 31-03-2002 and 31-03-2001 has been arrived at by converting at the closing exchange rate of 1 Euro = Rs. 42.54 and 1 Euro = Rs.41.02 respectively. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.

POLARIS SOFTWARE LAB GmbH

Profit & Loss Statement for fiscal year ending 31 March

	2002 Euro	2002 Rs.	2001 Euro	2001 Rs.
1. Income	231,932.81	9,866,422	-	-
2. Payroll expenses				
a) salaries and wages	360,671.91	15,342,983	31,986.57	1,312,089
b) social security	43,878.42	1,866,588	2,022.96	82,982
3. Depreciation on fixed assets	1,347.45	57,321	223.17	9,154
4. Other business expenses	147,147.90	6,259,672	23,910.33	980,802
5. Other interest and similar Income	747.39	31,794	-	-
6. Loss for the year	320,365.48	13,628,348	58,143.03	2,385,027

Note : The Rupee equivalent of Euro for the period ended 31-03-2002 and 31-03-2001 has been arrived at by converting at the closing exchange rate of 1 Euro = Rs. 42.54 and 1 Euro = Rs.41.02 respectively. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.

POLARIS SOFTWARE LAB GmbH**Notes to financial statement as on 31 March 2002****1. Commercial Code :**

The company is classified as a small company in terms of S 267 Abs. 1 HGB Commercial code. To facilitate the understanding all explanations to the financial statements are given in the notes to financial statements.

2. Valuation methods :

All assets are valued at cost. For all risks and contingencies accruals have been made up. Liabilities are shown with their repayment values.

3. Explanations to balance sheet :

Receivables and other assets	Euro	Rs.
Receivables Polaris India	3,534.60	150,362
Deposit car advance, expenses advance	33,812.17	1,438,370

Accruals

Accruals have been reserved for

- Legal accident insurance
- Chamber of commerce
- Auditing and consulting fees
- Misc. expenses

Liabilities affiliated Companies

	Euro	Rs.
Polaris India	25,524.87	1,085,828

4. Terms of repayment

Liabilities due within one year	42,971.43	1,828,005
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5. Supplementary Information

General Manager :
Mr. Vijay Narasimhan, Eschborn

Polaris Software Lab GmbH
Frankfurt, April 2,2002

POLARIS SOFTWARE PTY LTD, AUSTRALIA

Financial Statements for the year ended 31 March 2002

Level 10 109, Pitt Street, Sydney NSW 2000
GPO Box 5398 Sydney NSW 2001
AUSTRALIA

POLARIS SOFTWARE PTY LTD, AUSTRALIA**DIRECTORS**

Arun Jain

Anil Verma

AUDITORS

Foster Raffan
 ABN 20 203 719 909
 P O Box 629
 North Sydney NSW 2059
 Australia
 Level 6, 8 West St
 North Sydney NSW 2060

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POLARIS SOFTWARE PTY LTD

Directors' Report

Your directors present this report on the financial report for the period ended 31 March 2002.

Directors

The following persons hold office as Directors of Polaris Software Pty Ltd at the date of this report:

ANIL VERMA

ARUN JAIN

Results	2002	2002	2001	2001
	A \$	Rs.	A \$	Rs.
Operating profit for the period after income tax	8,156	212,872	4,270	102,651

Principal Activities

The principal continuing activity of the Company during the period was to develop software and to provide software related services for the banking, financial services and SME's sectors.

Dividends

The Directors do not recommend payment of a dividend and no dividends have been paid or declared since 30 June, 2001.

Review of Operations

In the environment of global economic slow down and its implication in the local information technology market that has experienced slower growth in the uptake of IT Solutions and Services, the company has been able to perform well with the world-class processes, systems and support of Polaris Group.

Significant Change in the State of Affairs

There were no significant changes in the state of affairs of the Company during the period.

Matters Subsequent to the end of the Financial Period

At the date of this report no matter or circumstance has arisen since 31 March 2002 that has significantly affected or may significantly affect:

- (a) the Company's operations
- (b) the results of these operations (or)
- (c) the Company's state of affairs, in financial years subsequent to 31 March 2002

POLARIS SOFTWARE PTY LTD**Directors' Report (Continued)**

Likely Developments

The Directors believe that barring unforeseen circumstances the Company will continue to perform well in the market, with the world class process and systems.

Auditor

Foster Raffan continues to act as auditors in accordance with Section 327 of the Corporations Act, 2001.

This report is made in accordance with a resolution of the Directors.

Anil Verma

Director

Sydney, 2 April 2002

FOSTER RAFFAN

CHARTERED ACCOUNTANTS

BUSINESS, FINANCIAL & TAX ADVISORS

Partners:

Graeme J McLean
George D D Raffan
G Douglas Wood

ABN 20 203 719 909
P O Box 629
North Sydney NSW 2059
Australia
Level 6, 8 West St
North Sydney NSW 2060
Tel: (02) 9956 7500
Fax: (02) 9956 7355

Associate:

Andrew R Dargan

POLARIS SOFTWARE PTY LTD

Independent Auditors Report to the Members

Scope

We have audited the financial report of Polaris Software Pty Ltd for the period ended 31 March 2002 as set out on Pages 4 to 9. The company's directors are responsible for the report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and relevant statutory and other requirements so as to present a view which is consistent with our understanding of the company's financial position, the results of its operations and its cashflows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of Polaris Software Pty Ltd for the period ended 31 March 2002 and the results of its operations for the period then ended.

FOSTER RAFFAN

Chartered Accountants

North Sydney, 2 April 2002

G. DOUGLAS WOOD

Partner

POLARIS SOFTWARE PTY LTD**Directors' Declaration**

In accordance with a resolution of the directors of Polaris Software Pty Ltd in their opinion:

- (a) the financial report of the company is in accordance with the Corporations Act, 2001 including:-
 - (i) giving a true and fair view of the company's financial position as at 31 March 2002 and of their performance for the period ended on that date, and
 - (ii) complies with Accounting Standards and Corporation Regulations, and
- (b) at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

For and on behalf of the Board

Anil Verma

Director

Sydney, 2 April 2002

POLARIS SOFTWARE PTY LTD

Detailed Statement of Financial Performance for the nine months ended 31 March

	2002	2002	2001	2001
	(Period 9.11.00 to 30.06.01)			
	A \$	Rs.	A \$	Rs.
INCOME				
Software projects	998,609	26,063,695	864,226	20,775,993
Service income	182,820	4,771,602	86,422	2,077,585
Other	5,226	136,399	1,904	45,772
	1,186,655	30,971,696	952,552	22,899,350
EXPENDITURE				
Outsourcing	998,609	26,063,695	864,226	20,775,993
Consultancy	95,592	2,494,951	22,410	538,736
Travelling	27,296	712,426	18,246	438,634
Rent	18,328	478,361	13,991	336,344
Telephone	8,273	215,924	7,774	186,887
Other	26,905	702,221	19,435	467,217
	1,175,003	30,667,578	946,082	22,743,811
Operating Profit before Income Tax	11,652	304,118	6,470	155,539
Income Tax expense	(3,496)	(91,246)	(2,200)	(52,888)
Operating Profit after Income Tax	8,156	212,872	4,270	102,651
Retained earnings - 1 July 2001	4,270	111,447	--	--
Retained earnings - 31 March 2002	12,426	324,319	4,270	102,651

The Statement of Financial Performance should be read in conjunction with the accompanying notes.

Note : The annexed accounting policies and explanatory notes form an integral part of the financial statements. The Rupee equivalent of Australian Dollar for the period ended 31-03-2002 and 30-06-2001 has been arrived at by converting at the closing exchange rate of A\$ 1 = Rs. 26.10 and A\$ 1 = Rs. 24.04 respectively. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.

POLARIS SOFTWARE PTY LTD**Statement of Financial Position - 31 March**

	Notes	2002	2002	2001	2001
				(Period 9.11.00 to 30.06.01)	
		A \$	Rs.	A \$	Rs.
CURRENT ASSETS					
Cash	3	257,361	6,717,122	384,263	9,237,683
Receivables	4	227,620	5,940,882	321,595	7,731,144
TOTAL CURRENT ASSETS		484,981	12,658,004	705,858	16,968,827
NON-CURRENT ASSETS					
Equipment	5	590	15,399	885	21,275
TOTAL NON-CURRENT ASSETS		590	15,399	885	21,275
TOTAL ASSETS		485,571	12,673,403	706,743	16,990,102
CURRENT LIABILITIES					
Creditors and borrowings	6	442,449	11,547,919	675,273	16,233,563
Provisions	7	5,696	148,665	2,200	52,888
TOTAL LIABILITIES		448,145	11,696,584	677,473	16,286,451
NET ASSETS		37,426	976,819	29,270	703,651
Represented by:					
Share Capital	8	25,000	652,500	25,000	601,000
Retained Earnings		12,426	324,319	4,270	102,651
TOTAL SHAREHOLDERS EQUITY		37,426	976,819	29,270	703,651

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Note : The annexed accounting policies and explanatory notes form an integral part of the financial statements. The Rupee equivalent of Australian Dollar for the period ended 31-03-2002 and 30-06-2001 has been arrived at by converting at the closing exchange rate of A\$ 1 = Rs. 26.10 and A\$ 1 = Rs. 24.04 respectively. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.

POLARIS SOFTWARE PTY LTD

Statement of Cash Flows for the nine months ended 31 March

	2002	2002	2001	2001
	A \$	Rs.	A \$	Rs.
	(Period 9.11.00 to 30.06.01)			
Cash Flows from operating activities				
Receipts from customers	1,265,279	33,023,782	730,875	17,570,235
Payments to suppliers and employees	(1,397,406)	(36,472,297)	(372,336)	(8,950,957)
	(132,127)	(3,448,515)	358,539	8,619,278
Income Tax paid	-	-	-	-
Interest received	5,225	136,373	1,904	45,772
Net cash (outflow)/inflow from operating activities	(126,902)	(3,312,142)	360,443	8,665,050
Cash flow from financing activities				
Issuance of share capital	-	-	25,000	601,000
	-	-	25,000	601,000
Cash flows from investing activities				
Payments for plant and equipment	-	-	(1,180)	(28,367)
Net cash (outflow) from investing activities	-	-	(1,180)	(28,367)
Net(decrease)/increase in cash held	(126,902)	(3,312,142)	384,263	9,237,683
Cash - 1 July 2001	384,263	10,029,264	-	-
Cash - 31 March 2002 (note 3)	257,361	6,717,122	384,263	9,237,683

The above Statement of cash flows should be read in conjunction with the accompanying notes.

Note : The annexed accounting policies and explanatory notes form an integral part of the financial statements. The Rupee equivalent of Australian Dollar for the period ended 31-03-2002 and 30-06-2001 has been arrived at by converting at the closing exchange rate of A\$ 1 = Rs. 26.10 and A\$ 1 = Rs. 24.04 respectively. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.ct, 1956.

POLARIS SOFTWARE PTY LTD**Notes to the Financial Report - 31 March 2002****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This financial report has been prepared for distribution to the members to satisfy the Board accountability requirements under the Corporations Act, 2001. The accounting policies used in the preparation of this report are described below:

- (a) The accounts have been prepared using the accrual basis of accounting including the historical cost convention and the going concern assumption.
- (b) By virtue of Accounting Standard AASB 1025: Application of the Reporting Entity Concept and Other Amendments, the requirements of accounting standards issued by the Australian Accounting Standards Board do not have mandatory applicability to Polaris Software Pty Ltd in relation to the period ended 31 March 2002 because the company is not a "reporting entity" as defined therein. The Board has prepared the financial report in accordance with all applicable accounting standards.

2. INCOME TAX

	2002 A \$	2002 Rs.	2001 A \$	2001 Rs.
Operating Profit	11,652	304,117	6,470	155,539
Tax Prima facie payable @ 30% (2001 34%)	3,496	91,246	2,200	52,888
Income Tax expense	3,496	91,246	2,200	52,888

3. CASH AT BANK

Cash on hand	1,000	26,100	2,000	48,080
ANZ - Operating a/c	256,361	6,691,022	382,263	9,189,603
	257,361	6,717,122	384,263	9,237,683

4. RECEIVABLES

Trade debtors	225,836	5,894,320	309,686	7,444,851
Prepayments	1,784	46,562	11,909	286,293
	227,620	5,940,882	321,595	7,731,144

5. EQUIPMENT

Office furniture and equipment	1,180	30,798	1,180	28,367
Less: Accumulated depreciation	(590)	(15,399)	(295)	(7,092)
	590	15,399	885	21,275

POLARIS SOFTWARE PTY LTD

Notes to the Report - 31 March 2002 (Continued)

	2002	2002	2001	2001
	A \$	Rs.	A \$	Rs.
6. CREDITORS AND BORROWINGS				
Creditors and accruals	8,805	229,811	21,910	526,716
Advance from customers	92,858	2,423,594	89,913	2,161,509
Payable to parent company (note 6a)	304,829	7,956,037	509,368	12,245,207
GST payable	35,957	938,477	54,082	1,300,131
	442,449	11,547,919	675,273	16,233,563

- (a) The payable to Polaris Software Lab Limited, the parent company has been confirmed in writing dated 26 March, 2002 as payable in A \$.

7. PROVISIONS

Income Tax payable	5,696	148,666	2,200	52,888
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8. SHARE CAPITAL

Issued capital 25,000 ordinary shares	25,000	652,500	25,000	601,000
---------------------------------------	--------	---------	--------	---------

9. AUDITORS' REMUNERATION

Amounts received by the auditors for

- audit examination	1,100	28,710	1,000	24,040
- other services	250	6,525	200	4,808
	1,350	35,235	1,200	28,848

10. EVENTS OCCURRING AFTER BALANCE DATE

There have been no significant events which have occurred subsequent to 31 March 2002.

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POLARIS SOFTWARE LAB IRELAND LTD, IRELAND

Financial Statements for the year ended 31 March 2002

Georgian Business Center, 19, Lower Baggot Street Dublin-2
IRELAND

POLARIS SOFTWARE LAB IRELAND LTD, IRELAND

DIRECTORS	Arun Jain Gopal Narain Mathur
SECRETARY	Sridhar Subramanian
BANKERS	Ulster Bank 166A, Shelbourne Road Ballsbridge Dublin 4
AUDITORS	Armstrong Associates Greystones C/o. Wicklow
REGISTERED OFFICE	Georgian Business Centre 19, Lower Baggot Street Dublin 2
COMPANY NUMBER	316423

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POLARIS SOFTWARE LAB IRELAND LIMITED

Directors' Report for the year ended 31 March 2002

The directors present their report and financial statements for the year ended 31 March 2002.

Statement of Directors responsibilities for Financial Statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper books of accounts which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act, 1963 to 2001 and all Regulations to be construed as one with those Acts. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Principal Activity

The principal activity of the company is computer consultancy, software development and software engineering

Review of Business and Future Developments

The Directors expect the company to increase turnover and profits in the coming year.

Results

The Loss for the year is set out in the profit and loss account on Page.6

Dividends

No dividends have been declared or proposed.

Health and Safety for Employees

The Safety, Health and Welfare at Work Act 1989 imposes certain requirements on employees and the company is aware of its obligations in this regard.

POLARIS SOFTWARE LAB IRELAND LIMITED**Directors' Report for the year ended 31 March 2002 (Continued)****Books of Account**

The Directors are aware of their responsibility to maintain proper Books of Account under the Companies Act 1963 to 2001. The steps the Company has taken to do so include the employment of a Finance Officer with responsibility for the entire accounting function of the Company.

Directors

All the Directors continue in office in accordance with the Company's Articles of Association.

Directors & Shareholders Interests

The beneficial interests, including the interests of spouses and minor children, of the Directors and Secretary in office at 31st March 2002 in the Share Capital of the Parent Company, Polaris Software Lab Limited were as follows:

	No of Ordinary Shares
Arun Jain	3,062,916
Gopal Narain Mathur	32,230
Sridhar Subramanian	450

Auditors

In accordance with the Section 160(2) of the Companies Act, 1963, the Auditors Armstrong Associates will continue in office.

ON BEHALF OF THE BOARD

ARUN JAIN

GOPAL NARAIN MATHUR

Date : 12.04.2002

Auditors Report to the Members of POLARIS SOFTWARE LAB IRELAND LTD.

We have audited the Financial Statements on pages 6-11.

Respective responsibilities of Directors and Auditors

As described on page 3 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Standards Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31st March 2002 and of the loss for the year ended 31st March 2002 and have been properly prepared in accordance with the Companies Acts 1963 to 2001.

We have obtained all information and explanations we considered necessary for the purpose of our audit. In our opinion, proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors report on pages 3-4 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 7, are not more than half of the amount of its called up share capital and on that basis there did exist at 31 March 2002 a financial situation which, under section 40(1) of the Companies (Amendment) Act 1983 would require the convening of an extraordinary general meeting of the Company.

Armstrong Associates

Date: 12 April 2002

Chartered Certified Accountants & Registered Auditors

POLARIS SOFTWARE LAB IRELAND LTD**Profit and Loss Account for the year ended 31 March**

	Note	2002 Euro	2002 Rs.	2001 Euro	2001 Rs.
Turnover	2	762	32,415	-	-
Operating Expenses		40,029	1,702,833	-	-
Interest Payable	3	-	-	-	-
Loss on ordinary activities before taxation	4	(39,267)	(1,670,418)	-	-
Taxation on ordinary activities	5	-	-	-	-
Loss on ordinary activities after Taxation		(39,267)	(1,670,418)	-	-
Retained profit at 31 March 2001		-	-	-	-
Revenue Deficit carried forward at 31 March 2002		(39,267)	(1,670,418)	-	-

There were no other recognised gains or losses other than dealt with in the Profit and Loss Account above.

On behalf of the Directors**Arun Jain**, *Director*

Date: 12 April 2002

Gopal Narain Mathur, *Director*

Date: 12 April 2002

Note : The Rupee equivalent of Euro for the period ended 31-03-2002 and 31-03-2001 has been arrived at by converting at the closing exchange rate of Euro = Rs. 42.54 and 1 Euro = Rs.41.02 respectively. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.

POLARIS SOFTWARE LAB IRELAND LTD

Balance Sheet as at 31 March

	Notes	2002	2002	2001	2001
		Euro	Rs.	Euro	Rs.
ASSETS EMPLOYED					
FIXED ASSETS					
Bank		41,923	1,783,404	-	-
Tangible Assets		-	-	-	-
CURRENT ASSETS					
Debtors	7	4,215	179,306	2	82
Bank		41,923	1,783,404	-	-
		46,138	1,962,711	2	82
CREDITORS (Amounts falling due within one year)	8	(9,219)	(392,176)	-	-
NET CURRENT ASSETS		36,919	1,570,534	2	82
TOTAL ASSETS LESS					
CURRENT LIABILITIES		36,919	1,570,534	2	82
CREDITORS (Amounts falling due after more than one year)-		-	-	-	-
TOTAL ASSETS LESS					
LIABILITIES		36,919	1,570,534	2	82
CAPITAL AND RESERVES					
Share Capital	9	76,186	3,240,952	2	82
Profit and Loss Account		(39,267)	(1,670,418)	-	-
Shareholders Funds	10	36,919	1,570,534	2	82

On behalf of the Directors

Arun Jain, Director

Date: 12 April 2002

Gopal Narain Mathur, Director

Date: 12 April 2002

Note : The Rupee equivalent of Euro for the period ended 31-03-2002 and 31-03-2001 has been arrived at by converting at the closing exchange rate of Euro = Rs. 42.54 and 1 Euro = Rs.41.02 respectively. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.

POLARIS SOFTWARE LAB IRELAND LTD**Notes to the Accounts for the year ended 31 March 2002****1. Accounting Policies**

The principle accounting policies adopted by the company in preparing its financial statements are as follows

a) Accounting Convention

The financial statements are prepared under the historical cost convention. The company has taken advantage of the exemption in Financial Reporting Standard No.1 from the requirement to produce a cash flow statement, as it is a small company.

b) Taxation

The charge for taxation is based on the profits for the period.

c) Turnover

Turnover represents net sales to customers.

2. Turnover

Turnover represents Sales net of VAT, all Sales arise in the Republic of Ireland.

3. Interest Payable and Similar Charges

No interest charges arise

4. Operating Profit

	2002	2001
	Euro	Euro
Operating Profit is stated after charging		
Auditors remuneration	1,600	-
Depreciation	-	-
Directors Remuneration	-	-

5. Taxation on Profits on Ordinary Activities

No Corporation Tax due to losses incurred

POLARIS SOFTWARE LAB IRELAND LTD

Notes to the Accounts for the year ended 31 March 2002 (Continued)

	2002	2002	2001	2001
	Euro	Rs.	Euro	Rs.
6. Employees & Remuneration				
Average number of employees (including Directors)	1	1	-	-
Remuneration				
Salaries	20,024	851,821	-	-
Social Welfare Costs	-	-	-	-
7. Debtors				
Amounts falling due within one year				
Amounts due by parent company	-	-	2	82
Prepayments	4,215	179,306	-	-
	4,215	179,306	2	82
8. Creditors				
Amounts falling due within one year				
Accruals	8,259	351,338	-	-
Other Taxes and Social Welfare	960	40,838	-	-
	9,219	392,176	-	-
Other Taxes and Social Welfare comprises				
Corporation Tax	-	-	-	-
PAYE/PRSI	960	40,838	-	-
	960	40,838	-	-
9. Share Capital				
Authorised				
100,000 ordinary shares of Euro 1 each	100,000	4,254,000	100,000	4,102,000
Allotted, called up and fully paid				
Ordinary shares of Euro 1 each	76,186	3,240,952	2	82

POLARIS SOFTWARE LAB IRELAND LTD**Notes to the Accounts for the year ended 31 March 2002 (Continued)**

	2002	2002	2001	2001
	Euro	Rs.	Euro	Rs.
10. Reconciliation of Shareholders Funds				
Total recognised gains/(losses) for the year	(39,267)	(1,670,418)	-	-
Issue of Ordinary Shares	76,184	3,240,867	2	82
Net Increase/(reduction) in shareholders funds	36,917	1,570,449	2	82
Opening Shareholders funds/(Deficit)	2	85	-	-
Closing Shareholders funds/(Deficit)	36,919	1,570,534	-	-

11. Parent Company

Polaris Software Lab Ireland Ltd is a wholly owned subsidiary of Polaris Software Lab Ltd.

12. Related Party Transactions

Apart from the issue of 76,184 ordinary share of Euro 1 each to Polaris Software Lab Limited there were no material related party transactions within the Polaris Group. There were no balances due either to or from other Group companies at 31st March 2002.

There were no transactions with other related parties.

13. Approval of Financial Statements

These Financial Statements were approved by the Directors on 12 April 2002.

Note : The Rupee equivalent of Euro for the period ended 31-03-2002 and 31-03-2001 has been arrived at by converting at the closing exchange rate of 1 Euro = Rs. 42.54 and 1 Euro = Rs.41.02 respectively. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.

POLARIS SOFTWARE LAB IRELAND LTD**Profit and Loss Account for the year ended 31 March**

	2002		2001	
	Euro	Rs.	Euro	Rs.
Sales	762	32,415	-	-
<u>Overheads</u>				
Salary	20,024	851,821	-	-
Rent	8,380	356,485	-	-
Relocation expenses	4,800	204,192	-	-
Professional Fees	2,960	125,918	-	-
Telephone & Internet	1,950	82,953	-	-
Motor & Travel	781	33,224	-	-
Post and Stationery	239	10,167	-	-
Bank Charges	89	3,786	-	-
Companies Capital Duty	806	34,287	-	-
Total Overhead	40,029	1,702,833	-	-
Net Loss before Taxation	39,267	1,670,418	-	-

Note: The Rupee equivalent of Euro for the period ended 31-03-2002 and 31-03-2001 has been arrived at by converting at the closing exchange rate of 1 Euro = Rs. 42.54 and 1 Euro = Rs.41.02 respectively. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.

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POLARIS SOFTWARE LAB JAPAN KK, JAPAN

Financial Statements for the year ended 31 March 2002

NH Toranomon Building, 4F, 2-6-10, Toranomon, Minato-Ku, Tokyo 105-0001
JAPAN

POLARIS SOFTWARE LAB JAPAN KK, JAPAN**DIRECTORS**

ARUN JAIN

GOVIND SINGHAL

K. SUBRAMANIAN

G.N. MATHUR

AUDITORS

Shu Saikawa

Certified Public Accountant

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To

The Board of Directors
Polaris Software Lab Japan KK

We have audited the accompanying balance sheet and income statement of Polaris Software Lab Japan KK (“the Company”) for the year ended on 31 March, 2002.

In our opinion, the financial statements of the Company present fairly the financial position of the Company as on 31 March, 2002 and the income statements in the year ended on March 31, 2002, in conformity with generally accepted accounting principles in Japan.

April 4, 2002

Shu Saikawa
(Certified Public Accountant)

POLARIS SOFTWARE LAB JAPAN KK**Income Statement for the seven months ending 31 March**

	2002 Yen	2002 Rs.
Revenues		
Interest Income	726	269
Other Income (consulting fee)	26,133	9,669
Total Revenues	26,859	9,938
Cost of Sales		
Total Cost of Sales	-	-
Gross Profit	26,859	9,938
Expenses		
Bank Charges	28,749	10,637
Commissions and Fees Exp	380,000	140,600
Depreciation Expense-Furniture	26,414	9,773
Depreciation Expense-Equipment	17,590	6,508
Income Tax Expense-local	145	54
Incorporation expense (Refer Notes - 3)	394,723	146,048
Legal and Professional Expense	974,000	360,380
Meeting expense	8,908	3,296
Other Tax	27,300	10,101
Postage Expense	9,904	3,664
Rent or Lease Expense	890,560	329,507
Travel Expense	23,552	8,714
Supplies Service	27,429	10,149
Telephone Expense	231,363	85,604
Salaries Expense	289,000	106,930
Welfare Expense	49,445	18,295
Other Expenses	9,176	3,395
Total Expenses	3,388,258	1,253,655
Profit / loss before tax	(3,361,399)	(1,243,717)
Tax provision (Refer Notes - 4)	35,000	12,950
Profit / loss after tax	(3,396,399)	(1,256,667)

Note (a) : The annexed accounting policies and explanatory notes form an integral part of the financial statements.

Note (b) : The Rupee equivalent of Japanese Yen for the period ended 31-03-2002 has been arrived at by converting at the closing exchange rate of 1 JPY = Re.0.37. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.

Note (c) : This year being the first year of operation, previous year figures are not given.

POLARIS SOFTWARE LAB JAPAN KK

Balance Sheet as at 31 March

	2002 Yen	2002 Yen	2002 Rs.	2002 Rs.
ASSETS				
Current Assets				
Savings Account	3,785,020		1,400,457	
Client Fees Receivable (Refer Notes - 1)	27,438		10,152	
Sales tax refundable	188,600		69,782	
Prepaid Expenses Rent	296,205		109,596	
Advances to Director	(4,500)		(1,665)	
Advances to Simul Intl	50,400		18,648	
Prepaid ins. office	24,892		9,210	
	-----		-----	
Total Current Assets		4,368,055		1,616,180
Property and Equipment				
Furniture and Fixture	264,148		97,735	
Equipment	175,902		65,084	
Acc. Depreciation - Furniture (Refer Notes - 2)	(26,414)		(9,773)	
Acc. Depreciation - Equipment "	(17,590)		(6,508)	
	-----		-----	
Total Property and Equipment		396,046		146,537
Other Assets				
Deposits	2,500,000		925,000	
Deposits-Telephone	36,000		13,320	
	-----		-----	
Total Other Assets		2,536,000		938,320
		-----		-----
Total Assets		7,300,101		2,701,037
LIABILITIES AND CAPITAL				
Current Liabilities				
Accounts Payable	661,500		244,755	
Income Tax Payable	35,000		12,950	
	-----		-----	
Total Current Liabilities		696,500		257,705
Long-Term Liabilities				
Total Long-Term Liabilities		-		-
		-----		-----
Total Liabilities		696,500		257,705
Capital				
Common Stock	10,000,000		3,700,000	
Net Income	(3,396,399)		(1,256,668)	
	-----		-----	
Total Capital		6,603,601		2,443,332
		-----		-----
Total Liabilities & Capital		7,300,101		2,701,037

Note (a) : The annexed accounting policies and explanatory notes form an integral part of the financial statements.

Note (b) : The Rupee equivalent of Japanese Yen for the period ended 31-03-2002 has been arrived at by converting at the closing exchange rate of 1 JPY = Re.0.37. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.

Note (c) : This year being the first year of operation, previous year figures are not given.

POLARIS SOFTWARE LAB JAPAN KK**Statement of Cash Flow for the seven months ended 31 March**

	2002 Yen	2002 Rs.
Revenues		
Cash Flows from operating activities		
Net Income	(3,396,399)	(1,256,668)
Adjustments to reconcile net income to net cash provided by operating activities		
Accumulated Depreciation - Furniture	26,414	9,773
Accumulated Depreciation - Equipment	17,590	6,508
Client Fees Receivable	(27,438)	(10,152)
Sales tax Refundable	(188,600)	(69,782)
Prepaid Expenses-Rent	(296,205)	(109,596)
Advances to Director	4,500	1,665
Advances to Simul Intl	(50,400)	(18,648)
Prepaid insurance office	(24,892)	(9,210)
Accounts Payable	661,500	244,755
Income Tax Payable	35,000	12,950
Total Adjustments	157,469	58,264
Net Cash provided by Operations	(3,238,930)	(1,198,404)
Cash Flows from investing activities		
Used For		
Furniture and Fixture	(264,148)	(97,735)
Equipment	(175,902)	(65,084)
Deposits	(2,500,000)	(925,000)
Deposits-Telephone	(36,000)	(13,320)
Net cash used in investing	(2,976,050)	(1,101,139)
Cash Flows from financing activities		
Proceeds from Common Stock	10,000,000	3,700,000
Net cash used in financing	10,000,000	3,700,000
Net increase / (decrease) in cash	3,785,020	1,400,457
Summary		
Cash Balance at End of Period	3,785,020	1,400,457
Cash Balance at Beginning of Period	-	-
Net Increase / (Decrease) in Cash	3,785,020	1,400,457

Note (a) : The annexed accounting policies and explanatory notes form an integral part of the financial statements.

Note (b) : The Rupee equivalent of Japanese Yen for the period ended 31-03-2002 has been arrived at by converting at the closing exchange rate of JPY 1 = Re.0.37. This information is being provided in compliance with the directions of the Department of Company Affairs, Government of India, under section 212(8) of the Companies Act, 1956.

Note (c) : This year being the first year of operation, previous year figures are not given.

POLARIS SOFTWARE LAB JAPAN KK

Notes

Balance Sheet Items

1. US\$ 200.00 (Original currency)
 2. Depreciation expenses were computed based on the following assumption :
Depreciation method : 10% of purchase costs
Residual value : Nil
-
-

Income Statement Items

3. Expenses relating to the establishment of the company was recognized as current expenses in the Income Statement.
4. **Tax Provision**
Provision for flat tax was made in the year ended on March 31, 2002. The flat tax is one of the income taxes under local tax code and subject to be imposed equally to all corporate tax payers even if there is no taxable income.

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POLARIS RETAIL INFOTECH LIMITED, INDIA

Financial Statements for the year ended 30 September 2001

Polaris House, 244, Anna Salai, Chennai - 600 006
INDIA.

POLARIS RETAIL INFOTECH LIMITED, INDIA

DIRECTORS

Arun Jain
 Govind Singhal
 Aruna Kashinath
 N. Vaidyanathan
 Natarajan Narayanasamy
 V. Thyagarajan
 Raja Krishnamurthy
 Mukesh Mathur

SECRETARY

B. Muthusubramanian

AUDITORS

Sivasubramanian & Rao
 Chartered Accountants
 #7, Lakshmanan Street
 T. Nagar, Chennai - 600 017.
 (O) 8311150 / 8281754
 E-mail: sandr@vsnl.com

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DIRECTORS' REPORT

To the members of Polaris Retail Infotech Ltd

Your Directors have pleasure in presenting the Third Annual Report together with the Audited Statements of Accounts for the year ended 30 September, 2001.

1. Financial Highlights

Financial results for the year ending 30 September, 2001.

	Rupees	
Financial Results	30/9/2001	30/9/2000
Operating Loss	(14,921,220)	(6,800,346)
Depreciation	574,740	174,052
Net Loss	(15,495,960)	(6,974,398)
Add: Loss brought Forward	(16,166,860)	(9,933,544)
Less : Provisions no longer required	---	741,082
Total loss carried to balance sheet	(31,662,820)	(16,166,860)

2. Review of Operations

This year was another significant year for your Company in terms of Product Development. The Company continued its focus for Development of "Superstore" and "Nterprise", during the first half of the year. However, both, due to relevant market signals and corresponding market trends, your Company started developing a product for Tier I customer segment. As a result, this year saw the launching of product development efforts for the new generation retail software solution called EZ, this being built on a far more robust technology platform with world class Product features.

As a result of this, your Company has made appropriate investments as in the case of any other Software Product Development Company. Costs of such development efforts will reflect in the books of accounts as a loss from operation, and as such your company has reported a total operating loss of Rs. 1.49 crores for the year ending 30 September 2001. These losses are expected to be wiped off once the new product is ready and your company starts gaining market share through sales.

Your company has recognized Rs. 88,03,112 as a Capital-Work-in-Progress pertaining to product development cost for this year.

3. Issue of fresh shares

During the year the Company has issued 14,99,993 equity shares of Rs.10/- each to M/s Polaris Software Lab Limited, Chennai. The present paid-up capital of the Company after the said issue is Rs.5,00,00,000 divided into 50,00,000 shares of Rs.10/- each.

4. Dividend

As the Company needs to augment its resources for its long-term fund requirements and as it has made a loss in the current year, the Directors do not recommend any dividend in the current year.

5. Outlook for the future

Your Company has carried out a structured Market Analysis and has identified geographic locations, market segments and customer segments where the new product EZ will be positioned. The new product is being built as the best of breed and promises a lot of potential. Trends for retail technology indicate the following.

- IT spend goes upto 2% of revenue indicating increased market potential.
- More investments in mission critical systems
- 48% of CIO's in the world say they need retail solutions that will show quick results.

Your company's product EZ is expected to either benefit from or address the above.

Product Launch for EZ is targeted to happen between 13th March and 25th March 2002 in Mumbai, Dubai, Riyadh, Muscat, Singapore, Hongkong & Sydney. Demo versions for the product are expected to be fully available and installed at client/prospect locations by 20th February 2002. Product training workshop as a pre-cursor to product launch is scheduled to be conducted between 28th February and 2nd of March 2002.

Your Directors are very optimistic about the Market Outlook for the forthcoming year.

6. Auditors

M/s Sivasubramanian & Rao have been appointed as the Auditors of the Company and they retire at the forthcoming Annual General Meeting and have offered themselves for re-appointment.

7. Directors

Mr. Govind Singhal and Ms. Aruna Kashinath, directors retire by rotation and offer themselves for re-appointment under section 256 of the Companies Act, 1956. The Board recommends their re-appointment.

Mr. Natarajan Narayanasamy has been appointed as an Additional Director on the Board with effect from 14th February, 2002 to hold office until the AGM. Notice has been received under Section 257 of the Companies Act, 1956 proposing Mr. Natarajan Narayanasamy as a Director of the Company.

It is in the interest of the Company to have Mr. Govind Singhal, Ms. Aruna Kashinath and Mr. Natarajan Narayanasamy elected to the Board. The resolutions re-appointing them would be placed before the members for their approval.

8. Particulars of employees

There are no employees on the rolls of the Company drawing remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975.

9. Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are set out in the annexure included in this report.

10. Director's Responsibility

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000 the Directors confirm that :

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors had prepared the annual accounts on a going concern basis.

11. Acknowledgment

Your Directors thank the customers, investors and bankers for their continued support to your Company's growth. Your Directors place on record their appreciation of the contribution made by all the business partners and the Employees for sharing our vision of building a World-Class Software Company.

**By Order of the Board,
For Polaris Retail Infotech Limited**

Chennai
14 February 2002

Arun Jain
Chairman

Annexure to Directors' Report

Particulars pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors)

1. Details of Conservation of Energy

The energy consumption is very low for the operations of your Company. We are using low energy consuming Computers using latest technology and the computers are also designed to automatic switch off when not in use. As energy cost forms a very small part of total costs, the impact on costs is not material.

2. Technology Absorption : The details are given below.

a. Research & Development

Your Company continues to undertake research and development in the following areas.

- General Software Development which includes adoption of new technologies, process improvement etc.,
- Continuous development & innovation in Software Development Life Cycle process.
- Continuously improving the existing products.

b. Benefits Derived

We achieved a great degree of methodologies standardization in handling software projects which have been acclaimed by various quality Auditors..

c. Future Plan of action

Your Company is continuously strengthening the R&D work in development of Application software, and new technologies. This will give your company a competitive edge in the ever dynamic retail world.

d. Expenditure incurred

The expenditure is mainly in the form of salaries and benefits to the employees involved in this project, which are charged to the revenue account.

3. Technology absorption, adaptation and innovation

Your Company uses the latest technology available in its operations. Your Company continues to keep its thrust in modern technology applications.

4. Foreign exchange earnings and outgo	2001	2000
(i) The Company earnings by export of software amounted to	Rs. 9,48,922	Rs. 15,83,201
(ii) Expenditure in foreign currency		
Travel (including maintenance allowance)	Rs. 3,80,473	Rs. 2,08,125
Others (including sponsorship charges)	Rs. 9,96,520	---

**By Order of the Board,
For Polaris Retail Infotech Limited**

Chennai
14 February 2002

Arun Jain
Chairman

SIVASUBRAMANIAN & RAO
CHARTERED ACCOUNTANTS

#13, Lakshmanan Street,
T.Nagar, Chennai- 17
(O) 8311150/8281754
E-mail : sandr@vsnl.com

REPORT OF THE AUDITORS' TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of Polaris Retail Infotech Limited as on 30th September, 2001 and the Profit and Loss Account for the year ended on that date annexed there and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Sec. 227(4A) of the Companies Act, 1956, we enclose in the annexure on the matters specified in paragraphs 4 and 5 of the said Order, wherever applicable.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we state that:
 - i) We have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of books;
 - iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet and the Profit and Loss Account comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable;
 - v) On the basis of written representations received by us from the directors of the Company as at 30 September 2001 and taken on record by the Board of Directors, we report that no director is disqualified from being appointed as director of the Company under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon give the information required and give a true and fair view:
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as on September 30, 2001 and
 - b) In the case of the Profit and Loss Account, of the Loss for the year ended on that date.

For **SIVASUBRAMANIAN & RAO**
CHARTERED ACCOUNTANTS

Place : Chennai
Date : 14.02.2002

S. Viswanathan
Partner

**SIVASUBRAMANIAN & RAO
CHARTERED ACCOUNTANTS**

**#13, Lakshmanan Street,
T.Nagar, Chennai- 17
(O) 8311150/8281754
E-mail : sandr@vsnl.com**

ANNEXURE TO AUDITORS' REPORT

- 1) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. We are informed that the fixed assets have been verified by the management, and no discrepancies were noted on such verification.
- 2) The fixed assets have not been revalued during the year.
- 3) The Company had carried out physical verification at reasonable intervals in respect of the stores, spares and components. The procedure of physical verification of stock followed by the management were reasonable and adequate in relation to the size of the company and the nature of the business.
- 4) We have been informed that no material discrepancies have been noticed on such physical verification of stock.
- 5) The valuation of stock is fair and proper in accordance with the normal accounting principles. The basis of valuation is the same as in the preceding year.
- 6) The Company has not taken any loan, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- 7) The Company has not granted any secured or unsecured loans to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- 8) In respect of loans and advances in the nature of loans given to employees and others, the principal amounts and interest thereon, wherever applicable, are recovered as stipulated.
- 9) In our opinion and according to the information and explanations given to us, there have been purchases, sales of goods, materials and services made during the year with a party aggregating to Rs.50,000/- or more in the register maintained under section 301 of the Companies Act, 1956. Such purchases and sales have been made at a price which are reasonable having regard to prevailing market prices for such goods, materials and services.

- 10) The Company has no unserviceable or damaged stores.
- 11) The Company has not accepted any deposits from the public.
- 12) In our opinion, the Company has an Internal Audit system commensurate with the size and the nature of its business.
- 13) The Company has no scrap or by-product.
- 14) There are adequate internal control procedures, commensurate with the size and nature of its business.
- 15) In our opinion and according to the information and explanation given to us, the requirement of maintenance of the cost records under Sec 209(1) (d) of the Companies Act,1956 is not applicable to the company.
- 16) The Company is depositing the Provident Fund due with the appropriate authorities regularly. Regarding Employee State Insurance dues the amount had been deposited during November 2001 after the code number has been allotted.
- 17) There were no undisputed amounts of income tax, sales tax, customs duty and excise duty outstanding as on September 30, 2001 for a period of more than six months from the date they became payable.
- 18) According to the information and explanation given to us and record examined by us, no personal expenses have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practices.
- 19) The Company is not a sick industrial company within the meaning of sec 3 (1) (O) of the Sick Industrial Companies (Special Provisions) Act, 1985.

For **SIVASUBRAMANIAN & RAO**
CHARTERED ACCOUNTANTS

Place : Chennai
Date : 14.02.2002

S. Viswanathan
Partner

POLARIS RETAIL INFOTECH LIMITED**Balance Sheet as at**

	Schedule	30 Sept. 2001 (Rs)	30 Sept. 2000 (Rs)
SOURCES OF FUNDS			
SHARE HOLDERS' FUNDS			
Share Capital	1	50,000,000	35,000,070
		50,000,000	35,000,070
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	2	4,697,815	904,772
Less: Depreciation		792,190	217,450
Net book value		3,905,625	687,322
Capital Work in progress		8,803,112	1,053,344
		12,708,737	1,740,666
CURRENT ASSETS, LOANS AND ADVANCES			
Stock in Trade		264,150	1,288,254
Cash and Bank Balances	3	575,492	6,227,531
Sundry Debtors	4	4,891,371	6,509,733
Loans & Advances	5	1,321,803	1,665,586
		7,052,816	15,691,104
CURRENT LIABILITIES			
Liabilities	6	13,257,251	15,390,189
NET CURRENT ASSETS		(6,204,435)	300,915
Miscellaneous Expenditure to the extent not written off or adjusted	7	11,832,878	16,791,629
Profit and Loss Account		31,662,820	16,166,860
		50,000,000	35,000,070

Significant accounting policies and notes to accounts

11

The Schedules referred to above and the notes thereon form an integral part of these financial statements.

This is the Balance Sheet referred to in our report of even date

For **SIVASUBRAMANIAN & RAO**
CHARTERED ACCOUNTANTS

S.Viswanathan
Partner

Nat Narayanasamy
Director

N.Vaidyanathan
Director

B. Muthusubramanian
Company Secretary

Chennai
14 February 2002

POLARIS RETAIL INFOTECH LIMITED
Profit and Loss Account for the year ended

	Schedule	30 Sept. 2001 (Rs)	30 Sept. 2000 (Rs)
INCOME			
Software development services and products			
- Overseas		948,922	1,583,201
- Domestic		4,716,075	12,136,545
Other income	8	2,039	366,199
		5,667,036	14,085,945
EXPENDITURE			
Cost of sales and other direct expenses	9	9,334,920	10,509,981
Administrative and other expenses	10	11,253,336	10,376,310
		20,588,256	20,886,291
Operating loss		(14,921,220)	(6,800,346)
Depreciation		574,740	174,052
Net Loss		(15,495,960)	(6,974,398)
Add: Loss brought forward		(16,166,860)	(9,933,544)
Less: Provisions no longer required		-	741,082
Total loss carried to balance sheet		(31,662,820)	(16,166,860)

**Significant accounting policies
and notes to accounts**

11

The Schedules referred to above and the notes thereon form an integral part of these financial statements.

This is the Profit and Loss account referred to in our report of even date.

For **SIVASUBRAMANIAN & RAO**
CHARTERED ACCOUNTANTS

S.Viswanathan	Nat Narayanasamy	N.Vaidyanathan	B. Muthusubramanian
Partner	Director	Director	Company Secretary

Chennai
14 February 2002

POLARIS RETAIL INFOTECH LIMITED**Schedules to the Balance Sheet as at**

	30 Sept. 2001	30 Sept. 2000
	(Rs)	(Rs)
1. SHARE CAPITAL		
AUTHORISED		
50,00,000 equity shares of Rs.10 each	50,000,000	50,000,000
10,00,000 preference shares of Rs. 10 each	10,000,000	10,000,000
	60,000,000	60,000,000
ISSUED, SUBSCRIBED AND PAID UP		
50,00,000 equity shares of Rs.10 each fully paid-up (Previous year 35,00,007 equity shares of Rs.10/-each fully paid-up)	50,000,000	35,000,070
	50,000,000	35,000,070

POLARIS RETAIL INFOTECH LIMITED

Schedules to the Balance Sheet as at

2. FIXED ASSETS

(Rs)

Sl. No.	Assets	COST			DEPRECIATION		NET BOOK VALUE	
		1 Oct. 2000	Additions	30 Sept. 2001	For the year	30 Sept. 2001	30 Sept. 2001	30 Sept. 2000
1	Air conditioner	---	598,324	598,324	74,504	74,504	523,820	---
2	Computer Equipments	268,658	---	268,658	89,007	165,825	102,833	191,840
3	Computer accessories	436,418	---	436,418	86,797	132,937	303,481	390,278
4	Software	33,825	4,750	38,575	4,750	38,575	---	---
5	Electrical Fittings	---	472,945	472,945	39,261	39,261	433,684	---
6	Office Equipments	119,787	124,479	244,266	68,139	103,553	140,713	84,373
7	Furniture and fixtures	46,084	2,592,545	2,638,629	212,282	237,535	2,401,094	20,831
		904,772	3,793,043	4,697,815	217,450	792,190	3,905,625	687,322
	Previous year	293,509	611,263	904,772	43,398	174,052	687,322	

Capital work in progress

8,803,112

POLARIS RETAIL INFOTECH LIMITED
Schedules to the Balance Sheet as at

	30 Sept. 2001 (Rs)	30 Sept. 2000 (Rs)
3 CASH AND BANK BALANCES		
Cash on hand	22,586	17,515
Balances with scheduled banks		
- current accounts	552,906	2,210,016
- in deposit accounts	---	4,000,000
	575,492	6,227,531
4 SUNDRY DEBTORS -Unsecured		
Debts outstanding for a period exceeding six months.		
considered good	3,719,786	302,175
considered doubtful	100,000	56,690
Other debts- considered good	1,171,585	6,207,558
	4,991,371	6,566,423
Less: Provision for doubtful debts	100,000	56,690
	4,891,371	6,509,733
5 LOANS AND ADVANCES		
(Unsecured considered good)		
Advance recoverable in cash or in kind or for value to be received	50,505	312,966
Advance income tax (Including tax deducted at source)	513,569	262,148
Loans to employees	205,351	937,328
Interest receivable	---	25,644
Rent and maintenance deposit	552,378	127,500
	1,321,803	1,665,586
6 CURRENT LIABILITIES		
Sundry creditors and accrued expenses	13,144,812	15,271,944
Advances received from clients	112,439	118,245
	13,257,251	15,390,189
7 MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Preliminary expenses	75,568	113,352
Deferred revenue expenses - Opening balance	16,678,277	12,018,637
Add: Deferred current year expenses	(232)	9,580,375
Less: Amortisation made during the year	4,920,735	4,920,735
Balance carried forward	11,757,310	16,678,277
	11,832,878	16,791,629

POLARIS RETAIL INFOTECH LIMITED
Schedules to the Profit and Loss Account for the year ended

	30 Sept. 2001 (Rs)	30 Sept. 2000 (Rs)
8 OTHER INCOME		
Interest received on deposits with banks and others (Tax deducted at source Rs.Nil) (previous year Rs.1,07,993)	2,039	362,602
Miscellaneous Income	---	3,597
	2,039	366,199
9 COST OF SALES AND OTHER DIRECT EXPENSES		
Opening stock	1,288,254	3,978,843
Add : Purchases	333,220	1,428,980
Less : Closing stock	264,150	1,288,254
Cost of goods sold	1,357,324	4,119,569
Salaries and bonus	6,468,890	5,484,773
Staff welfare	451,434	184,868
Contribution to PF & other funds	1,057,272	720,771
	9,334,920	10,509,981
10 ADMINISTRATION AND OTHER EXPENSES		
Travelling and conveyance	2,085,556	2,134,904
Communication expenses	837,814	823,527
Rent	1,142,575	1,269,824
Legal & professional charges	163,675	121,832
Printing and stationery	247,038	155,649
Advertisements	750	34,800
Business promotion	533,778	415,734
Office maintenance	148,009	146,293
Repairs - Plant & Machinery	38,155	---
Repairs - others	32,541	---
Power and fuel	174,813	66,535
Insurance charges	18,264	21,083
Rates & taxes	12,743	3,889
Auditors' remuneration		
- for Audit fees	25,000	25,000
- for taxation	5,000	5,000
- for other services	---	3,100
Bank charges	9,057	56,478
Miscellaneous expenses	327,931	77,453
Bad debts written off	448,808	---
Provision for doubtful debts	43,310	56,690
Preliminary expenses written off	37,784	37,784
Business development expenses written off	4,920,735	4,920,735
	11,253,336	10,376,310

POLARIS RETAIL INFOTECH LIMITED**Schedules to the Balance Sheet and Profit and Loss Account****11 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS****A SIGNIFICANT ACCOUNTING POLICIES****1 Basis of preparation**

The Financial Statements are prepared under the historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP), and materially comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956. All Income and expenditure having a material bearing on the financial statements are recognised on accrual basis.

2 Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

3 Fixed Assets

Fixed assets are stated at the cost of acquisition or construction, less depreciation.

4 Depreciation

Depreciation on fixed assets is provided using the straight line method. Depreciation is charged on a pro rata basis for assets purchased / sold during the year. Individual assets costing Rs. 5,000 or less are depreciated in full in the year of purchase.

5 Foreign Currency Transactions

Transactions in foreign currencies were recorded at a rate which closely approximates the exchange rate prevailing on the date of the transaction. Current assets and liabilities in foreign currencies are translated at the rate of exchange as at the Balance sheet date. All resulting gains / losses are recognised in the Profit and Loss account.

6 Retirement Benefits

Company's contribution to Provident fund and Superannuation funds are charged to Profit and Loss account. Liability on account of Gratuity is charged to Profit and Loss account on the estimated basis.

7. Inventory is valued at cost or market value whichever is lower.

8. Capital work in progress consists of expenditures incurred for the development efforts towards building a new product to be launched by the company.

9. It is the policy of the company to amortise in five equal instalments of the expenditures which are in the nature of technical improvement which resulted in enhancement of product value.

POLARIS RETAIL INFOTECH LIMITED

Schedules to the Balance Sheet and Profit and Loss Account

B NOTES TO ACCOUNTS

	30 Sept. 2001	30 Sept. 2000
	(Rs)	(Rs)
1. Earnings in foreign currency		
Software products	948,922	1,583,201
2. Expenditure in foreign currency		
Travelling expenses	380,473	208,125
Others	996,520	---
3. Quantitative details		
The Company is engaged in the development of computer software and sale of Retail Business machines along with Software. Sale of such items cannot be expressed in any generic unit. Hence, it is not possible to give quantitative details.		
Purchases		
Computers inclusive of monitors, key boards, printers, software, etc.	---	1,428,980
Sales		
Computers and software with accessories	5,123,168	13,298,925
Training and professional services	541,829	420,821
	5,664,997	13,719,746
Closing Stock		
Computers inclusive of monitors key boards, printers, software, etc	264,150	1,288,254
Inventory has been verified, valued and certified by the management.		
4. Contingent liabilities		
a. Estimated amount of contracts remaining to be provided on capital account.	Nil	Nil
b. Guarantees given by the company	Nil	Nil
5. 49,99,993 Equity Shares of Rs.10/ each are being held by the holding company "Polaris Software Lab Limited".		
6. On the basis of available information, no amount is due to Small Scale industrial undertakings on account of purchase of goods.		
7. Figures for the previous year have been re-grouped to conform to the current year's presentation.		

POLARIS RETAIL INFOTECH LIMITED**Balance Sheet Abstract and Company's General Profile****I. Registration Details**

Registration No	18-41456	State Code	18
Balance Sheet	30.09.2001		

II. Capital Raised during the Year (Amount in Thousands)

Public issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	15,000

III. Position of Mobilisation and deployment of funds (Amount in Thousands)

Total Liabilities	50,000	Total Assets	50,000
-------------------	--------	--------------	--------

Source of funds

Paid up Capital	50,000	Reserves & Surplus	NIL
Secured Loans	NIL	Unsecured Loans	NIL

Application of funds

Net fixed assets including CWIP	12,708	Investments	NIL
Net Current Assets	(6,204)	Misc Expenditure	11,833
Accumulated Losses	31,663		

IV. Performance of the Company (Amount in thousands)

Total Turnover	5,667	Total expenditure	21,163
Profit & (Loss) before tax	(15,496)	Profit & (Loss) after tax	(15,496)
Earning per share in Rs	—	Dividend Rate %	NIL

V. Generic names of three principal products/services of Company (as per monetary terms)

Item Code No (ITC Code)	---
Product description	Computer Software products

Nat Narayanasamy
Director

N.Vaidyanathan
Director

B. Muthusubramanian
Company Secretary

Chennai

14 February 2002

FREQUENTLY ASKED QUESTIONS

FREQUENTLY ASKED QUESTIONS

GENERAL FAQs

Where and in which year was Polaris Software Lab Ltd. incorporated?

Polaris Software Lab Ltd. was incorporated in Chennai, India on the 5th January 1993.

Who is the promoter of Polaris?

The promoter of Polaris is Mr. Arun Jain.

Where does Polaris have its headquarters?

Polaris has its worldwide headquarters at 'Carex Center', 244 (Old No.713), Anna Salai, Chennai-600 006, Tamil Nadu, India.

What is the current issued and paid-up-capital of Polaris?

The paid-up capital of Polaris is Rs.2559 Lakhs comprising 5,11,87,650 equity shares of Rs.5/- each.

In how many countries is Polaris present?

The Company's headquarters and corporate offices are located at Chennai, India. Polaris currently operates out of five offshore development centers located in India, totaling approximately 2,50,000 square feet space. Polaris also has branch offices at Atlanta, Chicago, New Jersey, Fremont, Dubai, Riyadh and Hong Kong. In addition, the Company has subsidiaries in Singapore, Germany, Switzerland, Australia, Ireland, UK and Japan. Polaris is also expanding with additional infrastructure to augment the future business growth requirements in Chennai and New Delhi.

Who are on the Polaris Board?

Polaris Software Lab's Board of Directors comprises senior and experienced professionals from diverse backgrounds. The Board has Mr. Arun Jain as the Chairman and Managing Director. He is ably supported by Wing Cdr.(ret'd) G.N. Mathur and Mr. Govind Singhal as Executive Directors. Mr. R.C. Bhargava, former Chairman and Managing Director Maruti Udyog; Mr. Satya Pal, former Chairman MTNL and a Telecom expert; Mr. M.L. Garg, former Chairman Trade Development Authority; Mr. Abhay Agarwal, Practicing Chartered Accountant; Mr. Ajay Relan, Indian Head, Private Equity Bank, Citibank; Mr. Arvind Kumar, Supreme Court Advocate, Padmashri Dr. Ashok Jhunjhunwala, Head, Department of Electrical Engineering, Indian Institute of Technology (IIT), Madras, and Mr. V. Balaraman, Former Executive Director, HLL are the distinguished members of the Board who bring the right amount of expertise in the company's relevant business areas.

What is the mission of Polaris?

Polaris' mission is to be a reliable and responsive Techno-Business solutions provider in the areas of Banking, Financial Services, Insurance, and Retail, which will provide cost-effective and timely solutions, meeting customers expectations through continuous process improvement and win- win relationships.

What is the history of Polaris?

- 1993 - Incorporation
- 1994 - End-to-end retail banking solution developed for Citibank India
- 1995 - Aligned to SEI-CMM Level 3
- 1996 - Subsidiary established in USA
- 1997- First Overseas Development Center commissioned for Citibank (LA)
- 1997- Citicorp takes 18% stake in Polaris
- 1997- Wholly owned subsidiary in Singapore
- 1998- ISO 9001 Certification by KPMG
- 1998- Subsidiary established in UK
- 1998- Quality process aligned to SEI CMM Level 4
- 1998- Polaris accredited with ISO 9001 certification
- 1999- IPO and listing in major bourses
- 2000- 'Foundation', a state-of-the-art development center spread over 1,30,000 square feet established
- 2000- Subsidiaries in Germany, Switzerland and Australia
- 2001- Polaris Scrip moved to Group 'A' by The Stock Exchange, Mumbai
- 2001- Subsidiaries in Japan and Ireland
- 2001- Became the first Company in the world to be assessed and certified CMMi Level 5 (Capability Maturity Model Integrated) by the globally renowned quality rating body, the Software Engineering Institute (October 2001)
- 2002- Polaris scrip inducted into the Junior Nifty Index

What are the awards / recognition received by Polaris?

- 1998- Best Employee-Employer Relation Award by Indian Express and Rotary Club
- 2000- CAT 2000 Award for Corporate Identity
- 2000- Ranked in Forbes 300 Best Small Companies

- 2001- World's First Company to be certified CMMi Level 5 by Software Engineering Institute - US
- 2002- Named among Business Today's 'Tomorrow's Organisations'
- 2002- Voted among Business Today – Hewitt Associates' Top 25 Best Employers in India
- 2002- Among Business Today's Largest IT Wealth Creators in India
- 2002- Polaris won the BEST ANNUAL REPORT 2000-01 AWARD from the Advertising Club, Chennai
- 2002- Polaris was ranked No.75 in The Economic Times Top 500 Companies in India listing, a study based solely on market capitalization.

What are the types of quality certifications received by Polaris?

Polaris is the first Company in the world to be assessed and certified CMMi Level 5 (Capability Maturity Model Integrated) by the globally renowned quality rating body, the Software Engineering Institute (October 2001). In 1998, Polaris was certified the ISO 9001 by KPMG.

Who are Polaris' Registrars and Share Transfer Agents?

Polaris' Registrars and Share Transfer Agents are Karvy Consultants Limited. All queries pertaining to share transfer and change of address etc. to be addressed to:

Karvy Consultants Limited

Unit: Polaris Software Lab Limited

"Karvy House" 46, Avenue 4,

Street No.1, Banjara Hills,

Hyderabad - 500 034

Tel : +91-40-3312454 / 3320751/52/53

www.karvy.com

In which stock exchanges are Polaris' shares listed and traded?

Polaris' shares are traded at,

- Madras Stock Exchange w.e.f. 27th September, 1999.
- The Stock Exchange Mumbai w.e.f. 29th September, 1999.
- National Stock Exchange w.e.f. 24th November, 1999.

What is the fiscal year of Polaris?

The fiscal year period of Polaris is between 1st April and 31st March every year.

Does Polaris issue quarterly reports?

Provisional financial reports of Polaris are published on a Quarterly basis for the quarters ending on June 30, September 30, December 31 and March 31 respectively.

When did Polaris have its Initial Public Offer (IPO)?

Polaris' IPO was between August 4, 1999 and August 10, 1999.

What was the initial listing price?

The initial listing price of Polaris' equity shares in :

- BSE opening Rs.588 and closing price of Rs.723 (Rs.10/- share)
- NSE opening Rs.796 and closing price of Rs.797 (Rs.10/- share)

Has any subsequent issue of shares been made by Polaris?

The Company's shares were sub divided from Rs.10 to Rs.5 with effect from 24th of May 2000. Shares having a face value of Rs 10/- were split into two shares of Rs 5/- each. In view of the split the number of shares increased from 1,70,62,550 to 3,41,25,100. In August 2001 the Company issued bonus shares in the ratio of 1:2, and further to the issue of bonus shares the share capital of the Company increased from Rs.17.06 crores to Rs.25.59 crores divided into 5,11,87,650 shares of Rs.5/- each.

What has been Polaris Group employee strength vis-à-vis the revenue growth?

Year	No. of employees	Revenue Growth (Rs.)
1996-97	444	1,531.1 Lakhs
1997-98	596	3,113.1 Lakhs
1998-99	725	6,054.9 Lakhs
1999-00	1435	16,028.9 Lakhs
2000-01	2334	28,250.9 Lakhs
2001-02	2544	29,380.2 Lakhs

What has been the Dividend history of Polaris?

Polaris has a consistent dividend payment track record for the last six years. The Company has paid a dividend of 20% for the first four years commencing from 1995-96 to 1998-99 and 30% for the years 1999-00 and 2000-01. The Board has recommended a dividend of 35% for this fiscal 2001-02.

FAQs ON TRANSFER OF SHARES, DE-MATERIALISATION AND OTHER RELATED ASPECTS

What is a Depository?

A Depository is an organization where the securities of a shareholder are held in the electronic form at the request of the shareholder, through the medium of a depository participant.

What is De-materialisation?

De-materialisation is a process by which an investor can deposit (i.e. demat) shares of any company listed on NSDL and CDSL which are registered in the name of the investor and convert the physical certificates into electronic form.

What are the benefits of de-materialisation to shareholders?

The benefits of de-materialisation to shareholders are as below:

- a. There is no longer any risk of misplaced / lost / defaced / damaged certificates, making / receiving bad deliveries from the market, filling up of transfer forms, affixing share transfer stamps, dispatching certificates for registering transfers, etc.
- b. Speedy transfer of shares
- c. There will be a faster disbursement of corporate benefits like Rights, Bonus, etc.
- d. No market lot for securities on NSDL / CDSL, as the market lot is 1 share. So, there is no problem of odd lot shares as faced by most investors.
- e. Facility for freezing / locking of your accounts so that the DP will not be able to carry out any transactions in the absence of the investor without your authorisation.
- f. A Depository Participant also provides facilities to pledge / hypothecate dematerialised securities held by the investor.
- g. No stamp duty on transfer of securities, the investor may incur expenditure towards service charges of the Depository Participant.

Are Polaris' shares a compulsory demat security?

Yes, this facility has been there for the shares of Polaris right from the date of listing. However w.e.f from May 8, 2000, SEBI has by a circular notified that the Company's shares are to be traded compulsorily in the dematerialised form. Hence, it is advisable for the investors to de-materialise their shareholding in Polaris for ease in trading.

Who are the electronic connectivity providers for Polaris?

M/s. Karvy Consultants Limited, 46, Avenue4, Street No 1, Banjara Hills, Hyderabad - 500 034, who are also a DP having connectivity with NSDL and CDSL, are the electronic connectivity providers for Polaris. M/s Karvy Consultants Limited are also the registrars and share transfer agents of your Company.

Is a transfer deed required for dematerialising certificates?

No. The certificates have to be accompanied by a Demat Request Form (DRF) which can be obtained from a Depository Participant (DP) and there is no need for a transfer deed.

Do dematerialised shares have distinctive / certificate numbers?

No. Dematerialised shares do not have any distinctive or certificate numbers. These shares are fungible, which means that 100 shares of a security are the same as any other 100 shares of that security.

FAQs ON COMPANY'S PERFORMANCE, CLIENTS AND HUMAN RESOURCES

Performance - Group

What is the Revenue and Profit after Tax for Polaris in the fiscal 2002?

Revenue for the fiscal 2002 is Rs. 29,380 Lakhs and Profit after Tax for the year is Rs. 5,886 Lakhs.

What is the cash reserve as on 31st March, 2002?

As on 31st March, 2002 the cash reserves stood at Rs. 7,848 Lakhs.

What is the Accounts Receivable days as of 31st March, 2002?

The Accounts Receivable days as of 31st March, 2002 is 99 days

What is the Company's Offshore to Onsite revenue mix during the fiscal 2002?

The percentage breakup of revenues in ratio of Offshore to Onsite during the fiscal 2002 is 63.1% : 36.9%.

Human Resources

What is the attrition rate of associates for the fiscal 2002?

The attrition rate is 11% for the fiscal 2002.

What are your recruitment plans for the next year?

Our recruitment plans will be on a "Just -In-Time" basis.

How many trainees do you have presently?

The company had around 2% of the total number of associates at the end of year 2001-2002 as trainees.

What is the break-up for the technical staff / support staff?

The break-up of technical staff and support staff as of March 31, 2002 was in the ratio of 88% : 12% of the total associates.

KEY INFORMATION ON POLARIS

Investor Contact Details:

The general shareholder complaints, may be forwarded to

The Company Secretary
Polaris Software Lab Ltd.
'Carex Center', 244(Old No. 713), Anna Salai,
Chennai-600 006, India. E-Mail: investor@polaris.co.in

Investor queries, may be forwarded to

The Investor Relations Department
Polaris Software Lab Ltd.
'Carex Center', 244(Old No. 713), Anna Salai,
Chennai-600 006, India. E-Mail: investor@polaris.co.in

Ticker Information:

The Scrip codes of Polaris are as under:

BSE	532254
NSE	Polaris
Reuters	POLS.BO(BSE) POLS.NS(NSE)
Bloomberg	POL@IN
ISIN(NSDL Code for Dematerialization)	INE763A01023

Registrar and Share Transfer Agent's Address:

Polaris' Registrars and Share Transfer Agents are Karvy Consultants Limited. All queries pertaining to share transfer and change of address etc. to be addressed to:

Karvy Consultants Limited
Unit: Polaris Software Lab Limited
"Karvy House" 46, Avenue 4, Street No.1, Banjara Hills,
Hyderabad 500034. India. Tel: 91-40-3312454 / 3320751/52/53
www.karvy.com

Company's Registered Office Address :

Polaris Software Lab Ltd.
'Carex Center', 244(Old No. 713), Anna Salai,
Chennai-600 006, India. Tel: 91-44-852 4154
Fax: 91-44-852 3280 E-Mail: info@polaris.co.in