



# EXPERIENCE

Annual Report 2007-08

**© Copyright Polaris Software Lab Ltd., 2008.**

No reproduction without permission. All rights reserved.

A complete version of this book is available at the site [www.polaris.co.in](http://www.polaris.co.in).



## Deep Abiding Purpose

By nurturing sharp, deep understanding of the life cycle of money in the lives of individuals, communities, banks and financial institutions, we **simplify** and **make** technology work for business with **personal touch**.



**REGISTERED OFFICE**

POLARIS SOFTWARE LAB LIMITED  
Polaris House, 244 Anna Salai,  
Chennai - 600 006. INDIA.  
Phone: 91-44-3987 4000

**CORPORATE HEADQUARTERS**

POLARIS SOFTWARE LAB LIMITED  
'Foundation', 34, IT Highway,  
Chennai - 603 103. INDIA.  
Phone: 91-44-2743 5001

**BUSINESS SOLUTION CENTERS**

*Portal Technology Center*

POLARIS SOFTWARE LAB LIMITED  
'Steeple Reach',  
25, Cathedral Road,  
Chennai - 600 086. INDIA.  
Phone: 91-44-2811 8900

*Retail Banking Center*

POLARIS SOFTWARE LAB LIMITED  
Shakthi Towers, 178, Anna Salai,  
Chennai - 600 002. INDIA.  
Phone: 91-44-3987 2500

*The Capital - Investment Banking Center*

POLARIS SOFTWARE LAB LIMITED  
203, Manikonda IT Park,  
Hyderabad - 500 019. INDIA.  
Phone: 91-40-6692 3000

*Wealth Management Center*

POLARIS SOFTWARE LAB LIMITED  
1st & 2nd Floor, Lulla Center,  
Plot No.5, S.P.Road,  
Begumpet,  
Hyderabad - 500 016. INDIA.  
Phone: 91-40-6639 7500

*Polaris Towers - Enterprise Solutions Center*

POLARIS SOFTWARE LAB LIMITED  
Plot No. 249, Udyog Vihar Phase IV,  
Gurgaon - 122 001. INDIA.  
Phone: 91-124-284 4000

*Corporate Banking Center*

POLARIS SOFTWARE LAB LIMITED  
Unit No. 35, SDF II, 133, SDF V,  
SEEPZ, Andheri East,  
Mumbai - 400 096. INDIA.  
Phone: 91-22-2829 0019

POLARIS SOFTWARE LAB LIMITED  
Unit 174, 175 & 184 SDF VI, SEEPZ,  
Andheri-East, Mumbai - 400 096. INDIA.  
Phone: 91-22-39815300

*Corporate Heights - Corporate Banking Center*

POLARIS SOFTWARE LAB LIMITED  
Silver Metropolis,  
Unit No. 801, 802, 901, 902, 1001, 1002,  
8th, 9th & 10th Floors, Western Express  
Highway, Goregaon (East),  
MUMABI - 400 063. INDIA.  
Phone: 91-22-67801500

**GLOBAL NEARSHORE CENTERS**

POLARIS SOFTWARE PTY LIMITED  
ABN 12 095 031 897  
Level 9, 31, Market Street,  
Sydney NSW2000, AUSTRALIA.  
Phone: 61-2-9267 1955

POLARIS SOFTWARE LAB CANADA INC.  
Suite # 401, 5090, Explorer Drive  
Mississauga, Ontario - L4W 4T9, CANADA.  
Phone: 1-905-212-1170

POLARIS APPLICATION CERTIFICATION  
ENTERPRISE CENTER (PACE)  
POLARIS SOFTWARE LAB LIMITED, UK  
Unit 2, Innovation Centre,  
Northern Ireland Science Park,  
Belfast, BT3 9DT, NORTHERN IRELAND.  
Phone: 44-28 9073 7834

POLARIS SOFTWARE LAB PTE LIMITED  
No.10, Ubi Crescent, #04-48 Lobby C,  
Ubi Techpark, SINGAPORE.  
Phone: 65-6749 0119

**RELATIONSHIP OFFICES**

**Americas**

*Headquarters*

POLARIS SOFTWARE LAB INDIA LIMITED  
Woodbridge Place, 517, Route 1 South,  
Suite 2103, Iselin, NJ-08830, USA.  
Phone: 1-732-590 8100

*East Coast*

POLARIS SOFTWARE LAB INDIA LIMITED  
111, Town Square Place., Suite 340,  
Jersey City, NJ-07310. USA.  
Phone: 1-732-590 8151

### *West Coast*

POLARIS SOFTWARE LAB INDIA LIMITED  
38750, Paseo Padre Parkway,  
Suite A7, Fremont, CA 94536, USA.  
Phone: 1-510-745 9986

### *Mid West*

POLARIS SOFTWARE LAB INDIA LIMITED  
1601 North Bond Street, Suite 304,  
Naperville, IL 60563, USA.  
Phone: 1-630-527 6714

### *Canada*

POLARIS SOFTWARE LAB CANADA INC.  
Suite 1800, The Exchange Tower,  
130, King Street W, TORONTO M5X 1E3.  
Phone: 1-416-865 3365

### *Chile*

POLARIS SOFTWARE LAB CHILE LIMITADA  
Alcantara 200, Piso 6, Las Condes,  
SANTIAGO DE CHILE.  
Phone: 56-2-3695681

### *Asia Pacific*

#### *Headquarters*

POLARIS SOFTWARE LAB PTE LIMITED  
No.10, Ubi Crescent, #04-48 Lobby C,  
Ubi Techpark, SINGAPORE.  
Phone: 65-6749 0119

#### *Japan*

POLARIS SOFTWARE LAB JAPAN K.K.  
Nishi Shinbashi JK Building 4F,  
3-15-12 Nishi Shinbashi,  
Minato-ku, Tokyo 105-0003, JAPAN.  
Phone: 81-3-5405 9410

#### *Hong Kong*

POLARIS SOFTWARE LAB LIMITED  
39/F, One Exchange Square  
8 Connaught Place, Central,  
HONG KONG.  
Phone: 852-3101 7400

#### *Australia & New Zealand*

POLARIS SOFTWARE PTY LIMITED  
ABN 12 095 031 897  
Level 9, 31, Market Street,  
Sydney NSW2000, AUSTRALIA.  
Phone: 61-2-9267 1955

### *Europe, Middle East & Africa*

#### *Headquarters*

POLARIS SOFTWARE LAB LIMITED  
6th Floor, 1, Harbour Exchange Square,  
London, E14 9GE, UNITED KINGDOM.  
Phone: 44-20 7531 5500

### *Switzerland*

POLARIS SOFTWARE LAB S.A.  
Rue de Beaux-Arts 8, Case Postale 2649,  
CH 2001, Neuchatel,  
SWITZERLAND.  
Phone: 41-32 724 9210

### *Germany*

POLARIS SOFTWARE LAB GmbH  
Lyoner Str. 15, D-60528,  
Frankfurt am Main,  
GERMANY.  
Phone: 49-69-69 86 16-0

### *Ireland*

POLARIS SOFTWARE LAB IRELAND LIMITED  
Unit 2A, Watson & Johnson Centre,  
Mill Road, Greystones Co. Wicklow. IRELAND.  
Phone: 353-1-287 6745

### *France*

POLARIS SOFTWARE LAB LIMITED  
ABC LIV 112 AVE de PARIS 94300,  
Vincennes.  
Phone: 33-1536 69300

### *Netherlands*

POLARIS SOFTWARE LAB B.V.,  
Newtonlaan 115, 3584 BH,  
Utrecht, THE NETHERLANDS.  
Phone: 31-30-210 6099

### *Spain*

POLARIS SOFTWARE LAB SUCURSAL EN ESPAÑA  
FERNANDO EL SANTO, 15 - 2°  
28010 Madrid, SPAIN.  
Phone: 34-91 5625125

### *Middle East*

#### *Saudi Arabia*

POLARIS SOFTWARE LAB LIMITED  
P.O. Box 59205, Riyadh 11525,  
KINGDOM OF SAUDI ARABIA.  
Phone: 966-1-4645373

#### *Bahrain*

POLARIS SOFTWARE LAB LIMITED  
Diplomatic Tower,  
Suite 302, Building 315,  
Road 1705, Block 317, Manama,  
BAHRAIN. P.O.Box No : 10358  
Phone : 973-175 30437

#### *UAE*

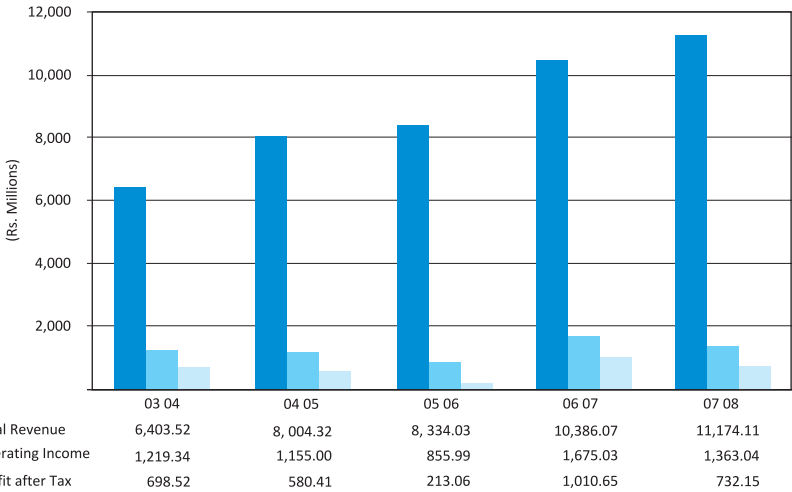
POLARIS SOFTWARE LAB LIMITED  
118, Building -13, Dubai Internet City,  
Dubai, UAE.  
Phone : 971-4-3694610

*This page has been intentionally left blank*

# CONTENTS

Financial Highlights.....	viii
Letter to Shareholders.....	ix
The stage is set.....	xiv
It takes two to Tango.....	xvii
Dance of equals.....	xxiii
Let your heart lead.....	xxvii
Financial Report.....	1-124
Notice of AGM, Attendance Slip & Proxy Form.....	125

# FINANCIAL HIGHLIGHTS



## Polaris Software Group

### Financial Highlights

For the Year	03-04	04-05	05-06	06-07	07-08
					(Rs Million)
Total Revenue*	6,403.52	8,004.32	8,334.03	10,386.07	11,174.11
Operating Income	1,219.34	1,155.00	853.99	1,675.13	1,363.04
Profit after Tax	698.52	580.41	213.06	1,010.65	732.15
<b>At the Year end</b>					
Total Fixed Assets	2,011.30	2,162.64	2,376.25	2,230.80	2,133.39
Shareholder Equity	4,904.00	5,311.00	5,409.70	6,015.43	6,574.89
Number of Shares					
Outstanding of Rs. 5 each	97.70	98.01	98.23	98.58	98.67
Earnings Per Share - Basic	7.17	5.93	2.17	10.28	7.42
Dividend (%)	35%	35%	25%	45%	30%

\*Total Revenue Includes Other Income

# LETTER TO SHAREHOLDERS



Dear Shareholder,

Greetings. 365 days loaded with action has passed so quickly that before I realised it, it is time to reflect on the year that has gone by and connect and share with you our plans for the next stage in our growth journey.

Last year I shared with you, the step by step approach of our journey to become one of the largest owners of financial technologies, products and services. While the journey started in 2001, we saw the validation of our strategy and execution model over the last three years of sustained growth. This year, your company has achieved gross revenues of 273 million USD, a growth of 21% over last year. At the time of the merger of Polaris with OrbiTech in 2003, your company had revenues of just 40 million USD coming from accounts other than Citigroup. Today this has swelled to over 160 million USD ie. a four-fold growth during the last 5 years.

I had also mentioned in my earlier letter to you that our strategy has been validated and our focus will only be Execution, Execution and Execution. Globally, last year was not such a great year for the financial sector. The Financial sector has gone through one of the most turbulent times due to the Subprime crisis. Besides this, rupee appreciation of about 12% in a single year has created another set of challenges to be managed. The Polaris strategy of distributing the business portfolio risk across Geographies (North America ~ 35%, EMEA ~ 35%, Asia Pacific ~ 30%) has enabled us to mitigate the risk slightly better but still I would like to

acknowledge that the year was tough. On behalf of all of you, I would like to appreciate all the Polarites who took this double whammy head-on and enabled the company to grow by 21%. This reflects their unparalleled understanding of [technology connect to business](#) and their [personal commitment](#). I take great pride in sharing with you that our customers have genuinely appreciated this and have rewarded us with increased business, as we continue to bring the best price-performance proposition to our customers.

The potential for Progressive Modernization that we envisaged way back in 2002 and invested over six million person hours of Intellectual work is now being endorsed by most of the industry leaders like SAP, IBM and Oracle. This kind of focus by the industry leaders helped to significantly grow the market size. Our key customer relationships are seeing traction at co-creation (level 3 outsourcing) beyond cost arbitrage (which is pure technology) and transformation (focus on operational efficiency). During the year, your company won several deals in space of Progressive Modernization from some of the largest financial institutions across the world. This is what I refer to as strong validation of our strategy.

Your company owns the largest suite of financial application platforms ranging from Credit Cards, Universal Banking, Wealth Management, Integrated Lending, Cash & Liquidity Management, Risk and Treasury, Investors Services and a Unified Portal Platform. Therefore our ability to 'lead the space' is emerging better with each of the light house (or Tier 1) implementations. During the year, National Bank of Abu Dhabi, 2nd largest bank in Middle East, has gone live on Intellect Universal Banking Platform. Similarly the largest private sector bank in India, ICICI Bank, has gone live on Intellect Wealth Management platform. In addition, several International and Indian banks have chosen Intellect as their platform of choice during the year.

During the year, we added over 40 new accounts thus taking the key customer base to over 100. Our services business comprises of Domain led services as well as Testing services. In Insurance sector we added 11 new clients. Business Intelligence, Data Warehousing and underleveraged financial ERP implementations of SAP and Oracle have provided good growth leads in major accounts. Our large accounts have clearly indicated more off-shoring opportunities in the Retail Banking, Corporate Banking and operational risk management areas.

During the year, we SIMPLIFIED execution. Arup and his Leadership team at Polaris have focused sharply on integrating every bit of information to a common '4 in 1' database. This Business Intelligence infrastructure enables us take week on week corrective actions based on the changing landscape of customers and their needs. This operation excellence project went live on the 15th of January. Now we measure only 4 critical elements - Profit Improvement, week on week, Delivery of projects - On Time & In Full, Talent Fulfillment and Talent Retention.

The key challenge that we faced on the execution front was 'accelerating talent development'. Though we have prepared and groomed a large number of experts in our chosen domains, the market needs many more. Since we are specialized players, we do not always get the required talent from the market. Thus we chose to invest time and resources in building a learning infrastructure that enables accelerated learning. Nalanda, our corporate university has put together a very well integrated Learning Architecture during the year and has aligned the education and development processes around it.

Our second major challenge now is to move from chosen Tier 1 segment i.e. banks that own more than 50 billion USD in assets to the banks that have assets between 5 to 50 billion USD. This is the new market segment which requires almost 'ready to use' products to compete with the big banks who are now penetrating into their 'local' space. Intellect banking platforms that have Tier 1 and global practices merged into is very aptly suited for our entry to markets beyond G7 countries. We are planning to build partnership models to monetize our successes in G7 countries and leverage the same beyond, in the rest of the 70 countries.

During the year we saw our BPO subsidiary, Optimus Global Services growing 76%. Optimus is now servicing over 8 global clients and has nurtured capabilities to handle over 18 unique processes for Banking and Insurance sector.

Adrenalin has emerged the leader in the Human Capital Management Software space. This year alone, 110 companies have chosen Adrenalin as their human capital management software, the largest sale ever in this space. Polaris owns over 40% equity in Adrenalin e-Systems Pvt Ltd.

Polaris Retail InfoTech limited, thru its product Retail Excel and Smart Store has reached to fifteen thousand point of sale counters across India. It has now established its leadership among the best retail products in India and has made its foray into international frontiers, starting with Middle East and Africa.

Over all, the year was a combination of some achievement, some challenge, some struggle and a huge amount of learnings that can be deployed in the years to come. Now we have a very sound and integrated portfolio of services from Smart Outsourcing, Domain led services and IP led services along with the most comprehensive suite of Intellect banking products. This is supported by a global infrastructure (23 international offices and 4 global near shore development centers at Sydney, Singapore, Belfast & Toronto and 7 Business Solution Centers each focusing in micro verticals in Retail, Corporate, Investment Banking and Insurance, simplified & integrated operations infrastructure and above all, a highly competent and committed team delivering high performance technology based business solutions on cost on time.

It is said that Experience isn't interesting till it begins to repeat itself. I am very delighted to see that now Polaris is poised for Repeatable, Predictable and Profitable growth.

On behalf of the 10500 associates in Polaris, I would like to convey my sincere thanks to each and every one of you for trusting and supporting our dream of becoming one of the largest financial technology players in the global market place from India.

Warm Regards,



**Arun Jain**

Founder, Chairman and CEO



The stage is set

## IT TAKES TWO TO TANGO

Polaris partners with 11 of the top 25 banks in the world to co-create high performance technology based business solutions

## THE STAGE IS SET

*The beauty of Tango is that it allows you to explore and experience. Good tango dancers do not anticipate their partner's moves. They are just prepared for the exploration and the excitement it brings along. End of the act it's not just the applause they get, but the satisfaction of creating an experience. And there is much to gain in the process.*

With a singular focus on financial services domain for over 20 years, in its growth journey, Polaris is privileged to partner with the banks and financial Institutions who are leaders in the global marketplace. Having nurtured sharp, deep expertise, Polaris provides consultancy, smart legacy modernization services and products (branded as Intellect™) for leading banks and financial institutions from Americas to Australia.

### Core Banking Renewal and Modernization of Legacy Applications

Worldwide outsourcing trends in the banking and financial sector show increased trends in Core Banking renewal, modernizing legacy applications, higher focus on customer experience management solutions and point solutions for added business functionality. Aging systems are in for overhaul and point solutions that address business need areas for new product introduction and business expansion are being looked at. Extensive research by leading market analysts have validated that the maximum IT spend for global banks in the next five years will be on Progressive Modernization with the spend size in excess of 60 billion USD globally.

### Smart Legacy Modernization

We have embarked on a leadership program of leveraging these opportunities through our [Smart Legacy Modernization](#) (SLM) services. SLM is calibrated modernization of existing legacy platforms in a non-disruptive manner by deploying innovative ("Smart Build") solutions that are SOA compliant and backward compatible. 'Smart Build' approach provides the enabling mechanism for the bank to build a robust and functionally rich platform, by selecting reusable business components and plugging them into an SOA enabled environment

### Technology imperatives in Banking and Insurance space

Indicators from leading analyst suggest that increased trend in linkage of technology to front-office revenue-generation goals, increased adoption of

service-oriented architecture (SOA), business process management and increased regulatory pressures are the key drivers of outsourcing in banking and insurance verticals. The report indicates an average CAGR of about 5% by 2010 for the segment globally. The prediction is higher growth for regions such as Middle East and Africa, Eastern Europe and Asia Pacific regions compared to North America and Japan.

Outsourcing is becoming an increasingly complex business proposition due to the advancements in technology delivery methods and new concepts such as SOA. In addition, skill shortages in legacy technologies are expected to drive increased innovation and bundling of domain expertise into point solutions tied to business outcomes. Hence increased focus on business outcomes, agile technology solutions and the ability of technology to influence business growth will be the critical success factors for players in this industry in the next decade. Moreover the geography specific nature of markets will demand a well balanced geographic portfolio across major regional segments to leverage emerging markets as well as mitigate the risks of impact due to decreased economic activity in some regions.

### Value Creation through use of IP Assets

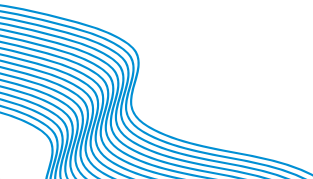
Polaris believes that value creation in a relationship grows as customer relationships mature with time. Relationship, expertise, technology, intellectual property and global reach are what our customers 'experience' of us. Polaris products and platforms are branded as Intellect™ which is a pure play SOA product and the most comprehensive banking suite was launched by Polaris in mid 2005 and already has an installed base of over 40 Banks around the world. High adaptability to business needs, flexibility in implementation and ease of integration allows for easy launch of new products, or to implement SOA wrappers quickly.

### Intellect™ Platforms

Intellect™ is a modern and flexible enterprise platform that enables boundaryless banking across business units, geographies and technologies. Intellect™, built using modern Service Oriented Architecture (SOA) technology, is a comprehensive platform comprising nine major banking application areas across Retail, Corporate and Investment Banking. It is the first pure play SOA based application suite for BFSI players, designed to enable quick response to business requirements while at the same time easing the process of modernizing legacy platforms.



- Intellect Consumer Finance** Provides seamless technology solutions ranging from Origination and Lending to Collection systems
- Intellect Core** Addresses the critical need for a scalable, flexible, secure and customer-centric core-banking platform. It supports savings, current and overdraft accounts and as well as different types of time deposits
- Intellect Cards** A flexible and comprehensive system that addresses all needs across issuance, acquiring, customer loyalty, default management (collections), internet banking, fraud and risk management
- Intellect Front Office** Offers capability ranging from teller functions to wealth management advisory services, including cross sell prompts, account origination and everything that a branch banker would need – all on a single screen
- Intellect Treasury** A web-based system that meets treasury requirements in the areas of fixed income, forex, money markets, derivatives and risk management
- Intellect Liquidity** A comprehensive platform that can meet the needs of complex liquidity management scenarios
- Intellect Wealth** The next generation component based Wealth Management offering, catering to the need of Financial Service Providers ranging from independent registered investment advisors or financial advisory teams in brokerage houses to private banks
- Intellect Investor Services** Enables banks to offer custodial services to customers
- Intellect Portals** A proven portal solution for Consumer, Business and Corporate banking customers is built on new generation technology and provides high flexibility for customization and robust security features



## IT TAKES TWO TO TANGO

*Tango is bliss to watch when the space between the partners is fluid. The start is slow, moves to a close embrace and when the music begins to crescendo, there is perfect co-ordination and the movements become intuitive. There is a lot of sharing and the back is never bent unnaturally, so one doesn't feel the strain. The dance is so natural and the only way to describe it is to say it just happens.*

New solutions, new methods, new business possibilities emerge in a journey together. Polaris has long understood the need for recognizing and identifying customer needs and tailoring products and services to satisfy them. Polaris has focused on understanding the need of a company's strategic intent towards delivering next gen technology that in turn enables banks and financial institutions to respond to their dynamic ecosystem.

Polaris' mission is to deliver to our customers, increasing returns on their technology investment. Return on technology investment for the customer by maximizing the through put per dollar spent by the customer, has been our focus. And in our mutual journey of growth and partnership, this is what our customers have experienced of us, year after year.

### **Polaris frees Global Investment bank from Legacy web**

A leading Global Investment bank and leader in Foreign Exchange Options had their technology Platform that was built on a complex web of legacy technologies. The firm is darling of the Wall Street and was impressed by Polaris domain depth, its committed associates and most importantly the senior management attention. What started off as a small engagement with ten expert associates multiplied rapidly and today this one of the largest customer engagements we have. Small wonder, we were able to displace all incumbent vendors and today we are their largest vendor.

They were losing revenue opportunities due to lack of agility and sub optimal response times coupled by limited scalability that the platform permitted. The danger was that if they continue to operate in this manner they would lose leadership position to their more agile new-gen competitors.

#### **What we did**

We designed a solution that provided for enhancement of the trading platform with the flexibility of creating new products for Trade and Capture and rolled the solution globally. We also proactively suggested having understood their business that an online portal for their Prime Brokerage Business was pretty much in order. When one of the customer Datacenters were inundated by typhoon and flash floods, it was a critical situation for the customer with many of the support activities was in danger of being severed that would cost the customer dearly, we quickly moved the entire operations to a neighboring city

without awaiting for any directions from the customer from which location the operations runs till this date.

### And proactively

Initiatives like these from our end besides delivering on the projects, endeared us to this customer as we were able to potentially visualize their needs going forward and come up with business and technology solutions for their mission-critical solutions.

### What the customer said

This customer has institutionalized an annual reward program to our Delivery team and consistently recognizes the team with awards, accolades and bonuses. The Customer Satisfaction (CSAT) scores and Loyalty scores were 5 on scale of 5 and the team that were behind this successful relationship has quietly put all these laurels behind and moved on in their single-minded pursuit of keeping their promise for times to come.

*"Thanks. Your team is absolutely central and critical to what we have achieved. Please let them know that what we are achieving is as much due to their efforts as anyone else. So keep up the good work and hopefully we continue getting more books live."*

*"Thank you and your team is as much a part of this as anyone else. So let them all know that their hard work, focus and dedication is what pays off with this kind of achievement. Not many on Wall Street can claim this kind of a project success"*

### A world leader in derivative settlements achieves go-to-market plans

This customer of ours has an outstanding reputation for reliability, certainty and trust with more than 30 years experience in guarding the privacy of trade data. In 2006, this customer supported the trading and settlement of more than \$1.5 quadrillion in securities transactions. They are the leading provider of automation solutions for the global over-the-counter (OTC) derivatives market in the world.

### The Dilemma

The challenge this customer faced was that the OTC derivatives markets had rapidly expanded as these products had gained wide acceptance. Growth was accelerating globally in terms of trading volume, new product types and new market participants. Concerns about transparency, risk and high processing costs led to many innovations. While the industry continued to increase its automated trade confirmation rates, market participants focused on ensuring accurate records and keeping up with the level of processing over the life of a contract.

The technology platform of this customer had a major challenge in keeping up to the rapid growth and expectations of its customers. New releases of the application were happening once in 6 weeks which would mean thorough testing in a very short time before it gets into production.

### What we did

Over the years we have established ourselves as a global leader in the software testing area to the BFSI Industry and leading IT analysts have recognized this in their research reports. We provided our customer with a testing framework that automated their processes and kept up to their rapid release plans. In the process we introduced to the customer the whole world of application testing and its nuances. Despite some of the largest vendors being present in this customer, we were able to break in due to our understanding of the Capital markets domain. This relationship which is more than 3 years old now transcends beyond customer-supplier relationship and we are positioned as a trustable technology partner and advisor and more importantly this customer have always expressed being 'at home' when dealing with Polaris.

### Promise delivered

Polaris has delivered this project successfully that went beyond just automating their existing process (where we collapsed their testing cycle time by almost 70% bringing them cost savings of more than 40%) but also provided them with a comprehensive framework for a regression automation testing that gave them immense value.

The Customer Satisfaction Survey (CSS) scores have been 5 on a scale of 5 for the last three years with a similar loyalty index score.

To us, it simply was a promise delivered and yet another customer that truly experienced our extensive domain expertise, passion for excellence and commitment.

### What the customer said

*"Thank you for the great progress you've made despite some of the recent system issues. We are very pleased to hear of the new 'on-the-fly' SQL feature developed by your team. Please pass on our gratitude to the team for adding this to the overall testing framework. It will be a valuable time saving feature that will reduce our test case and code maintenance once the suites are handed over to us." – Systems Director, Application Development*

*"A quick note to say thank you. Your team's commitment has helped us complete the project on time. I would be remiss if I did not point out the excellent work that the Polaris team did for us. Many times they went above and beyond what was asked to keep the project moving. We are very happy with Polaris and expect to*

*remain working with us and provide direction in supporting our projects.”*  
- Managing Director, Information Services

## Forging IT and Business

### Technology muddle

A leading retail bank in the Pacific Rim was getting hungrier by the day and was pursuing an acquisitive strategy whereby it was picking up financial portfolios in and around the region to acquire them based on its stated strategy for aggressive growth. The challenge they had was a technology infrastructure that was so legacy-laden and not coping up to this inorganic strategy of the bank.

Given the acquisitive business model of the bank wherein the bank was acquiring customer portfolios and integrating with their platform, the platform was expected to be agile enough to rapidly integrate the acquired banks technology platform thus giving its customers unified customer experience. The bank took the most radical decision to eliminate mainframe systems, the traditional backbone of a bank's IT, and replace them with Intel-based servers. This was a significant change from the prevailing practice among banks in Japan and most financial services firms around the world, which loved the high throughput speeds and dependable uptime of mainframes. But, the downside was they were expensive and difficult to keep up as the software for these mainframe systems is usually written in arcane proprietary languages.

### What we did

Polaris worked out a solution in collaboration with this bank and suggested a **'co-creation'** model that would progressively modernize their legacy assets with minimum disruption. Thanks to our deep domain expertise due to which we were able to recommend a modernization framework that not just aligned the technology to the customer's business imperatives but actually forged them together resulting in business transformation for this customer. The approach saved the bank 40 million USD in expenses annually. The modularity of Polaris solution allowed this bank to either purchase off-the-shelf solutions or turn to inside or outside developers for a certain piece, thereby accelerating speed of development. The bank was able to scale up and expand into new activities with ease. The bank was able to move from a 9000 loans per month to 180000 loans per month processing power.

### And what followed

This approach of Progressive Modernization and the story around it was a part of a recent case-study of Harvard Business Review (“Radically Simple IT by David M. Upton and Bradley R. Staats”)

## Redefining Customer Delight

The client is a leading pensions and protection provider in the UK. It provides a variety of solutions in the life insurance, retirements services and investment area to High Net worth Individuals.

### One view please

The client was faced with a huge challenge to provide sophisticated portfolio statements to its clients inspite of the known system weaknesses. These reports would consist of the client portfolio distribution across the lines of pensions, protection and investments. The problem in creating such a consolidated report rose from the typical organizational silos that divided the product, client and distributor data. It was becoming increasingly difficult for their advisors to provide consolidated portfolio reports to the customers. The advisors were also unhappy about the fact that they had to traverse different systems to get information about a single customer. Added to this were the stringent timelines and the system requirements of the regulatory authorities. All this was resulting in less-equipped advisors who were unable to retain the customers due to system inefficiencies. The business users and the advisors wanted updated and consolidated information elegantly presented to the customer.

### There you go

The proposed Polaris solutions used the concepts of SOA along with the latest in technology to help the customer tackle the issues of data aggregation and presentation. The issues of data aggregation from multiple systems were resolved by creation of a SOA composite application using the BEA Aqua Logic Data Services. In order to provide a cost-effective solution to the client, Polaris re-used the existing Xenos print infrastructure to design and create sophisticated portfolio statements. Furthermore, the solution was integrated with the Business Objects and portal mechanism to deliver the information seamlessly.

The solution not just helped the client in resolving the current problem; it also went a step ahead and resulted in creation of a SOA platform that could be leveraged for other initiatives. The re-use of existing infrastructure also allowed for significant cost savings to the client.

### What the customer said

*"I am dictating this on the morning of 23 rd January 2008 having received my own wealth account. I simply wish to express my congratulations to the project team for developing such an excellent document."*



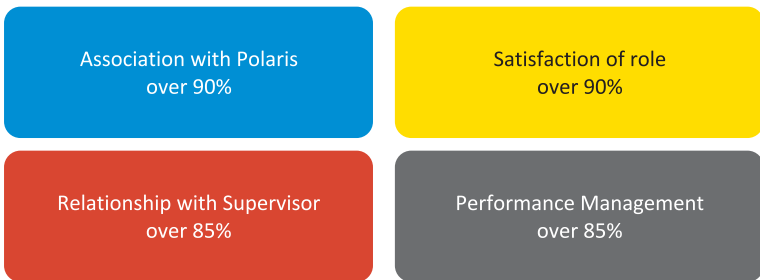
## **DANCE OF EQUALS**

Konark is a symbol of energy and excellence. Konark is a community of over 800 Polarites who are change agents and anchor all mission critical projects.

## DANCE OF EQUALS

*The tango can never be danced as if 90% of the accountability rests with you. It is a dance of equals. The embrace is done lovingly, with no smothering or cramping. It is important for the partners to share the load and practice give-and-take. There has to be confidence, passion and purpose leading to elation. This is what makes relationships work and truly special.*

At Polaris, associates enjoy “freedom within a framework”. And the results prove that this approach has paid its dividends. The Associate Engagement Survey (AES) is an in-house barometer of satisfaction levels amongst associates in various engagement areas. AES 2008 has captured the associates ‘experience’ in Polaris. Here's a snapshot of the results.



Rightly so, Polaris perceives the employee as an expert and associate, not just as a resource. Resource is a term that dehumanizes, reducing people to commodities and making the relationship purely transactional. This is particularly true of the IT industry, where large IT workforces and high attrition rates are the norm. The word ‘expert’ recognizes the fact that the employee is not just a hired help, but places value on the associate’s skill and real contribution to the company. By conferring a human role to the ‘resource’, the word expert also recognizes the need of the individual to meaningfully engage and grow with the organization.

### Working with Market Makers

Our customers count amongst the best in the banking and financial business around the world. Polaris partners with 7 out of the Top 10 Wall Street banks, 5 out of the Top 7 High Street banks in the UK, 3 out of the Top 5 banks in Middle East, India and Australia offering a plethora of specialized financial technology solutions. This means working with the best on the forefront of technology and business. From treasury to corporate to retail to investment banking, the large

number of top-notch clients gives the associate an ‘experience’ of global business.

## Nurturing Expertise

The best clients mean that associates get to work only on the best solutions and services. Polaris has developed a [Learning Architecture](#) that focuses on building a powerhouse of talent akin to that of cardio specialists and cardio surgeons. We call such people Solution Architects. This talent is not easily available in the market place and our talent development programs nurture this high-end expertise from within the system, around the business levers of technology, domain, process, tools, solution development life cycle and customer market place.

This knowledge becomes relevant to the customer within the larger framework of our emphasis on quality as defined by cost, reliability, flexibility and timeliness. These factors ensure that knowledge is delivered each time consistently and intuitively.

Learning process enhancements is anchored by [Nalanda](#), the Polaris Corporate University that prepares our associates to deliver High Performance technology based business application, on Time and On Cost. Nalanda has a unique ‘Learning Architecture’ framework that nurtures the Knowledge, Leadership and Value pillars of the Polaris brand making it a holistic learning experience for associates and a consistent high performance experience for customers.

## The Polaris Way

Creating long term relationships with people and organizations creates a culture that recognizes and fosters excellence. Each of our initiatives provides a different kind of impetus to our associates. Two mantras that drive Polaris culture are - High Performance and Relationships. These initiatives enable a culture that endorses high performance, relationship and above all, fun!

Akin to the four seasons, Polaris’ season begins with Annual Day, when all Polarites meet up to celebrate and reflect on the year that passed by. We see this as a special opportunity to thank all those who supported us in our growth journey.

Next, **Diwali** celebrations bring the families of associates together. We thank the family members who support the associates for the considerable stretch and going the extra mile, that an expertise led business model demands.

**Lakshya** is our annual 'Visioning' and goal setting exercise where over 10,000 solution architects, domain and technical experts meet to visualize and plan the Polaris of their dreams. In Polaris, dreams are powerfully aligned at the subconscious towards the common destiny.

The fourth season is **Konark felicitations** across all business solution centers when the newly elected Konarks are welcomed into the club. Konarks act as change agents and anchor all mission critical projects in Polaris.

## Polaris Values

Polaris continues to deliver high performance on a fundamental framework of 4 core values – Passion, Humility, Integrity and Respect. Polaris has a sharp definition of these values and defines

- **Passion** as Intensity of attention to detail
- **Humility** as being a genuine learner and bringing the same spirit to the team and work
- **Integrity** as culture of discipline in thought, behavior and action, and
- **Respect** as listening

Above all the culture of the organization enables Polarites to savour the journey and have fun!

'Experience' Polaris. Live Your Dream.



## LET YOUR HEART LEAD

The Polaris social connect programs are managed by the Ullas Trust. The charter for the trust is to encourage a 'Can Do' spirit among the young economically challenged students. The trust has touched the lives of 18000 students till date.

## LET YOUR HEART LEAD

*The tango emphasizes to dance with our hearts in front of our partners, emphasizing a quest for happiness and fulfillment. This is a call to aid your partner and to dance as if the dance belonged to them. Tango extols compassion, humility and the will to support.*

The Polaris social connect programs are managed by the Ullas Trust. Ullas focuses on providing critical support to young and economically challenged children, through their adolescence.

The Ullas Trust was founded in 1997 with an aim to integrate Polaris associates with the larger social community.

The charter for the trust is

- To encourage a 'Can Do' spirit among the young, economically challenged students during the vulnerable stage of adolescence.
- To recognize academic excellence in students from Corporation and Government schools between classes 9th to 12th and enable them to work towards realizing their dreams.

This year at Ullas, 3313 students were awarded young achievers scholarship awards. The Ullas Young achievers were represented from 196 schools in Chennai, and 150 schools from various district headquarters of Tamil Nadu, 7 schools in Delhi and 14 schools in Mumbai were awarded scholarships.

Of this number, 40 scholarships benefitted students from Killai, a tsunami affected village near Chidambaram. 'Ullas Young Achievers Higher Education Scholarships' were also awarded to 24 students.

The 10th Annual Workshop was held at the Kamaraj Memorial Hall, Chennai in September 2007. Cheered on by over 2000 Ullas Achievers from Tamil Nadu were felicitated by His Excellency, Shri Surjit Singh Barnala, the Governor of Tamil Nadu.

There are a number of initiatives at Ullas, all designed to nurture skills and encourage creativity. Ullas programmes have had increasing reach and support has been extended to Higher Education programmes. From weekend programmes on computer skills to painting competitions, Ullas works on many levels to instill the 'Can do it' spirit in the youth who hold promise for the future.

# BOARD OF DIRECTORS



**Arun Jain**  
Chairman & Managing Director



**Abhay Agarwal**  
Practicing Chartered Accountant



**Ajit Bhushan**  
Managing Director  
Citi Venture Capital International



**Arvind Kumar**  
Senior Lawyer  
Supreme Court of India



**Ashok Jhunjunwala**  
Professor  
Dept. of Electrical Engg., IIT Chennai



**Anil Khanna**  
Managing Director  
Citi Venture Capital International



**R C Bhargava**  
Former Chairman & Managing Director  
Maruti Udyog Ltd.



**Raju Venkatraman**  
Joint Managing Director & COO  
Firstsource Solutions Ltd.



**Satya Pal**  
Former Secretary (Telecom)  
Chairman MTNL & Telecom Expert

# POLARIS PARTNERS



Arun Jain



Arup Gupta



Ashish Devalekar



Bikash Mathur



Dipak Bishnoi



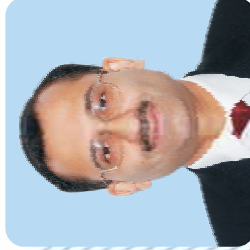
Ganapathy BK



Govindarajan K



Kartik Kaushik



Kedarnath Udiyavar



Manish Maakan

# POLARIS PARTNERS



Manoj Saxena



Padmini Sharath Kumar



Prashant Jajodia



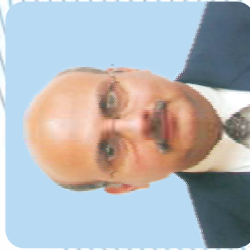
Rama Sivaraman



Ramaswami SR



Sandeep Tandon



Sanjay Gurnani



Sanjeev Gulati

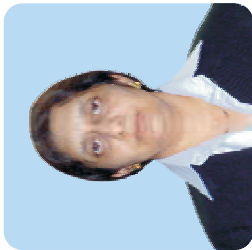


Segar D



Srikanth R

# POLARIS PARTNERS



Sudha Kunkallenkar



Sunil Vasant Rao



Supriyo Sircar



T V Sinha



Uppili Srinivasan



Venkatesh Srinivasan



Vikas Misra



Vinay Garg

# SUPER SPECIALITY CENTERS



The Capital, Hyderabad - The World's first Super-Speciality centre focused on technology solutions for Investment Banking



Corporate Banking  
Centre of Excellence, Mumbai



Enterprise Solutions  
Centre of Excellence, Delhi



Intellect Court, Chennai - Home to the product group

# **POLARIS SOFTWARE LAB LIMITED**

**Abridged Annual Report for the year ended 31<sup>st</sup> March 2008**

**'Polaris House', 244, Anna Salai, Chennai - 600 006.**

**INDIA**

*This page has been intentionally left blank*

# POLARIS SOFTWARE LAB LTD

## FINANCIAL REPORT

Directors' Report	-----	5
Report on Corporate Governance	-----	15
Auditors' Report on Abridged Financial Statements	-----	42
Abridged Balance Sheet	-----	47
Abridged Profit and Loss Account	-----	48
Statement of Cash Flows	-----	49
Notes to Abridged Financial Statements	-----	50
Balance Sheet Abstract	-----	56
Report on Subsidiaries	-----	57
Management Discussion and Analysis	-----	59
Consolidated Financial Statements	-----	89
Notice of AGM, Attendance Slip & Proxy Form	-----	125

### BANKERS

Citibank N.A  
ICICI Bank Ltd  
HDFC Bank Ltd  
Bank of America, NA, New Jersey  
JP Morgan Chase Bank, New Jersey

### AUDITORS

M/s. S.R. Batliboi & Associates  
TPL House, Second Floor  
3, Cenotaph Road  
Teynampet  
Chennai 600 018

*This page has been intentionally left blank*

## **DIRECTORS' REPORT**

## POLARIS SOFTWARE LAB LIMITED

### DIRECTORS' REPORT

To the Members,

Your Directors have great pleasure in presenting the Fifteenth Annual Report together with the Audited Statements of Accounts for the year ended March 31, 2008.

#### 1. Financial Results

##### a. Stand alone results of Polaris Software Lab Limited

*Rs. in Lacs*

<b>Year ended March 31</b>	<b>2008</b>	<b>2007</b>
Profit (including other income) before Depreciation, Finance Charges, provision for diminution in value of investments and Tax	10,478	13,790
<b>Less:</b>		
Finance charges	60	57
Provision for diminution in value of investments	103	18
Depreciation & Amortisation	3,907	4,330
<b>Profit Before Tax</b>	<b>6,408</b>	<b>9,385</b>
<b>Less:</b> Provision for tax including Deferred Tax and Fringe Benefit Tax	1,145	1,426
<b>Profit After Tax</b>	<b>5,263</b>	<b>7,959</b>
<b>Add:</b> Surplus brought forward	19,233	14,599
<b>Profit available for appropriation</b>	<b>24,496</b>	<b>22,558</b>
<b>Appropriations:</b>		
Provision for proposed dividend	1,480	2,218
Tax on Distributed profits	251	311
Transferred to General Reserve	526	796
<b>Balance Transferred to Balance Sheet.</b>	<b>22,239</b>	<b>19,233</b>

##### b. Consolidated results of Polaris Software Lab Limited and its subsidiaries

*Rs. in Lacs*

<b>Year ended March 31</b>	<b>2008</b>	<b>2007</b>
Profit (including other income) before Depreciation, Finance Charges, provision for diminution in value of investments& others and Tax	13,630	16,751
<b>Less:</b>		
Finance charges	79	84
Depreciation	4,602	4,811
<b>Profit Before Tax</b>	<b>8,949</b>	<b>11,856</b>
<b>Less:</b> Provision for tax including Deferred Tax and Fringe Benefit Tax	1,611	1,991
<b>Profit After Tax</b> before share of profit / (loss) of associate companies	<b>7,338</b>	<b>9,865</b>
Share of profit / (loss) of associate companies	(17)	241
<b>Net Profit for the year</b>	<b>7,321</b>	<b>10,106</b>
<b>Add:</b> Surplus brought forward	22,494	15,712
<b>Profit available for appropriation</b>	<b>29,815</b>	<b>25,818</b>
<b>Appropriations</b>		
Dividend	1,480	2,218
Tax on Distributed profits	251	311
Transferred to General Reserve	526	796
<b>Balance Transferred to Balance Sheet.</b>	<b>27,558</b>	<b>22,493</b>

## 2. Results of operations

The consolidated income of Polaris Software Lab Limited from Software development services, products and Business Process Outsourcing for the year ended March 31, 2008 stood at Rs.109,930 Lacs, registering a growth of around 6.48% over the previous year's revenues of Rs.103,237 Lacs. The consolidated Net Profit for the fiscal year ended March 31, 2008 stood at Rs.7,321 Lacs as against the previous year's Consolidated Net Profit of Rs.10,106 Lacs. The Reserves increased from Rs.55,225 Lacs in 2006-07 to Rs. 60,815 Lacs in 2007-2008.

The Company caters to its clients through its worldwide offices and its global business distribution encompasses United State of America (USA), Europe, Asia Pacific, India and Middle East. In 2007-08, USA contributed 35.10%, Europe contributed 31.34%, Asia Pacific, and India & Middle East contributed 33.56%.

## 3. Future outlook

According to the Nasscom report of 2008, India continues to be a primary destination for outsourcing and is also emerging as a hotbed for products and innovation. Within the outsourcing arena, the Money Verticals - Banking Financial and Insurance form the lions share and are the most highly evolved outsourcing sectors both for IT outsourcing and BPO. Continued growth predicted in these verticals provides the opportunity for Polaris to increase the share of the business in these verticals, given the following advantages:

- Only top 10 players from India to be fully focused on the Money Verticals
- Ownership of the most contemporary and broad range of Intellectual Property for the Money Verticals (Intellect Suite) including investment into R&D

From the Geographic perspective, market analysts like Gartner predict a slower growth rate for Banking and Insurance Technology Outsourcing in the industrialized countries, while high growth is expected in the emerging economies. In addition the US markets are also experiencing a slow down due to the Sub prime crisis.

For Polaris, the emerging markets pose lucrative opportunities for growth led by the Intellect Suite, while a broad geographic spread across regions enables the company to tide over the impact of economic slowdown in the USA. Outsourcing services such as Testing, Enterprise Solutions, and Business Intelligence are expected to experience good demand over the next few years.

Acute shortage of legacy technology skills and inability of older core systems to offer the global growth demanded, today is causing banks across the world to commence modernization programs. Redundant functionality and existing rigid systems are also inhibiting banks to respond to time-to-market needs and with the advent of Service Oriented Architecture (SOA) based solutions and software services, Banks are able to respond faster to their customer needs.

Trends showing increased adoption of SOA and the predicted opening up of the legacy modernization market as well as core banking renewal are also favorable to the company's growth strategy and direction and its focus on next generation solutions that leverage latest concepts such as SOA.

Key high growth areas visible across geos and across all Banking domains are:

- Retail, Core and Private Banking Front Office Applications
- SOA Reengineering and Modernization of Core Banking Platforms
- Global Portal solutions
- Global Cash and Liquidity solutions

- Wealth Management and Investor Services
- Application Testing
- Specialist Services and Consulting
- BPO

#### 4. Dividend

Your Directors please to recommend a dividend @ 1.50 per share (30% on the nominal value of Rs.5/- per equity share) for the financial year 2007-08. The dividend, if approved at the forth coming Annual General Meeting, will be paid out of profits of the Company for the year to those equity shareholders whose name appear on the Register of Members of the Company on 10th July 2008 and to those whose names appear as beneficial owners in the records of National Securities Depository Limited and Central Depository Services (India) Limited on the said date.

#### 5. Strategic Initiatives during the Year

- The Company entered the African Market with a significant win from one of the largest Banks in Africa, with the Intellect Treasury platform
- Total employee strength crossed the significant milestone of 10,000 this year and the talent program continued around the strategy of nurturing specialists in sub verticals and specialty skills.
- The Company has set up a Centre of Excellence (CoE) for Algorithmic create a talent pool of trained resources in the Risk Management arena
- Polaris set up a dedicated Test Lab at Sydney to offer round the clock availability of testing services
- Corporate Heights, a center for Modernization of Treasury Technology was opened at Goregaon, Mumbai. This new state-of-the-art, 66000 square foot facility housing 500 experts would focus on providing technology modernization services in treasury departments of banks and multi-national companies, besides offering specialized products and components for trading, operations and liquidity management.

#### 6. Increase in share capital

The Company has allotted 92,470 number of Equity Shares of Rs.5/- each pursuant to the exercise of employee stock options during the year as detailed hereunder:-

Date of Allotment	Scheme	Option Price (Rs.)	No. of Allottees	No. of Shares	Total Shares
18/07/2007	ASOP 2000	123.65	2	4,000	66,655
	ASOP 2000	71.50	1	50	
	ASOP 2001	123.65	2	4,000	
	ASOP2001	57.00	6	1,305	
	ASOP2003	137.4	4	1,000	
	ASOP2003	76.60	27	52,600	
	ASOP2003	116.10	2	700	
17/10/2007	ASOP2003	152.95	3	3,000	
	ASOP2000	71.50	1	100	20,175
	ASOP2001	57.00	6	2,775	
	ASOP2001	71.50	2	3,000	
23/01/2008	ASOP2003	76.60	6	14,300	
	ASOP2000	71.50	2	140	5,640
	ASOP2003	76.60	6	5,500	

In view of the above, the issued, subscribed and paid-up equity share capital increased from 98,582,127 equity shares of Rs.5/- each as on March 31, 2007 to 98,674,597 equity shares of Rs.5/- each as on March 31, 2008. All the above newly allotted shares are listed and traded on stock exchanges.

## 7. Employees Stock Option Scheme

The Company has 4 Stock Option Schemes as on 31st March 2008. During the year, your Company has granted options to the eligible Associates under the Associate Stock Option Plan 2003 as per SEBI Guidelines on (ESOP & ESPS). The Company has not granted any options under ASOP 2000, ASOP 2001 and ASOP 2004 Plans during the year 2007-08.

### (I) Details of Options under ASOP 2000 & ASOP 2001 during the year 2007-08

	Particulars	ASOP 2000	ASOP 2001
	Options outstanding as on 01-04-2007	98,970	65,635
a	Options granted during the year	Nil	Nil
b	The pricing formula	N.A	N.A
c	Options vested	41,175	17,820
d	Options exercised	4,290	11,080
e	Total number of shares arising as a result of exercise of Options	4,290	11,080
f	Options lapsed / surrendered	50,115	35,185
g	Variation of terms of options	Nil	Nil
h	Money realized by exercise of options in (Rs.)	515,335.00	941,660.00
i	Total number of options in force	44,565	19,370
j	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 the year.		Nil
	(iii) identified employees who were granted options, 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.)		5.32

**Note:** Since the Company has not granted any Options under ASOP 2000 and ASOP 2001, disclosure as required under sub-clause (l).(m) and (n) of Clause 12.1 of SEBI (ESOP & ESPS) Guidelines, 1999 are not applicable.

**(II) Details of Options under ASOP 2003 & ASOP 2004 during the year 2007-08**

	<b>Particulars</b>	<b>ASOP 2003</b>	<b>ASOP 2004</b>
	Options outstanding as on 01-04-2007	3,286,400	780,000
a	Options granted during the year	313,500	Nil
b	The pricing formula	As per Market Value	
c	Options vested	632,990	155,400
d	Option exercised	77,100	*16,100
e	Total number of shares arising as a result of exercise of Options	77,100	16,100
f	Options lapsed / surrendered	582,900	46,900
g	Variation of terms of options	Nil	Nil
h	Money realized by exercise of options in (Rs.)	6,223,360.00	1,233,260.00
i	Total number of options in force	2,939,900	717,000
j	(i) Details of Options granted to Senior Managerial personnel:		
	a. Number of Options granted	90,000	Nil
	b. Total number of personnel to whom the above options were granted	Nil	
	(ii) any other employee who receives a grant in any one year of option amounting to 5% or more of Option granted during the year	Nil	
	(iii) identified employees who were granted options, 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.)	5.32	
l	(i) Employee Compensation cost using intrinsic method of accounting	0	
	(ii) Employee compensation cost using Fair Value method of accounting.	Rs.107,149,701	
	Difference between (i) & (ii)	Rs.107,149,701	
	If intrinsic value method is used, impact for the accounting period had the fair value method been used on the following:		
	Net results decreased by	Rs.107,149,701	
	Basic EPS will reduce by	0.02	
m	Options whose exercise price either equals or exceeds or less than the market price of the stock:		
	Weighted average exercise price (Rs.)	80.72	-
	Weighted average fair value (Rs.)	76.70	122.12

n	Method and significant assumptions used to estimate the fair value of Options.	Black & Scholes Method: Significant Assumptions			
		a.Risk-free interest rate		7.81%	
		b.Expected life of options		2.5 to 6.5 Years	
		c.Expected Volatility		54.42%	
		d.Expected Dividend yield		1.07%	
		e.Price of the underlying share in market at the time of option grant			
		Date of Grant	Share price on the date of grant (Rs.)	Exercise Price (Rs.)	
18/05/07	174.85	171.95			
18/07/07	140.30	149.65			
17/10/07	114.80	115.60			
23/01/08	85.85	66.05			

\* The shares were allotted from Orbitech Employees Welfare Trust for the Options exercised under ASOP 2004.

## 8. Subsidiaries

The subsidiary companies of your Company along with the country(s) of incorporation are given below:-

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 Software Lab Canada Inc.	Canada
Polaris Software Lab Chile Limitada	Chile
Polaris Software Lab B.V.	Netherlands
Polaris Retail Infotech Ltd	India
Optimus Global Services Ltd.	India

The overseas subsidiaries, in addition to providing service to various international clients have greatly enhanced the capability of your Company in generating more business opportunities in international markets. The Board of Directors of your Company has reviewed the affairs of the subsidiary Companies. Details of the investment made by your Company in its subsidiaries & Associate Companies are shown in Note No.6, in Abridged Financials and also Note No. (B) 15 of Significant Accounting Policies and Notes to Accounts provided as an annexure to the complete and full Balance Sheet and Profit & Loss Account.

Your Company has applied for an exemption under Section 212 of the Companies Act, 1956 to the Central Government, Ministry of Company Affairs (MCA) from attaching the Balance Sheet, Profit & Loss Account, Directors' Report and the Auditor's Report of its subsidiaries to the Annual Report. This Annual Report does not contain the financial statements of the subsidiaries, instead contains the Consolidated Audited Financials of your Company and its subsidiaries, based on the expected approval form MCA. Further, information relating to each subsidiary has been disclosed in an abstract format, which is forming part of the consolidated Balance Sheet.

The Annual Accounts of the subsidiary companies will be made available to the holding and subsidiary company investors seeking such information at any point of time. Annual Accounts of the subsidiary companies will also be kept for inspection during business hours at the Company's Registered Office and that of the subsidiary companies concerned.

## 9. Notable accolades received during the year

### a. Market Recognition for Consulting and Outsourcing at Polaris

- Recognized as Leader in the category of "Specialty Application Development" among the Top 100 Global Companies from Cyber Media Publication for two consecutive years in 2006 and 2007.
- Polaris ranked by Tower group among worlds top Professional services and Consulting organizations - in line and at par with all other key tier I players in the IT and business consulting segments
- Optimus ranks among Tower Group's list of Select "Offshore Business Process Outsourcing Providers" in Financial Services
- Polaris Optimus placed among the select outsourcing providers offering lending outsourcing and collections/delinquency management services
- Polaris ranks among top 3 global financial services testing specialists in report by Gartner on Outsourced Testing in Financial Services

### b. Market Recognition for Intellect Global Banking Platform

- Polaris Intellect Ranked by Forrester Research (07) as Global Challenger and among top 5 Banking Platforms worldwide
- Polaris' Intellect Treasury wins the "The Banker" Award for Capital Markets Projects,2007
- Polaris Intellect listed among the most contemporary global core banking solutions in Cap Gemini Survey of Core Banking Solution Providers
- A report on Corporate Banking Portals by Tower Group has recognized Intellect portals as "a comprehensive portal framework that closely matches the vision of most leading US banks"

## 10. Society Connect

The Ullas Trust was founded in 1997 with a desire to integrate Polaris Associates with a larger community. The Charter for the Trust includes:

- Encouraging a 'Can Do It' spirit among the young, economically challenged students, during the vulnerable stage of adolescence.
- Recognising academic excellence in students from Corporation and Government Schools between classes 9th to 12th and enabling them to dream big and work towards realizing their dreams.

Ullas celebrated 10th Annual workshop on 15th December 2007. Last year, 3313 students were awarded young achievers scholarship awards. On this number, 40 scholarships benefitted students from Killai, a Tsunami affected village near Chidambaram. 'Ullas Young Achieves Higher Education Scholarships' were also awarded to 24 students.

## 11. 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.

## **12. Auditors**

M/s S.R. Batliboi & Associates, Chennai, Chartered Accountants, 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 be re-appointed.

## **13. Directors**

Messrs Satya Pal, Dr.Ashok Jhunjhunwala and Anil Khanna directors, retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

## **14. Corporate Governance**

Your company perceives Corporate Governance as an endeavor for transparency and a wholehearted approach towards establishing Professional Management, aimed at continuous enhancement of Shareholders' value. Your Company has been complying with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement. Separate reports on Corporate Governance along with Auditors' Certificate on compliance with of the Corporate Governance norms as stipulated in Clause 49 of the Listing Agreement and Management Discussions & Analysis forming part of this report are provided elsewhere in this Annual Report.

## **15. Impending Litigation(s)**

Details of impending litigations are shown in Note No.2 of the Abridged Financial Statements and also in Note No. (B)5 under Significant Accounting Policies and Notes to Accounts provided as an annexure to the complete and full Balance Sheet and Profit & Loss Account.

## **16. Conservation of Energy, Technology Absorption, Foreign Exchange Earnings & Outgo**

The particulars, as prescribed under clause (e) of sub-section (1) 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 to the Directors' Report forming part of the complete and full Annual Report 2007-08. (In view of the expected exemption under the Companies Act, the said Annexure has not been enclosed with the Directors' Report forming part of the abridged Annual Report).

## **17. Particulars of Employees**

As required under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, a statement showing the names and other particulars of employees are set out in the Annexure to the Directors' Report forming part of the complete and full Annual Report 2007-08. (In view of the expected exemption under the Companies Act, the said Annexure has not been enclosed with the Directors' Report forming part of the abridged Annual Report). The Department of Company Affairs, has vide GSR. 212(E) dated 24.03.2004, amended the Companies (Particulars of employees) Rules, 1975 to the effect that particulars of employees of the companies engaged in Information Technology sector posted and working outside India not being directors or their relatives, drawing more than rupees

twenty four lakh per financial year or rupees two lakh per month, as the case may be, need not be included in the statement but, such particulars shall be furnished to the Registrar of Companies. Accordingly, the statement referred above does not contain the particulars of employees who are posted and working outside India not being Directors or their relatives. However, on specific request, such particulars shall be made available to any shareholder.

#### **18. Directors' Responsibility Statement**

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956 the Directors of your Company 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";

#### **19. Acknowledgment**

Your Directors take this opportunity to thank all investors, clients, vendors, banks, regulatory and government authorities, and stock exchanges for their continued support. Your Directors also wish to place on record their appreciation for the contribution made by the Associates at all levels.

**Place: Chennai**  
**Date: April 23, 2008**

**By Order of the Board**  
**For Polaris Software Lab Limited**

**Arun Jain**  
**Chairman & Managing Director**

**Note:** Refer to Serial No.8 of the Directors' Report supra, the Company had subsequently received the exemption order from the Ministry of Corporate Affairs (MCA) vide its letter No.47/206/2008/CL-III dated May 2, 2008 under Section 212 of the Companies Act, 1956 from attaching the Balance Sheet, Profit & Loss Account, Directors' Report and the Auditors' Report of its subsidiaries to the Annual Report for the year 2007-08.

**REPORT ON CORPORATE GOVERNANCE**

## POLARIS SOFTWARE LAB LIMITED

### Report on Corporate Governance

#### 1. Company's Philosophy

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

#### 2. Board of Directors

##### Composition of the Board of Directors as on 31<sup>st</sup> March, 2008

The Chairman & Managing Director manages the day-to-day affairs of the Company. The Company has an optimum combination of executive and non-executive directors with 89% of the Board comprising of non-executive directors. All pecuniary relationship or transactions of the non-executive directors vis-a-vis the company is disclosed in the Annual Report.

##### Boards' Composition

Directors	No. of Directors	% of combination
Executive	1	11%
Non-Executive	8	89%
Total	9	100%

Our Board of Directors met five times during the year under review on the following dates:

1. April 27, 2007
2. July 18, 2007
3. October 17, 2007
4. January 23, 2008
5. March 1, 2008

The maximum gap between two Board meetings was 98 days.

##### Attendance record of Directors attending the Board Meetings and Annual General Meeting during the year 2007-08

Sl No.	Name	Designation / Category *	No. of Meetings		Attendance of the previous AGM
			Held	Attended	
1	Arun Jain	CMD	5	5	Yes
2	Abhay Agarwal	NED	5	5	Yes
3	Ajit Bhushan	NED	5	1	No
4	Anil Khanna	NED	5	0	No
5	Arvind Kumar	NED/ID	5	5	Yes
6	Dr. Ashok Jhunjhunwala	NED/ID	5	5	Yes
7	RC Bhargava	NED/ID	5	5	Yes
8	Raju Venkatraman	NED/ID	5	4	Yes
9	Satya Pal	NED/ID	5	4	Yes

\* **CMD** – Chairman & Managing Director; **NED** - Non Executive Director; **ID** – Independent Director

Detailed attendance of each director during the year 2007-08 is given hereunder:-

Sl No	Name of the Director	April 27 2007	July 18 2007	October 17 2007	January 23 2008	March 1 2008
1	Arun Jain	Yes	Yes	Yes	Yes	Yes
2	Abhay Agarwal	Yes	Yes	Yes	Yes	Yes
3	Ajit Bhushan	No	No	Yes	No	No
4	Anil Khanna	No	No	No	No	No
5	Arvind Kumar	Yes	Yes	Yes	Yes	Yes
6	Dr. Ashok Jhunjhunwala	Yes	Yes	Yes	Yes	Yes
7	RC Bhargava	Yes	Yes	Yes	Yes	Yes
8	Raju Venkatraman	No	Yes	Yes	Yes	Yes
9	Satya Pal	Yes	Yes	Yes	Yes	No

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

**Mr. Arun Jain - Chairman & Managing Director  
[DIN 00580919]**

Mr. Arun Jain, Chairman, Managing Director and CEO of Polaris Software Lab Ltd., is the first generation entrepreneur and promoter of the Company. He holds a degree in Electrical Engineering from the Delhi College of Engineering.

If you can dream it, you can do it! A strong believer in the power of the 'organizational subconscious' and 'common destiny', Mr. Arun is the architect behind "Lakshya" the annual 'visioning' and goal setting exercise of Polaris. Having nurtured Polaris to become a global integrated technology solution provider for the Banking, Financial Services and Insurance sector, Mr. Arun is passionately working on the Learning Architecture for the organization that will leverage the full potential of each and every employee and propel Polaris to the next phase in its growth journey.

Mr. Arun founded the Ullas Trust to integrate Polaris associates (employees) with larger community and encourage the "Can Do It" spirit in students from Corporation and Government schools.

Mr. Arun is the recipient of the "ICICI Venture-CII Connect 2006 Entrepreneur Award" for his significant contribution towards developing Tamil Nadu as a centre of Information, Communications & Technology (ICT) Excellence. Mr. Arun is on the Board of Madras Stock Exchange Ltd, a member of Advisory Council of Software Technology Parks of India (STPI) for their functioning of the incubation facility and technological innovation in the area of information technology and a key member in the State Level IT Task Force in Tamil Nadu, India.

**Mr. Abhay Agarwal - Non-executive Director  
Practising Chartered Accountant  
[DIN 00042882]**

Mr. Abhay Agarwal is a practising 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 assets to the Company.

Mr. Abhay Agarwal was invited to join the Board of Directors in May, 1995. He is a member of Audit Committee, Shareholders' Committee and Corporate Governance Committee of the Company. He is also a Director in Sunshine India Pvt. Ltd., Milky

Investment & Trading Company, British Health Products (I) Ltd., Sahiwal Investment & Trading Company, Upvan Farms and Services Private Ltd., Welltime Investments Private Ltd., Param Investments Private Ltd., Expo Investments Private Ltd., Northern Herbals Private Ltd., Intelligent Information Systems Private Ltd., Burman Resorts Private Ltd., Newage Capital Services Private Ltd., Dabon International Private Ltd., Betteroption Estates Private Ltd., Promethean India Advisor Private Ltd, Promethean India Finance Private Ltd., Natures Bounty Wines and Allied Products Private Ltd., Vanesh Holding Private Ltd., Maxcare Laboratories Ltd., H&B Stores Ltd., and Dr. Fresh Property Development Private Ltd. He is a relative of Mr. Arun Jain, Chairman & Managing Director of the Company.

**Mr. Ajit Bhushan, Non-executive Director**  
**Managing Director – Citi Venture Capital International, London**  
**[DIN 00789324]**

Mr. Ajit Bhushan is a graduate from the Indian Institute of Technology, Delhi in 1985 in Electrical Engineering, with specialization in Computer Science, he joined Citibank India in 1987. Presently, Mr. Ajit Bhushan is a Managing Director in Citi Venture Capital International and invests in IT & IT enabled services sector on behalf of Citi Venture Capital International.

Prior to his current assignment, Mr.Ajit Bhushan worked on strategy and business development for the CEEMEA region. This entailed developing a five-year plan for the region, specific responsibility for India and the Middle East countries, and leading the e-Value initiatives. Earlier, he was responsible for developing the Cash Management business for Citibank Poland and worked in Citibank India in the Cash Management business. He joined the Board of Polaris in July 2003. He is also a Director of Citicorp Technology Holding Inc. USA & Sharekhan Ltd., and is a member of the Remuneration & Compensation Committee of Polaris.

**Mr. Anil Khanna, Non-executive Director**  
**Managing Director - Citi Venture Capital International (Regional Head-US/Latin America)**  
**[DIN 01241325]**

Mr. Anil Khanna is a Managing Director in Citi Venture Capital International and is responsible for cross-border investment opportunities and business services. Prior to this role, he held a variety of business management roles at Citigroup and Marsh & McLennan Company. Most recently, he managed Marsh and McLennan's US consumer business. At Citigroup from 1986-2000, he held the positions of President and Chief Executive Officer of Travellers Personal Lines, Head of Corporate Planning, Head of Global Derivative Origination and Structuring and Head of Corporate Banking and Trading at Citibank Canada.

Mr. Anil Khanna began his career at Mckinsey and Co. and has an MBA from the Ivey School at the University of Western Ontario. He joined the Board of Polaris in April 2005. He is also a Director of Eurasian Brewery Holding Ltd., C-Cayco Co-Invest Ltd., C-Cayco Noteholder Ltd., Receivable Management Services International, Inc., NEP GP Inc., NEB Holdings GP, Inc., Permolex International GP, Inc., He is also a partner of Citigroup Venture Capital International Co-Investment, L.P. & Citigroup Venture Capital International Carried Interest, L.P. CVCIGP II Co-Invest L.P. and CVCIGP II Carry, L.P.

**Mr. Arvind Kumar, Non-executive Director**  
**Senior Lawyer - Supreme Court**  
**[DIN 00636869]**

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 the Supreme Court of India at New Delhi and started practising. He is a Senior Lawyer having 44 years of professional standing at Bar, and has gained enough global experience by participating in civil and corporate cases around the world. Presently practising as a Senior Advocate in the 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 Chairs the Audit Committee of the Company. He is also a member of the Corporate Governance Committee of the Company. Mr. Arvind Kumar is also a Director in Nucsoft Ltd., Associated Legal Advisors (P) Ltd. and Second Innings India (P) Ltd..

**Dr. Ashok Jhunjhunwala, Non-executive Director**  
**Professor - Department of Electrical Engineering, IIT Madras**  
**[DIN 00417944]**

Dr. Ashok Jhunjhunwala is a Professor in the Department of Electrical Engineering, Indian Institute of Technology, Chennai, India and was acted as Head of the Department till recently. He received his B.Tech degree from IIT, Kanpur, and MS and Ph.D degrees from the University of Maine. From 1979 to 1981, he was with Washington State University as Assistant Professor. Since 1981, he has been teaching at IIT, Madras.

Dr. Ashok Jhunjhunwala leads the Telecommunications and Computer Networks group (TeNeT) at IIT Madras. This group is closely working with industry in the development of a number of Telecommunications and Computer Network Systems. TeNeT group has incubated a number of technology companies, which work in partnership with TeNeT group to develop world class Telecom and Banking products for Rural Markets.

Dr. Ashok Jhunjhunwala has been awarded Padma Shri in the year 2002, Shanti Swarup Bhatnagar Award in the year 1998, Dr. Vikram Sarabhai Research Award for the year 1997, Millennium Medal at Indian Science Congress in the year 2000, H. K. Firodia for "Excellence in Science & Technology" for the year 2002, Shri Om Prakash Bhasin Foundation Award for Science & Technology for the year 2004, Jawaharlal Nehru Birth Centenary Lecture Award by INSA for the year 2006 and IBM Innovation and Leadership Forum Award by IBM for the year 2006. He is a Fellow of INAE, IAS, INSA, NSA and WWRF. His research interests are Telecommunications and Wireless Systems & Technologies for Rural Areas. He is a member of Remuneration & Compensation Committee, Audit Committee & Shareholders Committee of Polaris.

Dr. Ashok Jhunjhunwala is also a Director in State Bank of India, Tata Tele Maharashtra Ltd., Bharat Electronics Ltd., 3i Infotech Ltd., Sasken Communications Technologies Ltd., Tejas Networks Private Ltd., National Research Development Corporation Ltd., Institute for Development & Research in Banking Technology, Midas Communication Technologies Private Ltd., Vishal Bharath Comnet and National Internet Exchange of India Ltd. He Chairs the Audit Committee of Tata Teleservices (Maharashtra) Ltd., further

he is a member of Audit Committee of Sasken Communications Technologies Ltd., Tejas Networks Private Ltd., State Bank of India and Midas Communication Technologies Private Ltd. He is also the member of Remuneration & Compensation Committee of Sasken Communications Technologies Ltd., Tata Teleservices (Maharashtra) Ltd. & Tejas Networks Ltd. and also a member of Nomination Committee of Tata Teleservices (Maharashtra) Ltd. He Chairs the Technology Committee and a member of the Customer Service Committee of State Bank of India.

Dr.Ashok Jhunjhunwala, is also a member of the following Advisory Board and Governing Council of National Internet Exchange of India, Scientific Advisory Committee to the Prime Minister of India, Institute of Financial Management & Research, Board of ITeCh. Centre of Excellence in Wireless technology (CEWIT), Rural Technology and Business Incubator (RTBI).

**Mr. R.C. Bhargava, Non-executive Director  
Former Chairman & Managing Director of Maruti Udyog Ltd.  
[DIN 00007620]**

Mr. R.C. Bhargava is a postgraduate in Mathematics from Allahabad University, India, he 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 postgraduate in Development Economics from Williams College, Williamstown (Mass), USA.

From 1968 to 73, 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 and Co-operation. He was a Special Assistant to the Union Minister of Energy, Government of India from 1973 to 74, and between 1974 & 78, he served as the Joint Secretary to the Government of India, Ministry of Energy and the Cabinet Secretariat. Thereafter, he moved to Bharat Heavy Electricals Ltd as Director (Commercial).

From 1981 to 1997, he was working in Maruti Udyog Ltd.. 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 the 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.

Mr.Bhargava joined the Board of Polaris in March, 1999. He chairs the Remuneration & Compensation Committee and is a member of the Audit Committee of Polaris.

Mr. Bhargava is also a Director in IL&FS Ltd, Grasim Industries Ltd, RCB Consulting Private Ltd, Maruti Udyog Ltd., Thomson Press Ltd., Dabur India Ltd., Ultra Tech Cement Company Ltd., Global Education Management Systems Private Ltd., Optimus Global Services Ltd. and Taj Asia Ltd. Further he chairs the Audit Committee of IL & FS Ltd., Thomson Press Ltd., Ultra Tech Cement Company Ltd. & Optimus Global Services Ltd. He is a member of the Audit Committee of Grasim Industries Ltd. & Dabur India Ltd., and is also a member of the Shareholders Grievance Committees of Maruti Udyog Ltd. and Ultra Tech Cement Company Ltd.. He is also the Chairman of the Remuneration & Compensation Committee of Optimus Global Services Ltd.

**Mr. Raju Venkatraman, Non-executive Director**  
**Joint Managing Director & COO of Firstsource Solutions Ltd.**  
**[DIN 00632071]**

Mr.Raju Venkatraman is the Joint Managing Director and Chief Operating Officer at Firstsource Solutions Ltd.. Mr.Raju's career in technology outsourcing began with EDS. In EDS, he spearheaded the applications outsourcing business (now called BPO) in a variety of verticals including Healthcare, Manufacturing and Federal Government. Mr.Raju left a successful career at EDS in 1991 and became a pioneer in outsourcing by launching Vetri Systems, an off-shore outsourcing company. Scaling his original company to nearly 4,000 employees/contractors, he sold it to Lason, incorporated in 1998. He served as the President, Data Management Services at Lason and was responsible for more than 7,500 employees and US\$ 85 million in revenue. In early 2002, he resigned from Lason and launched Sherpa.

Mr.Raju Venkatraman was named Indian Entrepreneur of the Year in 2000, and is a recognized expert and speaker in the field of business process outsourcing. He is a chemical engineering graduate from IIT, Chennai and holds an executive MBA from IIM, Ahmedabad. Mr. Raju Venkatraman joined the Board of Polaris on 30th December 2005 and is a Member of the Shareholders' Committee. He is also a Director in Firstsource Solutions Ltd., Rev IT Systems Private Ltd., Vetri Info Data Private Ltd., Vetri Info Data LLC., and Sherpa Business Solutions Inc.

**Mr. Satya Pal, Non-executive Director**  
**Former Secretary (Telecom), Chairman MTNL & Telecom Expert**  
**[DIN 00287845]**

Mr. Satya Pal is a graduate in electrical technology and electrical communication engineering from Indian Institute of Science, Bangalore, he joined the Department of Telecommunications in 1955 and became Member of Telecom Board in 1986. In 1988, he became Secretary, Department of Telecommunications, Chairman, Telecom Board and Chairman, MTNL. He retired in August 1989. He is a Founder Fellow of The Institute of Electronics and Telecommunication Engineers.

Mr.Satya Pal joined the Board of Polaris in April 1997. He is the Chairman of the Shareholders' Committee & Corporate Governance Committee and is a Member of the Remuneration & Compensation Committee of Polaris. Mr.Satya Pal advises Polaris on Operational and Strategic issues. He is also a Director of Paramount Communications Ltd. and Member of its Audit Committee and Chairman of its Remuneration Committee.

### **3. Audit Committee**

The Company has a qualified and independent Audit Committee with all the Members of the Committee are Non-executive Directors. The Chairman of the Committee is an Independent Director. The Company Secretary acts as the Secretary to the Committee.

The Audit Committee had met six times during the year 2007-08 on 27th April 2007, 18th July 2007, 11th August 2007, 17th October 2007, 23rd January 2008 and 1st March 2008.

**Members of the Audit Committee and number of meetings attended by each member during the year 2007-08**

Name	Designation / Category	No. of Meetings	
		Held	Attended
Arvind Kumar	Chairman / NED	6	6
Abhay Agarwal	Member / NED	6	6
Ashok Jhunjhunwala	Member / NED	6	6
R C Bhargava	Member / NED	6	6

**Powers of the Committee**

- To investigate any activity within its terms of reference.
- To secure attendance of and seek information from any employee including representative of Prime Shareholders (subject to internal approvals).
- To obtain outside legal or other professional advice, if necessary.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.
- Compliance with accounting standards

**Role / Functions of the Committee**

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered.
- Reviewing with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - a. Matters required to be included in the Directors' Responsibility Statement and the Board's Report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgment by management.
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Compliance with listing and other legal requirements relating to financial statements.
  - f. Disclosure of any related party transactions.
  - g. Qualifications in the draft audit report.
- Reviewing with the management, the quarterly financial statements before submission to the Board for approval.

- Reviewing, with the management, performance of statutory and internal auditors and the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors 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 statutory auditors before the commencement of audit, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower mechanism.
- Carrying out any other function as may be referred to by the Board or the Chairman of the Board from time to time.

#### Review of information

- a. Management discussion and analysis of financial condition and results of operations;
- b. Statement of significant related party transactions, as defined by the Committee, submitted by the management;
- c. Management letters/letters of internal control weaknesses issued by the statutory auditors;
- d. Internal audit reports relating to internal control weaknesses; and
- e. The appointments, removal and terms of remuneration of the Chief Internal Auditor

#### 4. Remuneration & Compensation Committee

The Remuneration & Compensation Committee consisting of only Non-executive Directors, evaluates and finalise among other things, compensation and benefits of Executive Directors and the procedures and modalities for giving effect to the Employee Stock Option Schemes 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 Scheme, 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 Remuneration Compensation Committee had met four times during the year 2007-08 on 27th April 2007, 18th July 2007, 17th October 2007 and 23rd January 2008.

#### Members of the Remuneration Compensation Committee and the number of meetings attended by each member during the year 2007-08:

Name	Designation / Category	No. of Meetings	
		Held	Attended
R C Bhargava	Chairman / NED	4	4
Ajit Bhushan	Member / NED	4	0
Ashok Jhunjunwala	Member / NED	4	4
Satya Pal	Member / NED	4	4

### Remuneration policy

The remuneration policy of the Company has been so structured in order to match the market trends of the IT industry. The Board in consultation with the Remuneration & Compensation Committee decides the remuneration policy for whole time directors. The Company has made adequate disclosures to the members on the remuneration paid to Directors from time to time. Remuneration/ Commission payable to Directors is determined by the contributions made by the respective directors for the growth of the Company.

### Gross Remuneration paid/payable to Directors for the Financial Year 2007-08

Name of the Director	Salary, Perquisites, & Allowances	Contribution to PF & other funds	Commission*	Sitting Fees	Stock Options grants
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	Numbers
Arun Jain**	85,32,879	720,000	Nil	Nil	Nil
Abhay Agarwal	Nil	Nil	3,50,000	1,85,000	Nil
Ajit Bhushan	Nil	Nil	Nil	Nil	Nil
Anil Khanna	Nil	Nil	Nil	Nil	Nil
Arvind Kumar	Nil	Nil	3,50,000	1,65,000	Nil
Ashok Jhunjhunwala	Nil	Nil	3,50,000	2,05,000	Nil
R.C.Bhargava	Nil	Nil	3,50,000	1,85,000	Nil
Raju Venkatraman	Nil	Nil	2,72,000	75,000	Nil
Satya Pal	Nil	Nil	3,28,000	1,00,000	Nil

**Note:** \* Paid based on the attendance of Directors in the Board, Committee & other meetings.

\*\* Includes a sum of Rs.20 Lacs (previous year 51.25 Lacs) towards Bonus. Bonus is calculated based on performance criteria as determined by the shareholders at the Annual General Meeting held on 18th August 2006.

### Stock Options

During the financial year 2007-08 313,500 number of Options were granted under ASOP 2003 as per the definition of Market Price as detailed hereunder:-

Sl. No.	Date of Grant	Option Price (Rs.)	No. of Associates	No. of Options
1	18.05.2007*	171.95	37	158,000
2	18.07.2007	149.65	41	89,000
3	17.10.2007	115.60	17	29,000
4	23.01.2008	66.05	17	37,500
Total			112	313,500

The Company has obtained the certificate from the Auditors of the Company certifying that the Company's Associate Stock Option Plan(s) is being implemented in accordance with the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 as applicable and in accordance with the resolution of the Members in the General Meeting.

\*The options were granted thro passing a circular resolution.

## 5. Shareholders' Committee

The Shareholders' Committee consisting of Non-executive directors only. It focuses on shareholders' grievances and strengthening of investor relation. This Committee specifically looks into the redressal of shareholders complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.

The purpose of constituting this Committee is to uphold the basic rights of the shareholders including right to transfer and registration of shares, obtaining relevant information about 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 Company. Further the Committee is empowered to act on behalf of the Board, in the matters connected with allotment of shares, issuance of duplicate share certificates, split and consolidation of shares into marketable lots etc.

The Shareholders' Committee had met four times during the year 2007-08 on 27th April 2007, 18th July 2007, 17th October 2007 and 23rd January 2008.

**Members of the Shareholders' Committee and the number of meetings attended by each member during the year 2007-08.**

Name	Designation / Category	No. of Meetings	
		Held	Attended
Satya Pal	Chairman / NED	4	4
Abhay Agarwal	Member / NED	4	4
Ashok Jhunjunwala	Member / NED	4	4
Raju Venkatraman	Member / NED	4	3

During the year, total 1365 Requests / Complaints had been received / resolved by the Company as detailed hereunder.

STATUS OF REQUESTS/ COMPLAINTS DURING THE PERIOD 01/04/2007 TO 31/03/2008			
Sl.	Subject	Received	Replied/ Resolved
<b>A. REQUESTS</b>			
1	CHANGE/CORRECTION OF ADDRESS	64	64
2	RECEIPT OF DIVIDEND WARRANTS/REFUND ORDER FOR REVALIDATION	175	175
3	CHANGE/CORRECTION OF BANK MANDATE/NAME/DAMAGE-DW	48	48
4	REQUEST FOR ISSUE OF DUPLICATE DIVIDEND WARRANT	1	1
5	RECEIPT OF IB FOR ISSUE OF DUPLICATE DW	57	57
6	QUERY REGARDING PAYMENT OF DIVIDEND WARRANT	4	4
7	RECEIPT OF DD(S) AGAINST DW FROM COMPANY/BANK	61	61
9	LETTER OF INTIMATION OF BANK MANDATE	9	9
10	REQUEST FOR ECS FACILITY	38	38
11	LETTERS FROM CLIENTS REGARDING BILLS/PAYMENTS	12	12
12	POSTAL RETURN DOCUMENTS (REMINDER LETTERS)	401	401
13	LETTER FROM SEBI/STOCK EXCHANGE/ACKNOWLEDGEMENT	2	2
14	REGISTRATION OF POWER OF ATTORNEY	1	1

15	LOSS OF SECURITIES AND REQUEST FOR ISSUE OF DUPLICATE	22	22
16	RECEIPT OF IB AND AFFIDAVIT FOR ISSUE OF DUP SECURITIES	8	8
17	REQUEST FOR CONSOLIDATION/SPLIT OF SECURITIES	125	125
18	DELETION OF JOINT NAME DUE TO DEATH	7	7
19	REQUEST FOR TRANSFER/TRANSMISSION OF SECURITIES	15	15
20	QUERY REGARDING UNDELIVERED DOCUMENTS	1	1
21	REQUEST FOR DEMATS/REMAT	121	121
22	CLARIFICATION REGARDING SHARES	2	2
23	CORRECTION OF NAME ON SECURITIES	8	8
24	CHANGE/CORRECTION OF BANK MANDATE/NAME	47	47
25	DD RECEIVED FROM BANKS AGAINST ECS REJECTION	8	8
26	CORRESPONDANCE RELATED TO TRANSFER OF SHARES	12	12
27	OTHERS CLARIFICATION REG SHARES/ ACKNOWLEDGEMENT/NSDL OPERATION	26	26
	<b>TOTAL (A)</b>	<b>1275</b>	<b>1275</b>
	<b>B. COMPLAINTS</b>		
1	NON-RECEIPT OF ANNUAL REPORT	1	1
2	NON-RECEIPT OF DIVIDEND WARRANTS	75	75
3	NON-RECEIPT OF SECURITIES	9	9
4	NON-RECEIPT OF FRESH/NEW SECURITIES	4	4
5	STATEMENT OF PENDING COMPLAINTS FROM SEBI/COMPANY	1	1
	<b>TOTAL(B)</b>	<b>90</b>	<b>90</b>
	<b>TOTAL (A) + (B)</b>	<b>1365</b>	<b>1365</b>

No. of complaints not resolved to the satisfaction of shareholders : Nil

No. of pending complaints as on March 31, 2008 : Nil

During the year, the company has allotted 92,470 equity shares of Rs.5/- each to the Associates, pursuant to the exercise of employee stock options, the details of which are provided in the Directors' Report.

In view of the above, the issued, subscribed and paid-up equity share capital increased from Rs. 492,910,635/- comprising of 98,582,127 number of equity shares of Rs.5/- each as on March 31, 2007 to Rs.493,372,985/- comprising of 98,674,597 number of equity shares of Rs.5/- each as on March 31, 2008. All the newly allotted equity shares are currently listed and traded in the Stock Exchanges.

#### **Corporate Governance Committee**

The Corporate Governance Committee consists of Non-executive Directors only. The functions of Corporate Governance Committee are to identify and recommend the best Corporate Governance practices to the Board and perform such duties as may be assigned to it by the Board from time to time. No sitting fee is paid to the members participating in the meeting.

The Corporate Governance Committee had met four times during the year 2007-08 on 27th April 2007, 18th July 2007, 17th October 2007 and 23rd January 2008.

**The members of the Corporate Governance Committee and the number of meetings attended by each member during the year 2007-08.**

Name	Designation / Category	No. of Meetings	
		Held	Attended
Satya Pal	Chairman / NED	4	4
Abhay Agarwal	Member / NED	4	4
Arvind Kumar	Member / NED	4	4

The Board decided to disband this committee at its meeting held on January 23, 2008 since the Board itself involves in the Corporate Governance activities of the Company.

#### **Share Transfer Committee**

The Share Transfer Committee is empowered to consider and approve the physical transfer, transmission and transposition etc. of the shares of the Company. The Committee met ten times during the year 2007-08 on 30th April 2007, 15th May 2007, 15th June 2007, 11th July 2007, 20th August 2007, 1st September 2007, 5th October 2007, 20th October 2007, 30th October 2007 and 14th December 2007.

**The present members of the Committee are:**

Name	Designation
Arup Gupta	President & Chief Operating Officer
R.Srikanth	Executive Vice President & Chief Financial Officer
Muthusubramanian.B	Senior Vice President (Finance)

Mr. M.P. Suresh Kumar resigned w.e.f 31st October 2007 and Mr. B. Muthusubramanian was appointed in place of Mr. M.P. Suresh Kumar.

6. General Meetings of the Company									
Meeting Date	Venue	Sl. No.	Resolutions Passed	Type	17th July, 2007 3.30 P.M.	30th December, 2002 2.00 P.M.	30th December, 2002 4.00 P.M.	EGM 12th March 2004 3.30 P.M.	Type
12th AGM 22nd July, 2005 3.30 P.M.	Music Academy, Chennai	1	Adoption of Annual Accounts (31/3/2005)	O	Adoption of Annual Accounts (31/3/2007)	Amalgamation of Orbitech Solutions Limited with the Company	Alteration of Capital Clause in the Memorandum of Association	Approval of new Associate Stock Option Plan 2003 (ASOP 2003)	S
		2	Declaration of Dividend (35%)	O	Declaration of Dividend - confirmation interim dividends paid as final (45%)		Alteration of Capital Clause in the Articles of Association	Approval for extension of benefit of ASOP 2003 to employees and Directors of subsidiaries/ holding Companies.	S
		3	Re-appt. of M/s BSR & Co, as Statutory Auditors	O	Appt. of Mr. Satya Pal as a director under Sec. 256 of CA		Appointment of Mr.Govind Singhal as a Whole-time director under Sec.269 of CA	Appointment of Mr. Vinay Gang as Financial Controller (US Operations) under Sec. 314 of CA	S
		4	Appt. of Mr. Anind Kumar as a director under Sec. 256 of CA	O	Appt. of Mr. Anind Kumar as a Director under Sec. 256 of CA				S
		5	Appt. of Mr. Govind Singhal as a director under Sec. 256 of CA	O	Appt. of Dr. Ashok Jhurji Inwala as a director under Sec.256 of CA.				S
		6	Appt. of Mr. Ajit Bhushan as Director under Sec. 256 of CA	O	Appt. of M/s. S.R. Batliboi & Associates, as Statutory Auditors				S
		7	Appt. of Mr. Nanoo G Pammani as Director under Sec. 257 of CA	O	Appt. of Mr. Raju Venkatraman as Director under Sec. 257 of CA.				S
		8	Appt. of Mr. Anil Sachdev as Director under Sec. 257 of CA	O	Re-appt. of Mr. Arun Jain as CMD under Secs. 198, 269, 309, 310 read with Schedule XIII of CA.				S
		9	Appt. of Mr. Anil Khanna as Director under Sec. 257 CA.	O	Approval of Shareholders pursuant to Sec. 314(1) & 314(1B) of CA, for re-appointment of Mr. Vinay Gang, a relative of CMD.				S
		10	Re-appointment of Mr. Govind Singhal as "Executive Director" for 2 years	S	Approval of Shareholders pursuant to Sec. 314(1) & 314(1B) of CA, for appointment of Ms. Ruchira Gupta, a relative of Director.				S
		11	Amendment in the definition of Market Price in ASOP 2003	S	Fixation of maximum no. of Stock Options to be granted to Non-Executive Directors under ASOP 2003 & 2004.				S
		12	Approval of new Associate Stock Option Plan 2004 (ASOP 2004).	S					S
		13	Approval for extension of benefit of ASOP 2004 to employees and Directors of subsidiaries/ holding Companies.	S					S
		14	Alteration of the Articles of Association	S					S

Type - O=Ordinary Resolution S=Special Resolution

CA means the Companies Act, 1956

Note: No Special Resolutions was passed last year through postal ballots. No special resolution is proposed to be conducted through postal ballot.

## 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 materially significant related party transactions are shown in the Note No.16 (B)(14) under Significant Policies and Notes to accounts to the Balance Sheet and Profit & Loss Account.

### **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:- Nil.

### **Compliance with mandatory requirements and adoption of non-mandatory requirements of Clause 49 of the Listing Agreement**

Clause 49 of the Listing Agreement mandates to obtain a certificate either from the auditors or practising company secretaries regarding compliance of conditions of Corporate Governance as stipulated in the Clause and annex the certificate with Director's Report, which is sent annually to all shareholders. The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement including CEO/CFO certification. As required under Clause 49, a certificate signed by CEO & CFO of the Company has been placed before the Board of Directors and the same has been provided elsewhere in this report. Further, as per the requirements of Clause 49, a certificate obtained from Auditors certifying the compliance with conditions of Corporate Governance under the said clause has also been provided elsewhere in this report.

Clause 49 also requires disclosures of adoption by the Company of non-mandatory requirements specified in the said clause, the implementation of which is discretionary on the part of the Company. Accordingly, the adoption of non-mandatory requirements are given below:-

#### **a. Remuneration & Compensation Committee**

The Company has constituted a Remuneration & Compensation Committee consisting of only Non-executive Directors. A detailed note on Remuneration & Compensation Committee is provided elsewhere in the report.

#### **b. Whistle Blower Policy**

The Company has established a mechanism for employees to report concerns about unethical behaviours, actual or suspected fraud, violation of Code of Conduct of the Company etc. The mechanism also provides for adequate safeguards against victimization of employees who avail of the mechanism and also provides for direct access by the Whistle Blower to the Audit Committee. We affirm that during the Financial Year 2007-08, no employee has been denied access to the Audit Committee.

#### **c. Risk Management framework**

The Board of Director on 21st January 2005 adopted the risk management framework. The framework provides an integrated approach for managing the risks in various aspects of the business. A write-up on the above is provided in the Management discussions & analysis report.

## 8. Means of communication

### Quarterly and Half-yearly financial results

Quarterly/ Half-yearly financial results of the Company are published in one widely circulated English Newspaper (Business Standard) and a Vernacular (Tamil) Newspaper (Makkal Kural). The results are also promptly forwarded to Stock Exchanges in which the shares of the Company are listed and simultaneously displayed in EDIFAR and on the Company's website [www.polaris.co.in](http://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 Dematerialization and sub-division of shares were sent to the shareholders at the appropriate time

The Company's official website [www.polaris.co.in](http://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. The Company has assigned a separate E-mail ID [shareholder.query@polaris.co.in](mailto:shareholder.query@polaris.co.in) for investor correspondence. All press releases issued by the Company from time to time are informed to the concerned Stock Exchanges in which the shares of the Company are listed and the same are also hosted in the Company's website 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.

### The Management Discussion & Analysis report (MD&A)

The MD&A 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

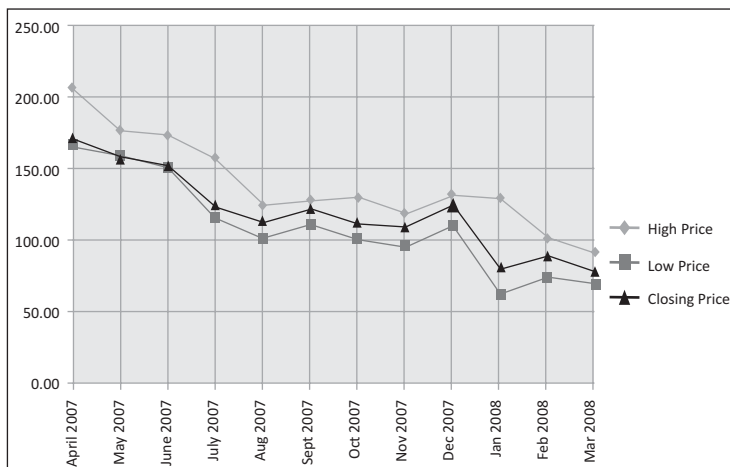
Date of incorporation	5 <sup>th</sup> of January 1993	
Registered Office	Polaris House, 244, Anna Salai, Chennai – 600 006	
Date and time of Annual General Meeting	17 <sup>th</sup> July 2008	
Venue of Annual General Meeting	Music Academy, Mini Hall, Old No. 168, T.T.K. Road, Chennai - 600014	
<b>Financial Year Calendar (tentative and subject to change) (1.4.2008 to 31.3.2009)</b>		
First quarter ending on June 30, 2008	Between 15 <sup>th</sup> and 31 <sup>st</sup> July 2008	
Second quarter ending on September 30, 2008	Between 15 <sup>th</sup> and 31 <sup>st</sup> October 2008	
Third quarter ending on December 31, 2008	Between 15 <sup>th</sup> and 31 <sup>st</sup> January 2009	
For the year ending on March 31, 2009	Between 15 <sup>th</sup> and 30 <sup>th</sup> of April 2009	
Annual General Meeting for the year ending on March 31, 2009	July/August 2009	
Book Closure	From 11 <sup>th</sup> July 2008 to 17 <sup>th</sup> July 2008 (both days inclusive )	
Dividend	Board of Directors has recommended 30% dividend for the Financial Year 2007-08.	
<b>Listing on Stock Exchanges Polaris shares are traded in</b>		
Madras Stock Exchange Ltd.	The Bombay Stock Exchange Ltd.	National Stock Exchange of India

w.e.f. 27th September 1999 Reuters code POLS.BO (BSE) POLS.NS (NSE) ISIN Code	w.e.f. 29th September 1999 BSE - Scrip Code 532254 INE763A01023	Ltd. w.e.f. 24th November 1999. NSE - Scrip Code  POLARIS
<ul style="list-style-type: none"> <li>The Company's shares are traded in "Group A" category in the Bombay Stock Exchange, Mumbai since 26th March 2001.</li> <li>The Company hereby confirms that the listing fee for the year 2008-09, payable to each of the stock exchanges pursuant to Clause 38 of Listing Agreement in which the Company's shares are listed have been paid.</li> </ul>		
Registrars and Share Transfer Agent	Karvy Computershare Private Ltd., Unit: Polaris Software Lab Ltd., Plot No. 17 to 24 Vittal Rao Nagar, Madhapur, Hyderabad - 500 081. Tel: 040 - 24220815-28 Fax: 040 - 23420814 /23420857 mail: <a href="mailto:mailmanager@karvy.com">mailmanager@karvy.com</a> URL: <a href="http://www.karvycomputershare.com">www.karvycomputershare.com</a>	
<b>Publication of Quarterly Results</b>		
<b>Quarterly financial results were published during financial year 2007-08</b>		
Language	News paper	Date
English	Business Standard	28/04/2007 19/07/2007
Tamil	Makal Kural	18/10/2007 24/01/2008
Website address of the Company on which reports/financial results have been posted	www.polaris.co.in	
Website address of stock exchange(s) on which reports / financial results are posted		
The Bombay Stock Exchange Ltd www.bseindia.com	The National Stock Exchange of India Ltd www.nseindia.com	
Whether the Official News releases are displayed by the company	<input checked="" type="checkbox"/> Yes No	

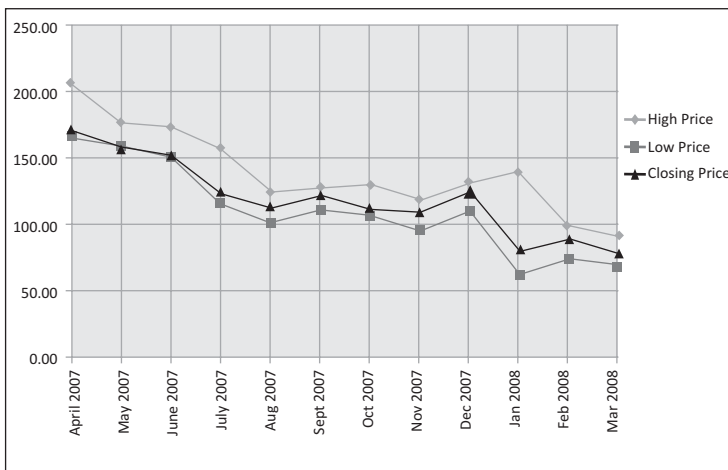
**Share market data and the graphical representation of closing market prices, movement of the Company's shares quoted in the Mumbai (BSE) and National(NSE) Stock Exchanges from April, 2007 to March, 2008**

STOCK MARKET DATA FOR THE PERIOD APRIL 2007 TO MARCH 2008 FROM MUMBAI & NATIONAL STOCK EXCHANGE								
Month	BSE Price				NSE Price			
	High	Low	Closing	Volume	High	Low	Closing	Volume
Apr 07	205.80	166.80	171.65	5,736,136	206.90	167.05	171.85	22,420,153
May 07	178.50	158.05	158.70	4,554,831	177.20	160.00	158.60	15,285,788
June 07	174.25	151.10	153.10	5,436,219	174.00	151.00	152.75	17,664,392
July 07	158.20	119.60	124.15	4,304,523	157.90	116.10	124.00	11,545,103
Aug 07	127.00	102.15	113.65	6,484,339	124.80	101.40	113.55	24,543,738
Sep 07	127.95	111.50	122.80	4,820,349	127.95	111.10	122.85	14,494,654
Oct 07	129.80	108.00	112.05	5,745,765	129.90	101.10	112.05	14,974,137
Nov 07	119.80	98.00	109.60	3,432,698	119.45	96.00	109.35	8,957,096
Dec 07	130.00	109.90	126.25	6,264,678	131.90	110.60	126.20	15,121,858
Jan 08	141.30	63.60	82.90	8,888,227	129.80	62.00	80.55	24,409,389
Feb 08	101.85	74.60	88.80	8,497,833	101.55	74.15	89.10	24,702,278
Mar 08	91.70	70.20	78.55	6,057,651	91.50	70.00	78.50	16,016,972
<b>Total</b>				<b>70,223,249</b>	<b>210,135,558</b>			

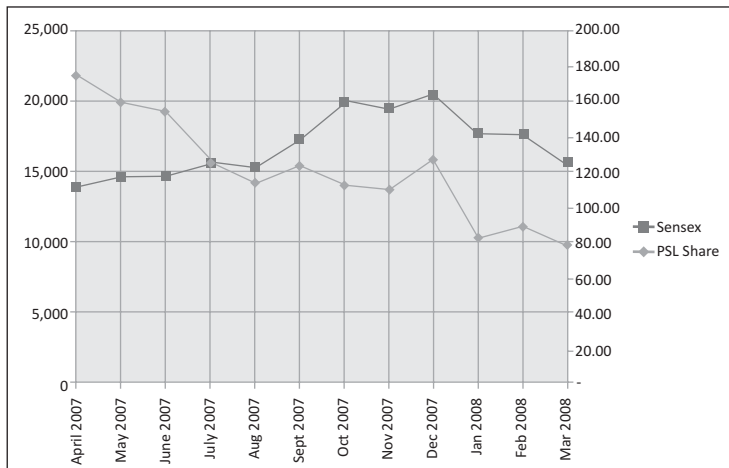
**Price movement of PSL Equity Shares in National Stock Exchange during the Financial Year 2007-08**



**Price movement of PSL Equity Shares in Bombay Stock Exchange during the financial year 2007-08**



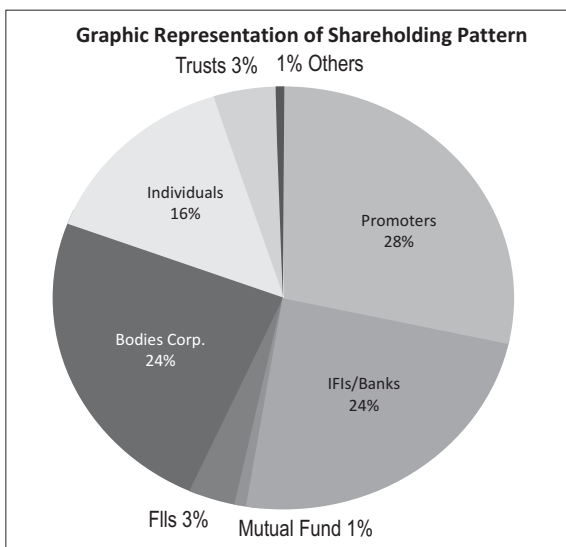
**PSL Equity Share Prices @ BSE Vs. BSE Sensex during the financial year 2007-08**



Shareholding Pattern of the Company as on 31<sup>st</sup> March 2008

Category	Category of shareholder	Number of share-holders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a Percentage of total number of shares As a percentage of	
					(A+B)	(A+B+C)
<b>(A) Shareholding of Promoter and Promoter Group</b>						
<b>1 Indian</b>						
(a)	Individuals/ Hindu Undivided Family	17	8,116,773	8,107,173	8.23	8.23
(b)	Bodies Corporate	1	19,880,938	19,880,938	20.15	20.15
	<b>Sub-Total (A)(1)</b>	<b>18</b>	<b>27,997,711</b>	<b>27,988,111</b>	<b>28.37</b>	<b>28.37</b>
<b>2 Foreign</b>						
	Individuals (NRIs/ Foreign Individuals)	1	450	450	0.00	0.00
	<b>Sub-Total (A)(2)</b>	<b>1</b>	<b>450</b>	<b>450</b>	<b>0.00</b>	<b>0.00</b>
	<b>Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)</b>	<b>19</b>	<b>27,998,161</b>	<b>27,988,561</b>	<b>28.37</b>	<b>28.37</b>
<b>(B) Public Shareholdings</b>						
<b>1 Institutions</b>						
(a)	Mutual Funds/ UTI	7	707,652	707,652	0.72	0.72
(b)	Financial Institutions/ Banks	10	23,507,208	23,507,208	23.82	23.82
(c)	Insurance Companies	2	506,035	506,035	0.51	0.51
(d)	Foreign Institutional Investors	20	3,186,887	3,186,737	3.23	3.23
	<b>Sub-Total (B)(1)</b>	<b>39</b>	<b>27,907,782</b>	<b>27,907,632</b>	<b>28.28</b>	<b>28.28</b>
<b>2 Non-institutions</b>						
(a)	Bodies Corporate	1,343	23,729,803	23,720,053	24.05	24.05
(b)	Individuals -					
	i. Individual shareholders holding nominal share capital up to Rs.1 lakh.	63,367	13,630,044	13,286,784	13.81	13.81
	ii. Individual shareholders holding nominal share capital in excess of Rs.1 lakh.	37	2,226,760	2,226,760	2.26	2.26
<b>(c) Any Other - Specify</b>						
	NRI	562	369,709	365,409	0.37	0.37
	Foreign National	0	0	0	0	0
	Clearing Members	221	291,161	291,161	0.30	0.30
	Overseas Corp.Bodies	3	350	300	0.00	0.00
	Trust	10	2,520,827	2,498,527	2.55	2.55

	<b>Sub-Total (B)(2)</b>	<b>65,543</b>	<b>42,768,654</b>	<b>42,388,994</b>	<b>43.34</b>	<b>43.34</b>
	<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>	<b>65,582</b>	<b>70,676,436</b>	<b>70,296,626</b>	<b>71.63</b>	<b>71.63</b>
	<b>TOTAL (A)+(B)</b>	<b>65,601</b>	<b>98,674,597</b>	<b>98,285,187</b>	<b>100.00</b>	<b>100.00</b>
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0	0
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>65,601</b>	<b>98,674,597</b>	<b>98,285,187</b>	<b>100.00</b>	<b>100.00</b>



**List of persons holding more than 1% of Shares as on 31.03.2008**

Sl. No.	Name of the shareholder	No. of Shares	% of Share Capital
1	Citibank A/C Orbitech Ltd.	22,576,015	22.88
2	Orbitech Ltd.	20,179,606	20.45
3	Polaris Holdings Private Ltd.	19,880,938	20.15
4	Arun Jain (HUF)	3,522,416	3.57
5	Manju Jain	1,022,460	1.04
6	Yogesh Andlay	2,074,547	2.10
7	Orbitech Employees Welfare Trust	1,390,501	1.41
8	Konark Trust	1,011,023	1.02

**DISTRIBUTION SCHEDULE OF SHAREHOLDING AS ON 31.03.2007**

S.No.	Category From To	No. of Holders	Cumulative Holders	% of Holders	No. of Shares	Cumulative Shares	% of Shares
<b>Total</b>	Up to 10	5,443	5,443	8.30	36,018	36,018	0.04
	11 - 25	6,731	12,174	10.26	143,867	179,885	0.15
	26 - 50	12,371	24,545	18.86	570,334	750,219	0.58
	51 - 100	16,467	41,012	25.10	1,546,711	2,296,930	1.57
	101 - 500	19,734	60,746	30.08	4,756,948	7,053,878	4.82
	500 - 1000	2,560	63,306	3.90	1,999,757	9,053,635	2.03
	1000 - 5000	1,863	65,169	2.84	3,859,515	12,913,150	3.91
	5000 - 10000	211	65,380	0.32	1,471,625	14,384,775	1.49
	10000 +	221	65,601	0.34	84,289,822	98,674,597	85.42
	<b>TOTAL</b>	<b>65,601</b>		<b>100</b>	<b>98,674,597</b>		<b>100</b>
<b>PHYSICAL</b>							
	Up to 10	15	15	1.02	27	27	0.01
	11 - 25	3	18	0.20	59	86	0.02
	26 - 50	100	118	6.82	4,965	5,051	1.28
	51 - 100	203	321	13.84	20,120	25,171	5.17
	101 - 500	1,044	1,365	71.17	196,839	222,010	50.55
	500 - 1000	37	1,402	2.52	25,150	247,160	6.46
	1000 - 5000	61	1,463	4.16	101,350	348,510	26.03
	5000 - 10000	3	1,466	0.20	18,600	367,110	4.78
	10000 +	1	1,467	0.07	22,300	389,410	5.73
	<b>TOTAL</b>	<b>1,467</b>		<b>100</b>	<b>389,410</b>		<b>100</b>
<b>DEMAT</b>							
	Up to 10	5,428	5,428	8.46	35,991	35,991	0.04
	11 - 25	6,728	12,156	10.49	143,808	179,799	0.15
	26 - 50	12,271	24,427	19.13	565,369	745,168	0.58
	51 - 100	16,264	40,691	25.36	1,526,591	2,271,759	1.55
	101 - 500	18,690	59,381	29.14	4,560,109	6,831,868	4.64
	500 - 1000	2,523	61,904	3.93	1,974,607	8,806,475	2.01
	1000 - 5000	1,802	63,706	2.81	3,758,165	12,564,640	3.82
	5000 - 10000	208	63,914	0.32	1,453,025	14,017,665	1.48
	10000 +	220	64,134	0.34	84,267,522	98,285,187	85.74
	<b>TOTAL</b>	<b>64,134</b>		<b>100.00</b>	<b>98,285,187</b>		<b>100.00</b>

**Comparative distribution schedule**

Benpos Dates	Physical Shares Nos	Physical Shares %	Demat Shares Nos	Demat Shares %	Total Shares Nos	Total Shares %
31.03.2008	389,410	0.39	98,285,187	99.61	98,674,597	100
31.03.2007	584,819	0.59	97,997,308	99.41	98,582,127	100
Shareholders	Nos	%	Nos	%	Nos	%
31.03.2008	1,467	2.24	64,134	97.76	65,601	100
31.03.2007	1,861	4.00	44,723	96.00	46,584	100

- **Share Transfer System**

The applications for transfers, transmission and transposition are received by the Company at its Registered office address at Chennai or at M/s Karvy Computershare Private Ltd., Registrar and Share 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 its depository participants. The Registrar & Share Transfer Agent on a regular basis processes the physical transfers and the duly transferred certificates sent to the respective transferees.

- **Dividend Information**

Pursuant to the provisions of Section 205A of the Companies Act, 1956, Dividend for the Financial Year ended 31st March 2000 which remained unpaid or unclaimed, has been transferred by the Company to Investor Education Protection Fund ('IEPF') constituted by the Central Government under Section 205C of the Companies Act, 1956.

Members are advised that the dividends for the financial year ended 31st March 2001 onwards, which remain unpaid or unclaimed over a period of seven years, have to be transferred by the Company to IEPF. Members who have not claimed the dividend for the above periods are requested to lodge their claim with the Company, as no claim shall lie for the unclaimed dividends from IEPF by the members. The due dates for transfer of unclaimed dividends to IEPF, pertaining to different financial years are given below:

Financial Year ended	Date of declaration of Dividend	Amount Lying Unpaid (Rs.)	Last date for claiming unpaid Dividend
31.03.2001	16.06.2001	259,850.00	22.07.2008
31.03.2002	06.09.2005	347,323.00	12.10.2009
31.03.2003	19.09.2003	439,361.00	25.10.2010
31.03.2004	29.07.2004	477,632.00	03.09.2011
31.03.2005	22.07.2005	640,484.00	27.08.2012
31.03.2006	18.08.2006	529,370.00	23.09.2013
31.03.2007	22.01.2007	344,867.00	27.02.2014
	28.03.2007	612,539.00	03.05.2014

- **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**

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**

Headquarter in Chennai; Polaris has its Corporate Banking Solution Centre in Mumbai, Investment Banking Solution Centre in Hyderabad, Risk & Treasury Solution Center in Mumbai, Retail Banking Solution Centre in Chennai and Enterprise Solution Centre in Delhi. Polaris has offices in Tokyo, Sydney, Hong Kong, Singapore, India, Dubai, Bahrain, Riyadh, London, Belfast, Zurich, Frankfurt, Toronto, New York, Chicago and Fremont. Polaris has also two Indian subsidiary companies namely Optimus Global Services Ltd. and Polaris Retail Infotech Ltd..

**Address for correspondence**

The Compliance Officer

Secretarial Department

POLARIS SOFTWARE LAB LTD.

Regd. Office: Polaris House,

244, Anna Salai, Chennai - 600 006

Phone: 044-3987 4000, Fax: 044-2852 3280

E-mail: shareholder.query@polaris.co.in

**Place : Chennai**

**Date : April 23, 2008**

**By Order of the Board,  
For Polaris Software Lab Limited**

**Arun Jain  
Chairman & Managing Director**

**CEO & CFO CERTIFICATION UNDER CLAUSE 49(V) OF THE LISTING AGREEMENT**

**To: The Board of Directors of Polaris Software Lab Ltd., Chennai**

We, Arun Jain, Chairman & Managing Director and R Srikanth, Executive Vice President & Chief Financial Officer of Polaris Software Lab Ltd., ("company") hereby certify that:-

- (a) We have reviewed financial statements and the cash flow statement of the company for the financial year ended 31st March 2008 and that to the best of our knowledge and belief:
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the audit committee
- (i) significant changes in internal control over financial reporting during the year;
  - (ii) significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and
  - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

**Place : Chennai**

**Date : April 23, 2008**

**Arun Jain**  
**Chairman & Managing Director**

**R Srikanth**  
**Executive Vice President &**  
**Chief Financial Officer**

**AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

To,

The Members of Polaris Software Lab Ltd.

We have examined the compliance of conditions of corporate governance by Polaris Software Lab Limited for the year ended on 31 March 2008, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

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 Agreement.

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* S.R. BATLIBOI & ASSOCIATES  
Chartered Accountants

per S Balasubrahmanyam  
Partner  
Membership No. 053315

Place: Chennai  
Date: 23<sup>rd</sup> April 2008

---

To,

The Members of Polaris Software Lab Limited  
Chennai

**Sub: Declaration by the CEO under Clause 49 (I)(D)(ii) of the Listing Agreement**

I, Arun Jain, Chairman & Managing Director of Polaris Software Lab Ltd., to the best of my knowledge and belief, declare that all the members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct of the Company for the year ended March 31, 2008.

Place: Chennai  
Date: 23<sup>rd</sup> April 2008

Arun Jain  
Chairman & Managing Director

**Abridged Financial Statements For The Year Ended  
31 March 2008**

---

**Auditors' Report on Abridged Financial Statements  
To The Members of Polaris Software Lab Limited,**

1. We have examined the abridged balance sheet of **Polaris Software Lab Limited** ('the Company') as at March 31, 2008 and the abridged profit and loss account and cash flow statement for the year ended on that date, together with the notes thereon (hereafter collectively referred to as "abridged financial statements").
2. Without qualifying our opinion, we have drawn attention in our report (attached herewith) dated April 23, 2008 on the complete set of financial statements to note B 15(c) of schedule 16 [Note 6 (c) of the abridged financial statements] regarding management assessment of the carrying value of its investment in Adrenalin eSystems Limited, an associate company, as at March 31, 2008. The Associate Company has been incurring losses on account of initial/start-up stage of operations. The management believes that this is a strategic investment and the losses are not permanent in nature. Accordingly, such investments have been carried at cost.
3. These abridged financial statements have been prepared by the Company pursuant to Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 and Clause 32 of the Listing Agreement and are based on the complete set of financial statements of the Company for the year ended March 31, 2008 prepared in accordance with Schedule VI to the Companies Act, 1956 and covered by our report dated April 23, 2008 to the members of the Company which report is attached.

**For S. R. BATLIBOI & ASSOCIATES  
Chartered Accountants**

**per S Balasubrahmanyam  
Partner**  
Membership No: 053315  
Chennai  
April 23, 2008

## AUDITORS' REPORT

### To The Members of Polaris Software Lab Limited

1. We have audited the attached Balance Sheet of Polaris Software Lab Limited ('the Company') as at March 31, 2008 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - v. On the basis of the written representations received from the directors, as on March 31, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - vi. Without qualifying our opinion, we draw attention to note B 15(c) of schedule 16 of the financial statements regarding management assessment of the carrying value of its investment in Adrenalin eSystems Limited, an associate company, as at March 31, 2008. The Associate Company has been incurring losses on account of initial/start-up stage of operations. The management believes that this is a strategic investment and the losses are not permanent in nature. Accordingly, such investments have been carried at cost;
  - vii. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2008;
    - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
    - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

**For S. R. BATLIBOI & ASSOCIATES**  
**Chartered Accountants**

**per S Balasubrahmanyam**  
**Partner**  
Membership No: 053315  
Chennai  
April 23, 2008

**Annexure referred to in paragraph 3 of our report of even date**

Re: Polaris Software Lab Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
  - (c) There was no substantial disposal of fixed assets during the year.
- (ii) Due to the nature of business, the Company has no inventories and accordingly the provisions of clause 4(ii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (iii) (a) The Company has granted loan to two subsidiaries covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 603.12 lacs and the year-end balance of loans granted to such subsidiaries is Rs. 583.12 lacs.
  - (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loan are not prima facie prejudicial to the interest of the Company.
  - (c) In respect of loans granted, repayment of the principal amount is as stipulated and payment of interest have been regular.
  - (d) There is no overdue amount more than rupees one lakh of loan granted to the company listed in the register maintained under section 301 of the Companies Act, 1956.
  - (e) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and accordingly the provisions of clause 4(iii)(f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. The activities of the Company do not involve purchase of inventory and the sale of goods.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
  - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, cess and other material statutory dues applicable to it. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund and Excise duty.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs. In lacs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1962	Income Tax	118.21	Financial Year 2000-01 (Assessment Year 2001-02)	*
Income Tax Act, 1962	Income Tax	507.49	Financial Year 2001-02, (Assessment Year 2002-03)	*
Income Tax Act, 1962	Income Tax	769.02	Financial Year 2002-03, (Assessment Year 2003-04)	Income tax appellate Tribunal
Income Tax Act, 1962	Income Tax	864.44	Financial year 2003-04, (Assessment Year 2004-05)	Commissioner of Income Tax (Appeals)
Tamil Nadu General Sales Tax Act 1959	Sales Tax	520.00	Financial Year 2004 - 05	Commercial tax officer.

\* The Company is contesting the judgment of Income Tax Appellate Tribunal and is in the process of filing an appeal against this matter with higher appellate authorities.

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to a bank. The Company has no outstanding dues in respect of a financial institution or debenture holders during the year.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) During the year the Company has not raised any money by way of public issue and accordingly the provisions of clause 4 (xx) of the Companies (Auditor's Report) Order 2003 (as amended) are not applicable to the Company.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For S. R. BATLIBOI & ASSOCIATES**  
**Chartered Accountants**

**per S Balasubrahmanyam**  
**Partner**  
Membership No: 053315  
Chennai  
April 23, 2008

**POLARIS SOFTWARE LAB LIMITED**  
**Abridged Balance Sheet as at**

(Rs in Lacs)

	March 31, 2008	March 31, 2007
<b>I. SOURCES OF FUNDS</b>		
<b>(1) SHAREHOLDERS' FUNDS</b>		
(a) Equity Capital	4,933.73	4,929.11
(b) Share application money pending allotment	0.02	-
(c) Reserves and Surplus		
(i) General reserve	15,039.84	14,513.51
(ii) Foreign currency translation reserve	(580.81)	(117.37)
(iii) Securities premium account	18,498.82	18,426.64
(iv) Surplus in profit and loss account	22,238.66	19,233.25
<b>(2) LOAN FUNDS</b>		
Secured Loans (other than debentures)	82.58	128.70
<b>(3) DEFERRED TAX LIABILITY (NET)</b>	98.70	47.64
	<b>60,311.54</b>	<b>57,161.48</b>
<b>II. APPLICATION OF FUNDS</b>		
<b>(1) FIXED ASSETS</b>		
(a) Net block (original cost less depreciation)	17,852.23	17,159.72
(b) Capital work-in-progress	492.73	2,842.87
<b>(2) INVESTMENTS</b>		
(a) Investment in subsidiary companies (Unquoted)	6,956.39	6,306.39
(b) Others		
(i) Quoted *	7,828.80	2,420.25
(ii) Unquoted	2,144.20	2,061.80
<b>(3) (i) CURRENT ASSETS, LOANS AND ADVANCES</b>		
(a) Sundry Debtors	17,167.83	18,463.36
(b) Cash and Bank balances	3,090.26	5,594.26
(c) Loans and Advances		
(i) To Subsidiary companies and Associates	1,344.57	525.28
(ii) To Others	17,633.09	15,348.81
	<b>39,235.75</b>	<b>39,931.71</b>
<b>LESS: (ii) CURRENT LIABILITIES AND PROVISIONS</b>		
Current Liabilities	10,109.63	9,404.44
Provisions	4,088.93	4,156.82
	<b>14,198.56</b>	<b>13,561.26</b>
<b>NET CURRENT ASSETS (i-ii)</b>	<b>25,037.19</b>	<b>26,370.45</b>
	<b>60,311.54</b>	<b>57,161.48</b>

\* Aggregate market value of the quoted investments

March 31, 2008: Rs.7,844.34 (March 31, 2007: Rs 2,425.39)

Notes to abridged financial statements form an integral part of the Abridged Financial Statements.

As per our report on the abridged financial statements of even date.

For **S.R.BATLIBOI & ASSOCIATES**  
Chartered Accountants

per **S.Balasubrahmanyam**  
Partner  
Membership No 053315  
Chennai  
April 23, 2008

For and on behalf of the Board of Directors of  
**Polaris Software Lab Limited**

**Arun Jain**  
Chairman & Managing Director

**R.C. Bhargava**  
Director

**R Srikanth**  
Executive Vice President & Chief Financial Officer  
Chennai  
April 23, 2008

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

(Rs in Lacs except per share data)

	March 31, 2008	March 31, 2007
<b>I. INCOME</b>		
(a) Software development services and products		
- Overseas	86,156.75	81,802.73
- Domestic	7,645.03	8,627.28
(b) Dividend	242.13	142.56
(c) Interest	121.98	125.38
(d) Other Income	1,598.31	205.21
	<b>95,764.20</b>	<b>90,903.16</b>
<b>II. EXPENDITURE</b>		
Salaries & Other employee benefits	71,217.45	62,570.69
Software development expenses	5,889.97	6,228.82
Selling, Administrative and other General expenses	7,709.11	7,984.45
Managerial Remuneration	121.68	143.02
Finance charges	60.32	56.68
Depreciation and amortisation	3,907.15	4,330.05
Auditor's remuneration	46.21	40.48
Provision for doubtful debts (net)	302.17	145.87
Bad debts written off	315.81	10.86
Less: out of provision for earlier years	(315.81)	(10.86)
Provision for diminution in value of investments	102.60	18.30
	<b>89,356.66</b>	<b>81,518.36</b>
	<b>6,407.54</b>	<b>9,384.80</b>
<b>III. Profit before taxation</b>		
<b>IV. Provision for taxation</b>		
- Current tax	818.16	867.31
- Deferred tax	51.06	312.74
- Fringe benefit tax	274.99	245.93
	<b>5,263.33</b>	<b>7,958.82</b>
<b>V. Profit after taxation</b>		
<b>VI. Profit brought forward from previous year</b>		
	19,233.25	14,598.81
<b>VII. Amount available for appropriation</b>		
	<b>24,496.58</b>	<b>22,557.63</b>
<b>Appropriations</b>		
Dividend	1,480.11	2,217.63
Tax on dividend	251.48	310.87
Amount transferred to General Reserve	526.33	795.88
Balance carried to Balance Sheet	22,238.66	19,233.25
	<b>24,496.58</b>	<b>22,557.63</b>
<b>Earnings per share</b>		
(equity shares par value Rs 5 each)		
Basic	5.34	8.09
Diluted	5.32	8.01
<b>Number of shares used in computing earnings per share</b>		
Basic	98,639,382	98,290,764
Diluted	98,938,304	99,337,463

Notes to abridged financial statements form an integral part of the Abridged Financial Statements.  
As per our report on the abridged financial statements of even date.

For **S.R.BATLIBOI & ASSOCIATES**  
Chartered Accountants

per **S.Balasubrahmanyam**  
Partner  
Membership No 053315  
**Chennai**  
**April 23, 2008**

For and on behalf of the Board of Directors of  
**Polaris Software Lab Limited**

**Arun Jain**  
Chairman & Managing Director

**R.C. Bhargava**  
Director

**R Srikanth**  
Executive Vice President & Chief Financial Officer  
Chennai  
April 23, 2008

**POLARIS SOFTWARE LAB LIMITED**

**Statement of cash flow for the year ended**

(Rs in Lacs)

	March 31, 2008	March 31, 2007
<b>Cash flows from operating activities</b>		
Profit before taxation	6,407.54	9,384.80
Interest and dividend income	(364.11)	(267.94)
Exchange differences on foreign exchange translation *	(765.56)	500.64
Depreciation / Amortisation	3,907.15	4,330.05
Provision for Doubtful debts (net)	(13.64)	135.01
(Profit)/ Loss on sale of Investments	32.34	(1.03)
(Profit)/ Loss on sale of fixed assets	122.41	11.15
Provision for diminution in value of investments	102.60	18.30
Lease finance charges	9.67	21.71
<u>Changes in current assets and liabilities</u>		
Decrease / (Increase) in sundry debtors	1,649.77	(5,239.69)
Decrease/(Increase) in loans and advances	(2,584.90)	(1,775.92)
Increase/(Decrease) in current liabilities and provisions	148.00	1,409.62
Taxes paid	(1,647.57)	(1,264.10)
<b>Net cash flows from operating activities</b>	<b>7,003.70</b>	<b>7,262.60</b>
<b>Cash flows from financing activities</b>		
Proceeds from share capital issued on exercise of stock options	4.64	10.65
Proceeds from securities premium on exercise of stock options	72.18	338.14
Proceeds / (Repayment) of secured loans	(46.12)	(20.50)
Lease finance charges	(9.67)	(21.71)
Dividends paid during the year	(1,236.01)	(2,198.23)
Dividend tax paid during the year	-	(483.08)
<b>Net cash flows used in financing activities</b>	<b>(1,214.98)</b>	<b>(2,374.73)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of fixed assets	127.46	178.19
Purchase of fixed assets and changes in capital work in progress	(2,520.15)	(2,528.28)
Investment in subsidiaries	(650.00)	(2,334.06)
Investment in associate companies	(185.00)	(167.00)
Net decrease in non-trade investments	(5,440.89)	(400.61)
Interest and dividend received	364.11	267.94
<b>Net cash flows used in investing activities</b>	<b>(8,304.47)</b>	<b>(4,983.82)</b>
<b>Exchange differences on foreign exchange translation of cash and cash equivalents</b>	<b>11.75</b>	<b>(69.40)</b>
Total increase / (decrease) in cash and cash equivalents during the year	(2,504.00)	(165.35)
Cash and cash equivalents at the beginning of the year	5,594.26	5,759.61
<b>Cash and cash equivalents at the end of the year</b>	<b>3,090.26</b>	<b>5,594.26</b>

\* Exchange differences on foreign exchange restatement include Rs.463.44 (March 31, 2007: Rs.172.26) on account of translation adjustments relating to non-integral operations.As per our report on the abridged financial statements of even date.

For **S.R.BATLIBOI & ASSOCIATES**  
Chartered Accountants

per **S.Balasubrahmanyam**  
Partner

Membership No 053315  
**Chennai**

**April 23, 2008**

For and on behalf of the Board of Directors of  
**Polaris Software Lab Limited**

**Arun Jain**

Chairman & Managing Director

**R Srikanth**

Executive Vice President & Chief Financial Officer  
Chennai

**April 23, 2008**

**R.C.Bhargava**

Director

**POLARIS SOFTWARE LAB LIMITED****Notes to Abridged Financial Statements**

(All amounts are in Rs. in Lacs, unless otherwise stated)

1. All amounts in the financial statements are presented in Rupees Lacs, as otherwise stated. The note numbers appearing in the brackets "[ ]" are as they appear in the complete set of Financial Statements. These abridged financial statements have been prepared in accordance with the requirements of Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 and clause 32 of the Listing Agreement. These abridged financial statements have been prepared on the basis of the complete set of financial statements for the year ended March 31, 2008.

**2. [B5] Capital commitments and contingent liabilities**

(i) The estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) as at March 31, 2008 is Rs.767.60 (March 31, 2007: Rs 1,162.15).

(ii) As at March 31, 2008, the Company has outstanding guarantees and counter guarantees of Rs.541.68 (March 31, 2007: Rs. 236.00) issued to various banks, in respect of guarantees given by the banks in favour of various government authorities.

(iii) Claims against the Company, not acknowledged as debts includes:

a. Demand from Indian income tax authorities as at March 31, 2008 is Rs. 1,088.53 (March 31, 2007: Rs.1,111.66). The tax demand mainly on account of disallowance of a portion of the deduction claimed by the company under Section 10A of the Income Tax Act. The Company is in the process of filing an appeal with the higher appellate authorities.

b. Sales Tax demand from Commercial Tax Officer Chennai is Rs.520.00 as at March 31, 2008 (March 31, 2007: Nil).

The Company is contesting the demands raised by the respective tax authorities, and the management, including its tax advisers, believes that its position will likely be upheld in the appellate process and ultimate outcome of these proceedings will not have a material adverse effect on the Company's financial position and results of operations.

(iv) The Company is also involved in other law suit and claims including suits filed by former employees, which arise in the ordinary course of business. However there are no such matters pending that the Company expects to be material in relation to its business.

(v) The future obligation for vehicles taken on finance lease is given below:

Particulars	As at	As at
	March 31, 2008	March 31, 2007
Not later than one year	53.29	51.89
Later than one year and not later than 5 years	38.12	95.48
	91.41	147.37
Less: Amount representing future interest	(8.83)	(18.67)
<b>Present Value of minimum lease rentals</b>	<b>82.58</b>	<b>128.70</b>

(vi) The Company has taken certain offices and residential premises for the employees under operating leases which expires at various dates in future years. The minimum lease rental payments to be made in respect of these leases are as follows:

**Notes to Abridged Financial Statements (Contd.)**

(All amounts are in Rs. in Lacs, unless otherwise stated)

Particulars	As at March 31, 2008	As at March 31, 2007
Lease payments for the year	1,424.48	1,329.59
Contingent rent recognised in Profit and Loss Account	-	-
Minimum Lease Payments :		
Not later than one year	968.09	1,375.02
Later than one year and not later than five years	374.14	2,221.28
Later than five years	-	-
<b>Total</b>	<b>1,342.23</b>	<b>3,596.30</b>

**3. [B6] 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.

**4. [B7] Managerial remuneration**

Particulars	Year ended March 31, 2008	Year ended March 31, 2007
<b><u>Chairman and Managing Director</u></b>		
Salary and perquisites	85.33	108.31
Contribution to provident and other funds	7.20	6.31
<b><u>Other Directors</u></b>		
Commission	20.00	22.50
Sitting fees	9.15	5.90
<b>Total</b>	<b>121.68</b>	<b>143.02</b>

The Chairman & Managing Director is covered under the Company's gratuity policy along with the other employees of the Company. Proportionate amount of gratuity is not included in the disclosure above.

Salaries and perquisites to other directors include commission of Rs. 20.00 (March 31, 2007 Rs. 22.50) payable to other directors.

**POLARIS SOFTWARE LAB LIMITED****Notes to Abridged Financial Statements (Contd.)**

(All amounts are in Rs. in Lacs, unless otherwise stated)

**Computation of Net Profit in accordance with section 349 of the Companies Act, 1956 for calculation of commission payable to directors**

Sl. No.	Particulars	Year Ended March 31, 2008	Year Ended March 31, 2007
	Profit as per Profit and Loss Account	5,263.33	7,958.82
	Add:		
1.	Whole-time director remuneration	92.53	114.62
2.	Directors' sitting fees	9.15	5.90
3.	Commission to non-whole-time directors	20.00	22.50
4.	Depreciation and amortization	3,907.15	4,330.05
5.	Provision for taxation	1,144.21	1,425.98
		<b>10,436.37</b>	<b>13,857.87</b>
	Less:		
1.	Depreciation as envisaged under Section 350 of the Companies Act 1956 *	3,907.15	4,330.05
2.	Profit / (Loss) of a Capital Nature	(154.75)	(10.13)
	Net profit on which commission is payable	<b>6,683.97</b>	<b>9,537.95</b>
	Commission to other directors at 1% of the net profits as calculated above	66.83	95.37
	Maximum allowed by the shareholders	45.00	45.00
	<b>Commission approved by the board</b>	<b>20.00</b>	<b>22.50</b>

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

**5. [B12] Earnings per Share ("EPS")**

Reconciliation of basic and diluted shares used in computing EPS:

Particulars	Year Ended March 31, 2008	Year Ended March 31, 2007
Weighted average number of equity shares outstanding during the year-Basic	98,639,382	98,290,764
Add: Effect of dilutive issue of stock options to be converted	298,922	1,046,699
Weighted average number of equity shares outstanding during the year-Diluted	98,938,304	99,337,463

**6. [B15] Investments in subsidiaries and associates**

a) The movement during the year ended March 31, 2008 comprises the following:

- Subscribed additionally for 1,200,000 7% cumulative preference shares of Rs 5/- each fully paid up amounting to Rs 60.00 during the year in Adrenalin eSystems Limited;

**Notes to Abridged Financial Statements (Contd.)**

(All amounts are in Rs. in Lacs, unless otherwise stated)

- Paid Re.1/- during the year to Adrenalin eSystems Limited, inclusive of a premium of Re.0.5/- for converting partly paid up 1,000,000 Equity shares, to 1,000,000 Equity shares of Rs 5 each per fully paid up;
  - Subscribed additionally for 32,500,000 redeemable optionally convertible cumulative preference shares of Rs 2/- each amounting to Rs.650.00 during the year in Optimus Global Services Limited.
  - Subscribed additionally for 225,756 equity shares of Rs.10 each at a premium of Rs.40.94 amounting to Rs.115.00 during the year in NMS Works Software Private Limited.
- b) The subsidiaries of the Company were incorporated to provide software development services, business process outsourcing services and to promote Company's software products and work on the business development efforts in the regions where the subsidiaries are located. The details of the accumulated losses as per the audited financial statements of the loss making subsidiaries as at March 31, 2008 are given below:

<b>Subsidiary</b>	<b>Profit / (loss) 2007-08</b>	<b>Accumulated loss as at March 31, 2008</b>
Polaris Software Lab Canada Inc	83.94	251.60
Polaris Software Lab B.V, Netherlands	(19.29)	19.29
Optimus Global Services Limited	4.18	1,850.33
Polaris Retail Infotech Limited	202.85	271.92

Accumulated losses of the subsidiaries are on account of initial / start-up stage of operations and subsidiaries are expected to earn profits in the future. Accordingly, management believes that there is no other than temporary diminution in the value of its investments in the subsidiaries and hence it is stated at cost.

The following note has been referred to by the auditors in their auditors' report on the complete set of financial statements dated April 23, 2008.

- c) The Company's equity ownership interest in Adrenalin eSystems Limited is 40.25% as at March 31, 2008. Adrenalin eSystems Limited ("ASL") is primarily engaged in the business of providing specific solutions relating to Human Relations suite of software solutions and products and has been incurring losses. The Company believes that the accumulated losses to the extent of Rs.3,054.90 as per the unaudited financial statements of ASL as on March 31, 2008 are on account of initial / start-up stage of operations. The full version of the ASL's main product "Adrenalin" was launched in January 2006 and ASL's evaluation of the product's market acceptability is positive. The Company believes that, in pursuing business models based on mass adoption of similar technologies on global scale, the start up costs on brand building, product development costs and franchise acquisitions are significant and the international experience also suggests that the product companies have longer gestation period. Further, the promoters of ASL are committed to provide continued support to its operations and ASL is expected to generate profits in the future. As per the unaudited financial statement of ASL for the year ended March 31, 2008, ASL has earned cash

**POLARIS SOFTWARE LAB LIMITED****Notes to Abridged Financial Statements (Contd.)**

(All amounts are in Rs. in Lacs, unless otherwise stated)

profit. Accordingly, there is no other than temporary diminution in the value of its investments in ASL and hence, it is stated at cost.

- d) The Company's equity ownership interest in NMS Works Software Private Limited ("NMS") is 45.85% as on March 31, 2008. NMS is primarily engaged in the business of designing network management in Telecommunication and Internet Services. NMS has been incurring losses since its inception and based on the unaudited financial statements as at March 31, 2008, NMS had accumulated losses aggregating to Rs 518.64. Accordingly, the Company has determined and recorded a provision of Rs 343.88 for other than temporary diminution in the value of its equity investment in NMS.
7. [B16] The Company has adopted Accounting Standard 15 (Revised) - Employee Benefits with effect from April 01, 2006. Pursuant to adoption, the Company had determined the liability for Transitional Provision amounting to Rs. 1,755.12 which had been debited to General Reserve in previous year.
8. [B20] The Company had accounted for accumulated compensated absences and encashment of accumulated leave balances upto September 30, 2007 as short term employee benefits. Effective from October 1, 2007, with a view to conform to the guidance of expert advisory committee of ICAI, the Company has actuarially valued the accumulated compensated absences and encashment of accumulated leave balances and accounted for the same.

As a result of this change, the cost of salary and wages are lower by Rs.867.13, net profit before tax is higher by Rs.867.13.

9. [B18] The following investments were purchased and sold during the year

Particulars	Face Value	Cost	Units
Birla Sunlife Cash Manager	10.00	800.00	7,998,400.32
HDFC Cash Management Fund - Savings Plan	10.00	700.00	6,581,174.08
Reliance Liquid Plus Institutional Option Daily Dividend Plan	10.00	302.47	2,861,873.08
ABN Amro Fixed Term Plan - Series 7 Quarterly Plan A - Maturity Dividend	10.00	300.00	3,000,000.00
Standard Chartered Fixed Maturity Plan - Quarterly Series 8 "SCFMP - QS10" - Dividend	10.00	300.00	3,000,000.00
Sundaram BNP Paribas Liquid Plus - IP - Daily Dividend	10.00	305.18	3,045,823.68
AIG India Treasury Plus Fund Institutional Daily Dividend	10.00	501.28	5,007,313.41
Grindlays Floating Rate Funds - Long Term	10.00	204.30	2,041,885.64
DBS Chola F I - STF - IP - Daily Dividend	10.00	309.95	3,098,265.71
Kotak Bond (Short Term) - Monthly Dividend	10.00	511.68	5,085,930.97
Lotus India Liquid Plus Fund - Institutional Daily Dividend	10.00	303.85	3,033,763.90

**Notes to Abridged Financial Statements (Contd.)**

(All amounts are in Rs. in Lacs, unless otherwise stated)

**10. Key Ratios**

	<b>2008</b>	<b>2007</b>
<b>Ratios - Operational performance</b>		
Operating profit / total revenue (%)	10.94	15.17
PAT / total revenue (%)	5.50	8.76
<b>Ratios - Return</b>		
Return on assets (PBT / total assets) (%)	10.62	16.42
PAT / average net worth (%)	8.99	14.46
Operating profit / capital employed (%)	17.42	23.37
<b>Ratios - Balance Sheet</b>		
Current ratio	2.76	2.94
Book value (Rs)	60.94	57.80
Basic EPS	5.34	8.09
Total revenue / total assets	1.59	1.59

- 11. [B21]** As at March 31, 2008, the Company had no outstanding dues to small-scale industrial (SSI) undertakings (March 31, 2007: Rs Nil). The list of SSI undertakings was determined by the Company on the basis of information available with the Company. The Company also had no outstanding dues that require to be furnished under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006.
- 12. [B22]** Arun Verma and Data Inc (the plaintiffs) filed a complaint against the Company in a US Court at New Jersey, for damages towards breach of contract and fraud, for non-acquisition of Data Inc in earlier years. The Company has entered into an out-of court settlement and paid \$ 600,000 (about Rs 2.40 crores) to the plaintiffs during the year. The amount has been charged off in books of account.
- 13. [B23]** Previous year figures have been regrouped/reclassified, wherever necessary, to conform to current year presentation.

As per our report on the abridged financial statements of even date

For **S.R.BATLIBOI & ASSOCIATES**  
Chartered Accountants

For and on behalf of the Board of Directors of  
**Polaris Software Lab Limited**

per **S.Balasubrahmanyam**  
Partner  
Membership No 053315  
**Chennai**  
**April 23, 2008**

**Arun Jain**  
Chairman & Managing Director

**R.C. Bhargava**  
Director

**R Srikanth**  
Executive Vice President & Chief Financial Officer  
Chennai  
April 23, 2008

## POLARIS SOFTWARE LAB LIMITED

**Balance Sheet Abstract And Company's General Business Profile****I. Registration Details**

Registration No	18-24142	State Code	18
Balance Sheet Date	31.03.2008		

**II. Capital Raised during the Year**

Public issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

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

Total Liabilities	6,031,154	Total Assets	6,031,154
-------------------	-----------	--------------	-----------

**Sources of funds**

Paid up Capital	493,373	Reserves & Surplus	5,519,651
Share application money	2	Deferred Tax Liability	9,870
Secured Loans	8,258		

**Application of funds**

Net fixed assets	1,834,496	Investments	1,692,939
Net Current Assets	2,503,719	Misc Expenditure	-

**IV. Performance of the Company (Amount in Rs. Thousands)**

Turnover	9,380,178	Other Income	196,242
Total expenditure	8,935,666	Profit before tax	640,754
Profit after tax	526,333		
Earning per share in Rs	5.34	Dividend Rate	30%

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

Item Code No (ITC Code)	Not Applicable
-------------------------	----------------

**Arun Jain**  
Chairman & Managing Director

**R.C.Bhargava**  
Director

**R.Srikanth**  
Executive Vice President & Chief Financial Officer

Chennai  
April 23, 2008

POLARIS SOFTWARE LAB LIMITED  
Statement pursuant to ministry of corporate affairs exemption approval under section 212 (8) of the companies act, 1956  
for the year ended March 31, 2008

(Rs in Lacs)

Sl No	Name of the Subsidiary	% of Holding Company's interest	Reporting Currency	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit before Taxation	Provision for Tax	Profit after Taxation	Proposed Dividend	Country
1	Polaris Software Lab Pte Limited	100	SGD	29.07	111.93	3,875.22	6,595.26	2,608.11	87.47	9,004.28	648.54	124.34	524.21	Nil	Singapore
2	Polaris Software Lab Limited	100	GBP	79.82	709.60	1,879.36	8,441.02	5,852.07	Nil	16,024.28	863.52	271.92	591.60	Nil	United Kingdom
3	Polaris Software Lab SA	100	CHF	40.40	141.38	487.72	690.46	61.36	Nil	1,105.64	45.52	5.82	39.70	Nil	Switzerland
4	Polaris Software Lab GmbH	100	EUR	63.44	380.63	167.06	1,154.39	616.71	Nil	1,984.41	87.54	27.91	59.63	Nil	Germany
5	Polaris Software Pty Limited	100	AUD	36.70	9.17	443.61	3,084.25	2,631.47	Nil	3,655.59	216.15	69.39	146.75	Nil	Australia
6	Polaris Software Lab Ireland Limited	100	EUR	63.44	111.77	368.69	666.85	186.40	Nil	808.52	200.60	25.38	175.22	Nil	Ireland
7	Polaris Software Lab Japan KK	100	JPY	0.40	80.80	452.34	1,666.43	1,133.29	Nil	3,993.55	206.58	94.58	112.00	Nil	Japan
8	Polaris Software Lab Canada Inc	100	CAD	37.68	184.94	(250.77)	1,001.08	1,066.91	0.46	1,349.35	79.76	Nil	79.76	Nil	Canada
9	Polaris Software Lab BV *	100	EUR	63.44	12.69	(20.41)	116.10	123.82	Nil	97.41	(20.41)	Nil	(20.41)	Nil	Netherlands
10	Polaris Software Lab Limitada *	100	PESO	0.09	5.31	104.59	1,390.46	1,280.56	Nil	589.62	55.28	Nil	55.28	Nil	Chile
11	Polaris Retail Infotech Limited	100	INR	1.00	900.00	(271.92)	726.05	97.97	Nil	535.82	63.73	139.12	202.85	Nil	India
12	Optimus Global Services Limited	100	INR	1.00	4,684.66	(1,850.33)	4,687.78	1,267.42	Nil	5,584.98	10.70	(6.52)	4.18	Nil	India

Note: Indian rupee equivalents of the figures given in foreign currencies in the accounts of the subsidiary companies, are based on the exchange rates as on 31.03.2008

\* Subsidiaries of Polaris Software Lab Ltd., UK

*This page has been intentionally left blank*

## **MANAGEMENT DISCUSSION & ANALYSIS**

**Forming part of the Financial Statements for the year ended 31 March 2008**

## Management Discussion and Analysis

### 1. Overview

Polaris continued its focus on the Money Verticals - Banking, Financial and Insurance, in 07-08, with its portfolio of Consulting, Products and Outsourcing services, registering an annual dollar income growth of 22% over the previous year. For the year ended 31 March 2008, the total income was Rs 1,117.41 crore. Operating profit (EBITDA) was Rs 136.30 crore and profit after tax (PAT) was Rs 73.21 crore. The company witnessed good growth across its portfolio of products, outsourcing, BPO and Consulting.

The Company strategy to invest into products has provided the potential to explore markets beyond US and UK, where large banks showed knee jerk reactions to the sub prime debacle. The Company was able to successfully manage the currency risks due to dollar depreciation through adept hedging strategies. It was also able to effectively counter the slowdown in the US economy.

Over the past five years, Polaris has worked along three dimensions to build a wholistic financial technologies institution, namely investment into the **Intellect Suite**, broadening of customer account landscape and building an organization-wide governance structure

Expanding new-account base: While in 2003, Polaris business was largely concentrated in a few accounts with one large customer, contributing 70% of revenue, over these years, with an account proliferation focus, a base of over 70 strategic accounts has been built. Simultaneously, the company has been able to grow the business more than four times, with the largest account.

Polaris had foreseen (5 years ago) Progressive Modernization™ as the next big wave in outsourcing in the Money verticals. The IP-led outsourcing strategy, using the Intellect arrowhead is now getting validated by the responses from the marketplace, competition focus and research reports from leading market analysts. Legacy Modernization will spin into a huge market opportunity over the next 10 year time frame.

Polaris continued its focus on operational process improvements by putting in place a robust governance model to achieve repeatable and predictable growth.

Today the company is set to move forward on a path of rapid growth. The marketplace offers significant opportunities, with the Money verticals becoming globalized at a very fast pace, market participation from 150+ countries and over 1000 banks with an asset size of more than 1 Billion Dollars.

**Outsourcing:** Polaris Outsourcing business showed healthy growth with several new clients added during the year; There was significant growth in key accounts as well as in some of the specialty practices such as Independent Testing, Enterprise Solutions and Business Intelligence and Enterprise Content Management. The company has doubled its strategic account landscape from 40 accounts two years back to 70 accounts currently. Polaris, Application Certification Enterprise, with Application Performance

Diagnostics and Managed Testing Services being offered out of Canada, Northern Ireland, India and Sydney is now recognized as a global top 3 provider of outsourced testing services to the Money Verticals.

**Intellect Banking Platforms:** The contribution from Intellect Banking Platform to the overall outsourcing business stood at 23% for the year, indicating increased acceptance and stability of the suite in the marketplace. Polaris had 12 lighthouse implementations (Implementations for Tier 1 Banks) of Intellect during the year. Three new platforms, Intellect Core, Intellect Investor Services and Intellect Portals were launched in the market this year. Growth plan of expanding the distribution footprint through partnerships and by exploring new markets is on the agenda for the coming year.

**Consulting** capability of Polaris was recognized by Tower Group (a leading research and consulting firm focused on the global financial industry) among the world's Top Professional Services Consulting organizations along with the Tier 1 players in the IT and business consulting segments. Polaris won a significant value Discovery engagement with a leading bank in UK for Progressive Modernization of Core Banking platform.

**Optimus Global Services,** Polaris' BPO subsidiary focusing on the high-growth Indian market for complete banking process outsourcing, recorded a growth of 90% on a YoY basis.

Some of the key Business Highlights for the year across services lines are highlighted below:

1. Core Banking: Intellect Core went live in one of the largest banks in Middle East. Polaris also won the prestigious order from the 5th largest State-owned bank in Vietnam
2. Wealth Management: Intellect was selected by one of the largest Private Sector banks in India.
3. Cash and Liquidity: Intellect went live in one of the largest banks in Southern Europe and in one of the Fortune 10 banks in Europe
4. Intellect Custody Platform has become the Market Leader in the Indian Market
5. Polaris was ranked among the leading global testing providers for the Money Verticals

The Company entered the African Market with a significant win from one of the largest Banks in Africa, with the Intellect Treasury platform

Employee growth: Total employee strength crossed the significant milestone of 10,000 this year and the talent program continued around the strategy of nurturing specialists in sub verticals and specialty skills.

The Company set up a Centre of Excellence (CoE) for Algorithmics to create a talent pool of trained resources in the Risk Management arena as well as a dedicated Test Lab at Sydney to offer round the clock availability of testing services.

Infrastructure: Corporate Heights, a center for Modernization of Treasury Technology was opened at Goregaon, Mumbai. This new state-of-the-art, 66000 square foot facility housing 500 experts will focus on providing technology modernization services in treasury departments of banks and multi-national companies, besides offering specialized products and components for trading, operations and liquidity management.

## **2. Industry Structure and Developments**

### **2.1 Trends in Outsourcing**

Changing patterns in money movement across borders driven by economic performance of countries, new demographics and a morphing global wealth scenario are impacting the business strategies of players in the Banking, Financial and Insurance domains significantly. While the nouveau rich individuals and countries offer immense opportunities, slowdown in the US economy and the intense competition to retain market share in other industrialized economies is driving companies in these sectors to explore technology options that are increasingly aligned to revenue growth and product innovation. In addition, the players in the money game need to deal with changing regulatory pressures and manage risk exposures effectively, which calls for flexible yet robust business solutions.

The Banking and Financial sector is one of the most mature adopter's of technology outsourcing, primarily driven by demanding customer needs and accelerated globalization. Agility in new product introduction, risk management, 'glocalization' and optimization of IT investments over time are key challenges for companies in this sector today. In addition, increased availability of resources for outsourcing back office functions and transactions has also enabled Banks to leverage global resources and infrastructure to improve business process.

While traditional scale based outsourcing models and the global delivery models continue their journey up the value chain towards business alignment and improved performance, the following drivers have had a significant impact on the design and delivery of outsourcing services for the next decade

- Availability and fast rate of adoption of new concepts such as Service Oriented Architecture (SOA)
- Thinning line between services and products
- Dearth of technology skills globally, specifically in legacy technologies and specialist domain areas for effective management of core systems

SOA is now a tested approach to building flexibility into business technology and year 2007 has seen increased adoption of this concept by leading players in the Banking and Financial world.

The above factors are leading to increased innovation and IP creation in business strategy, operations, processes and products, with technology as the primary enabler. Polaris has put in place new models of delivery, new tools and point solutions that are

aligned to driving innovation in outsourcing approaches today in response to the need of the marketplace for sharper and more business focused solutions from technology.

## **2.2 Technology Outsourcing industry in India**

Nasscom's strategic review of the Indian IT-BPO industry, 2008, indicates that India will continue to be the 'nerve-centre' for global sourcing with over 2/3rd of the Fortune 500 and a majority of the Global 2000 firms leveraging global service delivery already sourcing from India. The following are some of the indicators and trends from the report.

Continued growth in the Outsourcing sector: With the industry slated to achieve a target of USD 60 billion in software and services exports and USD 73-75 billion in overall software and services revenues, by FY2010, 2007 growth and performance of the sector has been positive and conducive to the growth projected.

The industry has exhibited strong fundamentals, as evident from the resilience shown while countering slowing economy and financial sector crisis in the US, as well as the sharp appreciation of the INR against the USD. The sector continued to maintain double digit revenue growth, driven by strategies such as geographic diversification as well as service portfolio expansion.

### **a. Banking, Financial and Insurance sectors lead in outsourcing**

Although the outsourcing industry's vertical market exposure is well diversified across several mature and emerging sectors, Banking, Financial Services and Insurance (BFSI) remains the largest vertical market for Indian IT-BPO exports, followed by High-technology and Telecom, and these sectors together accounted for nearly 60 per cent of the Indian IT-BPO exports in FY2007.

### **b.India: Emerging as a hotbed of products and innovation**

The NASSCOM report has also identified continued growth of about 27% across product development and engineering services, which also reflects India's increasing role in global technology IP creation.

Polaris has leveraged this trend with timely investment into product development and the launch of the Intellect Suite.

## **2.3 Global Market Indicators of Money Verticals**

Both the Banking and Insurance verticals are expected to experience continued growth, with the various geographic segments showing a differing growth rates, reflecting the economic activity of the region.

### **a.Banking**

Technology outsourcing drivers in the Banking vertical, as per research by Gartner, shows that increased trend in linkage of technology to front-office revenue-generation goals, more adoption of service-oriented architecture, business process management and software services and increased regulatory pressures are key drivers of outsourcing in these verticals.

## **b. Insurance**

The main drivers of growth in insurance include a significant shift from back-office to front-office delivery systems to reduce spending on policy administration and claims, wider adoption of business process management, service-oriented architecture and enterprise content management, fraud detection and BPO.

### **2.4 Polaris focus on differentiation**

Given the strong growth projected for the Indian IT/BPO industry as well as the uptrend's in the global Banking and Insurance domains, Polaris is positioned to leverage the following factors which are key to a differentiated strategy for growth in the marketplace

- Sharp focus and knowledge of the money verticals helps provide end to end outsourcing solutions to the Banking, Financial and Insurance sector companies
- Leverage the Intellect Suite of applications, the broadest range of intellectual property in this domains, to deliver the flexibility and scalability of solutions required for these domains
- Super-specialization into sub-verticals in the money domain to provide the required business focus of solutions delivered
- High performance business applications delivered to stringent customer requirements of functionality, cost and time enabled by strong commitment to process quality
- Leverage methodology that uses SOA concepts for progressive modernization of business technology

### **2.5 Next decade Outsourcing**

Outsourcing is becoming an increasingly complex business proposition due to the advancements in technology delivery methods and new concepts such as SOA. In addition, skill shortages in legacy technologies are expected to drive increased innovation and bundling of domain expertise into point solutions tied to business outcomes. Hence increased focus on business outcomes, agile technology solutions and the ability of technology to influence business growth will be the critical success factors for players in this industry in the next decade. Moreover the geo specific nature of markets will demand a well balanced geo portfolio across major regional segments to leverage emerging markets as well as mitigate the risks of impact due to decreased economic activity in some regions.

Investment into innovation, domain specialization, new markets and creation of relevant intellectual property are key competitive advantages for Polaris that will enable to the company to compete effectively in the next decade.

## **3. Strengths, Opportunities and Threats**

The following section discusses the inherent strengths of Polaris that can be leveraged to create value for customers continually.

### 3.1 Strengths

- **Intellectual Property Assets:** The Company's inherent strengths include Intellectual property in the form of Intellect™, which has been recognized by leading market analysts as a promising and agile platform for companies in the Banking and Financial vertical. The Intellect™ suite comprises of nine platforms namely Intellect Consumer Finance, Intellect Core, Intellect Cards, Intellect Front Office, Intellect Treasury, Intellect Liquidity, Intellect Wealth, Intellect Investor Services and Intellect Portals.
- **Consulting capability and Proprietary Solution Build Methodology:** Polaris has been listed as among the top 5 consulting companies from India in the Banking and Financial Services space by leading analyst house, Tower Group. The company has been awarded prestigious consulting assignments in the area of technology modernization roadmaps during the year by Tier 1 Banks
- **Customer base of leading global banks and Financial Institutions.** We partner with 70 named strategic accounts comprising of 17 AAA, 16 AA and 37 A accounts.
- **Optimized Operational Performance:** Polaris strength is in its focus on extreme execution, processes and robust delivery engines. The Company is dedicated to achieving world class delivery services through a resolute focus on continuous enhancements. It has attained high standards of process maturity, which have helped to deliver a strong business performance in 2007. The company has successfully delivered several projects using the new model, a combination of software assets and outsourcing

**Domain Expertise:** The Polaris pedigree has been established over the years as a pure play Banking and Financial Services player and the company continues on the road to super-specialization, the key to growth in the coming years. Polaris Business Solution Centers are engaged in engineering solutions and in delivery of projects for customers across multiple sub domains.

- **Retail Banking Products and Solutions Center, Chennai :** Catering to a wide range of products and solutions for Retail Banks, this center offers profitable core propositions including Core Banking, Lending and Mortgage, Credit cards, Branch Banking Applications, CRM, Internet Banking, Multi-Channel Integration, Origination and ATM Solutions.
- **Investment Banking Center, Hyderabad:** The Capital, Polaris Investment Banking Center is a one-of-its-kind Investment Banking, Capital Markets and Wealth Management Center.
- **Cash and Liquidity Management Center, Mumbai:** This center offers expertise in global liquidity pooling and sweeping, cash management and other corporate Banking solutions
- **Risk & Treasury Management Center, Mumbai:** Polaris offers solutions in areas such as Basel II, Transfer Pricing, Compliance Reporting and Risk Analytics such as ALM, Credit Solutions, Collateral Management and Collection.

- **Insurance Center, Chennai:** This center caters to Polaris growing clientele in the Insurance domain. It houses Intellectual Property assets and accelerators for building Insurance Applications for the next decade
- **Technology Innovation Center, Chennai:** This center houses technology capabilities in internet and legacy technologies, Application testing and Certification, Workflow and Content Management
- **Intellect Development Center:** The seat of development of Intellect IP assets, this center is focused on Research and Development of business components to enhance the functionality and technology capability of the Intellect Suite of Applications
- **Enterprise Solutions Center, Delhi:** This center delivers enterprise solutions such as SAP, Oracle Apps and Baan to global customers through proprietary technologies and shared services models of high business value to users.

### 3.2 Opportunities & Threats

#### a. Opportunities:

As an innovative technology solutions provider with a unique service mix and investment into IPR, Polaris has identified several key business opportunity areas which will drive the Company's organic growth for the foreseeable future. Some of these growth drivers are:

#### 1. Geographic expansion to new markets

The Company has consolidated on the new regions entered in 2006-2007 and continues on its strategy for growth into emerging markets

- In the Americas, the Company has initiated fresh inroads into the Latin Americas.
- In EMEA Polaris is paying special attention to deepened presence in France, Germany and building new client relationships in Netherlands and Scandinavia.
- For Asia Pacific, the China, Japan and Australian markets are being built up.

**2. IP Monetization:** New international market strategies and monetization of the Intellect assets poses an immense opportunity for growth for the company in the coming years.

#### 3. Service Portfolio Enhancement

In continuance to its strategy of identifying high value segments of the business, the Company is further enhancing and strengthening its service portfolio through investment and marketing of Intellect Product range and SOA based services.

#### 4 . New Sales

The Company continues its sales thrust in areas of industry verticals and key accounts in which it has built significant competitive strength, which are also the mainstay business of the Company.

#### 5. Account Growth:

The company has doubled its strategic account landscape from 40 accounts two years back to 70 accounts currently. This was achieved through a concerted program of realigning sales enhancing efforts into focus on key accounts.

The Polaris customer base, including Fortune/Global 500 Banks offer significant scope for expanding its share of their IT budgets and this is indicative of the continued potential for growth. Most importantly, the Company is leveraging its capability as an integrated solutions provider, with appropriate technology expertise and domain knowledge, to deepen its relationships with its clients.

#### b. Threats:

While a slowdown is expected in North American geography, Polaris does not envisage any major threats to its business or operations due to this or other factors

#### 4. Segment Wise Performance

The Company's proportion of revenue across all its business segments/verticals, are shown below.

	Q1 FY07-08	Q2 FY07-08	Q3 FY07-08	Q4FY07-08
Banking and Finance, Insurance	88.00%	89.00%	89.00%	89.00%
Emerging Verticals	12.00%	11.00%	11.00%	11.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

#### 5. Outlook

While various geographic markets are experiencing different technology outsourcing drivers the opportunities for Polaris at a global level continue to be favorable, given its domain specialization, intellectual property and innovation orientation.

Key high growth areas visible across geos and across all Banking domains are:

- SOA Reengineering and Modernization of Core Banking Platforms
- Front Office Applications
- Portal solutions
- Global Cash and Liquidity solutions
- Wealth Management

- Application Testing
- Specialist Services and Consulting

Market opportunity from Tier 2 and Tier 3 banks is also opening up

Insurance sector offers significant potential, driven by accelerated globalization.

### 6. Internal Control Systems and their adequacy

The CEO/CFO certification provided in the Report on Corporate Governance discusses the adequacy of our internal control systems and procedures.

### 7. Risks and Concerns

Polaris adopted the Risk Manual and proposed Risk framework presented to the Board in May 2005. All Risk mitigation steps are embedded and form part of all the key process followed in the company. Risks are classified into Macro or micro based on the scope of the impact on the organization and classified as corporate and non-corporate based on the level at which it needs to be identified and mitigated. The following figure depicts the Risk model in use.



All risks are handled based on the level best placed to mitigate the risks associated with each of the significant accounts. The perceived risks on each of the significant accounts on account of deficiencies in every process associated with those accounts are documented. The process owners are identified for each of the process and they were required to design a remediation plan to control perceived risks, which would eventually remove all the identified control deficiencies. The detailed exercise of mapping all the financial reporting processes covers 90-95% of the significant accounts. The process of moving internal audit from a transaction based to a risk based one has also been initiated.

### 7.1. Risk Governance

The governance of risk in the organization is entrusted to a board appointed by the risk committee. The risk committee consists of the CEO, Group CFO and Head Quality & Project Risk as its members. This committee has been authorized to

- review and suggest changes to the risk manual as may be necessary from time to time,
- Adopt such processes and procedures to enable compliance and mitigate risk
- Further delegate such powers and authorize persons to implement the same as may be necessary.

**This committee, to put in place the corporate risk management framework, aligned all critical risk management functions as illustrated.**

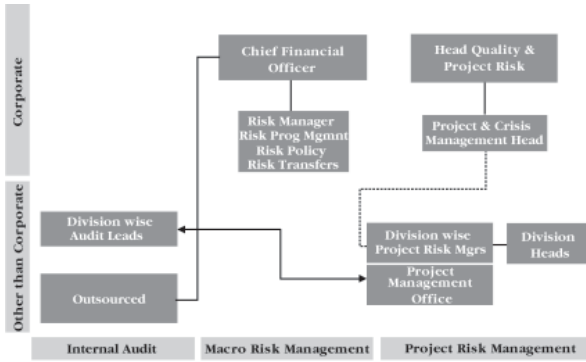


An organizational structure aligned to risks illustrated in the adjacent figure has been implemented. Along with the change in structure major policies and procedures were also reviewed and implemented to help management at all the levels to be attuned to the risk management framework of the company.

The risks are broadly classified into macro financial and operational. All the macro financial risks are aligned with the Group Chief financial Officer while the Operational risks are aligned with the Head, quality and project risks both of who are members of the board appointed risk committee.

The risk organization is given below

Figure 3: Risk Organization



7.2. Risk Identification Assessment Monitoring and control

The members of the Polaris board have authorized the risk committee, developed policies and procedures to identify, monitor, escalate and control major corporate risks. Greater awareness of risks and their implications were communicated throughout the organization by training programs and review meetings. Polaris organization has developed a common color-coding methodology of "Red, Amber and Green" with corresponding context specific threshold limits. Various departmental and inter departmental meetings mandated at regular intervals at appropriate levels help in identifying assessing, monitoring and control of all identified risks.

Risk Manager

The risk manager at the corporate level along with the internal auditors identify through audit any process deviations in existing policies and procedures or any new control deficiencies through periodic testing and evaluation of the existing processes.

The risk manager is also responsible for conducting periodic surveys on the processes control deficiencies and corresponding remediation plans. Identification and maintenance of adequate risk coverage for major macro risks and also maintenance of the insurance dashboards for senior management review.

Market Risks

a. Price Risk

Competitive forces due to increasing trend of more global companies in banking and financial services market opening their own local outfits in India as well as the presence of a large number of Indian and MNC outsourcing providers operating out of India would constantly exert pressure on prices. Global weakening of the pricing of technology outsourcing services would be one of the major market related risks. To mitigate this risk, Polaris has opted to differentiate in the market place through IPR led solutions. This strategy reduces the resource and effort requirements for similar solution offerings in the market from plain vanilla resource suppliers.

### b. Geographic Concentration Risks

Concentration of revenue from any country exposes Polaris to the risks specific to its economic condition, global trade policies, local laws, political environment, and its diplomatic relationship with India etc. Each market has distinct characteristics pertaining to costs of penetration, country risk, maturity of the market for the products on offer, growth potential, price/profitability, therefore rigid limits on geographical concentration are not imposed. However it is monitored at the corporate level to balance any substantial skew in revenues. The following figure illustrates that the geographic revenue breakup has by and large remained stable throughout the last 4 quarters. The trend demonstrates a balanced portfolio across geographies.

<b>Geographic Revenue</b>	<b>Q1 FY07-08</b>	<b>Q2 FY07-08</b>	<b>Q3 FY07-08</b>	<b>Q4 FY07-08</b>
Break-up (Rs. Lacs)	25,745.05	27,355.08	28,214.15	28,615.78
US/North America	34.78%	35.67%	35.88%	34.08%
Europe	31.82%	31.77%	30.39%	31.42%
India	11.43%	11.18%	11.93%	12.88%
Asia Pacific & Japan	21.97%	21.38%	21.80%	21.62%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

### c. Industry Concentration Risk

As per most analyst research reports financial services and manufacturing (including discrete and process) rank first and second in IT services market size in the United States and worldwide. Industry analysts predict that although financial services demonstrate only moderate growth in industrialized economies, strong growth in most smaller-regions tends to place the financial industry ahead of average IT spending growth. Therefore we consciously have pursued a path of focusing on this sector.

### d. Client Concentration Risks

The following healthy trend in new relationships throughout the year shows a healthy trend in the mix of new and existing businesses at Polaris, and reduced risk due to client concentration.

<b>Client data</b>	<b>Q1 FY07-08</b>	<b>Q2 FY07-08</b>	<b>Q3 FY07-08</b>	<b>Q4 FY07-08</b>
New major clients added	14	16	14	14
Repeat Business	88.00%	88.00%	88.00%	86.00%
<b>Client concentration</b>				
Top Client	11.48%	10.85%	11.02%	12.57%
Top 5%	35.59%	36.60%	38.00%	38.30%
Top 10%	48.71%	50.34%	51.81%	52.45%
Citigroup Contribution	39.60%	38.70%	38.39%	38.92%
<b>Intellect Revenue ( Rs. Lacs )</b>	<b>5,381.00</b>	<b>5,845.00</b>	<b>5,728.29</b>	<b>5,610.77</b>

#### **e. Technology Obsolescence risk**

Polaris provides global and contemporary financial solutions by partnering with other industry leading technology partners. It continuously invests in new technologies and new products based on new technologies to maintain currency. These investments are charged to the P&L account as per the present policy but in case technological feasibility is established for the product so developed are used in future. Software development costs incurred subsequent to the achievement of technological feasibility are capitalized and amortized over estimated useful life of the products. The amortization of software development costs is allocated on a systematic basis over the best estimate of its useful life after the product is ready for use. The factors considered for identifying the basis include obsolescence, product life cycle and actions of competitors. The amortization period and the amortization method are reviewed at each period end. If the expected useful life of the product is shorter from previous estimates, the amortization period is changed accordingly. At present in Polaris the products are amortized over a period of five years

#### **f. Security and Business Continuity**

Polaris has implemented a system for the management of information security in line with the standard BS 7799-2:1999. Accordingly, information security controls are implemented based on best practices and clients requirements. All offices located at Chennai, Mumbai, Hyderabad, Gurgaon and New Jersey have been assessed for information security compliance and are certified as BS 7799 compliant. Polaris has well-defined corporate guidelines for Business Continuity Plan. We have established a management system in order to ensure the continuation and rapid recovery from failure or unexpected interruptions, if any, to business critical processes and operations including IT processes and systems. Business continuity planning due to the round the clock availability requirements of the business are accorded very high priority. We have a Business Continuity committee consisting of members from the senior business management team, which is well supported by all infrastructure groups. Business continuity plans are in place for identified critical projects and tested periodically to meet any disaster and continue operations at an alternate office in the same city or at another city or another country outside India to an alternate facility based on severity of disruption.

#### **g. Inflation of Cost structure**

A major cost in the IT services industry is the wage cost, which has the highest degree of inflationary uncertainty. Over the years the basic wage structure is expected to increase in response to the rising talent demand and macroeconomic trends. To de-risk, Polaris has worked with governments, educational institutions and charitable organizations to increase the talent pool, provide extensive training to quickly enable employee skills and competencies. The company also continues to put in place cost optimization programs in the organization and also embed cost management in the organization's culture.

#### **h. Political Environment**

Polaris operates in 16 countries around the world and political developments in any of these countries would have an impact on our performance to a greater or lesser extent. Operations in multiple development centers in different countries is in itself a de-risking strategy for delivery related risks borne out of political risks. Reducing our revenue exposure to countries with greater perceived politico-economic risk helps in mitigating market related risks arising out of a country's political climate.

### **i. Immigration Regulation**

The majority of Polaris employees are Indian nationals. The ability of IT professionals to work in other countries depends on the ability to obtain necessary visas and work permits. Immigration laws in different countries are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and economic conditions. It is difficult to predict the political and economic events that could affect immigration laws. To limit the risks posed due to visa related regulations of any single country, we focus on diversifying our operations in countries across the world. The other way to mitigate such risks is by partnering with local companies in project implementations.

### **Financial Reporting Risks**

The clause 49 of the listing agreement, which includes the CEO/ CFO certification, has served to herald a new era in corporate governance enforcement in the country. Under this sub-clause the CEO and the CFO shall certify that -

- They have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief
- These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- There are, to the best of their knowledge and belief, no transactions entered into by the company during the year that are fraudulent, illegal or violative of the company's code of conduct.
- They accept responsibility for establishing and maintaining internal controls for financial reporting and they have evaluated the effectiveness of the internal control systems of the company and they have disclosed to the auditors and the audit committee, deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- They have indicated to the auditors and the audit committee
- Significant changes in internal control over financial reporting during the year;
- Significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and
- Instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Recognizing the concerns of the act to address, Polaris sought early adoption of several of the act's requirements, well before the prescribed mandatory applicability dates in fiscal 2006. Polaris has formed a risk group within the business leadership team reporting to the audit committee. During this fiscal we have completed the above project

so as to enable in the CEO/CFO certification. Polaris prepares financial statements in conformity with Indian GAAP. This requires estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the financial reporting period. These estimates and assumptions are made based on judgments about carrying values of assets and liabilities. Such judgments carry inherent reporting risks.

#### **Exchange rate Risks**

The Company's functional currency (Capital and operating expenses) is the Indian Rupee although a major portion of our revenues is transacted in US Dollars. Exchange rate fluctuation introduces substantial amount of risks on our profits. Our positions in the forex markets are therefore entirely to protect our profitability. The company uses forward contracts to hedge its foreign exchange receivables. The level of the hedge is based on the market volatility. The company does not use the foreign exchange forward contracts for trading or speculation purposes.

#### **Contractual compliance risk**

Litigations regarding adherence to deliverables and service level agreements, intellectual property rights, patents and copyrights are a challenge in the knowledge-dominated software industry. In addition there are other general corporate legal risks. The management has charted out a review and documentation process for contracts. This was further improved the contract clearance process to include multidimensional contract vetting process. The contract management team includes the legal, commercial and risk teams apart from external consultants. Operational teams have been trained on compliance- related issues so that they ensure adherence to all contractual commitments.

#### **Compliance with local laws**

Polaris has been duly complying with various local laws and deviations if any has been reported to the Board. Further, Polaris' business operations spread across multiple countries and hence compliance with the laws of the respective countries is one of the paramount issues for the Company. The Company has put in place proper mechanism and ensures due compliance of such laws

#### **Intellectual property management**

Polaris prides itself as a niche player in the BFSI segment due to the knowledge it has developed in this segment. This knowledge is embedded in its products, components, procedures etc. Protection of its Intellectual Property Rights, it understands, is of utmost importance for its very existence. Therefore to guard against unauthorized usage of proprietary information, infringement upon or misappropriation of our products it relies on a combination of patent, copyright, trademark, design laws, trade secrets, confidentiality procedures and contractual provisions.

### **8. Financial Performance/Overview**

The financial statements are prepared under the historical cost convention, on accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) in India, 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.

## Balance Sheet as on 31st March 2008

### Sources of Funds

As at 31 March 2008, the authorized share capital of the company was Rs.65.00Cr. Comprising of -

1. Equity shares of Rs 60.00 Cr. (120,000,000 equity shares of Rs 5 each)
2. 11% Preference shares of Rs 5.00 Cr. (10,000,000 shares of Rs 5 each)

As at 31 March 2008 the total issued, subscribed & paid-up capital was Rs.49.34 Cr. (98,674,597 equity shares each of Rs 5). During the year, 92,470 equity shares (Rs 0.05 Cr.) were allotted to 70 associates & directors under various Associate Stock Option Plans.

### Reserves and surplus

Reserves & Surplus stood at Rs 608.15 Cr. as at 31 March 2008 an increase of Rs 55.90 Cr. compared to Rs 552.25 Cr. as on 31 March 2007

Transfer to the General Reserve from Profit & Loss Account for the year was Rs 5.26 Cr. Premium received on shares issued to employees (under various ASOP schemes) during the year was Rs 0.72 Cr. Foreign Currency Translation Reserve stands at Rs (0.91) Cr.

Internal accruals made during the year Rs 275.57 Cr. after appropriation of Dividend, Tax on Dividend and General Reserve.

### Secured Loans

Finance lease obligation of Rs. 0.83 Cr represents vehicle loan (for associates) arrangement with financial institutions.

### Application of Funds

#### Fixed assets

Capital expenditure incurred during the year was Rs 38.98 Cr and details are given below:

**Table 1: Additions to Fixed Assets**

Particulars	Amount(Rs. Cr)
Computer Equipments and Software	20.71
Buildings - Business Solution Centre at Mumbai	9.27
Furniture, Fixtures & Office equipment	9.00
<b>Total</b>	<b>38.98</b>

Addition is mainly on account of establishment of new development facility at Mumbai and also for further augmentation of our Hyderabad facility.

Fixed assets include properties (Land & Building) owned by the company in Chennai, Hyderabad, Mumbai and Gurgaon, wherein the software development centers are situated. Land & Buildings and other assets are carried at historic cost, even though, the intrinsic market value of these properties are significantly high, as they are all located in prime places.

## Investments

Investments of the Company comprise long term trade investments in subsidiaries, associates and non-trade, current investments.

During the year the company made additional investments in the following

- Subscribed additionally for 32,500,000 redeemable optionally convertible cumulative preference shares of Rs 2/- each amounting to Rs.650.00 during the year in Optimus Global Service Limited (subsidiary company);
- Subscribed additionally for 1,200,000 7% cumulative preference shares of Rs 5/- each fully paid up amounting to Rs 60.00 during the year in Adrenalin eSystems (associate company);
- Final call of Re.1/- Paid for 1,000,000 equity shares of Rs 5 each at a premium of Rs. 5 each in Adrenalin eSystems Limited (associate company) during the year;
- Subscribed additionally for 225,756 equity shares of Rs.10 each at a premium of Rs.40.94 amounting to Rs.115.00 during the year in NMS Works Software Private Limited (associate company).

The Group's equity ownership interest in Adrenalin eSystems Limited (formerly Empower Works Limited) is 40.25 % as on 31 March 2008. Adrenalin eSystems Limited ("ASL") is primarily engaged in the business of providing specific solutions relating to Human Relations suite of software solutions and products. The Company registered 96% growth in revenue as compared to previous year and earned cash profit in the current year. International experience suggests that the product companies have longer gestation period. Further, the promoters of ASL are committed to provide continued support to its operations and ASL is expected to generate profits in the future. Accordingly, there is no permanent diminution in the value of its investments in ASL and the share of loss is also restricted to the extent of equity.

The Company's equity ownership interest in NMS Works Software Private Limited ("NMS") is 45.85% as on 31 March 2008. NMS is primarily engaged in the business of designing network management in Telecommunication and Internet Services. Based on the un-audited financials statements as at 31 March 2008, NMS had accumulated losses aggregating to Rs. 5.17 Cr. The company is in the recovery path and made profit for the quarter ended 31st March 2008. Accordingly, the Company has determined and recorded a provision of Rs. 3.44 Cr. for other than temporary diminution in the value of its equity investment in NMS.

## Cash & Cash Equivalents

Cash and cash equivalents as at 31 March 2008 have increased to Rs 155.05 Cr. from Rs 117.21 Cr. as at 31 March 2007, the increase is mainly on account of improved collections during the year. Details are given below:

**Table2: Cash and Cash Equivalent**

*Rs. in Crores*

<b>Particulars</b>	<b>31 March 2008</b>	<b>31 March 2007</b>
Cash In Hand	0.07	0.03
Cash in Current Account	24.68	51.52
Foreign Currency Account	42.55	31.31
In Bank Deposits	9.46	10.15
<b>Total</b>	<b>76.76</b>	<b>93.01</b>
Investments in Mutual Funds	78.29	24.20
<b>Grand Total</b>	<b>155.05</b>	<b>117.21</b>

The company's treasury policy calls for investing surpluses with highly rated mutual funds, banks and financial institutions for short term maturities with a overall cap on investments in a particular institution.

#### **Loans & Advances**

Loans and advances have increased by Rs. 25.92 Cr. and stood at Rs. 244.50 Cr. as at 31 March 2008

Movement in Loans & Advances during the year as compared to previous year balance is given below

**Table 3: Loans and Advances**

<b>Particulars</b>	<b>Rs. in Crores</b>
Income tax	6.31
Revenues accrued and not billed due to billing cycle	7.80
Advances and Forward cover receivable	4.23
Cenvat / VAT Receivable	5.98
Security Deposits	1.60
<b>Total</b>	<b>25.92</b>

#### **Deferred tax assets / liability**

The company recorded deferred tax liability & deferred tax asset aggregating Rs 1.00 Cr. and Rs. 2.06 Cr. respectively as of 31 March 2008. Deferred tax assets/ liabilities represent timing differences in the financial and tax books arising out of depreciation on assets, investment provisions and provision for sundry debtors.

Deferred tax liability towards fixed assets was Rs 5.76 Cr. as on 31 March 2008 as compared to Rs 4.93 Cr. as on 31 March 2007 - an increase of Rs 0.83 Cr mainly on account of additions to fixed assets.

Deferred tax assets towards sundry debtors were Rs 4.31 Cr. as on 31 March 2008 as

compared to Rs 3.89 Cr. as on 31 March 2007 - an increase of Rs 0.42 Cr mainly on account of provision for doubtful debts made during the year.

Deferred tax assets towards others were Rs. 0.45 Cr. as on 31 March 2008 as compared to Rs 0.52 Cr. as on 31 March 2007 - a decrease of Rs 0.07 Cr.

### **Current Liabilities**

Total current liabilities have increased by Rs 32.94 Cr., primarily on account of increase in salary payable, statutory liabilities & provision for expenses.

### **Provisions**

Total provisions have decreased by Rs 1.04 Cr. compared to the previous year. This is mainly on account of provision for leave benefits accounted as per Accounting Standard 15 (Revised) - Employee Benefits. The Company had accounted for accumulated compensated absences and encashment of accumulated leave balances upto September 30, 2007 as short term employee benefits. Effective from October 1, 2007, with a view to conform to the guidance of expert advisory committee of ICAI, the Company has actuarially valued the accumulated compensated absences and encashment of accumulated leave balances and accounted for the same.

### **Liquidity and Capital**

#### **Funding**

The company continues to maintain its trend of utilizing internally generated funds to meet the operational growth, normal Capital expenditure requirements, Investments in Product portfolio and the funding needs of its Group Companies. Based on the present cash reserves and future operating income, the Company does not foresee any need for funding from any external agencies or institutions.

#### **Free Cash Flow**

FCFF is an important measure to stockholders. This is the cash that is left over after the payment of all cash expenses and operating investment required by the firm.

**Table 4**

*Rs. In crores*

<b>Particulars</b>	<b>2007-08</b>	<b>2006-07</b>
Cash from operating activities	84.36	54.41
Less: Capital expenditure	38.98	35.63
<b>Free Cash Flow</b>	<b>45.38</b>	<b>18.78</b>

### **Accounts receivable**

Sundry debtors (excluding unbilled debtors) net of provision as at 31st March 2008 are Rs. 210.45 Cr. as against Rs 180.11 Cr. in the previous year. These balances are considered good and realizable. The company assesses the need for provisioning for doubtful debts based on collectability, risk perception, and other general economic factors on every balance sheet date and necessary provisions, if required are made.

The days of sales outstanding were 61 days at the end of the current year as against 60 days at the previous year end.

**Table 5: Days of Sales Outstanding**

	2007-08	2006-07
DSO	61	60

A dedicated team focuses on the receivables and consistent improvement is being shown to bring in more control and reduce the Days of Sales Outstanding (DSO).

#### **Dividends**

The company has a track record of delivering dividends to the shareholders in a consistent way. The table below shows the trend on dividend payouts.

**Table 6: Dividend Payout**

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Dividend %	30	45	25	35	35	35
Dividend Payout %	20	22	58	30	24	31

#### **Off Balance sheet adjustments and contractual obligations.**

These have been discussed in detail in the notes to accounts to Consolidated Financial Statements.

#### **Profit & Loss Statement for the year ended 31st March 2008**

During the year under operations, Income earned Rs. 1099.30 Cr as against Rs. 1032.37 Cr and the Net Profit after Tax generated was Rs. 73.22 Cr as compared to 101.06 Cr in the previous year, primarily due to the following factors: -

- Revenue registered a growth of 6% only in rupee terms due to unprecedented rupee appreciation however, in USD terms 19% growth is achieved as compared to Previous Year.
- Cost for the year has increased by 11.72% as against previous year cost to support the growth in revenue.
- Reduction in profitability is mainly on account of unprecedented rupee appreciation (more than 10% of the rupee value).

The various measures, initiated by the company last year coupled with other initiatives taken during the year as mentioned below is likely to enhance Revenues in the coming years -

- Initiated value enhancement solutions offering through the use of hybrid model of services combined with Intellectual property, which will ensure significant differentiation of Polaris from the more generic IT services company in the industry
- Repositioned its offering in the market
- Retained the sales force in the new method of Selling.
- Improved utilization of resources
- Foreign currency risk management

The above measures are expected to create enough bandwidth for expansion leading to business transformation. The lead indicators are highly encouraging in terms of entry into Tier I and Tier II banks across geographies. Though, the revenue growth was impacted by unprecedented rupee appreciation during the year thereby affecting the profitability. The company has optimized and rationalized the cost structure and is geared up for revenue growth in the near future.

#### **Income from software development services and products**

Total revenue has increased to Rs. 1043.45 Cr. in the current year from Rs.1000.76 Cr. in the previous year, resulting in a growth of 4%. Export revenue has increased to Rs. 962.96 Cr. in the current year from Rs. 910.75 Cr. in the previous year, resulting in a growth of 6%.

#### **Income from Business Process Outsourcing**

The income from Business Process Outsourcing is from the wholly owned subsidiary namely, Optimus Global Services Limited. The total revenue has increased to Rs. 55.85 Cr. in the current year from Rs. 31.60 Cr. in the previous year, registering a growth of 77% and the momentum built up during the year is expected to continue in the coming years, where this business operation is expected to double the revenue and post good profits.

#### **Other income**

Other income has increased to Rs. 18.11 Cr. in the current year from Rs. 6.24 Cr. in the previous year, this increase is primarily due to foreign exchange gain of Rs. 14.46 Cr. made during the year compared to loss of Rs. 0.57 Cr. for the previous year.

#### **Cost Management**

The company has robust policy and process covering all areas of Costs. The automated systems and work flows support the cost review and approval process.

The company has embarked on a productivity efficiency project to improve the utilization as well as the grade mix.

The company has successfully implemented Cost Monitoring and Management Initiative (CMMI) and achieved nearness to perfect estimation of cost by projects.

The primary cost drivers of the company are People related costs (Compensation & Benefits), Sales & Marketing Costs and Corporate Overheads. The company has introduced a business plan linked Expense Control mechanism.

#### **Software Development Expenses**

Software development expenses as a % of revenue increased by 3.98 % compared to the previous year. The increase is primarily on account of Revenue in Rupee terms getting impacted by steep Rupee appreciation, increase in headcount on the BPO segment and salary revision granted during the year.

**Table 7: Software Development Expenses**

*Rs. In crores*

Particulars	Year ended 31st March 2008	% Of Revenue	Year ended 31st March 2007	% Of Revenue
Salaries and bonus including overseas staff expenses and outsourced consultants cost	624.88	56.84	535.84	51.90
Staff welfare	27.43	2.50	26.25	2.54
Contribution to provident and other funds	14.66	1.33	16.09	1.56
Travel Project	56.52	5.14	56.56	5.48
Consumables and computer maintenance	0.51	0.05	0.80	0.08
Communication expenses	16.44	1.50	18.73	1.81
License & Royalty	4.21	0.38	4.02	0.39
<b>Total</b>	<b>744.65</b>	<b>67.74</b>	<b>658.29</b>	<b>63.76</b>
<b>Revenue</b>	<b>1099.30</b>	<b>100.00</b>	<b>1032.37</b>	<b>100.00</b>

**Selling, General and Administration**

Overall SGA expenses had a marginal increase of 11.10%. Selling expense primarily consist of Salaries, Travel, Advertising, and Business promotion. General Administrative Expense primarily consists of Salaries and related costs for administrative, executive, finance and Human Resource function. The increase in staff cost is mainly due to Headcount increase in geographies to cater to account management and increase in business promotion is due to settlement made in Data Inc legal case.

**Table 8: Selling, Administration & other General Expenses***Rs. In Crores*

Particulars	Year ended 31st March 2008	% Of Revenue	Year ended 31st March 2007	% Of Revenue
Salaries and bonus including overseas staff expenses	122.23	11.12	103.33	10.01
Contribution to provident and other funds	2.77	0.25	2.04	0.20
Professional & Legal charges	13.17	1.20	20.22	1.96
Local traveling and conveyance	16.36	1.49	15.27	1.48
Rent	24.67	2.24	21.27	2.06
Business promotion	11.88	1.08	8.13	0.79
Power and fuel	15.17	1.38	12.81	1.24
Printing and stationery	1.72	0.16	1.94	0.19
Office maintenance	4.61	0.42	3.68	0.35
Provision for doubtful debts	3.51	0.32	2.09	0.20
Insurance charges	2.16	0.20	3.82	0.37
Advertisements	0.18	0.02	1.00	0.10
Rates and taxes	0.50	0.04	1.59	0.15
Repairs - Building	1.88	0.17	1.23	0.12
Repairs - Plant and machinery	8.23	0.75	7.90	0.76
Repairs - Others	3.24	0.29	2.64	0.25
Directors' sitting fees	0.09	0.01	0.06	0.01
Donations	0.23	0.02	0.20	0.02
Pre-operative and deferred revenue expenses written off *	-	-	0.75	0.07
Miscellaneous expenses	3.85	0.35	2.85	0.28
<b>Total</b>	<b>236.45</b>	<b>21.51</b>	<b>212.82</b>	<b>20.61</b>
<b>Revenue</b>	<b>1099.30</b>	<b>100</b>	<b>1032.37</b>	<b>100</b>

\* Includes Preliminary expenses written off.

### Multi Dimensional Cost Analysis

The table below represents the individual cost as a % to total cost.

**Table 9: Cost Matrix**

Particulars	% Of total cost	
	2007-08	2006-07
Staff Related Cost	77.04	74.29
Travel	7.09	7.81
Communication	1.60	2.04
Professional/Legal	1.28	2.20
Rent	2.40	2.31
Power & Fuel	1.47	1.39
Business Promotion	1.16	0.88
Repairs & Maintenance	1.30	1.28
Depreciation	4.48	5.23
Finance Charges	0.08	0.09
Other Expenses	2.10	2.48
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

### Depreciation & Amortization

Depreciation on fixed assets is provided using the straight-line method based on rates specified in Schedule XIV of the Companies Act, 1956 or on estimated useful lives of assets, whichever is higher. Individual assets costing less than Rs 5,000/- are depreciated at the rate of 100 %.

**Table 10: Asset Category wise Depreciation Rates & Estimated Useful Life**

Asset Category	Estimated useful life (years)	Rate of depreciation
Buildings	29-55	3.33%
Leasehold improvements	10	10%
Plant & Machinery	6-7	15%
Computer equipment and software	3-10	33.33%
Servers and computer accessories	5-10	20%
Electrical fittings, office equipments and furniture and fixtures.	5-10	10%
Vehicles	6	16.67%

Polaris has always believed in developing its own intellectual property (IP) and over the years has invested significant amount of resources in this development. All costs incurred towards development of these products were being capitalized from the technical viability stage till the product reached commercial viability. Since these products have gained acceptability with our customers, with effect from 1st Jan 2005, the capitalization of the expenses was discontinued. On the basis of an estimated useful life (calculated on the basis of Product Life Cycle, Technology obsolescence and competitor response) of the product, the capitalized expenses on products is being amortized over 60 months period (5 years).

### Income Taxes

Income tax for the year is Rs. 16.11 Crores comprises the following:-

**Table 11:**

<i>Rs. in Crores</i>		
<b>Particulars</b>	<b>March 31, 2008</b>	<b>March 31, 2007</b>
Income tax on Operations	14.55	14.44
Deferred Tax Asset/Liability	(1.35)	2.92
Fringe Benefit Tax:	2.91	2.55

Income tax liability was remain the same compared to last year, mainly on account of taxability of its legal entities located at various countries. New transfer pricing policy is implemented during the year for effecting tax optimisation measures.

Increase in Deferred tax was primarily due to additions to Fixed assets and reassessment of certain provisions for doubtful debts in line with 10A provisions.

Increase in FBT was primarily due to bringing ASOP under the FBT tax net during the year.

### Capital Markets:

The Capital Market Information relating to the Company's shares such as stock exchanges in which they are listed/traded, trading volume, stock price movements etc., has been provided in the Report on Corporate Governance (under the heading "General Shareholder Information") which forms part of the Annual Report 2007-08.

### Subsidiary Companies

#### Indian Subsidiaries

##### Optimus Global Services Limited

Optimus Global Services Limited, incorporated in September 2002. During the year the subsidiary recorded a revenue growth of 77% over the previous year. The company has posted a profit during the year and has set itself firmly on the profit earning track.

Duing the year, the company added 3 new clients, expanded its infrastructure facility by 35,000 sq.ft, grew headcount by 1,400 and got certified for ISO 9001.

The Company continues to get its major share of Business from Domestic BPO services market. Domestic BPO services market promises to grow significantly in the coming years and is expected to touch 80,000 Crores by 2012. The momentum built up this year is expected to continue in the coming year, where the Company expects to grow the Business by 80% and continue to improve profits. The growth will be contributed to by a big ramp up in the Domestic operations as well as significant scaling up of the International operations.

#### **Polaris Retail Infotech Limited (PRIL)**

Polaris Retail Infotech Limited (PRIL), incorporated in November 1998, to focus on fast growing retail segment. PRIL is positioned as a reliable and financially strong company offering end-to-end software solutions for retailers. Customer list includes well known retailers in different sub-vertical, from supermarket to apparel/footwear chain, from home furnishing to furniture and from agri retail to saree retail chain.

During the year, the company has achieved the revenue growth of 15% over last year and earned profits consecutively for the last two years. This clearly signals that the company is on the growth path. This could be possible due to the company's successful acquiring of new corporate customers apart from expanding the business with the existing customers. The company is expecting growth opportunities in SAP retail and consulting space by establishing critical mass and also by the positioning the existing retail products by domestic distribution model. The company is discussing with large corporate for acquiring big deals and the discussions are in the advanced stage and is expecting good growth from this segment in the ensuing financial years.

#### **Overseas Subsidiaries**

##### **Polaris Software Lab Pte Ltd, Singapore**

Polaris Software Lab Pte Ltd, incorporated in February 1997 in Singapore to tap the huge potential of Singapore and other ASEAN markets. The present share capital is SGD 385,000. During the year the subsidiary recorded a revenue of Rs. 82.77 crores with a net profit of Rs 6.44 crores.

##### **Polaris Software Lab Ltd, UK**

This subsidiary got incorporated in June 1998 with its headquarters in London to address the UK market. Current paid up share capital is GBP 889,000. the performance of the subsidiary has shown quantum jump, since its incorporation and the client list includes Citi and other high street banks. During the year, the subsidiary recorded revenue of Rs 162.50 crores with net profit of Rs 8.82 crores.

##### **Polaris Software Lab Ltd, Japan KK**

The subsidiary was incorporated in September 2001 with initial share capital of JPY 10 million. The present share capital is JPY 20 million. During the year, the subsidiary recorded revenue of Rs 33.50 crores with net profit of Rs 1.76 crores.

**Polaris Software Lab Pty Ltd, Australia**

The subsidiary was incorporated in November 2000 with share capital of AUD 25,000. During the year, the revenue recorded by the subsidiary was Rs 34.86 crores with net profit of Rs 2.18 crores.

**Polaris Software Lab Ireland Ltd**

The subsidiary was incorporated in February 2001 and the present share capital is EUR 176,186. During the year, the revenue of the subsidiary was Rs 7.32 crores with net profit of Rs 1.79 crores.

**Polaris Software Lab SA, Switzerland**

The subsidiary was incorporated in August 2000 and the present share capital is CHF 350,000. During the year, the revenue of the subsidiary was Rs 9.18 crores with net profit of Rs 0.42 crores.

**Polaris Software Lab GmbH, Germany**

The subsidiary was incorporated in June 2000 and the present share capital is EUR 600,000. During the year, the revenue of the subsidiary was Rs 17.75 crores with net profit of Rs 0.86 crores.

**Polaris Software Lab Canada Inc**

Polaris Software Lab Canada Inc. Incorporated in June 2004 to provide near shore support to the vast US market. Present share capital of Polaris Canada is CAD 490,810. For Polaris Canada, being in the investment phase, has been targeting BSFI and testing services, is expected to reap its results on efforts in the forthcoming years. During the year, the revenue of the subsidiary was Rs 14.34 crores with net loss of Rs 0.84 crores.

**Polaris Software Lab Chile Limitada**

Polaris Chile has been incorporated in August 2006, to cater the needs of potential Latin American region. Present capital is 5,837,807 Chilean Peso. During the year the revenue was Rs 6.08 crores with a profit of Rs 0.51 crores.

**Polaris Software Lab B.V, Netherlands**

Polaris Netherlands has been incorporated in May 2007. Present capital is EUR 20,000. During the year the revenue was Rs 0.89 crores with a loss of Rs 0.19 crores.

**9. Human Resource Development**

The talent build program at Polaris was further strengthened last year. Learning Process enhancements by the Corporate University 'Nalanda' helped in making the organization reach a near 6 training days per associate, with programs spanning from Technology to Management to Behavioral and Leadership skills. Learning Architecture introduced 'Unmukt' as a concept to experience and learn the boundryless world with feeling of joy and without fear. During last year, Nalanda was awarded the 'Champion of Learning'

certificate from the prestigious American Society of Training and Development (ASTD) for successful implementation of the Employee Learning Week.

**Total headcount at Polaris at end FY08 is as below:**

	Q1 FY08	Q2 FY08	Q3 FY08	Q4 FY08
Manpower (end of period)	8820	9441	10155	10093
Software Professionals	90.14%	90.10%	90.30%	89.91%
Support	9.86%	9.90%	9.70%	10.09%
Attrition Rate	15.74%	15.29%	16.19%	16.05%

*This page has been intentionally left blank*

**POLARIS SOFTWARE LAB LIMITED**

---

Consolidated Financial Statements for the year ended 31 March 2008

**CONTENTS**

Auditors' Report	-----	91
Balance Sheet	-----	92
Profit & Loss Account	-----	93
Statement of Cash Flows	-----	94
Schedules	-----	95
Notes to Accounts	-----	103

**Auditors' Report**  
**The Board of Directors of Polaris Software Lab Limited**

1. We have audited the attached consolidated balance sheet of **Polaris Software Lab Limited**, its subsidiaries and associates (together referred to as 'the Group' as described in Note 1 of Schedule 17 to the financial statements) as at 31st March 2008, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Group's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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.
3. *The financial statements of NMS Works Software Limited, AIG Systems Solutions Private Limited and Adrenalin eSystems Limited are yet to be audited and therefore unaudited financial statements for the year ended March 31, 2008 have been furnished to us by the management of the Group. The attached consolidated financial statements include share of Rs 16.75 lacs in the loss (net) of the aforementioned associates for the year then ended.*
4. We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of Rs. 24,614.64 lacs as at March 31, 2008, the total revenue of Rs. 41,739.94 lacs and cash inflow (net) amounting to Rs. 879.17 lacs for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on such report of other auditors.
5. We report that the consolidated financial statements have been prepared by the Group's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements and Accounting Standards (AS) 23 and Accounting for Investments in Associates in Consolidated Financial Statements, prescribed by the Companies (Accounting Standards) Rules, 2006.
6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, *subject to our comments in paragraph 3 for the effect of adjustments if any, that may arise, had the financial statements of NMS Works Software Limited, AIG Systems Solutions Private Limited and Adrenalin eSystems Limited been audited*, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.
  - (a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2008;
  - (b) in the case of the consolidated profit and loss account, of the profit of the Group for the year ended on that date; and
  - (c) in the case of the consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

**For S. R. BATLIBOI & ASSOCIATES**  
**Chartered Accountants**

**per S Balasubrahmanyam**  
**Partner**  
Membership No: 053315  
Chennai  
April 23, 2008

**POLARIS SOFTWARE LAB LIMITED - GROUP****Consolidated Balance Sheet as at**

(Rs in lacs)

	Schedule	March 31, 2008	March 31, 2007
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	4,933.73	4,929.11
Share application money pending allotment		0.02	-
Reserves and Surplus	2	<u>60,815.11</u>	<u>55,225.22</u>
		<b>65,748.86</b>	<b>60,154.33</b>
<b>LOAN FUNDS</b>			
Secured Loans	3	82.58	128.70
<b>DEFERRED TAX LIABILITY</b>			
	11A	<u>99.83</u>	<u>51.17</u>
		<b>65,931.27</b>	<b>60,334.20</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Cost	4	46,671.60	41,311.73
Less: Accumulated Depreciation and Amortisation		<u>25,833.24</u>	<u>21,862.95</u>
Net Book Value		20,838.36	19,448.78
Capital work in progress		<u>495.58</u>	<u>2,859.23</u>
		<b>21,333.94</b>	<b>22,308.01</b>
<b>INVESTMENTS</b>			
	5	9,696.60	4,119.80
<b>DEFERRED TAX ASSET</b>			
	11B	206.14	22.97
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Sundry Debtors	6	21,044.82	18,011.48
Cash and Bank balances	7	7,676.00	9,300.83
Loans and Advances	8	<u>24,450.30</u>	<u>21,857.94</u>
		<b>53,171.12</b>	<b>49,170.25</b>
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	9	14,005.07	10,711.25
Provisions	10	<u>4,471.46</u>	<u>4,575.58</u>
		<u>18,476.53</u>	<u>15,286.83</u>
<b>NET CURRENT ASSETS</b>			
		<b>34,694.59</b>	<b>33,883.42</b>
<b>MISCELLANEOUS EXPENDITURE</b>			
(to the extent not written off or adjusted)	12	-	-
		<u>65,931.27</u>	<u>60,334.20</u>
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.

As per our report of even date.

For **S.R.BATLIBOI & ASSOCIATES**  
Chartered Accountants

For and on behalf of the Board of Directors of  
**Polaris Software Lab Limited**

per **S.Balasubrahmanyam**  
Partner  
Membership No 053315  
**Chennai**  
**April 23, 2008**

**Arun Jain**  
Chairman & Managing Director

**R.C. Bhargava**  
Director

**R Srikanth**  
Executive Vice President & Chief Financial Officer  
Chennai  
April 23, 2008

**POLARIS SOFTWARE LAB LIMITED - GROUP**

**Consolidated Profit and Loss Account for the Year ended** (Rs in lacs except per share data)

	Schedule	March 31, 2008	March 31, 2007
<b>INCOME</b>			
Software development services and products			
- Overseas		96,295.58	91,075.49
- Domestic		8,049.49	9,000.99
Income from Business Process Outsourcing ( BPO)			
- Overseas		217.55	549.98
- Domestic		5,367.43	2,610.50
Other income, net	13	1,811.01	623.78
		<b>111,741.06</b>	<b>103,860.74</b>
<b>EXPENDITURE</b>			
Software development and BPO expenses	14	74,465.26	65,827.61
Selling, Administrative and other General expenses	15	23,645.42	21,281.84
		<b>98,110.68</b>	<b>87,109.45</b>
<b>Operating profit before interest, depreciation and amortisation</b>		<b>13,630.38</b>	<b>16,751.29</b>
Finance charges	16	78.61	83.93
Depreciation and Amortisation	4	4,602.48	4,811.40
		<b>4,681.09</b>	<b>4,895.33</b>
<b>Profit before taxation</b>		<b>8,949.29</b>	<b>11,855.96</b>
Income taxes - Current tax		1,454.87	1,443.94
- Deferred tax		(134.51)	292.03
- Fringe Benefit Tax		290.68	255.06
<b>Profit after taxation</b>		<b>7,338.25</b>	<b>9,864.93</b>
Share of Profit/(Loss) of Associate Companies (Refer note A1(d) of schedule 17)		(16.75)	241.56
<b>Net Profit for the Year</b>		<b>7,321.50</b>	<b>10,106.49</b>
Profit brought forward from previous year		22,493.89	15,711.78
<b>Amount available for appropriation</b>		<b>29,815.39</b>	<b>25,818.27</b>
<b>Appropriations</b>			
Dividend		1,480.11	2,217.63
Tax on Dividend		251.48	310.87
Amount transferred to General Reserve		526.33	795.88
Balance carried to Balance Sheet		27,557.47	22,493.89
		<b>29,815.39</b>	<b>25,818.27</b>
<b>Earnings per share</b> [Refer note B 6 of schedule 17] (equity shares par value Rs 5 each)			
Basic		7.42	10.28
Diluted		7.40	10.17
<b>Number of shares used in computing earnings per share</b>			
Basic		98,639,382	98,290,764
Diluted		98,938,304	99,337,463
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.

As per our report of even date.

For **S.R.BATLIBOI & ASSOCIATES**  
Chartered Accountants

For and on behalf of the Board of Directors of  
**Polaris Software Lab Limited**

per **S.Balasubrahmanyam**  
Partner  
Membership No 053315  
**Chennai**  
**April 23, 2008**

**Arun Jain**  
Chairman & Managing Director

**R.C. Bhargava**  
Director

**R Srikanth**  
Executive Vice President & Chief Financial Officer  
Chennai  
April 23, 2008

**POLARIS SOFTWARE LAB LIMITED - GROUP****Consolidated Statement of cash flow for the year ended**

(Rs in lacs)

	March 31, 2008	March 31, 2007
<b>Cash flows from operating activities</b>		
Profit before taxation, including share of profit / (loss) on associate companies	8,932.54	12,097.52
Interest and dividend income	(439.85)	(306.20)
Exchange differences on foreign exchange translation *	(478.48)	334.70
Depreciation / amortisation	4,602.48	4,811.40
Provision for doubtful debts, net	35.55	(11.70)
( Profit) / Loss on sale of fixed assets	132.61	11.58
( Profit) / Loss on sale of Investments	32.34	(1.02)
Lease finance charges	9.67	23.54
Share of (profit) / loss on associate companies	16.75	(241.56)
Miscellaneous expenditure written off	-	75.42
<i>Changes in current assets and liabilities</i>		
Decrease / (Increase) in sundry debtors	(2,728.29)	(4,532.39)
Decrease/ (Increase) in loans and advances	(1,996.90)	(6,943.04)
Increase/(Decrease) in current liabilities and provisions	2,768.87	2,349.42
Taxes paid	(2,451.51)	(2,226.96)
<b>Net cash flows from operating activities</b>	<b>8,435.78</b>	<b>5,440.71</b>
<b>Cash flows from financing activities</b>		
Proceeds from share capital issued on exercise of stock options	4.64	10.65
Proceeds from share premium on exercise of stock options	72.18	338.14
Proceeds / (Repayment) of secured loans	(46.12)	(208.22)
Lease finance charges	(9.67)	(23.54)
Dividends paid during the year	(1,236.01)	(2,198.23)
Dividend tax paid during the year	-	(483.08)
<b>Net cash flows from financing activities</b>	<b>(1,214.98)</b>	<b>(2,564.28)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of fixed assets	131.72	176.87
Purchase of fixed assets and changes in capital work in progress	(3,897.74)	(3,563.47)
Investment in associate companies	(185.00)	(167.00)
Net (increase) / decrease in non-trade investments	(5,440.89)	(400.61)
Interest and dividend received	439.85	306.20
<b>Net cash flows from investing activities</b>	<b>(8,952.06)</b>	<b>(3,648.01)</b>
<b>Effect of exchange differences on foreign exchange translation of cash and cash equivalents</b>	<b>106.43</b>	<b>(79.07)</b>
Total increase / (decrease) in cash and equivalents during the year	(1,624.83)	(850.65)
Cash and cash equivalents at the beginning of the year	9,300.83	10,151.48
<b>Cash and cash equivalents at the end of the year (Refer Schedule 7)</b>	<b>7,676.00</b>	<b>9,300.83</b>

\* Exchange differences on foreign exchange restatement include Rs.72.20 (March 31, 2007: Rs. 109.79) on account of translation adjustments relating to non-integral operations.

As per our report of even date.

For **S.R.BATLIBOI & ASSOCIATES**

Chartered Accountants

per **S.Balasubrahmanyam**

Partner

Membership No 053315

**Chennai**

**April 23, 2008**

For and on behalf of the Board of Directors of

**Polaris Software Lab Limited**

**Arun Jain**

Chairman & Managing Director

**R.C. Bhargava**

Director

**R Srikanth**

Executive Vice President & Chief Financial Officer

Chennai

April 23, 2008

**POLARIS SOFTWARE LAB LIMITED - GROUP**

**Schedules to the Consolidated Balance Sheet as at**

(Rs in lacs)

	March 31, 2008	March 31, 2007
<b>1 SHARE CAPITAL</b>		
Authorised		
120,000,000 equity shares of Rs 5 each.	6,000.00	6,000.00
(March 31, 2007: 120,000,000 equity shares of Rs 5 each)		
10,000,000 11 % preference shares of Rs 5 each.	500.00	500.00
(March 31, 2007: 10,000,000 11% preference shares of Rs 5 each)		
	<b>6,500.00</b>	<b>6,500.00</b>
<b>Issued, Subscribed and Paid up</b>		
98,674,597 equity shares of Rs 5 each	4,933.73	4,929.11
(March 31, 2007: 98,582,127 equity shares of Rs 5 each ) fully paid up (Refer note B4 of schedule 17)	<b>4,933.73</b>	<b>4,929.11</b>
Of the above :		
(i) 17,062,550 equity shares of Rs 5 each (March 31, 2007: 17,062,550 equity shares of Rs 5 each) were issued as bonus shares by capitalisation of securities premium account during the year 2001-02.		
(ii) 45,850,549 equity shares of Rs 5 each (March 31, 2007 : 45,850,549 equity shares of Rs 5 each) were issued pursuant to a scheme of amalgamation of Orbitech Solutions Limited with the Company during the year 2002-03.		
<b>2 RESERVES AND SURPLUS</b>		
General Reserve - As per last balance sheet	14,323.35	15,287.11
Add : Transferred from Profit and Loss Account	526.33	795.88
Less : Adjustment for Employee benefits as per AS 15 (Refer note B9 of schedule 17 )	-	(1,759.64)
	14,849.68	14,323.35
Foreign currency translation reserve - As per last balance sheet	(18.66)	91.13
Add : Adjustment for the year	(72.20)	(109.79)
	(90.86)	(18.66)
Securities Premium Account - As per last balance sheet	18,426.64	18,088.50
Add: Premium received on issue of shares under ASOP plans to employees	72.18	338.14
	18,498.82	18,426.64
Profit and Loss Account balance	27,557.47	22,493.89
	<b>60,815.11</b>	<b>55,225.22</b>
<b>3 SECURED LOANS</b>		
Finance Lease Obligation (Secured against cars taken on finance lease by the Company)	82.58	128.70
	<b>82.58</b>	<b>128.70</b>

**Polaris Software Lab Limited - Group  
Schedules to the Consolidated Balance Sheet as at March 31, 2008**  
**4. FIXED ASSETS**

		Cost				Depreciation and Amortisation				Net Book value			
Sl No	Description	April 1, 2007	Additions	Deletions	Cost Adjustment*	March 31, 2008	April 1, 2007	For the year	Deletions	Cost Adjustment*	March 31, 2008	March 31, 2008	March 31, 2007
<b>A</b>	<b>TANGIBLE ASSETS</b>												
1	Land (Refer Note 1)	1,301.83	21.54	-	(1.47)	1,321.90	3.20	1.59	-	-	4.79	1,317.11	1,298.63
2	Buildings (Refer Note 2)	8,338.58	3,134.36	117.27	8.66	11,364.33	1,188.99	436.13	36.36	0.87	1,589.63	9,774.70	7,149.59
3	Plant & Machinery (including Computer Equipment, software and accessories)	18,867.15	2,070.78	239.62	(12.96)	20,685.35	14,328.25	2,376.13	215.83	(8.01)	16,480.54	4,204.81	4,538.90
4	Electrical Fittings	1,213.97	44.32	291.99	-	966.30	594.44	119.08	200.28	(1.06)	512.18	454.12	619.53
5	Furniture, Fittings and Office equipment	5,049.22	899.75	181.89	(15.83)	5,751.25	2,049.15	603.77	130.11	(8.43)	2,514.38	3,236.87	3,000.07
6	Vehicles (Refer note 3)	432.50	90.64	49.15	-	473.99	245.94	76.44	33.01	-	289.37	184.62	186.56
	<b>SUB TOTAL (A)</b>	<b>35,203.25</b>	<b>6,261.39</b>	<b>879.92</b>	<b>(21.60)</b>	<b>40,563.12</b>	<b>18,409.97</b>	<b>3,613.14</b>	<b>615.59</b>	<b>(16.63)</b>	<b>21,390.89</b>	<b>19,172.23</b>	<b>16,793.28</b>
<b>B</b>	<b>INTANGIBLE ASSETS</b>												
1	Software Products	5,508.58	-	-	-	5,508.58	2,853.08	989.34	-	0.03	3,842.45	1,666.13	2,655.50
2	Intellectual property rights	599.90	-	-	-	599.90	599.90	-	-	-	599.90	-	-
	<b>SUB TOTAL (B)</b>	<b>6,108.48</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,108.48</b>	<b>3,452.98</b>	<b>989.34</b>	<b>-</b>	<b>0.03</b>	<b>4,442.35</b>	<b>1,666.13</b>	<b>2,655.50</b>
	<b>TOTAL (A+B)</b>	<b>41,311.73</b>	<b>6,261.39</b>	<b>879.92</b>	<b>(21.60)</b>	<b>46,671.60</b>	<b>21,862.95</b>	<b>4,602.48</b>	<b>615.59</b>	<b>(16.60)</b>	<b>25,833.24</b>	<b>20,838.36</b>	<b>19,448.78</b>
	Previous year	39,009.11	2,946.99	656.02	11.65	41,311.73	17,489.32	4,811.40	467.57	29.80	21,862.95	19,448.78	-

Note 1 : Land includes leasehold land. Gross block Rs 207.03; Net Block Rs 203.84 (March 31, 2007 : Gross block Rs 207.03; Net Block Rs 205.43)

Note 2 : Building includes leasehold improvements amounting to Gross Block of Rs 435.95 and Net Block of Rs 270.29 (March 31, 2007: Gross Block of Rs 553.22 and Net Block of Rs 381.72)

Note 3 : Vehicles include assets acquired under finance leases Gross Block Rs 311.46; Net block Rs 88.94 (March 31, 2007: Gross block Rs 352.59; Net block Rs 163.05)

\* Exchange adjustment represents foreign exchange gain / loss on account of translation of US branch and subsidiaries

**POLARIS SOFTWARE LAB LIMITED - GROUP**

**Schedules to the Consolidated Balance Sheet as at**

(Rs in lacs)

	March 31, 2008	March 31, 2007
<b>5. INVESTMENTS</b>		
LONG TERM INVESTMENT (AT COST) TRADE (UNQUOTED)		
<b>Software Sidoun GmbH Germany</b>	527.61	527.61
A company incorporated in Germany Common stock of Euros 1,175,990 fully paid up (March 31,2007: Common stock of Euros 1,175,990)		
Less: Diminution in value of investments	(527.61)	(527.61)
	-	-
<b>Eternet Inc.</b>	116.25	116.25
A company incorporated in USA 1,250,000 shares of USD 0.2 each fully paid up (March 31,2007 : 1,250,000 shares of USD 0.2 each)		
Less: Diminution in value of investments	(116.25)	(116.25)
	-	-
<b>NMS Works Software Private Limited</b>	415.00	300.00
A company incorporated in India 725,756 equity shares of Rs.10 each fully paid up (March 31, 2007: 500,000 equity shares of Rs.10 each fully paid up)		
Less: Share of Profit / (Loss) of Associate Company	(343.88)	(241.28)
	71.12	58.72
224,524 12% Optionally Convertible Cumulative Preference Shares of Rs. 10 each fully paid up (March 31,2007 : 224,524 12 % Optionally Convertible Cumulative Preference shares of Rs 10 each fully paid up) (Refer note B 8 (a) of schedule 17)	152.50	152.50
<b>Adrenalin eSystems Limited</b>	733.88	733.88
A Company incorporated in India 12,078,080 equity shares of Rs 5 each fully paid up (March 31, 2007: 12,078,080 equity shares of Rs 5 each fully paid up)		
1,000,000 equity shares of Rs 5 each fully paid up (March 31, 2007: 1,000,000 equity shares of Rs 5 each partly Rs 4.5 paid up)	100.00	90.00
Less: Share of Profit / (Loss) of Associate Company	(792.27)	(755.28)
	41.61	68.60
15,200,000 7% cumulative preference shares of Rs 5 each fully paid up (March 31, 2007: 14,000,000 7% cumulative preference shares of Rs 5/- each fully paid up) (Refer note B 8 (a) & (b) of schedule 17)	760.00	700.00
<b>AIG Systems Solutions Private Limited</b>	326.70	326.70
A company incorporated in India 462,100 equity shares of Rs 10 each fully paid up (March 31, 2007: 462,100 equity shares of Rs 10 each fully paid up)		
Add : Share of Profit/(Loss) of Associate Company	515.87	393.03
	842.57	719.73
<b>(A)</b>	<b>1,867.80</b>	<b>1,699.55</b>

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

(Rs in lacs)

	March 31, 2008	March 31, 2007
<b>5. INVESTMENTS (Contd.)</b>		
CURRENT INVESTMENTS NON TRADE (QUOTED)		
- Lower of costs and market value		
<b>Mutual Funds</b>		
HDFC Floating Rate Income Fund - Short Term Plan - Dividend Reinvest 1,777,815.531 units (March 31, 2007: 166,790.087 units) Face value: Rs 10 per unit	17.80	16.70
DWS Money Plus Fund - Inst Plan - Daily Dividend 9,322,177.298 units (March 31, 2007: 2,046, 948.252 units) Face value: Rs 10 per unit	932.98	204.86
OLPIDD HSBC Liquid Plus -Institutional Plus- Daily Dividend 3,157,856.551 units (March 31, 2007: 2,954,713.224 units) Face value: Rs 10 per unit	315.83	295.49
Prudential ICICI FMP Series 35 - 3 Months Plan C - Retail - Div. 2,819,686.699 units (March 31, 2007 - 3,000,000 units ) Face value: Rs 10 per unit	312.53	300.00
Reliance Short Term Fund - Retail Plan - Div Plan 3,976,467.441 units (March 31, 2007: Nil units) Face value: Rs 10 per unit	419.73	-
TFLD TATA Floater Fund - Daily Dividend 5,900,056.031 units (March 31, 2007: Nil units) Face value: Rs 10 per unit	592.11	-
Templeton India Short Term Income Plan Weekly Div - Div Reinvest 38,137.369 units (March 31, 2007: Nil units) Face value: Rs 1,000 per unit	412.34	-
ING Liquid Plus Fund - Institutional Daily Dividend 3,079,976.312 units (March 31, 2007: Nil units) Face value: Rs 10 per unit	308.10	-
ICICI Prudential Institutional Short Term - Monthly Dividend 2,739,573.372 units (March 31, 2007: Nil units) Face value: Rs 10 per unit	304.73	-
Kotak Flexi Debt Fund - Daily Dividend 5,097,116.198 units (March 31, 2007: Nil units) Face value: Rs 10 per unit	511.30	-
BSL Interval Income Fund - INSTL - Quarterly - Series 2 - Div 2,051,071.276 units (March 31, 2007: Nil units) Face value: Rs 10 per unit	205.11	-
AIG India Treasury Plus Fund Institutional Daily Dividend 3,062,366.245 units (March 31, 2007: Nil units) Face value: Rs 10 per unit	306.57	-
Lotus India Short Term Plan - Instl. Weekly Dividend 6,990,322.177 units (March 31, 2007: Nil units) Face value: Rs 10 per unit	708.34	-

**POLARIS SOFTWARE LAB LIMITED - GROUP**

**Schedules to the Consolidated Balance Sheet as at**

(Rs in lacs)

	March 31, 2008	March 31, 2007
<b>5. INVESTMENTS (Contd.)</b>		
Tata FIP Fund - Series A1 - IP - Monthly Dividend 3,028,957.313 units (March 31, 2007: Nil units) Face value: Rs 10 per unit	303.05	-
ING Short Term Income Fund - Dividend 2,626,303.866 units (March 31, 2007: Nil units) Face value: Rs 10 per unit	301.32	-
HDFC Quarterly Interval Fund - Plan B - WP - Dividend 2,991,712.956 units (March 31, 2007: Nil units) Face value: Rs 10 per unit	300.00	-
HDFC Quarterly Interval Fund - Plan C - WP - Dividend 4,996,802.047 units (March 31, 2007: Nil units) Face value: Rs 10 per unit	500.00	-
Reliance Liquid Plus IP - Daily Dividend Reinvestment 131.600 units (March 31, 2007: Nil units) Face value: Rs 1,000 per unit	1.32	-
Birla Short Term Fund - Fortnightly Dividend - Reinvestment 4,000,751.807 units (March 31, 2007: Nil units) Face value: Rs 10 per unit	402.38	-
Templeton India Ultra Short Bond Fund - Super IP - Dividend 5,015,463.907 units (March 31, 2007: Nil units) Face value: Rs 10 per unit	502.49	-
Sundaram BNP Paribas Select Focus - Dividend 1,466,082.188 units (March 31, 2007: Nil units) Face value: Rs 10 per unit	170.77	-
Birla FMP -Quarterly series 2 -Mar 07 Dividend Nil units ( March 31, 2007 : 997,277.432 units ) Face value: Rs 10 per unit	-	100.00
Kotak FMP 3M Series X - Dividend Nil units (March 31, 2007 : 3,029,234.506 units) Face value: Rs 10 per unit	-	302.93
Templeton Fixed Horizon fund 3 Month plan - Inst-div payout Nil units (March 31, 2007 : 3,000,000 units) Face value: Rs 10 per unit	-	400.00
DWS Fixed Term Fund series 28 Dividend option Nil units (March 31, 2007 - 3,000,000 units ) Face value: Rs 10 per unit	-	300.00
Sundaram BNP Paribas Fixed Term Plan series XXV (90 Day) div plan Nil units (March 31, 2007 - 2,000,000 units ) Face value: Rs 10 per unit	-	200.00
Birla FTP- Quarterly Series 4 - Dividend Payout Nil units (March 31, 2007 - 3,002,119.647 units) Face value: Rs 10 per unit	-	300.27
	<b>( B )</b>	<b>7,828.80</b>
	<b>( A + B )</b>	<b>2,420.25</b>
	<b>7,828.80</b>	<b>2,420.25</b>
	<b>9,696.60</b>	<b>4,119.80</b>

[Aggregate market value of quoted investments

March 31, 2008: Rs.7,844.34 (March 31, 2007: Rs 2,425.39)]

**POLARIS SOFTWARE LAB LIMITED - GROUP**

Schedules to the Consolidated Balance Sheet as at

(Rs in lacs)

	March 31, 2008	March 31, 2007
<b>6 SUNDRY DEBTORS</b>		
(Unsecured)		
Debts outstanding for a period exceeding six months		
- considered good	1,674.77	1,596.75
- considered doubtful	2,722.08	2,700.82
Other debts		
- considered good	19,370.05	16,414.73
- considered doubtful	14.29	-
	<u>23,781.19</u>	<u>20,712.30</u>
Less: Provision for doubtful debts	2,736.37	2,700.82
	<b><u>21,044.82</u></b>	<b><u>18,011.48</u></b>
<b>7 CASH AND BANK BALANCES</b>		
Cash on hand	7.14	2.80
Balances with scheduled banks		
- in current accounts	2,468.08	5,152.33
- in deposit accounts	655.48	741.87
Balances with non-scheduled banks in current accounts		
- Bank of America, New Jersey, USA	494.88	375.41
- Barclays Bank, UK	1,147.12	503.42
- Indian Bank, Singapore	-	0.49
- Citi Bank, Singapore	510.79	644.51
- ANZ Bank, Australia	578.49	590.78
- Dresdner Bank, Germany	33.10	130.00
- Ulster Bank, Ireland	469.06	221.35
- UBS Bank, Switzerland	102.06	-
- Bank of Tokyo Mitsubishi, Japan	18.65	31.87
- Citi Bank, Japan	285.89	246.51
- Chase Bank, New Jersey, USA	256.76	231.36
- ICICI Bank, Canada	56.33	29.95
- Chile Peso, Chile	86.86	124.62
- Citi Bank, Australia	152.20	-
- Citi Bank, Dubai	20.20	-
- TD Can Trust, Canada	15.67	-
- ABN AMRO, Netherlands	26.56	-
- Citi Bank, France	0.24	-
Balances with non-scheduled banks in deposit accounts		
- Bank of America, New Jersey, USA	150.96	167.01
- Citi Bank , Bahrain	139.48	106.55
	<b><u>7,676.00</u></b>	<b><u>9,300.83</u></b>
<b>8 LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	2,708.94	1,900.62
Advances and Loans to associates	44.72	45.00
Advance income tax (net of provision for tax)	2,058.35	1,427.14
Loans to employees	387.28	369.19
Loans to employees welfare trust	559.87	589.59
Forward cover receivable, net	-	351.81
Salary advance	306.61	327.36
Balance with government authorities	1,212.72	615.14
Revenues accrued and not billed	15,128.61	14,348.46
Rent, maintenance and security deposits	2,043.20	1,883.63
	<b><u>24,450.30</u></b>	<b><u>21,857.94</u></b>

**POLARIS SOFTWARE LAB LIMITED - GROUP**

**Schedules to the Consolidated Balance Sheet as at**

(Rs in lacs)

	<b>March 31, 2008</b>	<b>March 31, 2007</b>
<b>9 CURRENT LIABILITIES</b>		
Sundry creditors	13,492.91	10,386.12
Unclaimed dividends	36.51	39.06
Advances received from customers	4.51	8.61
Billings in excess of revenues	471.14	277.46
	<b>14,005.07</b>	<b>10,711.25</b>
<b>10 PROVISIONS</b>		
Provision for gratuity	967.13	684.37
Provision for leave benefits (Refer note B12 to schedule 17)	1,462.05	2,272.31
Provision for taxation (net of Advance income tax and tax deducted at source )	310.69	385.44
Proposed dividend	1,480.11	1,233.46
Provision for tax on proposed dividend	251.48	-
	<b>4,471.46</b>	<b>4,575.58</b>
<b>11A DEFERRED TAX LIABILITY</b>		
<u>Deferred Tax Liability</u>		
Fixed assets	575.81	492.77
<u>Deferred Tax Asset</u>		
Provision for doubtful debts	(430.99)	(389.11)
Others	(44.99)	(52.49)
	<b>99.83</b>	<b>51.17</b>
<b>11B DEFERRED TAX ASSET</b>		
Fixed assets	-	22.97
Others	206.14	-
	<b>206.14</b>	<b>22.97</b>
<b>12 MISCELLANEOUS EXPENDITURE</b> (to the extent not written off or adjusted)		
Preliminary expenses - Opening balance	-	2.45
Less: Written off during the year	-	2.45
Balance Carried	-	-
Pre-Operative Expenditure - Opening balance	-	72.97
Less: Written off during the year	-	72.97
Balance Carried	-	-

**POLARIS SOFTWARE LAB LIMITED - GROUP****Schedules to the Consolidated Profit and Loss Account for the year ended** (Rs in lacs)

	March 31, 2008	March 31, 2007
<b>13 OTHER INCOME</b>		
Interest received on deposits with banks and others	197.72	163.64
Profit on sale of investments, net	(32.34)	1.02
Dividends received on investment in mutual funds (Non trade - quoted)	242.13	142.56
Profit / (loss) on sale of assets, net	(132.61)	(11.58)
Miscellaneous income	90.41	384.84
Foreign exchange gain / (loss), net	1,445.70	(56.70)
	<b>1,811.01</b>	<b>623.78</b>
<b>14 SOFTWARE DEVELOPMENT AND BPO EXPENSES</b>		
Salaries and bonus including overseas staff expenses and outsourced consultants cost *	62,488.12	53,583.70
Staff welfare	2,742.86	2,624.55
Contribution to provident and other funds *	1,061.66	1,209.68
Gratuity	404.87	399.16
Travel Project	5,651.93	5,655.80
Consumables and computer maintenance	51.31	80.22
Communication expenses	1,643.76	1,872.87
License & Royalty	420.75	401.63
	<b>74,465.26</b>	<b>65,827.61</b>
<b>15 SELLING, ADMINISTRATION AND OTHER GENERAL EXPENSES</b>		
Salaries and bonus including overseas staff expenses *	12,222.68	10,332.43
Contribution to provident and other funds *	277.23	204.18
Professional and Legal charges	1,270.90	1,981.86
Traveling and conveyance	1,636.25	1,527.21
Rent	2,466.65	2,126.90
Business promotion	1,188.14	813.15
Power and fuel	1,516.86	1,280.53
Printing and stationery	171.95	194.24
Office maintenance	461.34	368.01
Provision for doubtful debts	351.36	209.32
Insurance charges	215.86	381.97
Advertisements	17.99	99.91
Bad debts written off	315.81	77.06
Less: out of provision for earlier years	<u>(315.81)</u>	<u>(77.06)</u>
Rates and taxes	50.23	158.62
Auditors' remuneration	46.21	40.48
Repairs - Building	188.16	122.43
Repairs - Plant and machinery	822.58	790.28
Repairs - Others	324.18	264.37
Directors' sitting fees	9.15	5.90
Donations	22.96	19.83
Pre-operative and deferred revenue expenses written off	-	75.42
Miscellaneous expenses	384.74	284.80
	<b>23,645.42</b>	<b>21,281.84</b>
* Also refer Note B 10 to Schedule 17.		
<b>16 FINANCE CHARGES</b>		
Lease finance charges	9.67	23.54
Bank charges and others	68.94	60.39
	<b>78.61</b>	<b>83.93</b>

**POLARIS SOFTWARE LAB LIMITED - GROUP**  
**Schedules to the Consolidated Financial Statements**

(All amounts in Rupees lacs, unless otherwise stated)

**17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

**1. Description of the Group**

Polaris Software Lab Limited ("Polaris" or "the Company") is the flagship Company of the Group and is listed on the principal stock exchanges of India.

Polaris, its subsidiaries and associates (collectively "the Polaris Group") are primarily engaged in the business of IT services and IT-enabled services delivering customized software solutions and products in the domain of contemporary services which include banking and financial services.

The list of subsidiaries with percentage holding is given below.

<b>Subsidiaries</b>	<b>Country of incorporation</b>	<b>Proportion of ownership interest</b>
Polaris Software Lab Ltd	United Kingdom	100%
Polaris Software Pty Ltd	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 Ltd	Ireland	100%
Polaris Software Lab Canada Inc	Canada	100%
Polaris Retail Infotech Limited	India	100%
Polaris Software Lab Limitada*	Chile	100%
Polaris Software Lab B.V.*	Netherlands	100%
Optimus Global Services Limited (formerly Optimus Outsourcing Company Limited)	India	100%

\* a subsidiary of Polaris Software Lab Ltd., United Kingdom.

The list of associates with percentage holding of Polaris is given below.

<b>Associates</b>	<b>% of share held</b>	<b>Original cost of investment</b>	<b>Goodwill / (capital reserve)</b>	<b>Accumulated profit / (loss) for year ended March 31, 2008</b>	<b>Carrying amount of investments as on March 31, 2008</b>
		<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
NMS Works Software Private Limited	45.85%	415.00	-	(343.88)	71.12
Adrenalin eSystems Limited	40.25%	833.88	41.61	(792.27)	41.61
AIG Systems Solutions Private Limited	20.00%	326.70	-	515.87	842.57

**POLARIS SOFTWARE LAB LIMITED - GROUP****Schedules to the Consolidated Financial Statements**

(All amounts in Rupees lacs, unless otherwise stated)

**17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)****A. SIGNIFICANT ACCOUNTING POLICIES****1. Basis of preparation**

(a) The consolidated financial statements of the Polaris Group are prepared under the historical cost convention on the accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) in India, and materially complies with the notified accounting standard by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956, (the Act). The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year. Management evaluates all recently issued or revised accounting standards on an ongoing basis.

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 required for the preparation and presentation of consolidated financial statements as laid down under the accounting standard on Consolidated Financial Statements as specified in the Companies (Accounting Standard) Rules, 2006. The financial statements of the Company and its subsidiaries are consolidated on a line by line basis by adding together like items of assets, liabilities, income and expenses. All material inter-Company transactions and balances are eliminated on consolidation. In respect of investments made in Associate Companies, the equity method prescribed under Accounting for Investments in Associates in Consolidated Financial Statements as specified in the Companies Accounting Standards Rules, 2006, has been adopted in the preparation of these financial statements. The consolidated financial statements are prepared by applying uniform accounting policies in use at the Group.

(b) In case of foreign subsidiaries, revenue items are consolidated at the average rate prevailing during the year. All the assets and liabilities are converted at the rates prevailing at the end of the year. Exchange gains / (losses) arising on conversion are recognized under Foreign Currency Translation Reserve. There has been no excess/short of the cost to the parent company of its investment in a subsidiary hence no goodwill/capital reserve has been recognized separately.

(c) Goodwill arising on acquisition of an associate by the Group has been included in the carrying amount of investments in the associates and has been disclosed separately.

(d) Consolidated Financial Statements include share of Rs. 16.75 in the loss (net) of NMS Works Software Limited, AIG Systems Solutions Private Limited and Adrenalin eSystems Limited (associates). The Financial statements of these companies are yet to be audited. In the opinion of the management, the impact that may arise upon completion of the audit of the financial statements of the above companies if any, will not be material.

**2. Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported

**POLARIS SOFTWARE LAB LIMITED - GROUP**  
**Schedules to the Consolidated Financial Statements**

(All amounts in Rupees lacs, unless otherwise stated)

**17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

amounts of assets and liabilities, disclosure of contingent 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.

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Actual results could differ from those estimates.

**3. Revenue recognition**

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

**Software development and support services**

Revenue from software development and support services comprises income from time-and-material and fixed price contracts. Revenue with respect to time-and-material contracts is recognized as related services are performed. Revenue from fixed-price contracts is recognised in accordance with the proportionate completion method. The stage of completion of project is determined by the proportion that contract costs incurred for work performed upto the balance sheet date bear to the estimated total contract costs. Provision for estimated losses on incomplete contract is recorded in the year in which such losses become probable based on the current contract estimates.

Revenues accrued and not billed represent earnings on ongoing fixed price and time and material contracts over amounts invoiced to customers.

Billings in excess of revenue represent amounts received in advance in case of ongoing fixed price and time and material contracts wherein amounts have been billed in accordance with the billing cycle and efforts would be incurred subsequent to the year end.

**Product licenses and related revenues**

Revenues from product licenses and related services comprise income under multiple element arrangements recognized as follows:

- License fees and fees for customization/implementation services are recognized using proportionate completion method. The stage of completion of project is determined by the proportion that contract costs incurred for work performed up to the balance sheet date bear to the estimated total contract costs. Provision for estimated losses, if any, on incomplete contracts are recorded in the year in which such losses become probable based on current contract estimates.
- Product maintenance revenues are recognized over the period of the maintenance contract.

**POLARIS SOFTWARE LAB LIMITED - GROUP**  
**Schedules to the Consolidated Financial Statements**  
 (All amounts in Rupees lacs, unless otherwise stated)

**17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

**Business Process Outsourcing**

Revenue from call center services comprises income from time and material contracts. Revenue is recognized in accordance with the terms of the contract with the customer, as related services are performed.

**Other Income**

Interest is recognized using the time-proportion method.

Dividend income is recognized when the company's right to receive dividend is established.

**4. Fixed assets and capital work in progress**

Fixed assets are stated at cost, less accumulated depreciation until the date of the balance sheet and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Capital work in progress includes advances paid to acquire fixed assets and cost of assets not ready for intended use before the balance sheet date.

**5. Impairment**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

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

**6. Leases**

Assets acquired on finance leases are capitalized and a corresponding liability disclosed as lease obligations under "Secured Loans". Such assets are capitalized at fair values or present value of minimum lease payments, whichever is lower, at the inception of the lease term and disclosed as leased assets. Rentals paid by the Company are apportioned between the finance charge and as a reduction of the outstanding liability. Finance charge reflects a constant periodic rate of interest on the remaining balance of liability for each period. Lease management fees, legal charges and other initial direct costs are capitalised.

Leases where the lessor effectively retains substantially all the risks and the benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

**7. Depreciation and amortisation**

Depreciation on fixed assets is provided using the straight-line method based on rates specified in Schedule XIV of the Companies Act, 1956 or on estimated useful lives of assets, whichever is higher. Individual assets costing less than Rs 5,000/- are depreciated at the rate of 100 %.

**POLARIS SOFTWARE LAB LIMITED - GROUP**  
**Schedules to the Consolidated Financial Statements**

(All amounts in Rupees lacs, unless otherwise stated)

**17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

The estimated useful lives considered for depreciation of fixed assets are as follows:

<b>Asset category</b>	<b>Estimated Useful Life (years)</b>
<b><u>Tangible assets</u></b>	
Buildings	29-55
Leasehold Improvements	10 or over the lease period if lower than the estimated useful life
Plant and machinery	6-7
Computer equipment and Software	3-10
Servers and computer accessories	5-10
Furniture and fixtures, office equipment and electrical fittings	5-10
Vehicles	6
<b><u>Intangible Assets</u></b>	
Software Products (indigenously developed)	5
Intellectual property rights (indigenously developed)	1

In respect of assets acquired on finance lease after 1 April 2001, the leased assets are depreciated over the period of the lease or the estimated useful life of the asset, whichever is lower. Leasehold land is amortized over the period of lease.

In some subsidiaries and associates, depreciation is calculated on written down value basis. The depreciation charge in respect of these entities is not significant in the context of the consolidated financial statements.

**8. Research and development expenses for intangibles**

**Expenditure**

Software product development costs are expensed as incurred until technological feasibility is established. Software development costs incurred subsequent to the achievement of technological feasibility are capitalised and amortised over estimated useful life of the products. This capitalisation is done only if the Group has the intention and ability to complete the product, the product is likely to generate future economic benefits, adequate resources to complete the product are available to the Group and the Group is able to accurately measure such expense.

Such software development costs comprise expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, for development of the product.

**Amortization**

The amortization of software development costs is allocated on a systematic basis over the best estimate of its useful life after the product is ready for use. The factors considered for identifying the basis include obsolescence, product life cycle and actions of competitors. The products are amortized over a period of five years.

The amortization period and the method are reviewed at each period end. If the

**POLARIS SOFTWARE LAB LIMITED - GROUP****Schedules to the Consolidated Financial Statements**

(All amounts in Rupees lacs, unless otherwise stated)

**17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

expected useful life of the product is shorter from previous estimates, the amortization period is changed accordingly.

**9. Foreign currency transactions and translations**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rates that approximates prevailing at the date of the transaction.

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

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

The financial statements of a non-integral foreign operation are translated into Indian Rupees as follows:

- Income and expense items are translated at the average exchange rate for the year.
- Assets and liabilities, both monetary and non-monetary, are translated at the closing rate.
- All resulting exchange differences are accumulated in foreign currency translation reserve, which is reflected under reserves and surplus.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognized as income or as expenses in the same period in which the gain or loss on disposal is recognized.

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

**10. Forward contracts in foreign currencies**

The Group uses foreign exchange forward contracts to hedge its exposure to movements in foreign currency rates. The use of these foreign exchange forward contracts reduces the risk or cost to the Group and the Group does not use the foreign exchange forward contracts for trading or speculation purposes.

Forward exchange contracts that are not hedges of forecasted transactions are accounted for using the guidance in Accounting Standard ('AS') 11, 'The effects of changes in foreign exchange rates'. The premium or discount on all such contracts arising at the inception of each contract is amortised as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognized as income or as expense for the period. The exchange difference is calculated as the difference between the foreign currency amount of the contract translated at the exchange rate at the reporting date, or

**POLARIS SOFTWARE LAB LIMITED - GROUP**

**Schedules to the Consolidated Financial Statements**

(All amounts in Rupees lacs, unless otherwise stated)

**17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

the settlement date where the transaction is settled during the reporting period, and the corresponding foreign currency amount translated at the latter of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognised in the profit and loss account in the reporting period in which the exchange rates change.

Pursuant to the Announcement of the ICAI dated March 29, 2008, the Company records net mark-to-market losses, if any, in respect of forward exchange contracts entered in to hedge a highly probable forecast transaction but, net mark-to-market gains are not recorded for such transactions.

**11. Investments**

Investments are classified as long term investments and current investments. Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Long-term investments are stated at cost and any decline other than temporary, in the value of such investments is charged to the Profit and Loss account. Current investments are stated at the lower of cost or market value determined on an individual investment basis. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

**12. Retirement and other employee benefits**

Provident Fund

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 employees' salary. The Company has no further obligations under the plan beyond its monthly contributions.

Gratuity

The Company provides for gratuity in accordance with the Payment of Gratuity Act, 1972, 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 eligible employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Gratuity liability is accrued and provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

Superannuation

The Company contributes a specified percentage of the eligible employees' basic salary towards superannuation (the Plan) to a fund. 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 the trust rules. The Company has no further obligations under the Plan beyond its annual contribution.

**POLARIS SOFTWARE LAB LIMITED - GROUP****Schedules to the Consolidated Financial Statements**

(All amounts in Rupees lacs, unless otherwise stated)

**17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**Leave Benefits

As per the current employment policy of the Company, employees can carry forward accumulated leave balances as per company's leave policy which can be utilized in the subsequent years. In case of overseas branches, the employees are eligible to encash the accumulated leave balances.

Provision for compensated absences is accrued and provided for on the basis of actuarial valuation made at the end of the each financial year. The actuarial valuation is done as per projected unit credit method. Encashment of accumulated leave balances are accounted for in the year in which the leave balances are credited to employees on actual basis.

Subsidiaries

Retirement benefits are provided to employees of subsidiaries in accordance with the local laws and regulations prevailing in the Country in which the subsidiary is located.

**13. Income taxes and Deferred Tax**

Tax expense comprises of current, deferred and fringe benefit tax. The current charge for income taxes and fringe benefit tax is calculated in accordance with the relevant tax regulations applicable to the Company. The current tax provision and advance income tax as at balance sheet date have been arrived at after setting off advance tax and current tax provision where the Group has legally enforceable right to set off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences between the taxable income and accounting income. 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 year that includes the enactment date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the Group does not have legal right to do so.

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. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain, that sufficient future taxable income will be available against which deferred tax asset can be realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits

The Company has availed the tax holiday benefits under Section 10A of the Income tax Act, 1961 for some of the units and, accordingly, its business income (to the extent covered by that section) is exempt from tax up to and including period ending March 31, 2009.

**POLARIS SOFTWARE LAB LIMITED - GROUP**

**Schedules to the Consolidated Financial Statements**

(All amounts in Rupees lacs, unless otherwise stated)

**17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

**14. 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") and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India, 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', if any, in the profit and loss Account. The Company measures compensation cost relating to employee stock options using the intrinsic value method.

'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.

**15. Cash and Cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

**16. Earnings per share**

The basic earnings per share are computed by dividing the net profit attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares which would have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as at the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e.) the average market value of the outstanding shares. In computing dilutive earnings per share, only potential equity shares that are dilutive and that either reduces earnings per share or increase loss per share are included.

**17. Provisions**

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

**POLARIS SOFTWARE LAB LIMITED - GROUP****Schedules to the Consolidated Financial Statements**

(All amounts in Rupees lacs, unless otherwise stated)

**17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)****B. NOTES TO ACCOUNTS:**

1. All amounts in the financial statements are presented in Rupees Lacs, except for per share data and as otherwise stated.
2. **Capital commitments and Contingent Liabilities**
  - (i) The estimated amount of contracts remaining to be executed on capital account, and not provided for (net of advances) as at March 31, 2008 is Rs 790.56 (March 31, 2007: Rs 1,275.24).
  - (ii) As at March 31, 2008, the Group has outstanding guarantees and counter guarantees of Rs.578.03 (March 31, 2007: Rs 241.30) issued to various banks, in respect of the guarantees given by the banks in favour of various government authorities.
  - (iii) Claims against the company, not acknowledged as debts includes:
    - a. Demand from Indian income tax authorities as at March 31, 2008 is Rs. 1,088.53 (March 31, 2007: Rs.1,111.66). The tax demand mainly on account of disallowance of a portion of the deduction claimed by the company under Section 10A of the Income Tax Act. The Company is in the process of filing an appeal with the higher appellate authorities.
    - b. Sales Tax demand from Commercial Tax Officer Chennai is Rs.520.00 as at March 31, 2008 (March 31, 2007: Nil).

The Company is contesting the demand, and the management, including its tax advisers, believes that its position will likely be upheld in the appellate process. No tax expense has been accrued in the financial statements for the tax demand raised. Management believes that the ultimate outcome of these proceedings will not have a material adverse effect on the company's financial position and results of operations.
  - (iv) The Company is also involved in other law suit and claims including suits filed by former employees, which arise in the ordinary course of business. However there are no such matters pending that the Company expects to be material in relation to its business.
  - (v) The future obligation for vehicles taken on lease is given below

Particulars	As at	As at
	March 31, 2008	March 31, 2007
Not later than one year	53.29	51.89
Later than one year and not later than 5 years	38.12	95.48
	91.41	147.37
Less: Amount representing future interest	(8.83)	(18.67)
Present Value of minimum lease rentals	<b>82.58</b>	<b>128.70</b>

**POLARIS SOFTWARE LAB LIMITED - GROUP**

**Schedules to the Consolidated Financial Statements**

(All amounts in Rupees lacs, unless otherwise stated)

**17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

- (vi) The Group has taken certain offices and residential premises for the employees under operating leases, which expires at various dates in future years. The minimum lease rental payments to be made in respect of these leases are as follows.

Particulars	As at	
	March 31, 2008	March 31, 2007
Lease payments for the year	2,343.14	2,023.73
Contingent rent recognised in Profit and Loss Account	-	-
Minimum Lease Payments :		
Not later than one year	1,297.51	2,383.50
Later than one year and not later than five years	1,006.04	4,699.06
Later than five years	607.30	572.45
<b>Total</b>	<b>2,910.85</b>	<b>7,655.01</b>

**3. Gratuity**

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is partially funded with an insurance company in the form of a qualifying insurance policy.

The following tables summaries the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

**Reconciliation of opening and closing balances of the present value of defined benefit obligation:**

Particulars	Year ended	
	March 31, 2008	March 31, 2007
<b>Obligations at the beginning of the period</b>	709.57	455.15
Current service cost	373.87	324.07
Interest cost	56.79	36.16
Expected return on plan assets	(1.00)	-
Actuarial gain / loss	(24.79)	38.93
Benefits paid	(126.22)	(144.74)
<b>Obligations at the period end</b>	<b>988.22</b>	<b>709.57</b>
<b>Change in plan assets</b>		
Plan assets at period beginning, at fair value	25.20	29.23
Expected return on plan assets	-	-
Actuarial gain / loss	-	-
Contribution from employer	122.11	140.71
Benefits paid	(126.22)	(144.74)
<b>Plan assets at year end, at fair value</b>	<b>21.09</b>	<b>25.20</b>

**POLARIS SOFTWARE LAB LIMITED - GROUP****Schedules to the Consolidated Financial Statements**

(All amounts in Rupees lacs, unless otherwise stated)

**17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

<b>Particulars</b>	<b>Year ended March 31, 2008</b>	<b>Year ended March 31, 2007</b>
<b>Reconciliation of present value of the obligation and the fair value of plan assets</b>		
Fair Value of plan assets at the end of the period	21.09	25.20
Present value of defined benefit obligations at the end of the period	(988.22)	(709.57)
Asset/(Liability) recognized in the balance sheet	<b>(967.13)</b>	<b>(684.37)</b>
<b>Gratuity cost for the year</b>		
Current service cost	373.87	324.07
Interest cost	56.79	36.16
Expected return on plan assets	(1.00)	-
Actuarial gain / losses	(24.79)	38.93
<b>Net gratuity cost</b>	<b>404.87</b>	<b>399.16</b>
Defined Benefit Obligation	988.22	709.57
Plan Assets	21.09	25.20
Surplus / (deficit)	(967.13)	(684.37)
Experience adjustments on plan liabilities	(24.79)	38.93
Experience adjustments on plan assets	-	-
<b>Assumptions:</b>		
Discount rate	8%	8%
Estimated return on plan assets	8%	8%

The fund is administered by Life Insurance Corporation of India ("LIC"). The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

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

**4. Stock Option Plans**

The Company has four 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.

**Associate Stock Option Plan 2000**

On 9 March 2000, the Company's shareholders approved in the Extraordinary

**POLARIS SOFTWARE LAB LIMITED - GROUP**

**Schedules to the Consolidated Financial Statements**

(All amounts in Rupees lacs, unless otherwise stated)

**17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

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 Remuneration and Compensation Committee administers the 2000 Plan. Under the Plan, based on the recommendation of Employee Remuneration and Compensation Committee, the options were 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.

Subsequently, the shareholders of the Company approved the following modifications to the 2000 Plan:

- At the EGM held on 7 March 2001, the Plan was modified to permit cancellation/ accept surrender of options; and
- At the Annual General Meeting held on 6 September 2002, the exercise price of the options to be granted will be the market price of the shares on the date of the grant.

A summary of the status of the 2000 Plan at 31 March 2008 is presented below.

Particulars	March 31, 2008		March 31, 2007	
	Number of Shares	Weighted Average Exercise Price (Rs.)	Number of Shares	Weighted Average Exercise Price(Rs.)
Outstanding at the beginning of the year	98,970	139.01	448,585	150.56
Granted during the year	-	-	-	-
Exercised during the year	(4,290)	120.12	(89,575)	99.01
Forfeited during the year	(5,560)	126.59	(170,580)	177.35
Expired during the year	(44,555)	136.16	(89,460)	163.87
Other Adjustments	-	-	-	-
Outstanding at the end of the year	44,565	145.23	98,970	139.01
Exercisable at the end of the year	44,565	145.23	92,770	140.03

Particulars	March 31, 2008	March 31, 2007
Weighted average remaining contractual life (in years)	1.00	1.58
Weighted average fair value of options granted	-	-

**POLARIS SOFTWARE LAB LIMITED - GROUP****Schedules to the Consolidated Financial Statements**

(All amounts in Rupees lacs, unless otherwise stated)

**17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)****Associate Stock Option Plan 2001**

The Shareholders of the Company in the Extraordinary General Meeting (EGM) held on 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 2008 is presented below.

Particulars	March 31, 2008		March 31, 2007	
	Number of Shares	Weighted Average Exercise Price (Rs.)	Number of Shares	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the year	65,635	104.55	307,280	80.88
Granted during the year	-	-	-	-
Exercised during the year	(11,080)	84.99	(151,305)	68.76
Forfeited during the year	(5,290)	126.70	(54,205)	86.22
Expired during the year	(29,895)	94.14	(36,135)	81.20
Other Adjustments	-	-	-	-
Outstanding at the end of the year	19,370	125.76	65,635	104.55
Exercisable at the end of the year	19,370	125.76	59,635	102.63

Particulars	March 31, 2008	March 31, 2007
Weighted average remaining contractual life (in years)	1.00	1.47
Weighted average fair value of options granted	-	-

During the year ended 31 March 2002, the Company announced and allotted bonus shares by capitalising a part of securities premium account in the ratio of 1 equity share for every 2 shares held on the record date. The Associate Stock Option Schemes (ASOP) 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. At the Ninth Annual General Meeting held on 6 September 2002, a special resolution was passed, effective 7 March 2001, wherein the total number of options to be granted under the 2000 Plan and 2001 Plan along with options already granted by the Company and outstanding under the schemes shall not at any time exceed 6.25 % (2.75 % under 2000 Plan and 3.5% under the 2001 Plan) of the total shares issued by the Company on the date (s) of grant of such options.

**POLARIS SOFTWARE LAB LIMITED - GROUP**

**Schedules to the Consolidated Financial Statements**

(All amounts in Rupees lacs, unless otherwise stated)

**17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

**Associate Stock Option Plan 2003**

The Shareholders of the Company in the EGM held on the 12 March 2004 approved an Associate Stock Option Plan (the 2003 Plan). The 2003 Plan provides for issuance of 3,895,500 equity shares of Rs 5 each to the employees including Directors at the market price of the shares on the date of grant. The market price under the 2003 Plan scheme prior to the revised SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 (amended upto July 22, 2004), was the average of the two weeks high and low price of the share preceding the date of grant of option on the stock exchange, where the highest trading volumes are recorded during the aforesaid period. Consequent to the revised SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, (amended upto July 22, 2004), the market price under the 2003 Plan scheme is the latest available closing price prior to the date of the meeting of the Board of Directors in which options are granted/shares are issued, on the stock exchange on which the shares of the Company are listed and, where there is highest trading volume on the said date. The option vests over a period of five years from the grant date.

A summary of the status of the 2003 plan at 31 March 2008 is presented below.

Particulars	March 31, 2008		March 31, 2007	
	Number of Shares	Weighted Average Exercise Price (Rs.)	Number of Shares	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the year	3,286,400	143.40	1,854,850	144.44
Granted during the year	313,500	147.74	2,500,500	135.01
Exercised during the year	(77,100)	80.72	(111,250)	146.54
Forfeited during the year	(557,400)	136.91	(957,700)	122.53
Expired during the year	(25,500)	137.08	-	-
Other adjustments	-	-	-	-
Outstanding at the end of the year	2,939,900	146.79	3,286,400	143.40
Exercisable at the end of the year	1,430,250	147.87	1,053,620	144.72

Particulars	March 31, 2008	March 31, 2007
Weighted average remaining contractual life (in years)	3.88	5.37
Weighted average fair value of options granted	76.70	64.17

**Associate Stock Option Plan 2004**

The Shareholders of the Company in the AGM held on the 22 July 2005 approved an Associate Stock Option Plan (the 2004 plan). The 2004 plan provides for issuance of 1,084,745 equity shares of Rs 5 each to the employees including Directors at the market price of the shares on the date of grant. The market price under the

**POLARIS SOFTWARE LAB LIMITED - GROUP****Schedules to the Consolidated Financial Statements**

(All amounts in Rupees lacs, unless otherwise stated)

**17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

2004 plan is the latest available closing price prior to the date of the meeting of the Board of Directors in which options are granted/shares are issued, on the stock exchange on which the shares of the Company are listed and, where there is highest trading volume on the said date. The option vests over a period of five years from the grant date.

A summary of the status of the 2004 plan at March 31, 2008 is presented below.

Particulars	March 31, 2008		March 31, 2007	
	Number of Shares	Weighted Average Exercise Price (Rs.)	Number of Shares	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the year	780,000	148.13	-	-
Granted during the year	-	-	994,500	147.87
Exercised during the year	-	-	-	-
Forfeited during the year	(46,100)	76.60	(214,500)	146.90
Expired during the year	(800)	76.60	-	-
Other Adjustments	-	-	-	-
Outstanding at the end of the year	733,100	152.71	780,000	148.13
Exercisable at the end of the year	282,000	155.74	156,000	148.13

Particulars	March 31, 2008	March 31, 2007
Weighted average remaining contractual life (in years)	5.02	6.00
Weighted average fair value of options granted	122.12	77.76

**Pro forma Disclosure:**

In accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, had the compensation cost for associate stock option plans been recognized based on the fair value at the date of grant in accordance with Black-Scholes model, the pro forma amounts of the Group's net profit and earnings per share would have been as follows:

Particulars	March 31, 2008	March 31, 2007
Profit after tax		
- as reported	7,321.50	10,106.49
- proforma profit	6,419.10	9,699.83
<b>Earnings Per Share (in Rs.)</b>		
<b>Basic</b>		
- As reported	7.42	10.28
- Pro forma	6.51	9.87

**POLARIS SOFTWARE LAB LIMITED - GROUP**

**Schedules to the Consolidated Financial Statements**

(All amounts in Rupees lacs, unless otherwise stated)

**17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

Particulars	March 31, 2008	March 31, 2007
<b>Diluted</b>		
- As reported	7.40	10.17
- Pro forma	6.49	9.76

The fair value of options was estimated at the date of grant using the Black scholes model with the following assumptions:

Particulars	April to March 08	April to March 07
Risk-free interest rate	7.81%	7.73%
Expected life	2.5 to 6.5 Years	2.5 to 6.5 Years
Expected volatility	54.42%	61.87%
Expected dividend yield	1.07%	0.97%

**5. Segment Reporting**

The Group's operations predominantly relate to providing IT services and IT-enabled 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 performed on the basis of 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 categorized 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.

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 comprise:

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

**POLARIS SOFTWARE LAB LIMITED - GROUP****Schedules to the Consolidated Financial Statements**

(All amounts in Rupees lacs, unless otherwise stated)

**17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)****Primary segment information**

<b>Particulars</b>	<b>Year ended March 31, 2008</b>	<b>Year ended March 31, 2007</b>
<b><u>Segment revenues</u></b>		
Banking and financial services	98,157.58	91,986.97
Emerging verticals	11,772.47	11,249.99
	<b>109,930.05</b>	<b>103,236.96</b>
<b><u>Segment Profit before Finance charges, Unallocable Expenses and Tax</u></b>		
Banking and financial services	30,276.07	36,655.21
Emerging verticals	2,046.15	2,061.35
	<b>32,322.22</b>	<b>38,716.56</b>
Finance charges	(78.61)	(83.93)
Other Unallocable expenditure net of Unallocable income	(23,311.07)	(26,535.11)
<b>Profit before taxation</b>	<b>8,932.54</b>	<b>12,097.52</b>
Income taxes including deferred tax and fringe benefit tax	(1,611.04)	(1,991.03)
<b>Profit after taxation</b>	<b>7,321.50</b>	<b>10,106.49</b>

**Secondary segment information**

<b>Region</b>	<b>Year ended March 31, 2008</b>	<b>Year ended March 31, 2007</b>
<b><u>Segment revenues</u></b>		
United States of America	38,583.65	37,815.75
Europe	34,448.68	31,636.53
Asia Pacific	19,053.21	17,265.38
India and Middle East	17,844.51	16,519.30
	<b>109,930.05</b>	<b>103,236.96</b>

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

**6. Earnings per Share ("EPS")**

Reconciliation of basic and diluted shares used in computing EPS:

<b>Particulars</b>	<b>Year ended March 31, 2008</b>	<b>Year ended March 31, 2007</b>
Weighted average number of equity shares outstanding during the period-Basic	98,639,382	98,290,764
Add: Effect of dilutive issue of stock options to be converted	298,922	1,046,699
Weighted average number of equity shares outstanding during the period-Diluted	98,938,304	99,337,463

**POLARIS SOFTWARE LAB LIMITED - GROUP**

**Schedules to the Consolidated Financial Statements**

(All amounts in Rupees lacs, unless otherwise stated)

**17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

**7. Related party transactions**

List of related parties where control exists:

<b>Associates</b>	
NMS Works Software Private Limited ('NMS')	Orbitech Employees Welfare Trust
AIG Systems Solutions Private Limited ('AIGSS')	Adrenalin eSystems Limited ('Adrenalin eSystems' or 'ASL')
<b>Others</b>	
(a) (enterprises that directly, or indirectly through one or more intermediaries, control the Group and enterprise of which the Group is an associate).	
Citi bank and its branches	Orbitech Limited
Polaris Holdings Private Limited	
(b) (enterprises that have a member of Key Management in common with that of the Group)Ullas Trust	
<b>Key management person</b>	
Mr. Arun Jain, Chairman and Managing Director	

PARTICULARS	Associates				Others		
	Adrenalin eSystems	NMS	AIGSS	Orbitech trust	Others	Key managerial person	Relatives of key managerial person
<b>Balances due to / from related parties</b>							
Receivables - Trade Debts	-	-	113.00	-	6,570.02	-	-
	-	-	(136.99)	-	(6,358.89)	-	-
Receivables - Loans and Advances	44.73	-	-	559.87	-	-	-
	(45.38)	-	-	(589.59)	-	-	-
Payables	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Investments	1,593.88	567.50	326.70	-	-	-	-
	(1,523.88)	(452.50)	(326.70)	-	-	-	-
Provision for investments	-	(343.88)	-	-	-	-	-
	-	(241.28)	-	-	-	-	-
<b>Related party transactions</b>							
Loans and Advances given	-	-	-	29.72	-	-	-
	-	-	-	(176.55)	-	-	-
Loans and Advances received	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Software development service income	-	-	334.21	-	30,205.14	-	-
	-	-	(652.88)	-	(34,696.38)	-	-
Interest Income	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Software development expenses	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Reimbursement of expenses to the Company	0.66	-	-	-	-	-	-
	(19.99)	-	(0.76)	-	-	-	-

**POLARIS SOFTWARE LAB LIMITED - GROUP****Schedules to the Consolidated Financial Statements**

(All amounts in Rupees lacs, unless otherwise stated)

**17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)****7. Related party transactions (Continued)****Figures in brackets denote previous year figures**

PARTICULARS	Associates				Others		
	Adrenalin eSystems	NMS	AIGSS	Orbitech trust	Others	Key managerial person	Relatives of key managerial person
Reimbursement of expenses by the Company	-	-	-	-	96.47	-	-
					(100.39)	-	-
Lease Payments	-	-	-	-	47.12	-	-
					(139.40)	-	-
Investments	70.00	115.00	-	-	-	-	-
	(239.35)	-	-	-	-	-	-
Provision for diminution in value of investments	-	102.60	-	-	-	-	-
		(18.30)	-	-	-	-	-
Remuneration to Managing Director	-	-	-	-	-	92.53	-
						(114.62)	-
Dividend paid	-	-	-	-	-	-	-
						(97.00)	(36.99)

Note : Figures in brackets denote previous year figures

**8. Investments in Associates**

- a) The movement during the year ended March 31, 2008 comprises the following:
- Subscribed additionally for 1,200,000 7% cumulative preference shares of Rs 5/- each fully paid up amounting to Rs 60.00 during the year in Adrenalin eSystems;
  - Paid Re.1/- during the year to Adrenalin eSystems Limited, inclusive of a premium of Re.0.5/- for converting partly paid up 1,000,000 Equity shares, to 1,000,000 Equity shares of Rs 5 each per fully paid up;
  - Subscribed additionally for 225,756 equity shares of Rs.10 each at a premium of Rs.40.94 amounting to Rs.115.00 during the year in NMS Works Software Private Limited.
- b) The Group's equity ownership interest in Adrenalin eSystems is 40.25 % as at March 31, 2008. Adrenalin eSystems Limited ("ASL") is primarily engaged in the business of providing specific solutions relating to Human Relations suite of software solutions and products and has been incurring losses. The Group believes that the accumulated losses to the extent of Rs.3,054.90 as per the unaudited financial statements of ASL as on 31 March 2008 are on account of initial / start-up stage of operations. The full version of the ASL's main product "Adrenalin" was launched in January 2006 and ASL's evaluation of the product's market acceptability is positive. The Group believes that, in pursuing business models based on mass adoption of similar technologies on global scale, the start up costs on brand building, product development costs and franchise acquisitions are significant and the international experience also suggests that the product companies have longer gestation period. As per the unaudited financial statement of

**POLARIS SOFTWARE LAB LIMITED - GROUP**  
**Schedules to the Consolidated Financial Statements**  
(All amounts in Rupees lacs, unless otherwise stated)

**17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

ASL for the year ended March 31, 2008, ASL has earned cash profit. Further, the promoters of ASL are committed to provide continued support to its operations and ASL is expected to generate profits in the future. Accordingly, there is no permanent diminution in the value of its investments in ASL and the share of loss is also restricted to the extent of equity.

9. The Group has adopted Accounting Standard 15 (Revised) - Employee Benefits with effect from April 01, 2006. Pursuant to adoption, the Group had determined the liability for Transitional Provision amounting to Rs. 1,759.64 which had been debited to General Reserve in the previous year.
10. The following are the aggregate amounts incurred on certain specific expenses that are required to be disclosed under Schedule VI to the Companies Act, 1956.

Particulars	Year ended	Year ended
	31 March 2008	31 March 2007
Salaries and bonus including overseas staff expenses	74,710.80	63,916.13
Contribution to provident and other funds	1,338.89	1,413.86
<b>Total</b>	<b>76,049.69</b>	<b>65,329.99</b>

**11. Derivative instruments:**

The Group uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Group does not use forward contracts for speculative purposes.

The following are the outstanding Forward Exchange Contracts entered into by the Group.

Particulars	Year ended	Year ended
	March 31, 2008	March 31, 2007
Number of contracts	77	9
US \$ Equivalent	1,180.00	486.20
INR Equivalent	47,283.58	21920.00

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Particulars	March 31, 2008		March 31, 2007	
	US Dollar equivalent	INR	US Dollar equivalent	INR
Amounts receivable in foreign currency	165.18	6,602.96	176.00	7,649.17

12. The Group had accounted for accumulated compensated absences and encashment of accumulated leave balances upto September 30, 2007 as short term employee benefits. Effective from October 1, 2007, with a view to conform

**POLARIS SOFTWARE LAB LIMITED - GROUP**  
**Schedules to the Consolidated Financial Statements**  
 (All amounts in Rupees lacs, unless otherwise stated)

**17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

to the guidance of Expert Advisory Committee of ICAI, the Company has actuarially valued the accumulated compensated absences and encashment of accumulated leave balances and accounted for the same. As a result of this change, the cost of salary and wages are lower by Rs.867.13, net profit before tax is higher by Rs.867.13.

- 13.** Arun Verma and Data Inc (the plaintiffs) filed a complaint against the Company in a US Court at New Jersey, for damages towards breach of contract and fraud, for non-acquisition of Data Inc in earlier years. The Company has entered into an out-of court settlement and paid \$ 600,000 (about Rs 2.40 crores) to the plaintiffs during the year. The amount has been charged off in books of account.
- 14.** Previous year figures have been regrouped/ reclassified, wherever necessary, to conform to current year's presentation.

As per our report of even date

For **S.R.BATLIBOI & ASSOCIATES**  
 Chartered Accountants

For and on behalf of the Board of Directors of  
**Polaris Software Lab Limited**

per **S.Balasubrahmanyam**  
 Partner  
 Membership No 053315  
**Chennai**  
**April 23, 2008**

**Arun Jain**  
 Chairman & Managing Director

**R.C. Bhargava**  
 Director

**R Srikanth**  
 Executive Vice President & Chief Financial Officer  
 Chennai  
 April 23, 2008

**POLARIS SOFTWARE LAB LIMITED**

Registered Office: Polaris House, No.244, Anna Salai, Chennai - 600 006  
 Phone: 044 - 3987 4000, Fax: 044 - 2852 3280, Website: www.polaris.co.in

**NOTICE**

**NOTICE IS HEREBY GIVEN THAT THE FIFTEENTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD ON THURSDAY THE JULY 17, 2008 AT 3.30 P.M. AT MUSIC ACADEMY MINI HALL, NO.168, T.T.K ROAD, CHENNAI 600 014 TO TRANSACT THE FOLLOWING BUSINESS:**

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at March 31,2008 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors and the Auditors thereon.
2. To declare dividend for the financial year 2007-08.
3. To appoint a Director in the place of Dr.Ashok Jhunjunwala who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr.Anil Khanna, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in the place of Mr.Satya Pal, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to authorize the Board of Directors to fix their remuneration. M/s.S.R.Batliloi & Associates, Chartered Accountants, the retiring auditors, are eligible for re-appointment.

**Special Business**

7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution.

Resolved that subsequent to the approval given by the members of the Company at the Annual General Meeting held on 29th July 2004, pursuant to Section 309(4)(b) and other applicable provisions, if any, of the Companies Act, 1956, the Company be and is hereby accords its consent to extend the payment of commission to the Non-Executive Directors of the Company, for a further period of five years commencing from the financial year 2008-09, not exceeding Rs.45 Lacs or 1% of the net profits of the Company whichever is lower as determined in accordance with the provisions of Sections 198, 349 and 350 and other applicable provisions, if any, of the Companies Act, 1956 for each financial year.

Resolved further that the Board of Directors be and is hereby authorized to decide from time to time, the quantum and manner of distribution of commission to the said Non Executive Directors within the aforesaid limit.

Resolved further that the aforesaid commission shall be in addition to the fee payable to such directors for attending the meetings of the Board and committee thereof.

Resolved further that the Board of Directors be and is hereby authorized to take all such steps as may be considered necessary, desirable or expedient for giving effect to this resolution.

Place : Chennai  
 Date : April 23, 2008

By Order of the Board  
 For Polaris Software Lab Limited

R.Srikanth  
 Executive Vice President &  
 Chief Financial Officer -  
 Compliance Officer

**NOTES:**

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company. Voting is by show of hands unless a poll is demanded by a member or members present in person, or by proxy, holding at least one-tenth of the total shares entitled to vote on the resolution or by those holding paid-up capital of at least Rs.50,000/-. A proxy shall not vote except on a poll. Proxies in order to be effective, proxy forms must be received by the Company at its Registered Office not less than 48 hours before the meeting.
2. Member/Proxy holder must bring the attendance slip to the meeting and hand it over at the entrance duly signed.
3. The Register of Members and Share Transfer Books of the Company will be closed from July 11, 2008 to July 17, 2008 (both days inclusive).
4. The Register of Directors' Shareholding, maintained under Section 307 of the Companies Act, 1956 will be available for inspection by the members at the AGM.
5. The Register of Contracts, maintained under Section 301 of the Companies Act, 1956 will be available for inspection by the members at the Registered Office of the Company.
6. The certificate from the Auditors of the Company certifying that the Company's Associate Stock Option Plan(s) are being implemented in accordance with the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 as applicable and in accordance with the resolution of the Members in the General Meeting, is available for inspection by the Members at the Annual General Meeting.
7. Members are requested to quote their Registered Folio Number or Demat Account Number & Depository Participant (D.P.) Id. Number on all correspondence with the Company. The transfer deeds, communication for change of address, bank details, ECS details, mandates (if any), should be lodged with M/s Karvy Computershare Private Limited, Hyderabad. Members whose shareholding is in the electronic mode are requested to intimate the same to their respective Depository Participants.
8. The Company is extending the Electronic Clearing Service (ECS) facility to the shareholders, which will enable them to receive dividend through electronic mode. Under ECS arrangement, the dividend amount will be directly credited to the bank account of the shareholder. A separate communication has already been sent to the shareholders detailing the benefits of ECS.
9. Members who are holding physical shares in more than one folio are requested to intimate to the Company/Registrar & Share Transfer Agents, the details of all their folio numbers for consolidation into a single folio.
10. The information pursuant to Clause 49 of the Listing Agreement with respect to the details of the Directors seeking re-appointment at the forthcoming Annual General Meeting is annexed.
11. Shareholders holding the requisite number of shares / voting power and who wish to demand a poll on any of the items mentioned in the notice, are requested to inform the Company at least 48 hours in advance, of their intention to do so, to enable the Company to make appropriate arrangements for the conduct of poll and avoid inconvenience to the members at the time of the meeting.
12. Dividend for the Financial Year ended 31st March 2001, which remains unpaid or unclaimed, will be due for transfer to the Investor Education Protection Fund of the

Central Government ('IEPF') later this year, pursuant to the provisions of Section 205A of the Companies Act, 1956. Members who have not encashed their dividend warrants for the F.Y. ended 31st March 2001 or any subsequent financial year(s), are requested to correspond with Mr.Kc.Raman, Assistant Vice President-(Secretarial) at the Company's Registered Office. Members are advised that in terms of the provisions of Section 205C of the Companies Act, 1956, once unclaimed dividend is transferred to IEPF, no claim shall lie in respect thereof.

## **EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956**

### **Item No.7**

Your company presently has eight non-executive directors on its Board. These directors are eminent personalities, drawn from diverse fields, and they spend substantial time and energy for the Company and contribute through their professional and management expertise.

Considering the valuable services being rendered by the non-executive directors, the Board has approved subject to the approval of the members, the payment of commission for a further period of five years commencing from the financial year 2008-09 for a sum not exceeding to Rs.45 Lacs or 1% of net profits of the Company whichever is lower, as determined in accordance with the provisions of Section 198 read with Sections 349 and 350 of the Companies Act, 1956. Members may recall the earlier approval for payment of commission to the non-executive directors sanctioned at the Annual General Meeting held on 29th July 2004 for a period of five financial years up to 2007-08 and this renewal is based on the same terms and conditions.

All the non-executive directors are concerned or interested in the resolution to the extent of the remuneration payable to them by way of commission. Accordingly, the special resolution set out under item no.7 of the notice is submitted for approval.

### **ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING SCHEDULE TO BE HELD ON JULY 17, 2008 AND THIS INFORMATION FORMS PART OF THE NOTICE FOR THE ANNUAL GENERAL MEETING.**

<b>Name</b>	: <b>Dr.Ashok Jhunjunwala</b>
Father's Name	: Mr.B.L.Jhunjunwala
Address	: # C2/2/5, Third Loop Road, IIT Campus, Chennai 600 036
Date of Birth	: June, 22, 1953
Nationality	: Indian
Occupation	: Service
Date of Appointment	: June 16, 2001

Dr. Ashok Jhunjunwala is a Professor in the Department of Electrical Engineering, Indian Institute of Technology, Chennai, India and was acted as Head of the Department till recently. He received his B.Tech degree from IIT, Kanpur, and MS and Ph.D degrees from the University of Maine. From 1979 to 1981, he was with Washington State University as Assistant Professor. Since 1981, he has been teaching at IIT, Madras.

Dr. Ashok Jhunjhunwala leads the Telecommunications and Computer Networks group (TeNeT) at IIT Madras. This group is closely working with industry in the development of a number of Telecommunications and Computer Network Systems. TeNeT group has incubated a number of technology companies, which work in partnership with TeNeT group to develop world class Telecom and Banking products for Rural Markets.

Dr. Ashok Jhunjhunwala has been awarded Padma Shri in the year 2002, Shanti Swarup Bhatnagar Award in the year 1998, Dr. Vikaram Sarabhai Research Award for the year 1997, Millennium Medal at Indian Science Congress in the year 2000, H. K. Firodia for "Excellence in Science & Technology" for the year 2002, Shri Om Prakash Bhasin Foundation Award for Science & Technology for the year 2004, Jawaharlal Nehru Birth Centenary Lecture Award by INSA for the year 2006 and IBM Innovation and Leadership Forum Award by IBM for the year 2006. He is a Fellow of INAE, IAS, INSA, NSA and WWRF. His research interests are Telecommunications and Wireless Systems & Technologies for Rural Areas. He is a member of Remuneration & Compensation Committee, Audit Committee & Shareholders Committee of Polaris.

Dr. Ashok Jhunjhunwala is also a Director in State Bank of India, Tata Tele Maharashtra Ltd., Bharat Electronics Ltd., 3i Infotech Ltd., Sasken Communications Technologies Ltd., Tejas Networks Private Ltd., National Research Development Corporation Ltd., Institute for Development & Research in Banking Technology, Midas Communication Technologies Private Ltd., Vishal Bharath Comnet and National Internet Exchange of India Ltd. He Chairs the Audit Committee of Tata Teleservices (Maharashtra) Ltd., further he is a member of Audit Committee of Sasken Communications Technologies Ltd., Tejas Networks Private Ltd., State Bank of India and Midas Communication Technologies Private Ltd. He is also the member of Remuneration & Compensation Committee of Sasken Communications Technologies Ltd., Tata Teleservices (Maharashtra) Ltd. & Tejas Networks Ltd. and also a member of Nomination Committee of Tata Teleservices (Maharashtra) Ltd. He Chairs the Technology Committee and a member of the Customer Service Committee of State Bank of India.

Dr. Ashok Jhunjhunwala, is also a member of the following Advisory Board and Governing Council of National Internet Exchange of India, Scientific Advisory Committee to the Prime Minister of India, Institute of Financial Management & Research, Board of ITech. Centre of Excellence in Wireless technology (CEWIT), Rural Technology and Business Incubator (RTBI).

<b>Name</b>	: <b>Mr. Anil Khanna</b>
Father's Name	: Mr. Jagmohan Khanna
Address	: 1003 Forest Avenue, RYE, New York, NY 10580, USA
Date of Birth	: August 31, 1956
Nationality	: American
Occupation	: Banker
Date of Appointment	: April 27, 2005

Mr. Anil Khanna is a Managing Director in Citi Venture Capital International and is responsible for cross-border investment opportunities and business services. Prior to this role, he held a variety of business management roles at Citigroup and Marsh & McLennan Company. Most recently, he managed Marsh and McLennan's US consumer business. At

Citigroup from 1986-2000, he held the positions of President and Chief Executive Officer of Travellers Personal Lines, Head of Corporate Planning, Head of Global Derivative Origination and Structuring and Head of Corporate Banking and Trading at Citibank Canada.

Mr. Anil Khanna began his career at McKinsey and Co. and has an MBA from the Ivey School at the University of Western Ontario. He joined the Board of Polaris in April 2005. He is also a Director of Eurasian Brewery Holding Ltd., C-Cayco Co-Invest Ltd., C-Cayco Noteholder Ltd., Receivable Management Services International, Inc., NEP GP Inc., NEB Holdings GP, Inc., Permolex International GP, Inc., He is also a partner of Citigroup Venture Capital International Co-Investment, L.P. & Citigroup Venture Capital International Carried Interest, L.P. CVCIGP II Co-Invest L.P. and CVCIGP II Carry, L.P.

**Name** : Mr.Satya Pal  
**Father's Name** : Mr.Pritam Chandra  
**Address** : # 44. New Rajdhani Enclave,Vikas Marg, New Delhi 110 092  
**Date of Birth** : August 22, 1931  
**Nationality** : Indian  
**Occupation** : Telcom Consultant  
**Date of Appointment** : April 9, 1997

Mr.Satya Pal is a graduate in electrical technology and electrical communication engineering from Indian Institute of Science, Bangalore, Mr.Satya Pal joined the Department of Telecommunications in 1955 and became Member of Telecom Board in 1986. In 1988, he became Secretary, Department of Telecommunications, Chairman, Telecom Board and Chairman, MTNL. He retired in August 1989. He is a Founder Fellow of The Institute of Electronics and Telecommunication Engineers.

Mr.Satya Pal joined the Board of Polaris in April 1997. He is the Chairman of the Shareholders' Committee & Corporate Governance Committee and is a Member of the Remuneration & Compensation Committee of Polaris. Mr.Satya Pal advises Polaris on Operational and Strategic issues. He is also a Director of Paramount Communications Ltd. and Member of its Audit Committee and Chairman of its Remuneration Committee.

In Addition to the above, detailed attendance records of the directors seeking re-appointment, has been given in the Corporate Governance Report.

**Place** : Chennai  
**Date** : April 23, 2008

**By Order of the Board**  
**For Polaris Software Lab Limited**

**R.Srikanth**  
**Executive Vice President &**  
**Chief Financial Officer -**  
**Compliance Officer**

*This page has been intentionally left blank*

**POLARIS SOFTWARE LAB LIMITED**

Regd. Office: Polaris House, 244, Anna Salai, Chennai - 600 006  
15<sup>th</sup> Annual General Meeting to be held on Thursday the 17<sup>th</sup> July 2008 at 3.30 P.M.  
at The Music Academy, Mini Hall, No.168, T.T.K. Road, Alwarpet, Chennai-600 014

**ATTENDANCE SLIP**

Registered Folio No : .....(or)  
Demat Account No. ....D.P.Id.No.....  
Name of Shareholder(s) .....

I/We certify that I am/We are Member/s/Proxy of the Member/s of the Company holding ..... Shares.

*Signature of Member/s/Proxy*

- ◆ A member or his duly appointed Proxy wishing to attend the meeting must complete this Admission Slip and hand it over at the entrance.
- ◆ Name of the Proxy in Block letters .....  
(in case a Proxy attends the meeting)
- ◆ Those who hold shares in demat form to quote their Demat Account No. and Depository Participant (D.P.) Id. No.



**POLARIS SOFTWARE LAB LIMITED**

Regd. Office: Polaris House, 244, Anna Salai, Chennai - 600 006  
15<sup>th</sup> Annual General Meeting to be held on Thursday the 17<sup>th</sup> July 2008 at 3.30 P.M.  
at The Music Academy, Mini Hall, No.168, T.T.K. Road, Alwarpet, Chennai-600 014

**PROXY FORM**

I / We ..... of ..... being a Member/  
Members of Polaris Software Lab Limited hereby appoint ..... of  
..... or failing him / her ..... of  
..... as my / our Proxy to attend and vote for me / us on my /  
our behalf at the Fifteenth Annual General Meeting of the Company to be held on Thursday  
the July 17, 2008 at 3.30 P.M. at Music Academy, Mini Hall, No.168, T.T.K Road, Alwarpet  
Chennai 600 014 and at any adjournment thereof.

In witness whereof  
I/We have signed on this ..... day of ..... 2008.  
Registered Folio No. : .....(or)  
Demat Account No. ....D.P.Id.No.....

Affix  
Re.one  
Revenue  
Stamp

- ◆ The Proxy form should be signed by the member across the stamp.
- ◆ A member intending to appoint a Proxy should complete the Proxy Form and deposit it at the Company's Registered Office, at least 48 hours before the meeting.
- ◆ Those who hold shares in Demat form should quote their Demat Account No. and Depository Participant (D.P.) Id. No.

cut here

