

**A GLOBAL
FINANCIAL
TECHNOLOGY
CORPORATION**

**ANNUAL REPORT
2008-09**

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A complete version of this book is available at the site 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 a *personal touch*



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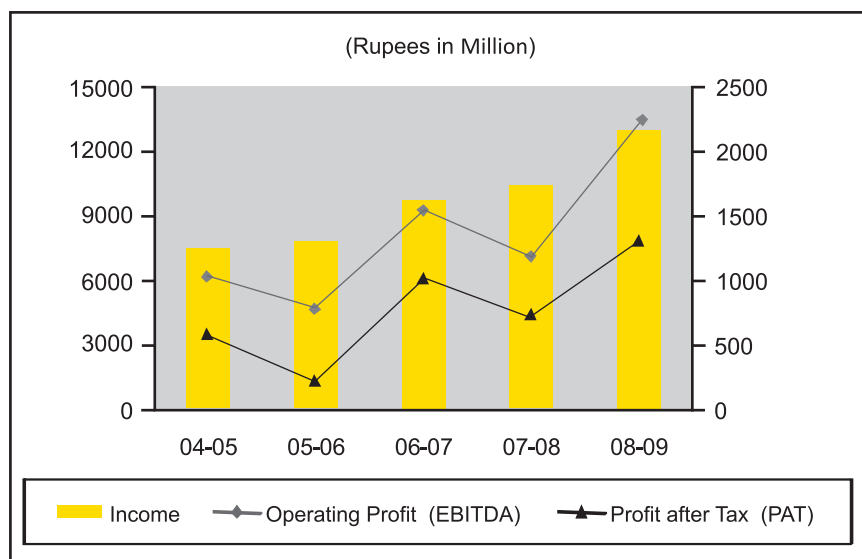
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FINANCIAL HIGHLIGHTS



Polaris Software Group

Financial Highlights

Rs in Million except per share data

For the Year	04-05	05-06	06-07	07-08	08-09
Income *	7871	8251	10324	10993	13779
Operating Profit (EBITDA)	1022	771	1613	1182	2335
Profit after Tax (PAT)	580	213	1011	732	1307
At the Year end					
Fixed Assets	2163	2376	2231	2133	2157
Cash and cash equivalents **	1373	1217	1172	1550	3400
Shareholders' Equity (Net worth)	5311	5409	6015	6575	7727
Earnings Per Share - Basic	5.93	2.17	10.28	7.42	13.25
Dividend (%) ***	35%	25%	45%	30%	55%

* Excluding other income

** Includes mutual funds investments

*** Includes interim dividends

LETTER TO SHAREHOLDERS



Dear Shareholders,

Greetings. This is an annual tradition that I eagerly look forward to, as my leadership team and I reflect on the accomplishments and learnings of the year, as well as strive to understand the opportunities and challenges in the market place and set the direction for the coming year.

Globally, last year was a watershed year in the history of the financial sector that went through one of the most turbulent times and the principles of economics got challenged. Many of the events that followed from the failure of banks to bailouts to mergers were unprecedented. I am happy to share with you that in such a difficult business climate we were able to grow considerably and crossed the USD 300 million milestone.

More Focus. More Growth.

Same time, last year, I shared with you that Polaris is poised for Repeatable, Predictable and Profitable growth and that our focus will be on SIMPLIFIED EXECUTION.

This year, your company achieved gross revenues of Rs. 1378 crore, a growth of 25% over last year. I would like to appreciate all Polarites who took the challenge of growing the Company in difficult times and exceeding the market expectations.

We further simplified our Growth Framework significantly by focusing on four growth engines, i.e. Account Expansion, Product (Intellect) Penetration, Country Expansion and the Insurance business.

Growth Engine 1 - Account Expansion - In the last 5 years, we have focused on acquiring strategic customers and have been successful in entering and engaging with 10 of the top 15 Banks and 6 of the top 10 Insurance companies globally including 80 strategic accounts. This year we focused immensely on expansion in these accounts and cross-sell. Your company also expanded its customer base through 58 wins. In terms of the revenue earning potential, you may be aware,

we had classified the strategic accounts into three categories AAA (\$5 MM and above), AA (\$3-\$5MM), A (\$1-\$3 MM). We currently have 17 AAA, 20 AA and 27 A accounts. As of today, 200 customers across the globe trust Polaris for its ability to connect technology to business and value creation to their profit chains.

Growth Engine 2 - 'Intellect' Expansion - Growth Engine 2 revolves around Intellect, our next-generation product suite and the only comprehensive pure play Services Oriented Architecture (SoA) suite in the marketplace, servicing all the lines of business of a bank - Retail, Corporate, Capital Markets and Wealth Management. We have launched 9 platforms in the last 4 years. Intellect Product revenue since then, has grown 5 times to Rs. 241 crores this year, from Rs. 48 crores in 2005. During this journey, Intellect has gone live at 61 major sites across the globe. Intellect suite registered a total of 21 wins during the year with the significant ones being, a large credit card player in Latin America, a global Top 5 bank in the US, 2 Fortune 10 banks in UK, Tamweel in Egypt, 2 leading banks in Middle East, Saigon Hanoi Bank in Vietnam and the leading public and private sector banks in India, to name a few. Several Tier 1 clients in US, Europe, India and Asia Pacific added modules to the existing platforms and we continue to see strong demand in our existing client base for Intellect. Intellect is now live in more than 15 countries validating Forrester's positioning of Polaris as a Global Challenger.

Growth Engine 3 - Country Expansion - With the comprehensive range of IP led Services and Products we are uniquely positioned to service developing markets. During the year, we identified 3 countries - Egypt, Chile and Vietnam as part of our country expansion strategy. This has allowed us to add 3 regional hubs to serve Emerging Markets in Latin America, Middle East and Asia Pacific more closely. We have launched Global Universal Banking in these regions and are seeing good traction in these markets. Your company's vision is to continue to expand and tap Financial Technology potential in developing countries.

Growth Engine 4 - Insurance Business - With strong success in Banking, this year, we have also laid a solid foundation for expansion in the Insurance Business. We completed the acquisition of SEEC Inc., a worldwide SOA based Insurance solution provider. After acquiring the services expertise in Insurance, it was a logical move to expand our Intellectual property in the Insurance sector. The combination of Polaris' Intellect Banking Solution Suite and the SEEC Advantage Library of over 300 Business Component Software has created the world's largest library of software components tailored specifically to the Banking, Financial Services and Insurance markets – enabling customers to generate significant outcomes for their

business more economically and rapidly than ever before. SEEC has also brought to Polaris the who's who of Insurance business including New York Life Insurance, Nationwide Insurance, Bankers Life & Casualty, Canada Life Limited and North Carolina Farm Bureau Insurance to add to Polaris' existing customers like American Insurance Group, Kiln Insurance, ICICI Prudential amongst others. With this acquisition, our customer base in the Insurance sector has leapfrogged and we now have 23 customers in Insurance space.



Strong focus in these 4 growth engines, i.e. Account Expansion, Country Expansion, Intellect (Products) Expansion and Expansion into the Insurance sector has not only enhanced customer value creation but has also provided a robust roadmap for predictable growth.

We will continue to scout for strategic acquisitions which will be in line with building one or more our growth engines mentioned above. Our cash reserves stand at Rs. 340 crore, providing another right ingredient for growth.

More Focus. More Value.

During the year, we saw significant improvements in Operating Margins and Profits, as we sharply focused on leveraging the investments we had made in the past. For simplified execution, our mantra was to stay focused on delivering 'On Time and In Full' (OTIF) on our projects. Our Projects are categorized into 9 star, 7 star and 5 star projects, based on the size, tenure and complexity factors. 9 star projects are anchored by Polaris Partners, while 7 star and 5 star projects are anchored by Konarks**. While on one side, the leadership structure is indeed the best in the industry to provide the focus such mission critical projects require, on the other hand, we also have a time tested certification methodology for our delivery fraternity, to ensure that they firmly connect our services to the profit chains in the

financial institutions that we are privileged to serve. In the words of the CIO of one of the largest treasuries that we serve, "Polaris programmers have gone beyond Java and C++ and actually talk Yield curve and cross currency options...hard core language of the traders".

With our focus in OTIF and domain led services, we achieved a substantial improvement to the Operating Margins (EBITDA) which grew by 98% to Rs. 234 crore from Rs. 118 crore. Net Profit of your company grew to Rs. 131 crore, an increase of 79% over the previous year.

During the year, our investments have come down and thus, cash flows have substantially improved. Higher quality of delivery has resulted in better collections. Your company has achieved the lowest days of collection at 52 days.

*** Konarks are chosen associates who represent energy and excellence and lead mission critical projects in Polaris*

More Focus. More Returns.

Over all, your company and its subsidiaries, delivered predictably and profitably in one of the most challenging years in recent times. You company continues to enjoy a balanced mix of revenue base across all three major geographies i.e. 39% from Americas, 30% from Europe and Asia-Pacific contributing to 31% of our revenue base. The reason why your company is able to withstand the financial tsunami sweeping the industry is because, our performance has been built on the solid bedrock of Intellectual Property augmented by World Class Application Management skills. As a company we are constantly evolving our leadership position in the marketplace by providing winning solutions to customers - by unique combination of Products and Services combined with deep domain knowledge. Such a bedrock is built by being obsessed by the 3-year performance, 5-year performance and by the 10-year vision and not by succumbing to compromises demanded by vagaries of quarterly forces. With this solid foundation, I would reiterate that your company envisages being among the Top 5 Financial Technology companies in the world. Currently, we have been rated amongst the Top 8 in IT services in Banking.

I would like to call this year as the beginning of the journey towards Market Leadership. Within Polaris we have called it 'Polaris 3.0'.

Polaris 1.0 captures our infrastructure building years, 1993-2000, where collective vision and passion saw Polaris building the Physical infrastructure,

the Process infrastructure and the People infrastructure. Polaris 2.0, ie., between 2000-2008 can be summarized as the Institution building years, where our focus remained on building a treasure trove of Intellectual Property based services and products, creating a 200 strong customer asset and a robust corporate governance infrastructure – all ingredients of a global financial institution.

We foresaw very early in our journey that the future was never for ‘generalists’ and ‘pure cost arbitrage’ business, therefore micro-vertical specialization combined with scale was going to be our differentiator. Today, we have seven business solution centres in India, fully owned by your company. The Retail Banking centre of excellence, Retail Products centre of excellence, Insurance and Testing Centre of excellence are based in Chennai. The world’s first super specialty centre for Capital Markets and Wealth Management is based out of Hyderabad. The Corporate Banking centre of excellence and the Risk Management centre of excellence are based in Mumbai, while the Enterprise Solutions centre of excellence operates out of Delhi.

Since inception, your company has focused on Corporate Governance and has implemented global best practices in this area. We appointed a Big 5 auditing firm early in our journey in 1997 and set up a solid & Independent Board and a Holistic Governance framework. Over the last few years, your company has pioneered a Partnership structure that has a 28 member strong team across Delivery, Sales and Corporate functions coming together in all aspects of Business Planning, Execution, Governance and Financial Reporting. On a monthly basis, 22 units including the business units, geographies and corporate functions certify critical financial processes including revenue recognition, booking of expenses, balance sheet review, receivables and project and service delivery. Incidentally, all our investments in building Intellectual Property have been written-off, following conservative accounting practices.



Emotional resilience plays an important a role in Institution building. In order to integrate Polaris with a larger community and enrich your company’s emotional content, the Ullas Trust was set up in 1997 that anchors the company’s Corporate Social Responsibility initiative.

I am happy to share that this year your company has won the BSE-NASSCOM-TIMES Foundation Social and Corporate Governance Award for 2008 under the Best CSR Practice category.

Yes, we have all the right ingredients for Repeatable, Predictable and Profitable Growth.

I would like to convey my sincere gratitude to each and every one of you for trusting and supporting our dream of becoming global leader in Financial Technology market place. Your patience has paid off with your company outperforming the market in a defining year.

The time ahead is interesting for us. Filled with opportunities. And a few challenges. Your strong support has given us the extra dose of adrenalin whenever we needed it the most. On behalf of 9000 Polaris families, I thank you for your belief in our journey.

For your company, the journey of Global Financial Technology Leadership has begun.

Warm Regards,



Arun Jain

Founder, Chairman & CEO

**More Focus.
More Returns.**

Customer Assets

10 of Top **15** Global Banks

6 of Top **10**
Global Insurance Companies

2 of Top **5**
Banks in chosen countries

Intellect™ for BFSI

Global Universal Banking Intellect 10.0,
the most comprehensive banking platform

Covering **70** Business Services

Over **20** Independent Saleable modules

61 major live sites across 15 countries

200 SOA Components

People, Process and Physical Infrastructure

9000+ Domain specialists, Solution
architects and Technology experts

World's First CMMi level **5** company

Relationship offices in **24** countries

Expertise centric fully owned **7** Business
Solution Centres



Arun Jain
Founder,
Chairman and CEO

Spearheading
Financial
Technology
Leadership

U S A

BFSI Securities Services

Progressive Modernization

Non-disruptive re-engineering of legacy system results in savings of USD 3 million year-on-year

The customer is a large Agency Business group of a MNC bank with over USD 3 trillion assets, providing Issuer Paying Agency, Principal Paying Agency, Depository, Vault, Registrar & Transfer Agency and Custodial Services.

The customer needed their legacy systems to be re-engineered to a single application with the existing and enhanced business capabilities.

Polaris developed a New Issuer Services Application as an Integrated System providing the records maintenance and processing features required by the Primary market issuance and payment, principal and interest tracking for instruments, Calculation Agent, Depository and Vault management functions of the business.

The re-engineered application increased the throughput by over 200% to 5000 transactions/day from 1500 transactions/day

The 'Capital' is the world's first Super Specialty Centre for Investment Banking technology





Arup Gupta
Executive Director,
President and COO

Repeatable,
Predictable &
Profitable
growth



U K

**BFSI
Capital Markets**

**Smart
ADM**

Global offshore delivery of a complex derivatives technology application achieved by deep domain expertise

The customer is the European arm of a leading Global Bank and large financial services company, providing banking & insurance services and investment products.

Deploying Smart Application Development and Maintenance (ADM), Polaris enabled the retirement of derivatives trading and pricing legacy system. A feeding trading system was developed with SwapsWire trades that reduced the trade processing time from 20 sec to 2 sec. Implementation of on-line risk calculations for cash products was done using new libraries. Real time pricing with Reuters interface was implemented.

Deep domain expertise in Investment Banking domain and technology enabled Polaris implement off-shoring of this complex application successfully.

The project that started with off-shore domain experts grew 7 times in size within 3 years

Over 1200 Domain Experts and Consultants in Wealth Management, Securities and Capital Markets serving industry leaders





R Srikanth
Executive Vice President
and CFO

Maximizing
returns for
stakeholders

UAE

**BFSI
Retail**

**Intellect
Universal Banking**

Banking Universe around the Customer for an unmatched experience

The customer is a leading bank in UAE in terms of branch network, total assets, total deposits and net profits. It currently operates 80 branches and subsidiaries in Bahrain, Egypt, France, Oman, Sudan, the UK, and the US.

The customer's core banking application had shortcomings arising from a poor user interface, limited scalability and low concurrent usage. The need was clearly a next-gen banking platform that could support a humungous global client base across the globe and accommodate future initiatives of the client.

Intellect Universal Banking with its feature rich functionality and open architecture was the ideal choice catering to the customer's branch banking operations. Polaris re-built the client's core banking application and provided a web-based front-end with the 'anytime-anywhere' customer needs in mind. The solution is live in UAE, Oman, Bahrain and Kuwait.

**A perfect example of
"More Technology, More
Functionality, More
Experience"**

**Intellect - Retail Banking
Product Centre, Polaris, Chennai**





Bikash Mathur
Executive Vice President
and CEO - Polaris EMEA

Riding the crest
through
partnerships

SWITZERLAND

**BFSI Asset
Management**

**Application
Re-engineering**

Managing 50 million documents complying to the global private banking business in 5 different business groups across 3 geographic regions

Our customer is a leading global investment bank. The bank was using an expensive mainframe based system for its document management operations that had disadvantages of end-of-life components, application risk acceptance and expensive support.

Polaris provided a state-of-the-art 'Document Management System', a single window intranet system for the management, tracking and archival of documents across multiple locations and specialized storage devices.

The system went live, with a capacity to manage over 50 million documents and was fully compliant with global private banking business rules.

This was a very complex re-engineering and consolidation exercise with complex governance that involved multiple customer stakeholders, multiple technologies and multiple vendors. The application was developed and deployed from different Polaris locations in India, US and Europe. Truly, a project of Global Delivery Model.

**The re-engineering
unified the code bases
of 3 regions into 1
global code base;
2 days ahead of
original schedule**

**The Capital' is the world's first
Super Specialty Centre for
Investment Banking technology**





Kartik Kaushik
Executive Vice President
and CEO - Polaris Americas

Nurturing
large global
accounts

RUSSIA

**BFSI Cash and
Trade Management**

**Smart
ADM**

30-country deployment of a payment hub with straight through processing of 3.5 lac transactions per hour

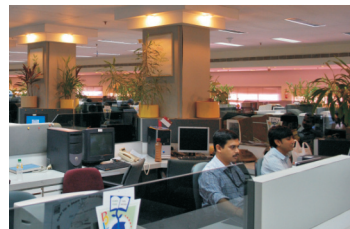
The customer is one of the top Global MNC Banks with operations in Consumer, Corporate and Investment Banking.

The customer needed an intelligent middleware hub to link the user driven e-business channels such as portal and ERP systems with the back-end product processors. Polaris was involved in application development and maintenance (ADM), testing and ongoing support for the solution which was deployed in 30 countries across the globe.

The solution is a Regional Communication Exchange that enriches the input messages from business data validations . The system is benchmarked to process 350000 transactions per hour. It has the capability to interface with multiple source and destination systems and can process messages and convert them to any desired format.

**Additionally, a transaction
viewer gave point-in-time
view of payment
transactions during
straight through processing**

**Corporate Banking and Risk &
Treasury Centre of Excellence,
Polaris Mumbai**





Kedarnath Udiyavar
Executive Vice President
and Head Investment
Banking Solutions

Championing
deep domain
expertise



POLAND

**BFSI Corporate
Core**

**Third Party
Product Rollout**

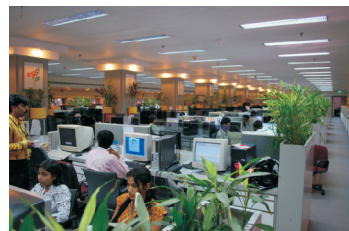
56-country roll out of a third party corporate core banking system with crash timelines

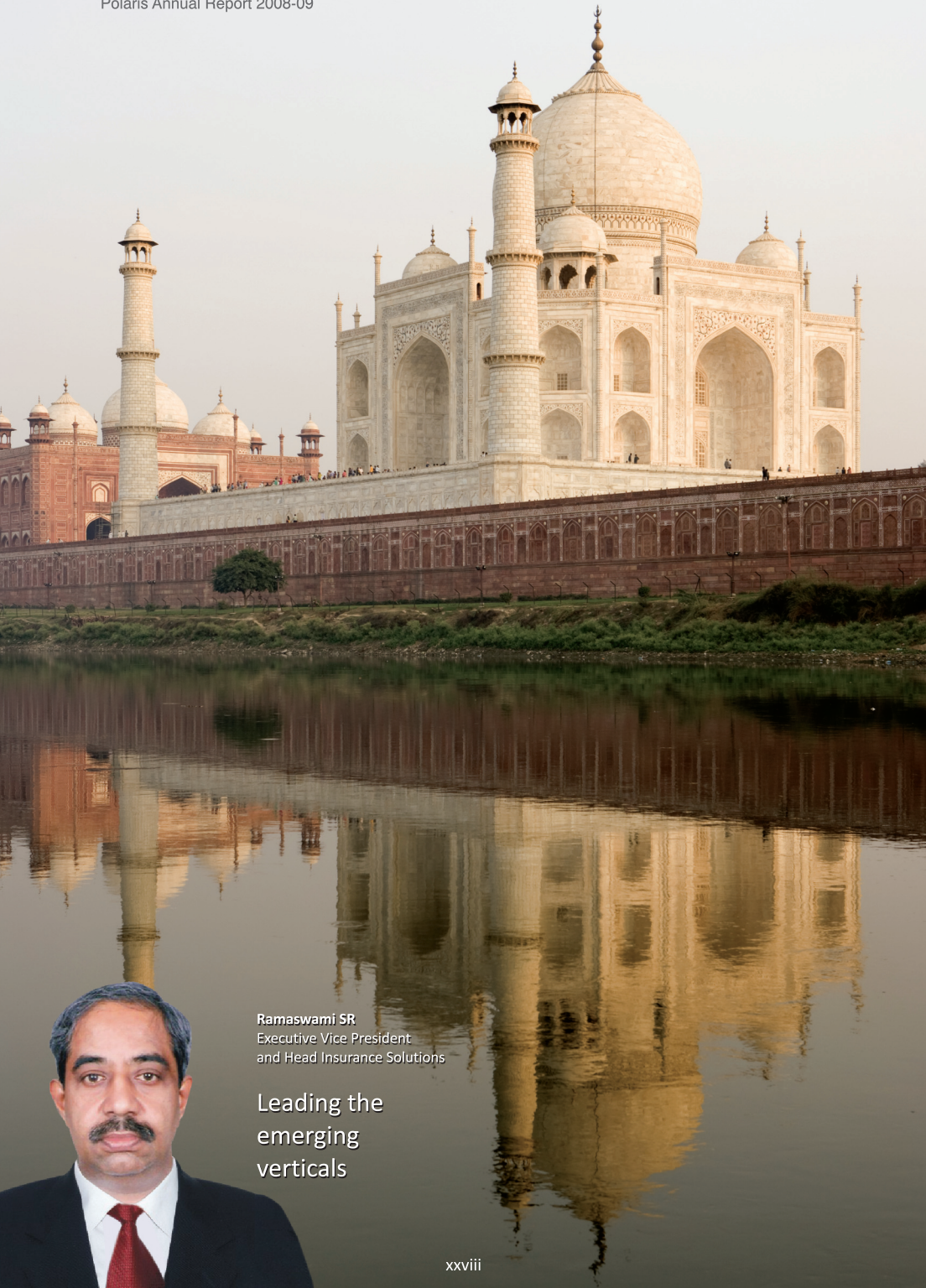
The customer is one of the Top Global MNC Banks. It that had invested in a third party Corporate Core banking solution and was facing challenges in its system integration and multi-country deployment.

Polaris leveraged its Corporate Core banking domain expertise for this engagement and was involved in complete system integration testing and implementation of a third party Corporate Core Banking Solution which included structuring the Operating model, integration of the third party application with other bank's applications, data conversion/migration, UAT execution, and post implementation support. Polaris created a customized training program and tools repository that enabled a rapid '3 month per country' implementation and rollout across 56 countries.

A rapid '3 month per country' deployment of a 3rd party product

**Corporate Banking and Risk & Treasury Centre of Excellence,
Polaris Mumbai**





Ramaswami SR
Executive Vice President
and Head Insurance Solutions

Leading the
emerging
verticals

INDIA

**BFSI
Securities
Services**

**IT Enterprise
Managed
Services**

State-of-the-art Data Center hosting with end-to-end infrastructure and application hosting with 99.98% uptime of services

Customer is a large bank in Asia with branches across the globe. The customer needed a round-the-clock infrastructure support with users spread across 78 branches and head offices with about 10,000 transactions a day involving 1000 end users.

Polaris provided state of the art data hosting and infrastructure management services with 3 layered support Helpdesk (L0), Infrastructure management i.e. System, Middleware, Database, Network and Application Support (L1) and expertise in Systems, Database and Application Support (L2).

The state-of-the-art data centers are hosted in 2 major sites in India with complete disaster recovery plan.

The application serves users in Singapore, Malaysia, India and Indonesia and will be rolled out to Japan

All Polaris Sites are ISO 27001 certified, the highest level of certification in 'Information Security Management System'





CHILE

**BFSI
Retail**

**Intellect
Cards**

Instant Card issuance in flat 20 minutes, by the time you have finished shopping

The customer is one of the largest retailers in Chile, with a chain of 115 supermarkets and hypermarkets and a huge customer base of more than 3 million cardholders. The client wanted to migrate from an existing ASP vendor to a powerful integrated Cards System platform that could offer more agility in card issuance, customer service and unique retail functionality like process installments, customer promotions and merchant discounts.

Polaris deployed its proven Smart Build methodology to enhance the Intellect Card platform to meet customers expectation. The implementation provided the retailer the capability to instantly issue a card to a walk-in customer at their retail outlets. Customers are now able to submit the card application and walk out with a new card even before they have finished their shopping.

Highly scalable card system handling millions of accounts and over 1000 concurrent users

Intellect Cards - the most comprehensive cards platform from Intellect Retail Banking Product Centre, Polaris Chennai





AUSTRALIA

**BFSI
Insurance**

**Testing
services**

Enable Zero Defect solutions for one of the largest Insurance companies with 30% savings on maintenance costs

The customer is Australia's largest international insurance and reinsurance group and operates in all key insurance markets with offices in 48 countries and offering a wide range of Business Insurance products such as Aviation, Health, Professional Liability, Property, Workers Compensation and Travel.

The customer wanted to achieve aggressive Go-To-Market plans, quick turnaround times with minimum defects across all applications rollout.

Polaris created reusable and repeatable methodologies and processes across QA and testing. The test case repository resulted in savings upto 50% efforts in the Test Design phase and reduced test execution cycle time to 85% With the defect unearthing efficiency over 98%, applications were certified for near

The testing framework enabled NEAR ZERO Defect Delivery

Polaris Application Certification Enterprise (PACE) is the Independent Testing and Certification Unit of Polaris





AFRICA

**BFSI Risk
Management**

**Intellect
Treasury**

Rollout of a best-of-the-breed Integrated Front-Middle office platform in the African continent

The customer is a leading pan African banking group that offers wholesale and retail banking to its customers. The bank has exposure to money market (MM), fixed income (FI) and FX asset classes, and the treasury activities were carried on basic macro based excel sheets with high manual interventions. The bank chose Intellect Treasury with centralized implementation in Ghana to support treasury operations in 15 countries for FX, 5 countries for MM and 3 for FI securities.

Intellect platform enabled the bank to leverage multi-country and multi-branch capability support for optimized liquidity across various products. The SOA approach facilitated easy integration with external trading system seamless interface with the existing core back-office system and the flexibility to incorporate new product processes in future. The multi country UAT and cut-over exercise in planned phases has enabled the bank to now have it live on a single platform with total buy in from the users across geographies. The system went live on FX within 5 months and all asset classes in 8 months.

**Rollout plan extends to
40 countries. The power
of SOA - minimum
disruption, faster time
to market**

**Risk Centre of Excellence,
Polaris Mumbai**



BOARD OF DIRECTORS



Arun Jain
Chairman &
Managing Director



Arup Gupta
Executive Director,
President & COO



Abhay Agarwal
Practicing Chartered Accountant



Ajit Bhushan
Managing Director
Citi Venture Capital International



Arvind Kumar
Senior Lawyer
Supreme Court of India



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



Anil Khanna
Managing Director
Citi Venture Capital International
(Regional Head - US)



R C Bhargava
Chairman
Maruti Suzuki India Ltd



Raju Venkatraman
Managing Director & CEO
MEDall Medical Services (P) Ltd



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

POLARIS PARTNERS



Arun Jain



Arup Gupta



Ashish Devalekar



Balakrishnan V



Bikash Mathur



Dipak Bishnoi



Govindarajan K


















Kartik Kaushik









Kedarnath Udiyavar



POLARIS PARTNERS

<p>Manish Maakan</p> 			<p>Manoj Saxena</p> 
	<p>Padmini Sharath Kumar</p> 		<p>Rama Burugula</p> 
<p>Rama Sivaraman</p> 		<p>Ramaswami SR</p> 	
<p>Sandeep Tandon</p> 			<p>Sanjeev Gulati</p> 
	<p>Segar D</p> 	<p>Soma Sajeevan TK</p> 	

POLARIS PARTNERS

<p>Srikanth R</p> <p>▶</p>			<p>Sudha Kunkalienkar</p> <p>◀</p>
	<p>Sunil Vasantrao</p> <p>◀</p>		<p>Supriyo Sircar</p> <p>◀</p>
<p>T V Sinha</p> <p>▶</p>		<p>Uppili Srinivasan</p> <p>▶</p>	
	<p>Venkatesh Srinivasan</p> <p>▶</p>		
	<p>Vikas Misra</p> <p>◀</p>	<p>Vinay Garg</p> <p>▶</p>	

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POLARIS SOFTWARE LAB LIMITED

Abridged Annual Report for the year ended 31st March 2009

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

INDIA

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POLARIS SOFTWARE LAB LTD

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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

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DIRECTORS' REPORT

POLARIS SOFTWARE LAB LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors have great pleasure in presenting the Sixteenth Annual Report together with the Audited Statements of Accounts (Abridged) for the year ended March 31, 2009.

1. Financial Results

a. Stand alone Results

	<i>Rs. in Lacs</i>	
Year ended March 31	2009	2008
Income from Software development services and products	117,134	93,802
Operating Profit before Interest, Depreciation and Amortization	20,556	8,515
Less:		
Finance charges	55	60
Provision for diminution in value of investments	71	103
Depreciation & Amortisation	4,270	3,907
Add:		
Other income	3,057	313
Foreign exchange gains / (losses), net	(6,595)	1,650
Profit Before Tax	12,622	6,408
Less: Provision for tax including Deferred Tax	1,503	1,145
Profit After Tax	11,119	5,263
Add: Surplus brought forward	22,239	19,233
Profit available for appropriation	33,358	24,496
Appropriations		
Dividend - Interim	1,480	-
- Final	1,234	1,480
Tax on Distributed profits	461	251
Transferred to General Reserve	1,870	526
Balance carried to Balance Sheet	28,313	22,239

b. Consolidated Results

	<i>Rs. in Lacs</i>	
Year ended March 31	2009	2008
Income from Software development services, products and business process management	137,795	109,930
Operating Profit before Interest, Depreciation and Amortization	23,352	11,819
Less:		
Finance charges	73	79
Depreciation	5,051	4,602
Add:		
Other income	2,476	365
Foreign exchange gains / (losses), net	(5,638)	1,446
Profit Before Tax	15,066	8,949
Less: Provision for tax including Deferred Tax	2,086	1,611
Profit After Tax before share of profit/(loss) of associate companies	12,980	7,338
Share of profit /loss of associate companies	91	(17)
Net Profit for the year	13,071	7,321
Add: Surplus brought forward	27,558	22,494
Profit available for appropriation	40,629	29,815
Appropriations		
Dividend - Interim	1,480	-
- Final	1,234	1,480
Tax on Distributed profits	461	251
Transferred to General Reserve	1,870	526
Balance carried to Balance Sheet	35,584	27,558

2. Results of operations

The consolidated income of Polaris Software Lab Limited(Group) from Software development services, products and Business Process Management for the year ended March 31, 2009 stood at Rs.137,795 Lacs, registering a growth of 25.35% over the previous year's revenues of Rs.109,930 Lacs. The consolidated Net Profit for the fiscal year ended March 31, 2009 stood at Rs.13,071 Lacs as against the previous year's Consolidated Net Profit of Rs.7,321 Lacs. The Reserves and surplus increased from Rs.60,815 Lacs in 2007-08 to Rs. 72,333 Lacs in 2008-2009.

The Company caters to its clients through its worldwide offices in United State of America (USA), Europe, Asia Pacific, India and Middle East. In 2008-09, USA contributed 38.51%, Europe contributed 30.07%, Asia Pacific, India and Middle East contributed 31.42% towards consolidated revenue.

3. Future outlook

A review of the market opportunity areas and Polaris offerings and strengths indicates an overall positive outlook for the coming year, with a good mix from current geographic markets as well as new developing markets and business lines. However the impact of the global downturn on business cannot be completely discounted, due to the volatility and flux in the Banking and Financial segments.

Financial Services and Insurance companies are expected to invest in modernization, post merger integration, improved cost management, better risk and regulatory controls, more customer focus and reporting requirements than ever before. Hence, Polaris solutions and technologies that enable cost control, globalization, Integration, customer centricity and risk-regulation management can expect to see considerable traction. Increasing adoption of SOA and modernization trends in Banking and insurance indicates a healthy demand for the Intellect Global Universal Banking platform as well as the Intellect SEEC suite.

4. Dividend

Your Directors please to recommend a final dividend @ 1.25 per share (25% on the nominal value of Rs.5/- per equity share) in addition to the interim dividend declared @ Rs.1.50 per share (i.e.30% on the nominal value of Rs.5/- per equity share) in the month of January 2009 for the financial year 2008-09. The final 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 names appear on the Register of Members of the Company as on July 10, 2009 and to those whose names appear as beneficial owners in the records of National Securities Depository Limited and Central Depository Services (India) Limited as on that date. The Transfer books and register of members will be closed w.e.f July 11, 2009 to July 16, 2009. (Both days inclusive)

5. Strategic Initiatives during the Year

- Polaris acquired SEEC Inc, a US based Product and Component Services Company for Insurance Vertical including Intellectual property, Business Trademarks, Trade brands and infrastructure facilities, for an all cash consideration of US\$ 7 Million. As part of the transaction, SEEC's Intellectual Property Rights worth US\$ 1 Million was also acquired.
- Polaris entered into a unique partnership with the University of Western Sydney to contribute to local capacity building and help address the issue of IT skill shortages in Australia
- The company has set up a dedicated Center of Excellence (COE) for Algorithmics, a market leader in enterprise risk management solutions serving over 300 financial institutions globally, to build capacity and service opportunities in the current and emerging markets

- Polaris in partnership with Microsoft launched Insurance Concept Lab. Established in Polaris' campus in Chennai, this Concept Lab is aimed at building innovative solutions for the Insurance industry in cutting-edge Microsoft technologies.
- Polaris participated in several global events worldwide including SIBOS, BAI and HP Mercury in USA, MEFTEC in EMEA region, IDC and Go Green in APAC, and signature event 'Convergence' in UK and APAC to strengthen its brand.
- Polaris launched a new version of its portal solution - Intellect 'Unified Portal' for corporate banking customers.
- Polaris Retail launched a middleware solution to configure retail stores for seamless integration with backend enterprise solutions - both for B2B & B2C environments.
- Polaris consolidated its Global Development centers by closing rented premises in Chennai, Mumbai and Hyderabad and moving them to company owned campuses in these cities. All this was done with no impact on projects.
- The company carried out voice network enhancements by interconnecting all offices through MPLS network for zero cost and good quality inter office calling and extended this to its worldwide offices.

6. Share Capital

(a) Allotment of shares to Employees under ASOP Schemes:

The Company has allotted 1,600 numbers 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
17/07/2008	ASOP 2003	76.60	2	1600

In view of the above, the issued, subscribed and paid-up equity share capital increased from 98,674,597 numbers of equity shares of Rs.5/- each as on March 31, 2008 to 98,676,197 numbers of equity shares of Rs.5/- each as on March 31, 2009. The Company's shares are listed & traded on Bombay Stock Exchange Limited, The National Stock Exchange of India Limited and Madras Stock Exchange Limited.

(b) Buy-back of shares

The Board at its meeting held on April 23, 2008 discussed about Buy-back of shares of the Company and taken a decision to defer the same.

7. Stock Option Schemes

The Company has 4 stock options schemes as on 31st March 2009. During the year, your Company has granted options to the eligible Associates under the Associate Stock Option Plans 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 2008-09.

(I) Details of Options under ASOP 2000 & ASOP 2001 during the year 2008-09

	Particulars	ASOP 2000	ASOP 2001
	Options outstanding as on 01-04-2008	44,565	19,370
a	Options granted during the year	Nil	Nil
b	The pricing formula	NA	NA
c	Options vested	5,800	6,000

(I) Details of Options under ASOP 2000 & ASOP 2001 during the year 2008-09 (Contd.)

	Particulars	ASOP 2000	ASOP 2001
d	Option exercised	Nil	Nil
e	Total number of shares arising as a result of exercise of Options	Nil	Nil
f	Options lapsed / surrendered	39,165	13,370
g	Variation of terms of options	Nil	Nil
h	Money realized by exercise of options in (Rs.)	Nil	Nil
i	Total number of options in force	5,400	6,000
j	Details of Options granted to:		
	(i) Senior managerial personnel;	Nil	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	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	Nil
k	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of Option (Rs.)	-	-

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 2008-09

	Particulars	ASOP 2003	ASOP 2004
	Options outstanding as on 01-04-2008	29,39,900	717,000
a	Options granted during the year	6,14,000	Nil
b	The pricing formula	As per Market Value	
c	Options vested	11,49,600	2,61,600
d	Option exercised	1,600	1,200
e	Total number of shares arising as a result of exercise of Options	1,600	1,200*
f	Options lapsed / surrendered	4,49,800	51,600
g	Variation of terms of options	Nil	Nil
h	Money realized by exercise of options in (Rs.)	1,22,560.00	91,920.00
i	Total number of options in force	31,02,500	664,200
j	(i) Details of Options granted to Senior Managerial personnel:		
	a. Number of Options granted	4,43,000	Nil
	b. Total number of personnel to whom the above options were granted	12	Nil

(II) Details of Options under ASOP 2003 & ASOP 2004 during the year 2008-09 (Contd.)

	Particulars	ASOP 2003	ASOP 2004	
	(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.)	11.27		
l	(i) Employee Compensation cost using intrinsic method of accounting	-		
	(ii) Employee compensation cost using Fair Value method of accounting.	Rs.77,99,780		
	Difference between (i) & (ii)	Rs.77,99,780		
	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.77,99,780		
	Basic EPS will reduce by	0.00		
m	Options whose exercise price either equals or exceeds or less than the market price of the stock under ASOP 2003:	March 31, 2009	March 31, 2008	
	Weighted average exercise price (Rs.)	51.27	147.74	
	Weighted average fair value (Rs.)	31.04	76.07	
n	Method and significant assumptions used to estimate the fair value of Options.	Black & Scholes Method: Significant Assumptions		
		a. Risk-free interest rate	5.89%	
		b. Expected life of options	2.5 to 6.5 Years	
		c. Expected Volatility	64.18%	
		d. Expected Dividend yield	1.19%	
		e. Price of the underlying share in market at the time of option grant		
		Date of Grant	Exercise Price (Rs.)	Share price on the date of grant (Rs.)
		April 23, 2008	107.70	108.75
		July 17, 2008	78.75	68.10
October 21, 2008	50.55	45.45		
January 20, 2009	44.35	34.35		

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

8. Subsidiaries

The names of the subsidiaries of your Company along with its country(s) of incorporation are given below:-

1. Polaris Software Lab Pte Ltd.	Singapore
2. Polaris Software Lab Ltd.	United Kingdom
3. Polaris Software Lab GmbH	Germany
4. Polaris Software Lab S.A	Switzerland
5. Polaris Software Pty Ltd.	Australia
6. Polaris Software Lab Ireland Ltd.	Ireland
7. Polaris Software Lab Japan KK	Japan
8. Polaris Software Lab Canada Inc.	Canada
9. Intellect SEEC.Inc.	United States of America
10. Polaris Software Lab Chile Limitada	Chile
11. Polaris Software Lab B.V.	Netherlands
12. Polaris Retail Infotech Ltd.	India
13. Optimus Global Services Ltd.	India
14. SEEC Technologies Asia (P) 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 various 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 (**Act**) 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 this Annual Report. Accordingly, the Annual Report contains the Consolidated Audited Financials of your Company and its subsidiaries based upon the exemption application.

The Annual Accounts of the subsidiaries will be made available to the holding and subsidiary company investors seeking such information at any point of time. The 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

- Polaris was ranked #1 in Specialist testing capability for the global BFSI segment. The company was rated among the Top 3 in the Global financial services testing specialists report and ranked 1st among the Specialty testing players by Gartner (one of the world's leading information technology research and advisory company)

- Polaris was ranked 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 consulting engagement with a leading bank in UK for Progressive Modernization of Core Banking platform.

(b) Market Recognition for Intellect Global Universal Banking Platform

- AITE Group, a leading independent research and advisory firm for financial services industry, placed Intellect Core Banking Platform in the Global Top 10, recognizing it as the latest technology solution designed on Services Oriented Architecture and the most flexible platform for organizations to bring in new technology.
- Polaris Intellect placed among the most contemporary global core banking solutions in Cap Gemini Survey of Core Banking Solution Providers.
- Forrester placed Polaris amongst the top 10 Banking Vendors Worldwide.
- Financial Insights puts Polaris as a strong contender in the Core Banking space.

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 Trust' celebrated 11th Annual workshop on July 25th 2008. His Excellency, Honorable Former President of India, **Dr. A P J Abdul Kalam**, participated in the workshop and inspired 2500 young minds to realize the 'Power of Dreams'.

During the year, Ullas initiative spread its wings to Hyderabad and Ranga Reddy district in Andhra Pradesh. 3132 students across the cities Chennai, Delhi, Mumbai and Hyderabad, and all districts in Tamil Nadu were awarded young achievers scholarship. 'Ullas Young Achievers Higher Education Scholarships' were also awarded to 80 students. Under the 'Touch the soil' program, Ullas workshops were held in Coimbatore, Cuddalore, Villipuram and Kanchipuram districts of Tamil Nadu.

Ullas Trust won the award for the **Best Corporate Social Responsibility Practice** at the Social and Corporate Governance Awards 2008 presented by BSE-NASSCOM-Times Foundation

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 Act, and have indicated their willingness to be re-appointed.

13. Directors

Messrs Abhay Agarwal, R.C.Bhargava and Raju Venkatraman directors, retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment. Mr.Arup Gupta was appointed as Additional Director with effect from July 17, 2008 his candidature for appointment as a director has been proposed by a member of the company.

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 furnished in Note No. 2 of the Abridged Financial Statements and also in Note No.B 5 of Significant Accounting Policies and Notes to Accounts provided as an annexure to the complete and full Balance Sheet and Profit & Loss Account of the Company for the financial year 2008-09

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

The particulars, as prescribed under clause (e) of sub-section (1) of Section 217 of the Act, 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 version of Annual Report. Pursuant to the exemption under Section 219 (1) (b) (iv) of the Act, the said annexure has not been enclosed with the Directors' Report forming part of the Abridged version of the Annual report 2008-09.

17. Particulars of Employees

As required under the provisions of Section 217 (2A) of the Act, 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 version of Annual Report. Pursuant to the exemption under Section 219 (1) (b) (iv) of the Act, the said annexure has not been enclosed with the Directors' Report forming part of the Abridged version of the Annual report 2008-09.

18. Directors' Responsibility Statement

Pursuant to the provisions of Section 217(2AA) of the Act, 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.

**By order of the Board
For Polaris Software Lab Ltd.**

Place : Chennai
Date : April 20, 2009

Arun Jain
Chairman & Managing Director

Note:

Refer to Sl.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.47/285/2009 – CLIII dated May 14, 2009 under section 212 of the Act. This order exempts the Company attaching the Balance Sheet, Profit and Loss Account, Directors’ Report and Auditors’ Report of its subsidiaries to the Annual report for the year 2008-09. Further, pursuant to the said order the information related to subsidiaries, is disclosed in an abstract form, which is forming part of the consolidated financial statements.

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 March 31, 2009

The Chairman & Managing Director and the Executive Director manage the day-to-day affairs of the Company. The Company has an optimum combination of Executive, Non-executive and Independent directors to maintain the independence of the Board. 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	2	20%
Non-Executive	3	30%
Independent	5	50%
Total	10	100%

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

1. April 23, 2008
2. July 17, 2008
3. October 21, 2008
4. January 20, 2009
5. March 25, 2009

The maximum gap between two Board meetings was 96 days.

Attendance record of the Directors attending the Board Meetings during the year 2008-09 and Annual General Meeting held on July 17, 2008.

Sl. No.	Name	Director Identification Number (DIN)	Designation/Category*	No. of Meetings		Attendance of the previous AGM
				Held	Attended	
1	Arun Jain	00580919	CMD	5	5	Yes
2	Arup Gupta	01682625	ED	3	3	Yes
3	Abhay Agarwal	00042882	NED	5	5	Yes
4	Ajit Bhushan	00789324	NED	5	0	No
5	Anil Khanna	01241325	NED	5	0	No
6	Arvind Kumar	00636869	NED/ID	5	5	Yes
7	Dr.Ashok Jhunjhunwala	00417944	NED/ID	5	5	Yes
8	Raju Venkatraman	00007620	NED/ID	5	3	Yes
9	RC Bhargava	00632071	NED/ID	5	5	Yes
10	Satya Pal	00287845	NED/ID	5	5	Yes

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

Attendance details of each director during the year 2008-09 is given hereunder:-

Sl. No.	Name	April 23, 2008	July 17, 2008	October 21, 2008	January 20, 2009	March 25, 2009
1	Arun Jain	Yes	Yes	Yes	Yes	Yes
2	Arup Gupta	NA	NA	Yes	Yes	Yes
3	Abhay Agarwal	Yes	Yes	Yes	Yes	Yes
4	Ajit Bhushan	No	No	No	No	No
5	Anil Khanna	No	No	No	No	No
6	Arvind Kumar	Yes	Yes	Yes	Yes	Yes
7	Dr.Ashok Jhunjhunwala	Yes	Yes	Yes	Yes	Yes
8	Raju Venkatraman	Yes	Yes	No	No	Yes
9	RC Bhargava	Yes	Yes	Yes	Yes	Yes
10	Satya Pal	Yes	Yes	Yes	Yes	Yes

The profile of the Directors of the Company are given below:

Mr.Arun Jain - Chairman & Managing Director

Mr.Arun Jain is the Founder, Chairman & CEO of Polaris Software Lab Ltd. Mr.Arun Jain started the company with just \$250 and a dream. Today, Polaris is world's leader in Financial Technology, with annual revenue of over USD 300 million, having 25 Relationship Offices in 20 Countries and 7 Business Solution Centers in India. Polaris has talent strength of over 9,000 solutions architects, technology and domain experts, and providing solutions to the banking, financial services and insurance industries.

From the humble beginnings in 1993, Polaris has become a global financial technology corporation under the leadership & vision of Mr.Arun Jain.

If you can dream it, you can do it! A strong believer in the power of the 'organizational subconscious' and 'common destiny', Mr.Arun Jain is the architect behind "Lakshya" the annual 'visioning' and goal setting exercise of Polaris. Lakshya continues to involve and inspire one and all at Polaris.

Mr.Arun Jain's hobby, in his own words, is "Dreaming". He attributes Polaris' success to the power of alignment at the organizational sub consciousness. He is a voracious reader and enjoys his learnings on anthropology, philosophy, and religion and child psychology.

Mr.Arun Jain founded the Ullas Trust to integrate Polaris employees with larger community and encourage the "Can Do It" spirit in students from Corporation and Government schools. The Trust has awarded over 20,000 scholarships to students".

Mr.Arun Jain is passionately involved in researching & creating the Learning Architecture for the organization and his vision of Polaris 3.0 is to position Polaris among the top 3 financial technology companies in the world.

Awards & Accolades:

Mr.Arun Jain is the recipient of the "Indo-ASEAN Business Initiative Award-2008" awarded in Singapore for recognition of the business initiative in the region for the Information Technology category. He has also been conferred "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 Jain 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. He is a Director in 8 other Companies and also a member of 2 Committees of other Companies.

He has also served as Chairman of Tamil Nadu State Council, Confederation of Indian Industry - Southern Region during 2003 - 2004, Chairman of Indo-American Chamber of Commerce - Tamil Nadu Branch during 2001 – 2002 and on the Board of Xavier’s Institute of Management, Bhubaneswar, India.

Mr.Arup Gupta - Executive Director, President & Chief Operating Officer

Mr.Arup Gupta has been associated with the Company since October, 2005 with rich experience of over 25 years at TCS. His contribution towards the growth of the Company has been appreciated by the Board at all times. Mr. Arup Gupta, an alumnus of the Indian Institute of Science, Bangalore (IISc) and member of the Institute of Electronics and Electrical Engineers (IEEE), is presently leading the global operations, delivery and sales functions as ‘Chief Operating Officer’ (COO) in Polaris. The Board of Directors at its meeting held on July 17, 2008 appointed Mr. Arup Gupta as a Whole time Director. Mr.Arup Gupta is a Director in Optimus Global Services Ltd., Polaris Software Lab Pte Ltd., Singapore, Polaris Software Pty Ltd., Australia and Polaris Software Lab Canada Inc., Canada.

Mr.Abhay Agarwal - Practising Chartered Accountant

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 and Shareholders’ Committee of the Company. He is also a Director in Sunshine India Pvt. Ltd., Dabur Securities Pvt Ltd, 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 Herbs Private Ltd., Intelligent Information Systems Private Ltd., Burman Resorts Private Ltd., Newage Capital Services Private Ltd., Dabon International Private Ltd., Betteroption Estates Private Ltd., Elephant India Advisor Pvt Ltd,, Green Valley Products Pvt Ltd., Natures Bounty Wines and Allied Products Private Ltd., Vansh Holdings Pvt Ltd., Maneswari Trading Co., H&B Stores Ltd., Dr. Fresh Property Development Private Ltd, Dr Fresh Healthcare Pvt Ltd (Alternate Director), Lite Eat Out Foods Pvt Ltd., Super Hoze Industries Pvt Ltd., G.B.Finvest Pvt Ltd and M.V.B.Investments Pvt Ltd. He is a relative of Mr. Arun Jain, Chairman & Managing Director of the Company.

Mr.Ajit Bhushan - Managing Director – Citigroup Venture Capital International, London

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 Citigroup 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 & Anand Rathi Financial Services Ltd. and is a member of Remuneration & Compensation Committee of Polaris.

Mr. Anil Khanna - Managing Director - Citi Venture Capital International (Regional Head-US)

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 Limited, C-Cayco Co-Invest Limited, C-Cayco Noteholder Limited, Receivable Management Services International, Inc., NEP GP Inc., NEB Holdings GP Inc. and Permolex International GP, Inc.

Mr. Arvind Kumar - Senior Lawyer - Supreme Court

Mr. Arvind Kumar, who is an M.A. L.L.B., enrolled as an Advocate on 12th November 1963 at Kanpur from the U.P. Bar Council at Allahabad and practiced in the High Court of Judicature at Allahabad from 1966 to 1972. Later in the year 1972, he shifted to the Supreme Court of India at New Delhi and started practising. He is a Senior Lawyer having 45 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. Mr. Arvind Kumar is also a Director in Nucsoft Ltd., Associated Legal Advisors (P) Ltd. and Second Innings India (P) Ltd.

Dr. Ashok Jhunjunwala - Professor - Department of Electrical Engineering, IIT Madras

Dr. Ashok Jhunjunwala is a Professor in the Department of Electrical Engineering, Indian Institute of Technology, Chennai, India. 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 Jhunjunwala leads the Telecommunications and Computer Networks group (TeNeT) at IIT Madras. This group is closely working with industry in the development of Telecommunications and Computer Network Systems. The group has incubated several technology companies, which work in partnership with the group to develop world class Telecom and Banking products for Rural Markets.

Dr. Ashok Jhunjunwala 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, WWRF and IEEE. 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 Jhunjunwala is also a Director in several companies, including Sasken Telecommunications Technologies Ltd, Bharat Electronics Ltd, 3i Infotech Ltd, Tata Teleservices (Maharashtra) Ltd, Tata Communications Ltd, Tejas Networks Ltd, State Bank of India, Exicom Tele-Systems Ltd, Institute for Development & Research in Banking Technology, Vishal Bharat Comnet and National Internet Exchange of India. He Chairs the Audit Committee of Tata Teleservices (Maharashtra) Ltd. and he is a

member of Audit Committee of Sasken Communications Technologies Ltd., Tejas Networks Private Ltd. and State Bank of India. He chairs the Remuneration Committee of Exicom Tele-Systems Ltd and a 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 at State Bank of India.

Mr.R.C.Bhargava - Chairman, Maruti Suzuki India Ltd.

Mr.R.C.Bhargava is a postgraduate in Mathematics from Allahabad University, India, 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.R.C.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.R.C.Bhargava is also a Director in ILFS Ltd, Taj Asia Limited, Grasim Industries Ltd, Optimus Global Services Ltd, Maruti Suzuki India Ltd, Thomson Press Ltd, UltraTech Cement Company Ltd, Dabur India Ltd, Idea Cellular Ltd and RCB Consulting Private Ltd. Further he chairs the Audit Committee of ILFS 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 Suzuki India 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 - Managing Director & CEO of MEDall Medical Services Pvt Ltd.

Mr.Raju Venkatraman is presently the Managing Director & CEO of MEDall Medical Services Pvt Ltd. Till recently, he was the Joint Managing Director at Firstsource Solutions Limited. Mr.Raju Venkatraman's career in technology outsourcing began with EDS. In EDS, Mr.Raju Venkatraman spearheaded the applications outsourcing business (now called BPO) in a variety of verticals including Healthcare, Manufacturing and Federal Government. Mr.Raju Venkatraman 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 of the Company also. He is also a Director in Rev IT Systems Pvt. Ltd., Vetri Info Data Pvt. Ltd., Vetri Info Data LLC and Sherpa Business Solutions Inc.

Mr.Satya Pal - Former Secretary (Telecom), Chairman MTNL & Telecom Expert

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 was invited to join the Board of Polaris in April 1997. He is the Chairman of the Shareholders' 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 Limited and Member of its Audit Committee and Chairman of its Remuneration Committee.

3. Audit Committee

The Company has a qualified and independent Audit Committee comprises of Non-executive Directors/Independent 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 2008-09 on 23rd April 2008, 17th July 2008, 13th September, 2008, 21st October 2008, 20th January 2009 and 25th March 2009.

Members of the Audit Committee and number of meetings attended by each member during the year 2008-09.

Name	Designation	No. of Meetings	
		Held	Attended
Arvind Kumar	Chairman	6	6
Abhay Agarwal	Member	6	6
Dr.Ashok Jhunjunwala	Member	6	6
R.C. Bhargava	Member	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, the 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 appointment, removal and terms of remuneration of the Chief Internal Auditor

4 Remuneration & Compensation Committee

The Remuneration & Compensation Committee consisting of Non-executive Directors/ Independent 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 2008-09 on 23rd April 2008, 17th July 2008, 21st October 2008 and 20th January 2009.

Members of the Remuneration & Compensation Committee and the number of meetings attended by each member during the year 2008-09:

Name	Designation	No. of Meetings	
		Held	Attended
R.C.Bhargava	Chairman	4	4
Ajit Bhushan	Member	4	0
Dr.Ashok Jhunjhunwala	Member	4	4
Satya Pal	Member	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.

Gross Remuneration paid/payable to Directors for the Financial Year 2008-09

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**	11,828,337	1,032,000	-	-	-
Arup Gupta***	10,851,653	541,622	-	-	50,000
Abhay Agarwal	-	-	450,000	185,000	-
Ajit Bhushan	-	-	-	-	-
Anil Khanna	-	-	-	-	-
Arvind Kumar	-	-	450,000	165,000	-
Dr.Ashok Jhunjhunwala	-	-	450,000	205,000	-
R.C.Bhargava	-	-	450,000	185,000	-
Raju Venkatraman	-	-	250,000	55,000	-
Satya Pal	-	-	450,000	115,000	-

- Note:** *
- ** Paid based on the attendance of Directors in the Board, Committee & other meetings.
 - ** Includes a sum of Rs.53.03 Lacs towards bonus. Bonus is calculated based on performance criteria as determined by a resolution passed by the shareholders at the Annual General Meeting held on 18th August 2006.
 - *** Includes a sum of Rs.30.78 Lacs towards performance driven pay for the period 2008-09.

Stock Options

During the financial year 2008-09, 614,000 number of Options were granted under ASOP 2003 as detailed hereunder:

Sl. No.	Date of Grant	Option Price (Rs.)	No. of Associates	No. of Options
1	23.04.2008	108.75	21	53,500
2	17.07.2008	68.10	19	65,500
3	21.10.2008	45.45	23	378,000
4	20.01.2009	34.35	8	117,000
Total			71	614,000

The Company has obtained a 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.

5. Shareholders' Committee

The Shareholders' Committee consisting of Non-executive directors, 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. 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 2008-09 on 23rd April 2008, 17th July 2008, 21st October 2008 and 20th January 2009.

Members of the Shareholders' Committee and the number of meetings attended by each member during the year 2008-09.

Name	Designation	No. of Meetings	
		Held	Attended
Satya Pal	Chairman	4	4
Abhay Agarwal	Member	4	4
Dr.Ashok Jhunjunwala	Member	4	4
Raju Venkatraman	Member	4	2

During the year, the company allotted 1,600 equity shares of Rs.5/- each to two (2) Associates, pursuant to the exercise of employee stock options under ASOP 2003 Scheme, 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.493,372,985/- comprising of 98,674,597 number of equity shares of Rs.5/- each as on March 31, 2008 to Rs.493,380,985/- comprising of 98,676,197 number of equity shares of Rs.5/- each as on March 31, 2009. The newly allotted equity shares are listed and traded in the Stock Exchanges.

During the year, a total of 1654 Requests / Complaints had been received / resolved by the Company as detailed hereunder.

STATUS OF REQUEST/ COMPLAINTS April 01, 2008 to March 31, 2009			
Sl. No.	Subject	Received	Replied / Resolved
A. REQUESTS			
1	Change/Correction of Address	37	37
2	Receipt of D W 'S/Refund Order for Revalidation	103	103
3	Change/Correction of Bank Mandate/Name/Damage-DW	88	88
4	Request for Issue of Duplicate DW	2	2
5	Receipt of IB For Issue of Duplicate DW	6	6
6	Query Regarding Payment of DW	4	4
7	Receipt of DD(s) Against Dw from Company/Bank	15	15
8	Request for ECS Facility	15	15
9	Letters from Clients Regarding Bills/Payments	7	7
10	Postal Return Documents (Reminder Letters)	1002	1002
11	Letter from Sebi/Stock Exchange/Acknowledgement	0	0
12	Registration of Power of Attorney	2	2
13	Loss of Securities and Request for Duplicate	7	7
14	Receipt of IB and Affidavit for Duplicate	5	5
15	Request for Consolidation/Split of Securities	17	17
16	Deletion of Joint Name Due to Death	6	6
17	Request for Transfer/Trnsmission of Securities	81	81
18	Query Regarding Undelivered Documents	0	0
19	Request for Demats/Remat	71	71
20	Clarification Regarding Shares	11	11
21	Correction of Name on Securities	5	5
22	DD Received from Banks Against ECS Rejection	17	17
23	Others	24	24
Total (A)		1525	1525
B. COMPLAINTS			
1	Non-Receipt of Annual Report	4	4
2	Non-Receipt of Dividend Warrants	120	120
3	Non-Receipt of Securities	5	5
4	Non-Receipt of Fresh/New Securities	0	0
5	Statement of Pending Complaints from Sebi/Company	0	0
Total(B)		129	129
Total (A) + (B)		1654	1654

Note: No. of complaints not resolved to the satisfaction of shareholders : Nil
No. of pending complaints as on March 31, 2009 : Nil

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 fifteen times during the year 2008-09 on April 01, 2008, April 30, 2008, June 20, 2008, July 22, 2008, September 1, 2008, September 10, 2008, September 29, 2008, October 29, 2008, November 15, 2008, December 19, 2008, January 15, 2009, January 30, 2009, February 09, 2009, February 14, 2009 & March 16, 2009.

The present members of the Committee are:

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

6. General Meetings of the Company						
Meeting Date Time Venue	13th AGM 18th August, 2006 2.30 P.M. Music Academy, Chennai		14th AGM 17th July, 2007 3.30 P.M. Music Academy, Chennai		15th AGM 17th July, 2008 3.30 P.M. Music Academy, Chennai	
Sl. No.	Resolutions Passed	Type	Resolutions Passed	Type	Resolutions Passed	Type
1	Adoption of Annual Accounts (31/3/2006)	O	Adoption of Annual Accounts (31/3/2007)	O	Adoption of Annual Accounts (31/3/2008)	O
2	Declaration of Dividend (25%)	O	Declaration of Dividend - confirmation interim dividends paid as final.(45%)	O	Declaration of Dividend - Final (30%)	O
3	Appt.of Mr. Satya Pal as a director under Sec 256 of CA	O	Appt. of Mr.R.C.Bhargava, as a Director under Sec.256 of CA.	O	Appt. of Dr. Ashok Jhunjunwala, as a Director under Sec.256 of CA.	O
4	Appt.of Mr. Abhay Agarwal as a director under Sec 256 of CA.	O	Appt.of Mr. Arvind Kumar as a Director under Sec 256 of CA.	O	Appt.of Mr. Anil Khanna as a Director under Sec 256 of CA.	O
5	Appt.of Dr. Ashok Jhunjunwala as a director under Sec 256 of CA.	O	Appt.of Mr. Ajit Bhushan as a Director under Sec 256 of CA.	O	Appt.of Mr. Satya Pal as a Director under Sec 256 of CA.	O
6	Appt. of M/s. S.R. Batliboi & Associates, as Statutory Auditors	O	Re-appt. of M/s.S.R.Batliboi & Associates, as Statutory Auditors	O	Re-appt. of M/s.S.R.Batliboi & Associates, as Statutory Auditors	O
7	Appt. of Mr. Raju Venkatraman as Director under Sec 257 of CA.	O			Approval of payt of Commission to non-executive directors.	S
8	Re-appt. of Mr. Arun Jain as CMD under Secs 198, 269, 309, 310 read with Schedule XIII of CA.	S				
9	Approval of Shareholders pursuant to Sec. 314(1) & 314(1B) of CA, for re-appointment of Mr. Vinay Garg, a relative of CMD.	S				
10	Approval of Shareholders pursuant to Sec. 314(1) & 314(1B) of CA, for appointment of Ms. Ruchira Gupta, a relative of Director.	S				
11	Fixation of maximum no. of Stock Options to be granted to Non-Executive Directors under ASOP 2003 & 2004.	S				
Type - O=Ordinary Resolution S=Special Resolution CA: means the Companies Act, 1956						

Details of the business pursuant to Sec.192A of the Companies Act, 1956 through Postal Ballot

1. Date of Postal Ballot Notice: September 9, 2008
2. Scrutiniser of Postal Ballot: Mr.S.Eshwar, Practising Company Secretary
3. Declaration of Postal Ballot results: October 21, 2008
- 4.* Details of Resolutions carriedout in Postal Ballots
 - (a) Alteration of Objects Clause of Memorandum of Association by a special resolution.
 - (b) Commencement of New Business by a special resolution.
 - (c) Appointment of Mr. Arup Gupta as Whole-time Director and fixing of his remuneration by an ordinary resolution

Particulars	Refer 4(a)*	Refer 4(b)*	Refer 4(c)*
No. of valid votes polled (No. of shares)	71,217,480 (100%)	71,214,467 (100%)	71,213,801 (100%)
No. of shares held by the Shareholders assented to the resolution	71,212,516 (99.99%)	71,209,503 (99.99%)	71,204,486 (99.99%)
No. of shares held by the Shareholders dissented to the resolution	4,964 (0.01%)	4,964 (0.01%)	9,315 (0.01%)

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 provided as an annexure to the complete and full 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 Directors' Report, which is being 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 behaviors, 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 2008-09, no employee has been denied access to the Audit Committee.

(c) Risk Management framework

The Board of Directors on January 21, 2005 adopted the risk management framework. The framework provides an integrated approach for managing the risks in various aspects of the business, 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. The website also displays all official news releases issued by the Company from time to time.

Publication of Quarterly Results		
Quarterly financial results were published during financial year 2008-09		
Language	News paper	Date
English	Business Standard	24/04/2008
		18/07/2008
Tamil	Makal Kural	22/10/2008
		21/01/2009
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

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 etc.

The Company's official website 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 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.

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.

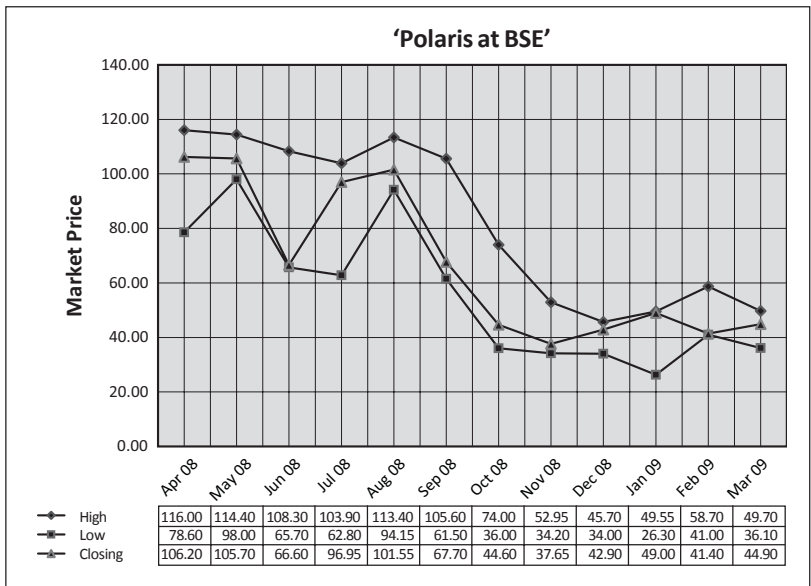
9. General Shareholders Information

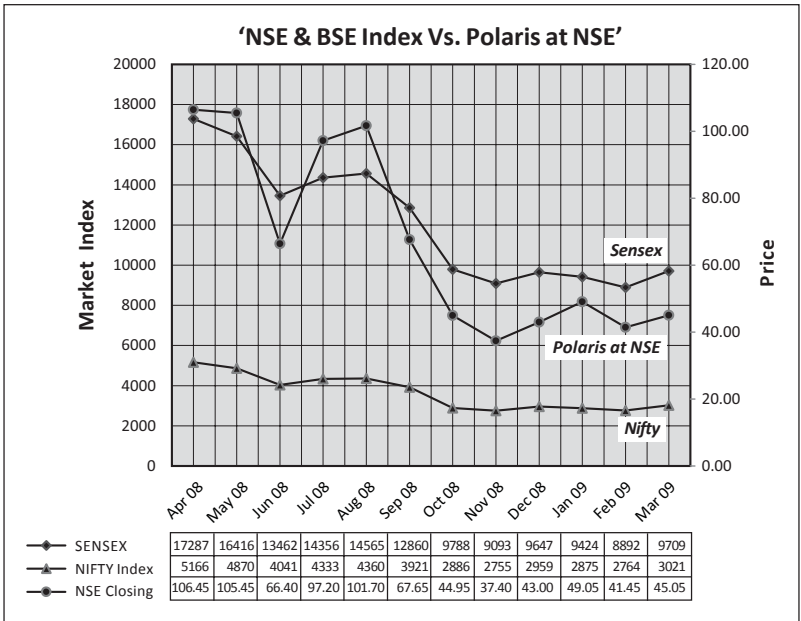
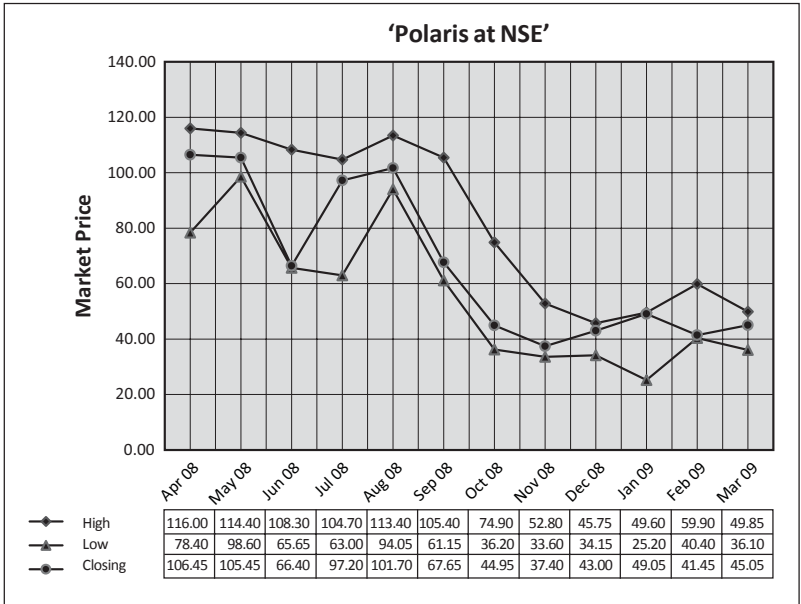
Date of incorporation	January 5, 1993
Registered Office	Polaris House, 244, Anna Salai, Chennai – 600 006
Date & time of Annual General Meeting	July 16, 2009 & 3.30 PM
Venue of Annual General Meeting	Music Academy, Mini Hall, New No. 168, T.T.K. Road, Chennai - 600014
Financial Reporting: (tentative and subject to change) (1.4.2009 to 31.3.2010)	
First quarter ending on June 30, 2009	Between 15 th and 31 st July 2009
Second quarter ending on September 30, 2009	Between 15 th and 31 st October 2009
Third quarter ending on December 31, 2009	Between 15 th and 31 st January 2010
For the year ending on March 31, 2010	Between 15 th and 30 th of April 2010
Annual General Meeting for the year ending on March 31, 2010	July/August 2010
Book Closure	From 11 th July 2009 to 16 th July 2009 (both days inclusive)
Dividend for 2008-09	Interim Dividend — 30% (Paid) i.e. Rs.1.50 per equity share. Final Dividend — 25% (Recommended) i.e. Rs.1.25 per equity share.
Listing of shares with Stock Exchange / Polaris shares traded in	
National Stock Exchange of India Ltd.	- w.e.f. November 24, 1999
The Bombay Stock Exchange Ltd.	- w.e.f. September 29, 1999
Madras Stock Exchange Ltd.	- w.e.f. September 27, 1999
Reuters Code: - POLS.BO (BSE), POLS.NS (NSE)	
BSE Scrip Code: - 532254	
NSE Scrip Code: - POLARIS	
ISIN Code: - INE763A01023	
<ul style="list-style-type: none"> The Company hereby confirms that the listing fee for the year 2009-10, 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. 	
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 E-mail: mailmanager@karvy.com URL: www.karvycomputershare.com

Share market data and the graphical representation of closing market prices movement of the Company's shares quoted in the Bombay Stock Exchange (BSE) Mumbai and National Stock Exchange Ltd. (NSE) from April, 2008 to March, 2009

STOCK MARKET DATA FOR THE PERIOD APRIL 2008 TO MARCH 2009 FROM MUMBAI & NATIONAL STOCK EXCHANGE									
Month	BSE Price				NSE Price				
	High	Low	Closing	Volume	High	Low	Closing	Volume	
April	116.00	78.60	106.20	12,969,724	116.00	78.40	106.45	32,527,037	
May	114.40	98.00	105.70	11,178,814	114.40	98.60	105.45	34,531,957	
June	108.30	65.70	66.60	4,651,986	108.30	65.65	66.40	16,192,652	
July	103.90	62.80	96.95	24,850,508	104.70	63.00	97.20	63,507,696	
August	113.40	94.15	101.55	18,105,407	113.40	94.05	101.70	46,456,328	
September	105.60	61.50	67.70	4,784,656	105.40	61.15	67.65	14,535,318	
October	74.00	36.00	44.60	3,738,116	74.90	36.20	44.95	12,130,368	
November	52.95	34.20	37.65	2,440,101	52.80	33.60	37.40	7,434,067	
December	45.70	34.00	42.90	1,899,373	45.75	34.15	43.00	7,242,457	
January	49.55	26.30	49.00	18,337,987	49.60	25.20	49.05	44,465,002	
February	58.70	41.00	41.40	15,970,080	59.90	40.40	41.45	39,158,286	
March	49.70	36.10	44.90	3,451,385	49.85	36.10	45.05	10,892,025	
Total					122,378,137				329,073,193

The price movement of 'Polaris' Shares in BSE and NSE together with index movement of NSE & BSE is graphically presented:



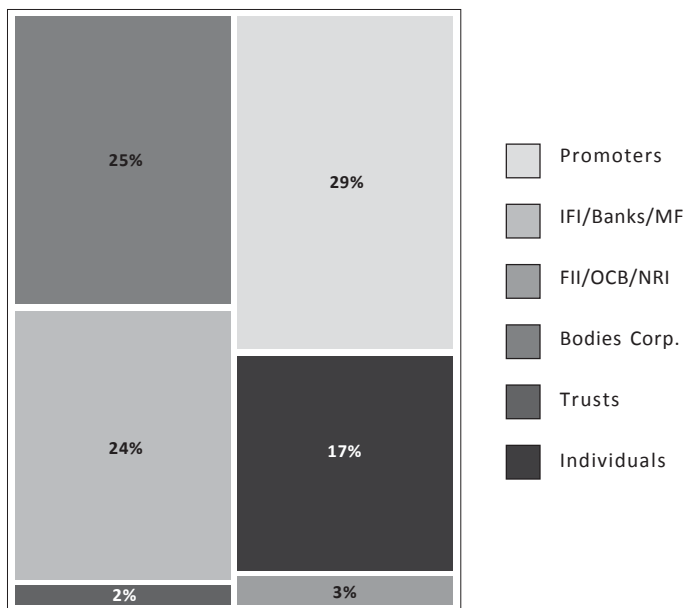


Shareholding Pattern of the Company as on 31st March, 2009

Shareholders		Number of Shares			Total Shareholding as a % of total no. of Shares
Category	No.	Total	Dematerialised		
A	Promoter and Promoter Group				
(1)	Indian				
(a)	Individual / Hindu Undivided Family	17	8,897,221	8,885,221	9.02
(b)	Bodies Corporate	1	19,880,938	19,880,938	20.15
	Sub-Total	18	28,778,159	28,766,159	29.17
(2)	Foreign				
(a)	Individuals (NRI's)	1	450	450	0.00
	Sub-Total	1	450	450	0.00
	Total Group A	19	28,778,609	28,766,609	29.17
B	Public / others				
(1)	Institutions				
(a)	Mutual Funds /UTI	4	302,400	302,400	0.30
(b)	Financial Institution/Banks	9	22,762,521	22,762,521	23.07
(c)	Insurance Companies	2	506,035	506,035	0.51
(d)	Foreign Inst. Investors	18	2,385,268	2,385,118	2.42
	Sub-Total	33	25,956,224	25,956,074	26.30
(2)	Non-Institutions				
(a)	Bodies Corporate	1,242	24,529,160	24,519,410	24.86
(b)	Individuals				
	(i) Individuals holding nominal share capital upto Rs.1 lakh	64,489	13,660,384	13,328,648	13.84
	(ii) Individuals holding nominal share capital in excess of Rs.1 lakh	45	2,758,166	2,758,166	2.79
(c)	Others				
	Overseas Bodies Corp.	2	300	250	0.00
	Trusts	11	2,428,249	2,405,949	2.46
	Clearing Members	124	184,080	184,080	0.19
	Non Resident Indians	571	381,025	376,725	0.39
	Sub-Total	66,484	43,941,364	43,573,228	44.53
	Total Group B	66,517	69,897,588	69,529,302	70.83
	GRAND TOTAL (A+B)	66,536	98,676,197	98,295,911	100.00

Note: No shares of the Company were pledged by the promoters as on March 31, 2009.

Shareholding Pattern as on March 31, 2009



1. List of persons holding more than 1% of Shares as on March 31, 2009

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	4,302,364	4.36
5	Manju Jain	1,022,460	1.04
6	Yogesh Andlay	2,075,047	2.10
7	Orbitech Employees Welfare Trust	1,388,873	1.41

2. Directors Shareholding as on March 31, 2009

Sl. No.	Name of the Shareholder	No of Shares
1.	Arun Jain	4,302,364
2.	Arun Jain (HUF)	789,000
3.	Arup Gupta	40,000
4.	Abhay Agarwal	21,622
5.	Arvind Kumar	50,000
6.	Dr.Ashok Jhunjunwala	12,100
7.	RC Bhargava	18,600
8.	Satya Pal	27,400

DISTRIBUTION SCHEDULE OF SHAREHOLDING AS ON March 31, 2009

No. of Shares	Total		Demat-holdings		Physical holdings	
	No. of Share holders	No. of Shares	No. of Share holders	No. of Shares	No. of Share holders	No. of Shares
Upto 10	6,205	39,250	6,126	39,157	79	93
11-25	6,813	144,796	6,810	144,737	3	59
26-50	12,390	570,609	12,288	565,544	102	5,065
51-100	16,467	1,548,486	16,262	1,528,166	205	20,320
101-500	19,838	4,807,730	18,838	4,618,581	1,000	189,149
501-1000	2,608	2,051,509	2,572	2,026,959	36	24,550
1001-5000	1,780	3,667,819	1,720	3,567,669	60	100,150
5001-10000	214	1,499,212	211	1,480,612	3	18,600
10000 +	221	84,346,786	220	84,324,486	1	22,300
Total	66,536	98,676,197	65,047	98,295,911	1,489	380,286
		100%		99.61%		0.39%

Comparative distribution schedule

Shares	Physical		Demat		Total	
	Nos.	%	Nos.	%	Nos.	%
31.03.2009	380,286	0.39	98,295,911	99.61	98,676,197	100
31.03.2008	389,410	0.39	98,285,187	99.61	98,674,597	100
Shareholders						
31.03.2009	1489	2.24	65,047	97.76	66,536	100
31.03.2008	1,467	2.24	64,134	97.76	65,601	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 Transfer Agents of the Company, at Hyderabad. As the Company's shares are currently traded in demat form, the transfers are processed and approved by NSDL/CDSL in the electronic form through its Depository Participants. The Registrar & Share Transfer Agent on a regular basis processes the physical transfers and the share certificates are being sent to the respective transferees.

- **Dividend Information**

Pursuant to the provisions of Section 205A of the Companies Act, 1956, Dividends upto the Financial Year ended 31st March 2001 which remained unpaid or unclaimed, have 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 2002 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
31.03.2002	06.09.2002	345,922	12.10.2009
31.03.2003	19.09.2003	436,148	25.10.2010
31.03.2004	29.07.2004	476,258	03.09.2011
31.03.2005	22.07.2005	636,367	27.08.2012
31.03.2006	18.08.2006	524,752	23.09.2013
31.03.2007	22.01.2007	337,813	27.02.2014
	28.03.2007	602,844	03.05.2014
31.03.2008	17.07.2008	873,915	16.08.2015
31.03.2009	20.01.2009	1,483,468	19.02.2016

- **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. The insider trading policy of the Company has been amended pursuant to amendments introduced by SEBI (Prohibition of Insider Trading) (Amendment) Regulations 2008.

- **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, Seoul, Pittsburgh, Dubai, Bahrain, Riyadh, London, Belfast, Zurich, Frankfurt, Toronto, New York, Chicago and Fremont. Polaris has also three Indian subsidiary companies namely Optimus Global Services Ltd., Polaris Retail Infotech Ltd. and SEEC Technologies Asia Pvt. Ltd.

- **Address for correspondence**

The Compliance Officer
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

The Company Secretary
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

By order of the Board
For Polaris Software Lab Ltd.

Place: Chennai
Date : 20th April 2009

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 2009 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 : 20th April 2009

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 31st March 2009, 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: 20th April 2009

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, 2009.

Place: Chennai
Date: 20th April 2009

Arun Jain
Chairman & Managing Director

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**Abridged Financial Statements For The Year Ended
31 March 2009**

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, 2009 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 20, 2009 on the complete set of financial statements to note B 15(b) of schedule 16 [Note 6 (b) of the abridged financial statements] regarding management assessment of the carrying value of its investments as at March 31, 2009 in Adrenalin eSystems Limited, an associate company, as at March 31, 2009. The Associate Company has been incurring losses on account of initial 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, 2009 prepared in accordance with Schedule VI to the Companies Act, 1956 and covered by our report dated April 20, 2009 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 20, 2009

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, 2009 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, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 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(b) 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, 2009. The Associate Company has been incurring losses on account of initial 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, 2009;
 - 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 20, 2009

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 disposal of a substantial part 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 loans to four subsidiaries covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 2,657.42 lacs and the year-end balance of loans granted to such subsidiaries is Rs. 1,749.34 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 loans 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. Statutory dues in respect of excise duty are not applicable to the Company.
- (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, there are no dues outstanding of wealth-tax, service tax, customs duty and cess on account of any dispute. Dues outstanding of income-tax, sales-tax 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)	High Court
Income Tax Act, 1962	Income Tax	507.49	Financial Year 2001-02, (Assessment Year 2002-03)	High Court
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)
Income Tax Act, 1962	Income Tax	97.25	Financial year 2004-05, (Assessment Year 2005-06)	Commissioner of Income Tax (Appeals)
Tamil Nadu General Sales Tax Act 1959	Sales Tax	520.00	Financial Year 2004 - 05	High Court
Central Sales tax Act 1956	Central Sales tax	12.55	Financial year 2006-07	High Court
Central Sales tax Act 1956	Central Sales tax	29.85	Financial year 2007-08	High Court

- (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 dues in respect of a financial institution and has not issued any debentures 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 banks 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 20, 2009

POLARIS SOFTWARE LAB LIMITED

Abridged Balance Sheet as at

(Rs in Lacs)

	March 31, 2009	March 31, 2008
I. SOURCES OF FUNDS		
(1) SHAREHOLDERS' FUNDS		
(a) Equity Capital	4,933.81	4,933.73
(b) Share application money pending allotment	-	0.02
(c) Reserves and Surplus		
(i) General reserve	16,910.13	15,039.84
(ii) Foreign currency translation reserve	745.59	(580.81)
(iii) Securities premium account	18,499.96	18,498.82
(iv) Surplus in profit and loss account	28,312.27	22,238.66
(2) LOAN FUNDS		
Secured Loans (other than debentures)	35.71	82.58
(3) DEFERRED TAX LIABILITY (NET)	77.18	98.70
	69,514.65	60,311.54
II. APPLICATION OF FUNDS		
(1) FIXED ASSETS		
(a) Net block (original cost less depreciation)	16,266.02	17,852.23
(b) Capital work-in-progress	114.24	492.73
(2) INVESTMENTS		
(a) Investment in subsidiary companies (Unquoted)	6,956.39	6,956.39
(b) Others		
(i) Quoted *	23,465.63	7,828.80
(ii) Unquoted	1,746.38	2,144.20
(3) (i) CURRENT ASSETS, LOANS AND ADVANCES		
(a) Sundry Debtors	18,204.06	17,167.83
(b) Cash and Bank balances	3,684.41	3,090.26
(c) Other Current Assets	10,753.35	10,304.48
(d) Loans and Advances		
(i) To Subsidiary and Associates companies	2,624.45	1,344.57
(ii) To Others	6,865.55	7,328.61
	42,131.82	39,235.75
LESS: (ii) CURRENT LIABILITIES AND PROVISIONS		
(a) Current Liabilities	16,875.10	10,109.63
(b) Provisions	4,290.73	4,088.93
	21,165.83	14,198.56
NET CURRENT ASSETS (i-ii)	20,965.99	25,037.19
	69,514.65	60,311.54

* Aggregate market value of the quoted investments
March 31, 2009: Rs.23,465.63 (March 31, 2008: Rs 7,844.34)

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 20, 2009

Arun Jain
Chairman & Managing Director
R Srikanth
Executive Vice President & Chief Financial Officer
Chennai
April 20, 2009

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

R.C. Bhargava
Director
B. Muthusubramanian
Company Secretary

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

(Rs in Lacs except per share data)

	March 31, 2009	March 31, 2008
I. INCOME		
Software development services and products		
- Overseas	108,377.20	86,156.75
- Domestic	8,757.23	7,645.03
Dividend	956.32	242.13
Interest	143.17	142.84
Other Income	1,957.69	(72.89)
	120,191.61	94,113.86
II. EXPENDITURE		
Salaries & Other employee benefits	82,868.38	71,217.45
Software development expenses	4,999.38	5,889.97
Selling, Administrative and other General expenses	8,037.30	7,709.11
Managerial Remuneration	276.64	121.68
Finance charges	55.29	60.32
Depreciation and amortisation	4,270.05	3,907.15
Auditor's remuneration	45.63	46.21
Provision for doubtful debts (net)	199.92	302.17
Bad debts written off	151.49	315.81
Less: out of provision for earlier years	-	(315.81)
Provision for diminution in value of investments	71.13	102.60
Foreign exchange (gains) / losses, net	6,594.85	(1,650.34)
	107,570.06	87,706.32
III. PROFIT BEFORE TAX (I-II)	12,621.55	6,407.54
IV. PROVISION FOR TAXATION		
- Current tax	1,583.47	818.16
- Deferred tax	(21.52)	51.06
- Fringe benefit tax	245.99	274.99
- MAT credit entitlement	(305.06)	-
	11,118.67	5,263.33
V. PROFIT AFTER TAX	11,118.67	5,263.33
VI. Profit brought forward from previous year	22,238.66	19,233.25
VII. Amount available for appropriation	33,357.33	24,496.58
VIII. APPROPRIATIONS		
Dividend		
- Interim	1,480.14	-
- Final	1,233.45	1,480.11
Tax on dividend	461.18	251.48
Amount transferred to General Reserve	1,870.29	526.33
Balance carried to Balance Sheet	28,312.27	22,238.66
	33,357.33	24,496.58
EARNINGS PER SHARE (equity shares par value Rs 5 each)		
Basic	11.27	5.34
Diluted	11.27	5.32
Number of shares used in computing earnings per share		
Basic	98,675,728	98,639,382
Diluted	98,697,955	98,938,304

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 20, 2009

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 20, 2009

R.C. Bhargava
Director

B. Muthusubramanian
Company Secretary

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

(Rs in Lacs)

	March 31, 2009	March 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	12,621.55	6,407.54
Adjustments for:		
Depreciation / amortisation	4,270.05	3,907.15
Interest income	(143.17)	(142.84)
Dividend income	(956.32)	(242.13)
Exchange differences on foreign exchange translation	(926.36)	(322.88)
Provision for Doubtful debts (net)	199.92	(13.64)
Bad debts written off	151.49	-
(Profit)/ Loss on sale of Investments	(1,946.01)	32.34
(Profit)/ Loss on sale of fixed assets	115.46	122.41
Provision for diminution in value of investments	71.13	102.60
Lease finance charges	5.82	9.67
Changes in current assets and liabilities		
Decrease / (Increase) in sundry debtors	(986.78)	1,649.77
Decrease / (Increase) in loans and advances	608.89	(2,001.78)
Increase / (Decrease) in current liabilities and provisions	7,215.82	148.00
Taxes paid	(1,989.34)	(1,647.57)
Net cash from operating activities	18,312.15	8,008.64
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets and changes in capital work in progress	(2,407.94)	(2,520.15)
Proceeds from sale of fixed assets	51.52	127.46
Investment in subsidiaries	-	(650.00)
(Purchase) / sale proceeds of other long term investments	2,310.93	(185.00)
Net decrease / (increase) in non-trade investments	(15,675.04)	(5,440.89)
Loans to group companies (Net)	(1,213.81)	(583.12)
Interest received	143.17	142.84
Dividend received	956.32	242.13
Net cash used in investing activities	(15,834.85)	(8,866.73)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share capital issued on exercise of stock options	0.08	4.64
Proceeds from securities premium on exercise of stock options	1.14	72.18
Repayment of secured loans	(46.87)	(46.12)
Lease finance charges paid	(5.82)	(9.67)
Dividends paid during the year	(3,442.62)	(1,236.01)
Net cash used in financing activities	(3,494.09)	(1,214.98)
Exchange differences on translation of foreign currency cash and cash equivalents and movement in foreign currency translation reserve	1,610.94	(430.93)
Net increase / (decrease) in cash and cash equivalents during the year	594.15	(2,504.00)
Cash and cash equivalents at the beginning of the year	3,090.26	5,594.26
Cash and cash equivalents at the end of the year *	3,684.41	3,090.26

* The balances include Rs 58.46 (March 31, 2008: Rs 38.23) which are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

As per our report of even date.

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

per **S.Balasubrahmanyam**
Partner
Membership No 053315
Chennai
April 20, 2009

Arun Jain
Chairman & Managing Director

R Srikanth
Executive Vice President & Chief Financial Officer
Chennai
April 20, 2009

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

R.C. Bhargava
Director

B. Muthusubramanian
Company Secretary

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, 2009.

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, 2009 is Rs.218.79 (March 31, 2008: Rs. 767.60).
- (ii) As at March 31, 2009, the Company has outstanding guarantees and counter guarantees of Rs. 577.05 (March 31, 2008: Rs. 541.68) issued to various banks, in respect of guarantees given by the banks in favour of various government authorities and others.
- (iii) Claims against the Company, not acknowledged as debts includes:
- Demand from Indian income tax authorities as at March 31, 2009 is Rs. 1,199.16 (March 31, 2008: Rs.1,088.53). 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.
 - Sales Tax demand from Commercial Tax Officer, Chennai is Rs.520.00 as at March 31, 2009 (March 31, 2008: Rs 520.00).
 - Sales Tax demand from Commercial Tax Officer, Hyderabad is Rs 42.40 as at March 31, 2009 (March 31, 2008: Rs Nil).

The Company has filed appeals with respective Appellate authorities and 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, 2009	March 31, 2008
Not later than one year	34.43	53.29
Later than one year and not later than 5 years	4.24	38.12
	38.67	91.41
Less: Amount representing future interest	(2.96)	(8.83)
Present Value of minimum lease rentals	35.71	82.58

Notes to Abridged Financial Statements (Contd.)

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

- (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:

Particulars	As at March 31, 2009	As at March 31, 2008
Lease payments for the year	1,124.55	1,424.48
Contingent rent recognised in Profit and Loss Account	-	-
Minimum Lease Payments :		
Not later than one year	596.67	968.09
Later than one year and not later than five years	871.07	374.14
Later than five years	-	-
Total	1,467.74	1,342.23

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, 2009	Year ended March 31, 2008
<u>Chairman and Managing Director</u>		
Salary and perquisites	118.28	85.33
Contribution to provident and other funds	10.32	7.20
<u>Executive Director and Other Directors</u>		
Salaries and perquisites	133.52	20.00
Contribution to provident and other funds	5.42	-
Sitting fees	9.10	9.15
Total	276.64	121.68

Salaries and perquisites to other directors include commission of Rs.25.00 (March 31, 2008 Rs. 20.00) payable to non executive 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, 2009	Year Ended March 31, 2008
	Profit as per Profit and Loss Account	11,118.67	5,263.33
	Add:		
1	Whole-time directors' remuneration	242.54	92.53
2	Directors' sitting fees	9.10	9.15
3	Commission to non-whole-time directors	25.00	20.00
4	Provision for doubtful debts	199.92	302.17
5	Depreciation and amortization	4,270.05	3,907.15
6	Provision for taxation	1,502.88	1,144.21
		17,368.16	10,738.54
	Less:		
1	Depreciation as envisaged under Section 350 of the Companies Act 1956 *	4,270.05	3,907.15
2	Profit / (Loss) of a Capital Nature	1,868.77	(154.75)
	Net profit on which commission is payable	11,229.35	6,986.14
	Commission to other directors at 1% of the net profits as calculated above	112.29	69.86
	Maximum allowed by the shareholders	45.00	45.00
	Commission approved by the board	25.00	20.00

* 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, 2009	Year Ended March 31, 2008
Weighted average number of equity shares outstanding during the year-Basic	98,675,728	98,639,382
Add: Effect of dilutive issue of stock options to be converted	22,227	298,922
Weighted average number of equity shares outstanding during the year-Diluted	98,697,955	98,938,304
Net profit for calculation of Basic and diluted EPS	11,118.67	5,263.33
Basic earnings per share	11.27	5.34
Diluted earnings per share	11.27	5.32

Notes to Abridged Financial Statements (Contd.)

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

6. [B15] Investments in subsidiaries and associates

- a) The subsidiaries of the Company were incorporated to provide software development services, business process management 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, 2009 are given below:

Subsidiary	Profit / (loss) 2008-09	Accumulated loss as at March 31, 2009
Polaris Software Lab Canada Inc	(67.03)	336.77
Polaris Software Lab B.V, Netherlands	17.82	3.88
Optimus Global Services Limited	(187.95)	1,433.77

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.

- b) The Company's equity ownership interest in Adrenalin eSystems Limited is 40.25% as at March 31, 2009. 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.3,044.15 as per the unaudited financial statements of ASL as on March 31, 2009 are on account of initial 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, 2009, ASL has earned a nominal net profit after tax. The management expects to improve the revenue and profitability in the coming years and all intangibles have also been amortized fully during the year. Accordingly, there is no other than temporary diminution in the value of its investments in ASL and hence, it is stated at cost.
- c) The Company's equity ownership interest in NMS Works Software Private Limited ("NMS") is 45.85% as at March 31, 2009. 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 financials statements as at March 31, 2009, NMS had accumulated losses aggregating to Rs 741.02. Accordingly, the Company has determined and recorded a provision of Rs 415.00 for other than temporary diminution in the value of its equity investment in NMS.
- d) The Company has fully divested its holding in AIG Systems Solutions Private Limited and made a profit on sale of investments of Rs. 1,979.45 during the year.

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

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

7. [B17] The following investments were purchased and sold during the year

Particulars	Face Value in Rs.	Units in Lacs	Cost in Lacs
Reliance Liquid Plus IP - Daily Dividend Reinvestment	1,000.00	1.25	1,603.88
Reliance Liquidity Plus Funds	1,000.00	0.65	650.57
ICICI Prudential Flexible Income Plan - Daily Dividend	10.00	56.97	602.34
HDFC Cash Mgt Fund - Savings Plus Plan - Wholesale - Daily Dividend	10.00	68.25	707.46
HDFC Cash Management Fund-Savings Plus Plan-Retail-Daily Dividend	10.00	1.72	18.30
HSBC Liquid Plus Fund - IP - Daily Dividend	10.00	32.23	322.71
ING Liquid Plus - IP - Daily Dividend	10.00	26.65	308.49
ICICI Prudential Liquid-Inst Plus - Daily Dividend	10.00	52.87	626.58
Birla Sun Life Cash Plus - IP - Daily Dividend	10.00	38.12	411.74
Birla Sun Life Short term fund - IP – Daily Dividend	10.00	49.91	500.08
IDFC Cash Fund - Plan D - IP - Daily Dividend	10.00	40.01	400.15
Reliance Liquidity Fund - Daily Dividend	10.00	30.00	300.18
Reliance Interval Fund - Monthly Series I - IP – Dividend	10.00	80.00	700.18
Reliance Liquidity Fund – Daily Dividend	10.00	50.00	500.10
Birla Sun Life Interval Income Fund Monthly Plan- Series II - Ret - Dividend	10.00	50.00	500.00
Templeton India TMA - Super IP - Daily Dividend	1,000.00	0.96	964.40
Templeton FRIF - Long Term – IP – Dividend	10.00	26.34	272.38
HDFC Cash Mgmt Fund – Savings Plan - Daily Dividend	10.00	37.61	400.08
Tata- Fip Fund – Series B3 - IP - Qtly Dividend	10.00	40.00	400.01
Reliance Interval Fund - Monthly Series II - IP – Dividend	10.00	29.98	300.00
ICICI Prudential Liquid – Super IP - Daily Dividend	10.00	540.08	5,401.12
Kotak Flexi Debt Fund - IP – Daily Dividend	10.00	152.61	1,533.37
Kotak Quarterly Interval Plan-Series III-Dividend	10.00	52.54	525.41
Tata Liquid Fund - SHIP - Daily Dividend.	1,000.00	2.52	2,805.73
Tata FIP Fund – Series A2 – IP - Monthly Dividend	10.00	39.86	400.50
UTI Liquid Fund - Cash Plan - IP - Daily Dividend	1,000.00	2.45	2,500.46
Kotak Monthly Interval Plan - Series II- Dividend	1.00	500.00	500.00
HDFC Liquid Fund - Daily Dividend	10.00	58.84	600.08
Kotak Liquid - Inst Premium Plan - Daily Dividend	10.00	49.07	600.08
Reliance Liquidity Fund - Daily Dividend	10.00	300.00	3,000.90
UTI Liquid Fund - Cash Plan - IP – Daily Dividend	1,000.00	0.69	700.13
UTI Liquid Fund - Cash Plan - IP – Daily Dividend	1,000.00	0.39	400.06
Kotak Quarterly Interval Plan-Series III-Dividend	1.00	1,000.03	1,000.03
Birla Sun Life Cash Plus – Institutional Premium Plan –Daily Dividend	10.00	59.91	600.26

Notes to Abridged Financial Statements (Contd.)

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

7. The following investments were purchased and sold during the year (Contd.)

Particulars	Face Value in Rs.	Units in Lacs	Cost in Lacs
Birla Sun Life Quaterly Interval Fund - Series 8 Dividend	10.00	41.17	411.74
Birla Sun Life Cash Plus – Institutional Premium Plan –Daily Dividend	10.00	79.86	800.16
Birla Sun Life Short Term Fund - IP Daily Dividend	10.00	294.32	2,945.52
Birla Sun Life Cash Plus – Institutional Premium Plan –Daily Dividend	10.00	69.88	700.11

8. Key Ratios

	March 31, 2009	March 31, 2008
Ratios - Operational performance		
Operating profit / total revenue (%)	14.16	10.94
PAT / total revenue (%)	9.25	5.50
Ratios - Return		
Return on assets (PBT / total assets) (%)	13.92	8.60
PAT / average net worth (%)	17.17	8.99
Operating profit / capital employed	24.48	17.42
Ratios - Balance Sheet		
Current ratio	1.99	2.76
Book value (Rs)	70.33	60.94
Total revenue / total assets (%)	1.33	1.29

9. [B19] As at March 31, 2009, the Company had no outstanding dues to small-scale industrial (SSI) undertakings and Micro and Medium enterprises (March 31, 2008: Rs Nil). The list of SSI undertakings Micro and Medium enterprises 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.

10. [B20] 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

per **S.Balasubrahmanyam**
Partner
Membership No 053315
Chennai
April 20, 2009

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 20, 2009

R.C. Bhargava
Director

B. Muthusubramanian
Company Secretary

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	31.03.2009		

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	6,951,465	Total Assets	6,951,465
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Sources of funds

Paid up Capital	493,381	Reserves & Surplus	6,446,795
Share application money	-	Deferred Tax Liability	7,718
Secured Loans	3,571		

Application of funds

Net fixed assets	1,638,026	Investments	3,216,840
Net Current Assets	2,096,599	Misc Expenditure	-

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

Turnover	11,713,443	Other Income	305,718
Total expenditure	10,757,006	Profit before tax	1,262,155
Profit after tax	1,111,867		
Earning per share in Rs	11.27	Dividend Rate	55%

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

Item Code No (ITC Code)	Not Applicable
Product description	Computer Software

Arun Jain
Chairman & Managing Director

R.C.Bhargava
Director

R.Srikanth
Executive Vice President & Chief Financial Officer

B. Muthusubramanian
Company Secretary

Chennai
April 20, 2009

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, 2009

		(Rs in Lacs)												
Sl No	Name of the Subsidiary	Country	Report- ing Cur- rency	Ex- change Rate	Capital	Reserves	Total Assets	Total Liabilities	Invest- ments	Turnover	Profit before Tax	Provision for Tax	Profit after Tax	Proposed Dividend
1	Polaris Software Lab Pte Limited	Singapore	SGD	33.35	128.40	4,445.09	8,447.23	3,535.90	100.34	9,860.01	554.91	116.72	438.19	Nil
2	Polaris Software Lab Limited	United Kingdom	GBP	72.49	644.44	2,335.14	10,464.04	7,484.46	Nil	15,960.06	906.33	277.97	628.36	Nil
3	Polaris Software Lab SA	Switzerland	CHF	44.46	155.61	820.57	1,052.23	76.05	Nil	1,527.75	328.68	44.90	283.77	Nil
4	Polaris Software Lab GmbH	Germany	EUR	67.44	404.64	240.76	1,022.87	382.42	4.96	1,542.26	116.97	53.81	63.16	Nil
5	Polaris Software Pty Limited	Australia	AUD	35.03	8.75	423.46	1,935.81	1,336.56	Nil	3,876.20	252.11	85.08	167.03	Nil
6	Polaris Software Lab Ireland Limited	Ireland	EUR	67.44	118.82	997.63	1,832.86	716.41	Nil	2,626.88	693.96	88.28	605.68	Nil
7	Polaris Software Lab Japan KK	Japan	JPY	0.52	104.00	582.22	1,650.44	904.74	Nil	3,740.27	88.28	28.80	59.48	Nil
8	Polaris Software Lab Canada Inc	Canada	CAD	40.53	198.93	(336.77)	957.77	1,096.10	0.49	1,680.89	(67.03)	Nil	(67.03)	Nil
9	Polaris Software Lab BV	Netherlands	EUR	67.44	13.49	(3.88)	210.28	200.67	Nil	176.69	17.82	Nil	17.82	Nil
10	Polaris Software Lab Limitada	Chile	PESO	0.09	5.31	128.22	1,414.34	1,280.80	Nil	1,131.54	25.52	1.89	23.64	Nil
11	Intellect SEEC Inc	US	USD	50.72	3,552.94	(1,955.61)	3,564.40	1,967.07	Nil	1,011.71	92.35	9.70	82.65	Nil
12	Polaris Retail Infotech Limited	India	INR	1.00	900.00	0.33	900.33	900.33	Nil	1,027.25	244.49	(27.76)	272.25	Nil
13	Optimus Global Service Limited	India	INR	1.00	4,685.06	(1,433.77)	4,385.16	1,133.87	Nil	6,175.20	(262.01)	(74.06)	(187.95)	Nil
14	SEEC Technologies Asia (P) Ltd.	India	INR	1.00	349.90	1,111.01	1,721.31	260.40	Nil	1,313.16	111.85	4.44	107.41	Nil

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 31.03.2009

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MANAGEMENT DISCUSSION & ANALYSIS

Forming part of the Financial Statements for the year ended 31 March 2009

Management Discussion and Analysis

1. Overview

Year 2008-2009 was a year of financial turmoil across the world, and witnessed a tremendous shakeout of the Banking and Financial sector. Financial meltdown in the developed world resulted in heightened M&A activity, global consolidation among Tier 1 banking giants and the emergence of new market economies as opportunities for growth in the sector.

Towards Financial Technology Leadership : During this year, Polaris consolidated its position as a Financial Technology Leader in terms of sustained business growth QoQ and also successfully demonstrated the ability to overcome adverse market conditions, crossing the USD 300 Million Revenue milestone achieving a top line growth of 10% in dollar terms. Polaris' strategy of differentiation as a Financial Technology Company through continuous investment in Intellectual Property creation have been key strengths in today's competitive marketplace. Polaris performance built on the solid bedrock of Intellectual Property augmented by World class application management skills have been the major reasons that have helped the organization withstand the downtrend successfully.

With the organic growth machinery in place, the company was able to focus on inorganic growth avenues, geographic expansion beyond G7 countries and Alliance strategies as a means to accelerate business growth worldwide. Polaris' strategic acquisition of SEEC Inc, a leading SOA product line for the Insurance Segment added to the competitive edge of the company in the Insurance Vertical and also provided competitive edge in the Legacy Modernization space through SEEC's Application Management Suite. SEEC acquisition marked the company's foray into the Insurance Vertical globally, with the launch of a comprehensive offering stack for this segment.

Polaris portfolio of business lines registered an annual income growth of 25% over the previous year in rupee terms. For the year ended 31 March 2009, the total income was Rs 1,377.95 crore. Operating profit (EBITDA) was Rs 233.52 crore and profit after tax (PAT) was Rs 130.71 crore. Despite a global downtrend, the company experienced good growth across all its product lines and outsourcing Services as well as in the BPO.

Geographic distribution of revenues stood at 39 % Americas, 30% EMEA, and 31 % ASPAC and India. The Company saw success in markets beyond US and UK, such as Latin America and Vietnam where the Intellect business made in-roads, winning prestigious deals from leading local Banks.

Business highlights for the year include:

- Polaris successfully completed the acquisition of SEEC Inc, a US based Company for Insurance Vertical.
- Polaris launched the Intellect Global Universal Banking Platform, offering a complete spectrum of Banking functionality. The Banking suite achieved 21 wins during the year. The platform continues to be ranked among the leading global banking platforms by Market Analysts.
- Polaris Retail's Xf (Xchange Framework) successfully launched with a prestigious deal from a retail leading chain in India

The operational frameworks, process improvements and robust governance models put in place enabled repeatable and predictable growth of business lines, while laying the foundation for profitable growth over the coming years.

Operations highlights for the year include

- EBITDA margins saw consistent improvements during the year, continuing on the improvements that company kicked off during the last year. EBITDA margins improved by 620 bps in FY08-09 over FY 07-08
- The company generated free cash from operations (after capital expenditure) to the tune of Rs. 169.55 crore which resulted in Cash and cash equivalents of Rs. 340 crore end of the year, as against Rs. 155 crore in the previous year. This was achieved by a continuous focus on improving collections and leveraging on investments made leading to reduced capex. Focus on debtors collections has improved the Days Sales Outstanding (DSO) down to 52 days, the lowest DSO when compared to industry average.
- The software development costs were managed on a growing volume and revenue base with continuous focus on customer satisfaction that we measure as CSS rating and On Time and In full delivery of about 90%.
- G&A costs were brought down to 8% level from 10% level, an improvement of 125 bps through focused measures. The utilization was steadily improved and stabilized at 80% and attrition rate was below 10% by end of the year.

Green Initiatives

Towards conserving and minimizing the impact on the environment, measures were taken during the year towards conserving energy and reuse of water in our development facilities.

- The daily consumption of power has been brought down to 45000 units/day from 55000 units/day resulting in conservation of power to the tune of 25 lac units for the year.
- Reusing and conserving water by processing waste water in sewage treatment plant installed at the facilities. The treated water is being used for cleaning and gardening purposes. During the year, 50 Million litres of water has been conserved and reused in the Hyderabad and Navalur facilities.

Outsourcing

Polaris Outsourcing business showed healthy growth with several new clients added for the horizontal practices during the year. There was significant growth in some of the specialty practices such as BI/Data warehousing, Content Management Independent Testing, Enterprise Solutions and Enterprise Content Management. Testing continued as a flagship offering, with more domain specialization being built in over the year.

Infrastructure services was added to the portfolio of services, thereby enabling the company to offer integrated services and flexible delivery models such as SaaS, Hosted models and shared services.

Polaris added several new customers in the Insurance Vertical, including an engagement with one of the leading European Insurance Companies. Acquisition of SEEC further added muscle to the Insurance client base. The customer base in insurance sector has leaptfrogged to 23 including 6 of the top 10 insurance companies as our customers.

Intellect Banking Platforms

The contribution from Intellect Banking Platform to the overall outsourcing business stood at 18% for the year, indicating increased acceptance and stability of the suite in the marketplace. Polaris had 21 implementations of Intellect during the year. Intellect Global Universal Banking was launched which includes Intellect Business Process Studio and Intellect Unified Portal. Growth plan of expanding the distribution footprint through partnerships and by exploring new markets has been initiated. Global brand reach program was initiated and multiple avenues for market reach and development activities have been put in place.

BPO

Optimus Global Services, Polaris' BPO subsidiary focusing on the high-growth Indian market for collections outsourcing, recorded a growth of 10.32% (in rupee terms) on a YoY basis.

Employee growth

Total employee strength stood at 9238 at the end of 2009. Polaris launched the PCMM Certification roadmap program with the mission of refining/defining/modifying people practices. Several other initiatives, for example, on boarding, mentoring and leadership training were implemented.

Polaris is set to expand into international markets. The economic conditions offer significant opportunities in emerging markets, with the rapid reforms in the banking sectors of developing economies. Polaris mix of Products, Services and Infrastructure offer innovative and best of breed solutions to customers looking to add competitive edge, decrease costs and improve operational efficiencies demanded by the business conditions of today.

2. Industry Structure and Developments

The Global BFSI Industry was heavily impacted in 2008 by the financial crisis that resulted in several changes and challenges for players in the industry. Collapse of vulnerable Banks, Mergers, Opportunistic take overs, consolidation etc have impacted the industry and its players significantly.

At a global level, the industry witnessed intense completion among the Tier 1 players with multinational presence, focused on expanding operations in emerging economies, the Tier 2 global players and expanding across boundaries and lastly the multitude of midsized and small Banks in each country.

Technology Trends:

The above business drivers have in turn impacted the industry spending on IT. Several organizations are faced with the twin challenge of slashed budgets and the demand to do more with less.

- **Growing adoption of SOA in both Banking and Insurance sectors:** Research by leading analyst house Forrester infers that despite an initial setback, several leading institutions have continued to invest in SOA and are experiencing benefits in terms of flexibility and reusability of applications.
- **Increased focus on modernization:** The Core banking modernization trend is expected to continue in waves across countries of the world, with several banks now evaluating the benefits of new SOA technologies versus the costs of legacy maintenance
- **Product Development gains in India:** India continues to be a hot bed for technology development and associated services. Product development centers of local product vendors as well as offshore centers of foreign products have seen a spurt in activity and growth this year.

2.1 Financial Services Outsourcing: Trends in Geographic Markets

North America is expected to take the brunt of the financial crisis and is expected to hit the hardest. However outsourcing is expected to bounce back in the later part of 2009 due to the pressure to cut costs and improve control and efficiencies. IT spending for infrastructure is predicted to remain stable though the overall IT spending is predicted

to decrease. There would be an increased focus on the front office operations with an increased appetite towards new technology for reducing IT cost.

The European market is slated to follow the same pattern as the U.S.; but with a longer duration of the downtrend. 2009 IT budgets in EMEA will focus on the front office while the focus of spend in the middle office are on governance, risk and compliance. Banks are also expected to focus more on software-as-a-service in this region.

Front office: Multichannel retail delivery, Customer insight programs, Portals etc are predicted to be the top investment areas in 2009. Middle Office focus is on Risk and Governance Solutions. SaaS adoption is likely to witness growth and finally, integrated ITO and BPO delivery is expected to gain traction in Europe over the next two years.

Asia Pacific region and emerging regions are expected to experience a moderate delayed impact that will cause a slowdown in growth through mid-2009, followed by resumption of growth in late 2009.

India: The key drivers in the Indian BFSI industry marketplace are intense Competition, growth, customer centricity; regulatory compliance and consolidation. Upcoming Business opportunities are in areas of the unbanked/uninsured, mobile banking, microfinance etc. Services Opportunities for Polaris include Consulting services, IT consolidation, shared services and infrastructure services.

2.2 Global Banking Platforms

Global banking platform players are clearly segmented into tier 1 market leaders with global presence, tier 2 players active in fewer global regions and specialist/Niche players. Global banking platforms are likely to evolve by adding comprehensive functionality, moving to SOA based designs. Attractive growth markets include emerging markets in Latin America, ASPAC, Africa, India and Eastern Europe in products such as Universal Banking, Multichannel, and Portal etc.

3. Strengths, Opportunities and Threats

A plethora of opportunities across multiple business areas and geographies thrown up by the current business environment as well as the large Financial sector IT spending offers substantial opportunities for growth for Polaris. Polaris investment into Intellectual property, R&D and the company's acquisition/partnership direction are further aligned to the upcoming market opportunities.

3.1 Strengths

1. Domain focus and super specialty within BFSI through experience with global leaders in Banking and Insurance provides the consulting capability and solution approach
2. Comprehensive IP assets for both Insurance and Banking domains
3. Future proof technology :SOA technology and innovative delivery models like SaaS
4. Differentiated Modernization methodologies using IP and reusable applications
5. Mature go to market and delivery execution model combined with market acceleration strategies through appropriate Monetization and Alliances ecosystem

Intellectual Property Assets

- The Intellect Global Universal Banking suite comprises of Intellect Consumer Finance, Intellect Universal Banking , Intellect Cards, Intellect Risk and Treasury, Intellect Cash and Liquidity, Intellect Wealth, Intellect Investor Services(Custody), Intellect Portal and Intellect BPM
- Intellect SEEC comprises a complete SOA suite for Insurance players, including SEEC BCS - Agency, Claims front office and SEEC AMS for legacy analysis and transformation programs
- Customer base of leading global banks and Financial Institutions. We partner with 80 named strategic accounts that includes of 17 AAA (\$5MM and above), 20 AA (\$3-\$5MM) and 27 A (\$1-\$3MM) accounts.

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:

- Opportunities in developing economies

The emerging economies in ASPAC, Latin America, Eastern Europe and Africa offer substantial opportunities for Polaris both for license sales as well as modernization projects

- Legacy Modernization Opportunities in developed Economies

Legacy modernization opportunities in Banking and Insurance in the developed economies have opened up due to the cost pressures and high maintenance costs of legacy. The combination of SEEC AMS and Application IP in the form of Intellect Global Universal Banking and Intellect SEEC are high value offerings for Polaris in modernization initiatives

- Opportunities in Tier 2 and 3 segments

Tier 2 and Tier 3 companies offer significant growth opportunities for Polaris in the coming years as these enter the growth phase and explore smart technologies to grow in their local markets and overseas

- Opportunities in tier 1 Accounts

Each one of the 80 strategic accounts offers significant potential for growth as these are typically Tier 1 organizations with huge IT spends. Polaris opportunities include heightened engagement with these customers in global expansion, post merger integration, Multichannel and customer facing technologies etc.

(b) Threats:

While slowdown of outsourcing in the developed economies is likely to impact the industry in general, the impact of this is not likely to impact Polaris significantly, since a reversal of the trend is expected due to increased pressure on cost management during the later part of 2009. In addition, Polaris does not envisage any major fall out of these trends that may pose any significant threats to its business or operations.

4. Segment Wise Performance

Polaris is focused on the Financial Technology sector, which comprise of sub segments Retail Banking, Corporate/Wholesale Banking, Investment/Private Banking and Insurance. Emerging segments include Microfinance and Islamic Banking. The horizontal growth offerings include Business Intelligence, Content Management, Business Process Management, Enterprise solutions and Testing. The Company's proportion of revenue across all its business segments/verticals are shown below.

Segment	Q1 FY 08-09	Q2 FY 08-09	Q3 FY 08-09	Q4 FY 08-09
Banking, Finance and Insurance	91.00	91.00	90.00	92.10
Emerging Verticals	9.00	9.00	10.00	7.90
Total	100%	100%	100%	100%

5. Outlook

A review of the market opportunity areas and Polaris offerings/strengths indicates an overall positive outlook for the coming year across geographies and business lines.

Markets: Financial Services and Insurance companies can be expected to invest in modernization, post merger integration, improved cost management, better risk and regulatory controls, more customer focus and reporting requirements than ever before. Hence, Polaris solutions and technologies that enable cost control, globalization, customer centricity and risk-regulation management can expect to see considerable traction

Geographies: Across geographies, initiatives such as Consulting, SOA, SaaS, Virtualization, Social Networking and Green IT etc are likely to see increased adoption with the need to meet increased growth globalization and competitive pressures. Polaris preparedness with delivery models that enable IT services as variable costs versus fixed costs are likely to find favour with buyers. Services and Modernization projects in developed economies, coupled with Intellect sales in developing markets is the likely opportunity mix that will emerge

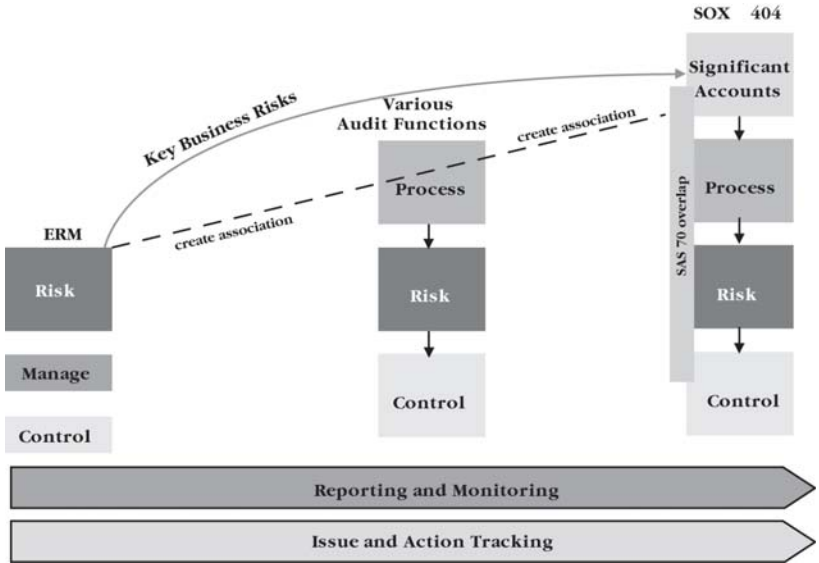
Business Lines: Core Banking renewal, Multichannel and payments consolidation, and Modernization of trade, treasury etc are expected to experience pockets of growth across the world. Polaris Intellect Global Universal Banking platform, Intellect SEEC AMS and the proposition of self-funded legacy modernization will be an attractive proposition to this segment of buyers. Considerable market opportunities exist for all horizontal practices such as Testing, Content Management, Business Intelligence etc.

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 the proposed Risk framework presented to 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, 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.

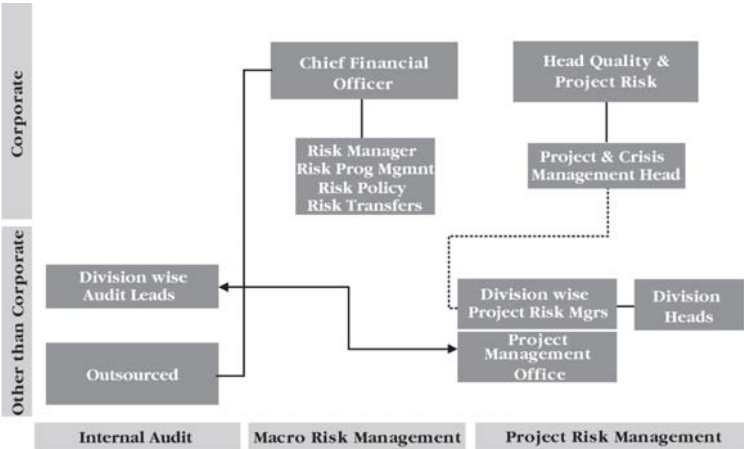


An organizational structure aligned to risks illustrated in the adjacent figure has been implemented. Along with the change in structure major policies and procedures were also reviewed and implemented to help management at all the levels to be attuned to the risk management framework of the company.

The risks are broadly classified into macro financial and operational. All the macro financial risks are aligned with the Chief Financial Officer while the Operational risks are aligned with the Head, Quality and Project Risk, 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

Polaris continues to manage Price Risk by leveraging IPR based solutions which significantly reduces the resource and effort requirements for similar solution offerings in the market from plain vanilla resource suppliers.

IPR approach also mitigates the risk of Global weakening of the pricing of technology outsourcing services – which is one of the major market related risks.

Competitive forces from increasing trend of more global companies in banking and financial services/product 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 continue to exert pressure on prices.

(b) Geographic Concentration Risks

Polaris current geographic spread across 30 countries as well supporting key accounts (Tier 1 banks) with presence in over 100 countries has helped mitigate geographic concentration risks considerably. 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.

Geographic Revenue	Q1 FY 08-09	Q2 FY 08-09	Q3 FY 08-09	Q4 FY 08-09
Revenue (Rs. Lacs)	31,697.99	35,114.14	37,257.80	33,724.61
US/North America	37.06%	37.39%	39.65%	39.79%
Europe	31.34%	30.65%	29.22%	29.23%
India	11.59%	9.70%	8.66%	8.73%
Asia Pacific & Japan	20.01%	22.26%	22.47%	22.25%
Total	100%	100%	100%	100%

(c) Industry Concentration Risk

Market analysts continue to rank Banking, Financials Services and Insurance as the top IT spenders worldwide. Despite the financial downtrends these sectors are likely to see continued investment into IT with contributions from emerging economies and technology modernization initiatives.

This year Polaris has invested in Intellectual Property and assets in the Insurance Sector with the buyout of SEEC Inc. This decreases Polaris overall exposure to the Banking vertical and also opens up a huge market for Legacy Modernization initiatives in both Banking and Insurance verticals.

(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.

Client Data	Q1 FY 08-09	Q2 FY 08-09	Q3 FY 08-09	Q4 FY 08-09
New major clients added	15	14	13	16
Repeat Business	86.00%	86.00%	93.00%	94.00%
Client concentration				
Top Clients	12.20%	12.03%	13.72%	12.38%
Top 5	39.08%	40.85%	41.47%	37.47%
Top 10	52.98%	56.64%	53.47%	48.66%
Intellect Revenue (Rs. Lacs)	5,313	5,821	6,364	6,611

(e) Technology Obsolescence risk

Polaris has put in place several initiatives to ensure that offerings remain current and market relevant.

- **Product Investment Board:** The Product Investment Board has been set up to implement R&D and resultant investment into functional or technical enhancements to the product suites.
- **Monetization Strategy:** Polaris has set up an IP monetization strategy group to evaluate and close opportunities for monetization of assets in the growth phase of the product life cycle
- **Global Alliance Ecosystem:** Strategic Alliances with industry leading technology partners like IBM, Sun, HP, Microsoft, and Oracle Corporation are in place to enable the company to offer global and contemporary solutions with high return on Investments for customers

Polaris 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 30 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.

Polaris, as a process has taken all measures to comply with the existing legislations. 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

A summary of our group Financial Position as at March 31, 2009 and as at March 31, 2008 is as follows:

	March 31, 2009	March 31, 2008	% Increase / (Decrease)
	Rs. in Crores	Rs. in Crores	
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	49.34	49.34	-
Reserves and surplus	723.33	608.15	19%
	<u>772.67</u>	<u>657.49</u>	18%
LOAN FUNDS			
Secured loans	0.36	0.83	(57%)
DEFERRED TAX LIABILITY	6.65	6.86	(3%)
TOTAL	<u>779.68</u>	<u>665.18</u>	17%
APPLICATION OF FUNDS			
FIXED ASSETS			
Cost	528.35	466.71	13%
Less: Depreciation and amortisation	313.74	258.33	21%
Net book value	214.61	208.38	3%
Capital-work-in progress	1.14	4.96	(77%)
	<u>215.75</u>	<u>213.34</u>	1%
GOOD WILL	19.88	-	100%
INVESTMENTS	244.25	96.97	152%
DEFERRED TAX ASSET	9.69	7.93	22%
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	203.13	210.45	(3%)
Cash and bank balances	105.39	76.76	37%
Other current assets, loans and advances	232.51	244.50	(5%)
	<u>541.03</u>	<u>531.71</u>	2%
CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	204.31	140.05	46%
Provisions	46.61	44.72	4%
	<u>250.92</u>	<u>184.77</u>	36%
NET CURRENT ASSETS	290.11	346.94	(16%)
TOTAL	<u>779.68</u>	<u>665.18</u>	17%

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.

Sources of Funds

Share Capital

As at March 31, 2009, our authorized share capital was Rs.65.00 crores. The break-up of our authorized share capital in equity and preference shares is detailed as follows:

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

The issued, subscribed & paid-up capital as at March 31, 2009 was Rs.49.34 Cr. (98,676,197 equity shares each of Rs 5). During the year, 1,600 equity shares were allotted to associates & directors under various Associate Stock Option Plans.

Our equity shares are currently listed in India on the NSE, BSE and MSE. Our market capitalization as at March 31, 2009 was Rs. 444.54 crore (previous year Rs. 774.59crore) based on NSE prices. As at March 31, 2009 the total no. of shareholders on record was 66,536 and the total founder holding percentage was 4.36%.

Reserves and surplus

Reserves & Surplus stood at Rs 723.33 Cr. an increase of Rs 115.18 Cr. compared to Rs 608.15 Cr. as on March 31, 2008.

An amount of Rs.18.70 Cr. representing 14.31% of the profits for the year ended March 31, 2009 (previous year Rs.5.26 Cr) was transferred to the General reserves account from the Profit and Loss Account.

Foreign Currency Translation Reserve stands at Rs 15.30 Cr as on March 31, 2009 as against Rs. (0.91) Cr for the previous year. The increase of Rs. 16.21 Cr was primarily on account of foreign currency adjustments arising out of translation of subsidiaries financials during consolidation.

Internal accruals made during the year stood at Rs 80.27 Cr as compared to Rs.50.65 Cr during the last financial year. The total amount of profits appropriated to dividend including dividend tax is presented in the table mentioned below.

Particulars	2008-09 Rs. in Crores	2007-08 Rs. in Crores
Profit during the year	130.71	73.22
Less		
Dividend	27.13	14.80
Dividend tax	4.61	2.51
Transfer to General reserve	18.70	5.26
Internal accruals	80.27	50.65

The book value per share increased to Rs. 78.30 as at March 31, 2009 compared to Rs. 66.63 as of the previous year end.

Secured Loans

Finance lease obligation of Rs. 0.36 Cr represents vehicle loan arrangement with financial institutions for associates. The corresponding figure for the previous year end stood at Rs. 0.83 Cr

Application of Funds

Strategic Business Acquisition

Inorganic Growth Strategy

Growing our current business by leveraging our customer relationships, strengthening presence in verticals of choice and entering into new customer relationships is a key priority. We are also looking to grow inorganically given the right M&A candidates that would either help us build depth, breadth and scale in our capabilities.

Our company has during the year acquired entire equity interest in SEEC Inc. for an all cash consideration of US\$ 7 Million. As part of the transaction we also acquired SEEC's Intellectual Property Rights worth US\$1 million. The entire funding for this was met out of internal accruals.

SEEC Inc is a US based Product and Component Services company focussed on the Insurance vertical. It is engaged in the business of developing, marketing, selling, supporting business component and application management software solutions for clients primarily in Life & Annuities, P&C and Healthcare Insurance. Its solutions help in unifying access to disconnected systems and improve modernization of legacy systems. Also, SEEC components are built for SOA and can be rapidly assembled/configured and reused across product lines.

SEEC Inc. has well known insurance companies in India and North America as its customers. The acquisition is expected to enhance our product portfolio and extend reach into the Insurance Vertical. Post acquisition, the name of the acquired company was changed to Intellect SEEC Inc.

The company's profit and loss account for the period includes revenue of Rs 9.84 Cr and profit of Rs 0.80 Cr of Intellect SEEC Inc for the period November 2008 –March 2009.

Goodwill on consolidation

The excess of consideration paid over the net asset value acquired has been recognized as goodwill in accordance with Accounting standard (AS) 21 on consolidated financial statements. The group has recognized goodwill of Rs. 19.88 Cr in the consolidated financials as a result of acquisition of SEEC Inc during the year.

Fixed assets

Fixed assets include Land & Building owned by the company in Chennai, Hyderabad, Mumbai and Gurgaon, where 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.

Capital expenditure incurred during the year was Rs 35.53 Cr and category-wise spends are given below:

Additions to Fixed Assets

Particulars	Amount (Rs. Cr)
Land & Buildings	2.28
Plant and Machinery (including Computers, computer equipments ,Software & IPR)	21.22
Furniture, Fixtures and Office equipments	6.80
Plant & Machinery & Others (Includes AC, UPS & Electricals etc.,)	5.23
Total	35.53

Major Additions during the year was towards augmenting of software excellence centers at Manikonda in Hyderabad and at Silver metropolis in Mumbai.

Deletions to Fixed Assets

During the year the group realized Rs.0.58 Cr (Rs.1.32 Cr as of March 31, 2008) on disposal of various assets (Steeple reach & Spencers) on account of an initiative to utilize space effectively and conserve costs.

Investments

We make several strategic investments which are aimed at procuring long term business benefits for our company. The summary of our strategic investments in associate companies (net of provision) is as follows:

Particulars	% of Equity Share Holding	March 31, 2009 Rs. in Crores	March 31, 2008 Rs. in Crores
Adrenalin eSystems Ltd.	40.25	8.02	8.02
NMS Works Software Private Ltd.	45.85	1.53	2.24
AIG Systems Solutions Private Ltd.	-	-	8.43

The above summary comprises of both equity and preference share of our investments

Each year our company assesses its equity investments in associate companies and recognizes any diminution in the value of investments other than any temporary diminutions allowed as per Accounting Standard 23. Accordingly, during the year our company determined and recorded a provision of Rs.0.71 Cr in the value of its equity investment in NMS, resulting in a zero value of the investment in the books.

Disinvestment

We disinvested our stake in AIG Systems Solutions Private Limited during the year. Our company made a gain of Rs. 13.01 Cr on a consolidated basis after adjusting share of profit of Rs.6.78 Cr already considered in the previous and current years. (share of profit pertaining to current year 1.62 cr)

Effective treasury/fund management policy

The company's Global Treasury ensures that excess fund is deployed in interest bearing instruments / deposits/ Mutual Funds on a daily basis.

March 31, 2009 saw an addition to our Mutual Fund investments that grew to Rs.234.66 Cr compared to Rs.78.29 Cr in the previous year end.

Due to effective deployment of excess funds our company earned a dividend of Rs.9.56 Cr (year-on-year increase of 295 %) compared to the last year of Rs.2.42 Cr.

Cash & Cash Equivalents

Cash and cash equivalents as at March 31, 2009 increased by Rs.28.63 Cr (37 %) to Rs.105.39 Cr. from Rs.76.76 Cr. as at March 31, 2008. The increase was primarily on account of improved collections during the year. Details of the same are given below:

Cash and Cash Equivalents

Particulars	March 31, 2009	March 31, 2008
	Rs. in Crores	Rs. in Crores
Cash In Hand	0.07	0.07
Cash in Current Account	14.83	24.18
Current Account in foreign banks	70.31	44.45
In Bank Deposits	20.18	8.06
Total	105.39	76.76

Liquidity and Capital

Funding

The company continues to maintain its practice 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 financial support /borrowing from any institutions.

Free Cash Flow (FCF)

FCF 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. The following table summarizes the movement in FCF during the last two financial years:

Particulars	2008-09	2007-08
	Rs. in Crores	Rs. in Crores
Cash from operating activities	242.08	84.36
Less: Capital expenditure	72.53	38.98
Free Cash Flow	169.55	45.38

Accounts receivable

Sundry debtors amount to Rs. 203.13 Cr (net of provision for doubtful debts amounting to Rs. 30.53 Cr.) as at March 31, 2009 compared to Rs 210.45.Cr (net of provision for doubtful debts amounting to Rs. 27.36 Cr.) as at March 31, 2008. These balances are considered good and realizable. Debtors are 14.74% of the revenues for the year ended March 31, 2009 as compared to 19.14% for the previous year. 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 52 days at the end of the current year as against 63 days at the previous year end. The age profile of Debtors is presented in the following table:

Debtors ageing in percentage

Days	2008-09	2007-08
0-90	73.38%	76.60%
91-180	12.28%	15.95%
180-360	12.87%	5.71%
> 360	1.46%	1.74%
	100%	100%

Loans & Advances

Loans and advances have decreased by Rs. 11.99 Cr. (5 %) and stood at Rs. 232.51 Cr. as at March 31, 2009

Summary of Loans & Advances along with its variance are as presented follows:

Loans and Advances

Particulars	March 31, 2009	March 31, 2008	Variance
	Rs. in Crores	Rs. in Crores	
Advance tax (Incl MAT Credit)	26.94	20.58	6.36
Revenues accrued but not billed	142.17	151.29	(9.12)
Others	63.40	72.63	(9.23)
Total	232.51	244.50	(11.99)

Revenue accrued but not billed has reduced mainly due to time bound action plan to complete the billing wherever milestone deliverables have been achieved and aligning project mile stones with billing cycle for the contracts entered during the year.

Others comprise of advances, loans to associates and rental deposits. The prime reason for decrease in others is attributable to the decrease in rental deposits of Rs. 6.68 Cr on account of refund of rental deposits from where the company vacated and relocated offices to owned premises for optimum space utilization.

Current Liabilities and provisions

Total current liabilities have increased by Rs 66.15 Cr (36%), primarily on account of forward cover payable, salary payable, statutory liabilities, provision for expenses, billing in excess of revenue, gratuity and leave encashment.

Sundry creditors include creditors for goods & expenses and the increase of Rs 25.40 Cr was primarily on account of variable compensation payable to Associates.

Forward cover payable of 22.79 Cr was created towards hedging of receivables in foreign currency to limit the exchange risk exposure due to forex movements. The details on forward cover contracts are provided in the notes to accounts to the financial statements.

Net Current Assets

Net Current Assets as at March 31, 2009 were Rs. 290.11 Cr compared to Rs, 346.94 Cr in the previous year. The current ratio was 2.16 as at march 31, 2009 as compared to 2.88 in the previous year.

Deferred tax assets / liability

The company recorded deferred tax liability & deferred tax asset aggregating Rs 6.65 Cr. (previous year 6.86 Cr) and Rs.9.69 Cr. (previous year 7.93 Cr) as of March 31, 2009 respectively. Deferred tax assets/ liabilities represent timing differences between the financial and tax books arising out of depreciation on assets, investment provisions and provision for sundry debtors. The summary of the same is presented in the table below:

Particulars	March 31, 2009	March 31, 2008	Variance
	Rs. in Crores	Rs. in Crores	
Deferred Tax Liability – FA	4.94	5.41	0.47
Deferred Tax Asset – Debtors provision	5.99	4.91	1.08
Deferred Tax Asset – Investments	2.00	1.57	0.43

Dividends

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

Dividend Payout

Particulars	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Dividend %	55	30	45	25	35	35
Dividend Payout%	21	20	22	58	30	24

Contingent liabilities and contractual obligations.

These have been discussed in detail in the notes to accounts to consolidated financial statements – Refer page no.107 under B 2.

A summary of our group Financial Results for the year ended March 31, 2009 and March 31, 2008 is as follows:

	March 31, 2009	March 31, 2008	% Increase / (Decrease)
	Rs. in Crores	Rs. in Crores	
INCOME			
Software development services and products			
- Overseas	1,223.30	962.96	27%
- Domestic	93.04	80.49	16%
Income from Business Process Management (BPM)			
- Overseas	0.96	2.18	(56%)
- Domestic	60.65	53.67	13%
	<u>1,377.95</u>	<u>1,099.30</u>	25%
EXPENDITURE			
Software development and BPM expenses	885.40	744.65	19%
Selling, administrative and other general expenses	259.03	236.45	10%
	<u>1,144.43</u>	<u>981.11</u>	17%
OPERATING PROFIT BEFORE INTEREST, DEPRECIATION AND AMORTISATION	233.52	118.19	98%
Finance charges	0.74	0.79	(6%)
Depreciation and amortization	50.51	46.02	10%
	<u>51.25</u>	<u>46.81</u>	9%
OPERATING PROFIT AFTER INTEREST, DEPRECIATION AND AMORTISATION	182.27	71.38	155%
Other income, net	24.77	3.65	
Foreign exchange gains / (losses), net	(56.38)	14.46	-
PROFIT BEFORE TAX	150.66	89.49	68%
Income taxes - Current tax	19.92	14.55	37%
- Deferred tax	(1.69)	(1.35)	25%
- Fringe benefit tax	2.63	2.91	(10%)
PROFIT AFTER TAX	129.80	73.38	77%
Share of profit / (loss) of associate companies	0.91	(0.16)	669%
NET PROFIT FOR THE YEAR	130.71	73.22	79%

Revenues of our company are derived from “Software Development Services and products”. During the year total revenue was Rs.1,377.95 Cr against Rs.1,099.30 Cr for the previous year, representing an increase of 25 %. The revenues of our company from its software services and product business constituted 96% of revenue and from business process outsourcing and professional services constituted 4% of revenue during the year. The Net Profit after Tax generated was Rs.130.71 Cr as compared to Rs.73.22 Cr in the previous year, primarily due to the following factors: -

- The revenues for the year ended grew by 10.22% in US Dollar terms. However, revenues in Rupee terms registered a growth of 25% primarily on account of rupee depreciation.
- Cost for the year has increased by Rs.167.75 Cr (16.32%) as against previous year cost to support the growth in revenue.
- Increase in profitability was mainly on account of effective utilisation of manpower and better cost management.

Income from software development services and products

Total revenue increased to Rs.1,316.34 Cr. in the current year from Rs.1,043.45 Cr. in the previous year, resulting in a growth of 26% as compared to a growth of 4% in the previous year. Export revenue increased to Rs.1,223.30 Cr. in the current year from Rs.962.96 Cr. in the previous year, resulting in a growth of 27% as compared to a growth of 6% in the previous year.

Income from Business Process Management

The income from Business Process Management is from the wholly owned subsidiary namely, Optimus Global Services Limited. The total revenue increased to Rs.61.61 Cr. in the current year from Rs.55.85 Cr. in the previous year, registering a growth of 10.32% as compared to a growth of 76.74% in the previous year.

Other income

Other income increased to Rs.24.77 Cr. in the current year from Rs.3.65 Cr. in the previous year, this increase is primarily due to divestment of stake in AIG systems solutions Private Ltd and dividend earned from mutual fund investments.

Foreign exchange gains/losses

During the year, the foreign exchange losses amounted to a loss of Rs.56.38 Cr as against Rs. 14.46 Cr gain in the previous year. This loss is primarily on account of currency volatility and unprecedented rupee Movement against dollars.

Quarterly results of operations

Summary of quarterly results for the year ending 31st March 2009 is given below:

Rs. in Crore

Particulars	Q1 2008-09	Q2 2008-09	Q3 2008-09	Q4 2008-09	Total 2008-09
Income	316.98	351.14	372.58	337.25	1377.95
Net Profit	27.01	34.42	37.17	32.11	130.71
Net Profit (%)	8.52	9.80	9.98	9.52	9.49

Cost Management

Our company has robust policy and process covering all areas of costs. The automated systems and work flows support the cost review and approval process. We have embarked on a productivity efficiency project to improve the utilization as well as the grade mix.

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.

EXPENDITURE

Software Development Expenses

Software development expenses primarily consist of compensation to our software professionals; expenses on travel to execute work at client site, consultancy charges, software development charges, cost of software purchased for delivery to clients, bandwidth and communication expenses and proportionate infrastructure charges. During the year our software development expenses were Rs.885.40 Cr at 64.% of revenue against Rs.744.65 Cr at 67.74% of revenue in the previous year. Software development expenses decreased by 4 % compared to the previous year in terms of % of revenue. The decrease is primarily on account of effective utilization of manpower

Software Development Expenses

Particulars	Year ended March 31, 2009 Rs. in Crores	% of Revenue	Year ended March 31, 2008 Rs. in Crores	% of Revenue
Salaries and bonus including overseas staff expenses and outsourced consultants cost	759.58	55.12	624.88	56.84
Staff welfare	33.57	2.44	27.43	2.50
Contribution to provident and other funds	20.84	1.51	14.66	1.33
Travel Project	51.19	3.71	56.52	5.14
Consumables and computer maintenance	0.44	0.03	0.51	0.05
Communication expenses	17.36	1.27	16.44	1.50
License	2.42	0.18	4.21	0.38
Total	885.40	64.26	744.65	67.74
Total Revenue	1,377.95		1,099.30	

Selling, General and Administration

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.

We incurred SG&A expenses at 18.80% of our total revenues compared to 21.51% during the previous year. Overall SGA expenses increased by 9.54%. in quantitative terms due to headcount increase in geographies to cater to account management.

Selling, Administration & other General Expenses

Particulars	Year ended	% of	Year ended	% of
	March 31, 2009		March 31, 2008	
	Rs. in Crores	Revenue	Rs. in Crores	Revenue
Salaries and bonus including overseas staff expenses	131.76	9.56	122.23	11.12
Contribution to provident and other funds	2.91	0.21	2.77	0.25
Professional and Legal charges	14.10	1.02	13.17	1.20
Traveling and conveyance	14.21	1.03	16.36	1.49
Rent	22.96	1.67	24.67	2.24
Business promotion	10.69	0.78	11.88	1.08
Power and fuel	15.33	1.11	15.17	1.38
Printing and stationery	1.85	0.13	1.72	0.16
Office maintenance	5.33	0.39	4.61	0.42
Provision for doubtful debts	3.34	0.24	3.51	0.32
Insurance charges	2.10	0.15	2.16	0.20
Advertisements	0.15	0.01	0.18	0.02
Bad debts written off	5.74	0.42	-	-
Rates and taxes	1.47	0.11	0.50	0.04
Repairs - Building	2.17	0.16	1.88	0.17
Repairs - Plant and machinery	7.94	0.58	8.23	0.75
Repairs - Others	3.84	0.28	3.24	0.29
Directors' sitting fees	0.09	0.01	0.09	0.01
Donations	1.03	0.07	0.23	0.02
Miscellaneous expenses	12.01	0.87	3.85	0.35
Total	259.02	18.80	236.45	21.51
Total Revenue	1,377.95		1,099.30	

Multi Dimensional Cost Analysis

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

Cost Matrix

Particulars	% of Total Cost	
	2008-09	2007-08
Staff Related Cost	79.34	77.04
Travel	5.47	7.09
Communication	1.45	1.60
Professional/Legal	1.18	1.28
Rent	1.92	2.40
Power & Fuel	1.28	1.47
Business Promotion	0.89	1.16
Repairs & Maintenance	1.17	1.30
Depreciation	4.22	4.48
Finance Charges	0.06	0.08
Other Expenses	3.02	2.10
Total	100.00	100.00

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 %.

We provided Rs. 50.51 Cr and Rs 46.02 Cr as depreciation for the years ended March 31, 2009 and March 31, 2008 representing 3.67% and 4.19% of total revenues.

Asset Category wise Depreciation Rates & Estimated Useful Life

Asset Category	Estimated Useful Life (years)	Rate of Depreciation
Buildings	29	3.33%
Leasehold improvements	10 or over the lease period if lower than the estimated useful life	10.00%
Plant & Machinery	6-7	15.00%
Computer equipment and software	3	33.33%
Servers and computer accessories	5	20.00%
Electrical fittings, office equipments and furniture and fixtures.	10	10.00%
Vehicles	6	16.67%

Our company 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 36-60 months period (3-5 years).

Income Taxes

Income tax for the year includes deferred tax and FBT and was Rs. 20.86 Cr as compared to Rs. 16.11 Cr in the previous year

Particulars	March 31, 2009	March 31, 2008
	Rs. in Crores	Rs. in Crores
Tax	20.86	16.11
PBT	150.66	89.49
% of tax on PBT	13.85	18.00

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 2008-09.

Subsidiary Companies

Indian Subsidiaries

Optimus Global Services Limited

Optimus Global Services Limited was incorporated in September 2002. During the year the subsidiary recorded a revenue growth of 10% over the previous year. Optimus Global Services has successfully transitioned itself into the business model with most of the processes moving away from a fixed payout. Optimus has nurtured capabilities to handle 20 unique processes for Banking and Insurance sectors. The outlook for 2009-10 is one of cautious optimism. The domestic BPO market will revive during the year but the customers will be under severe cost pressures. The key focus area for the Company will be to continue to improve its operational efficiency. In order to reduce the dependency on the Banking vertical, the Company will expand its footprint in the fast emerging and rapidly growing Insurance & Telecom verticals.

Polaris Retail Infotech Limited (PRIL)

Polaris Retail Infotech Limited (PRIL), incorporated in November 1998, focus on fast growing retail segment. PRIL is positioned as a reliable and financially strong company offering end-to-end software solutions for retailers.

During the year, the company has achieved a revenue growth of 91% over last year and PAT growth of 34% over last year. PRIL won two SAP ISR deals last year with two leading retailers in India and own its first SAP ISR Integration project in Middle East.

PRIL has increased its international market coverage to another seven countries and the international business contributed almost 46% business as against 23% in last year. PRIL launched its restaurant management software "PRIL F&B" and Intellect Store the new SOA based solution built on IBM's Retail Integration Framework. With the launch of F&B and Intellect Store, PRIL is eyeing on the developed markets like US and Europe and developing markets like China and Brazil for future business prospects.

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 revenue of Rs. 94.53 crores with a net profit of Rs 3.87 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 162.21 crores with net profit of Rs 8.02 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 33.16 crores with net profit of Rs 0.38 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 39.94 crores with net profit of Rs 1.75 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 25.36 crores with net profit of Rs 5.86 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 11.07 crores with net profit of Rs 2.68 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 13.99 crores with net profit of Rs 0.64 crores.

Polaris Software Lab Canada Inc

Polaris Software Lab Canada Inc. was incorporated in June 2004 to provide near shore support to the vast US market. Present share capital of Polaris Canada is CAD 490,810. Polaris Canada has been targeting BSFI and testing services and is expected to reap results on its efforts in the forthcoming years. During the year, the revenue of the subsidiary was Rs 16.99 crores with net loss of Rs 0.70 crores.

Polaris Software Lab Chile Limitada

Polaris Chile was 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 of the subsidiary was Rs 10.19 crores with a net profit of Rs 0.37 crores.

Polaris Software Lab B.V, Netherlands

Polaris Netherlands was incorporated in May 2007. Present capital is EUR 20,000. During the year the revenue of the subsidiary was Rs 1.55 crores with a net profit of Rs 0.17 crores.

Intellect SEEC Inc

During the year the group acquired SEEC Inc. a US based Insurance technology provider during the year. The profit and loss account for the period includes revenue of Rs 9.84 crores and profit of Rs.0.80 crores of Intellect SEEC Inc.

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 FY 08-09 is as below:

Financial Year 2008-09	Q1	Q2	Q3	Q4
Manpower (end of period)	10397	10367	9887	9238
Software Professionals	89.88%	90.98%	90.97%	91.11%
Support	10.12%	9.02%	9.03%	8.89%
Attrition Rate	16.67%	16.90%	14.11%	9.50%

**Consolidated Financial Statements For the Year
ended 31st March 2009**

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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 March 31, 2009, 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 dis-closures 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, Adrenalin eSystems Limited and AIG Systems Solutions Private Limited are yet to be audited and therefore unaudited financial statements for the year ended March 31, 2009 have been furnished to us by the management of the Group. The attached consolidated financial statements include share of Rs 91.09 lacs in the profit (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. 15,268.45 lacs as at March 31, 2009, the total revenue of Rs. 20,660.12 lacs and cash inflow (net) amounting to Rs. 2,269.06 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, Adrenalin eSystems Limited and AIG Systems Solutions Private Limited, 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, 2009;
 - (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 20, 2009

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

(Rs in lacs)

	Schedule	March 31, 2009	March 31, 2008
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	4,933.81	4,933.73
Share application money pending allotment		-	0.02
Reserves and Surplus	2	<u>72,333.38</u>	<u>60,815.11</u>
		77,267.19	65,748.86
LOAN FUNDS			
Secured Loans	3	35.71	82.58
DEFERRED TAX LIABILITY			
	11	<u>664.74</u>	<u>686.36</u>
		77,967.64	66,517.80
APPLICATION OF FUNDS			
FIXED ASSETS			
Cost	4	52,834.86	46,671.60
Less: Depreciation and Amortisation		<u>31,374.21</u>	<u>25,833.24</u>
Net Book Value		21,460.65	20,838.36
Capital work in progress		<u>114.24</u>	<u>495.58</u>
		21,574.89	21,333.94
GOOD WILL [Refer note B8(d) of schedule 17]		1,987.62	-
INVESTMENTS	5	24,424.70	9,696.60
DEFERRED TAX ASSET	12	969.63	792.67
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry Debtors	6	20,312.66	21,044.82
Cash and Bank balances	7	10,539.21	7,676.00
Other current assets, loans and advances	8	<u>23,251.40</u>	<u>24,450.30</u>
		54,103.27	53,171.12
CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	9	20,431.16	14,005.07
Provisions	10	<u>4,661.31</u>	<u>4,471.46</u>
		<u>25,092.47</u>	<u>18,476.53</u>
NET CURRENT ASSETS		<u>29,010.80</u>	<u>34,694.59</u>
		77,967.64	66,517.80
Significant accounting policies and notes to accounts	17		

The schedules referred to above and the notes thereon form an integral part of the Consolidated Balance Sheet

As per our report of even date.

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

per **S.Balasubrahmanyam**
Partner
Membership No 053315
Chennai
April 20, 2009

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 20, 2009

R.C. Bhargava
Director

B. Muthusubramanian
Company Secretary

POLARIS SOFTWARE LAB LIMITED - GROUP

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

	Schedule	March 31, 2009	March 31, 2008
INCOME			
Software development services and products			
- Overseas		122,329.35	96,295.58
- Domestic		9,303.82	8,049.49
Income from Business Process Management (BPM)			
- Overseas		96.31	217.55
- Domestic		6,065.06	5,367.43
		137,794.54	109,930.05
EXPENDITURE			
Software development and BPM expenses	13	88,540.10	74,465.26
Selling, Administrative and other General expenses	14	25,901.99	23,645.42
		114,442.09	98,110.68
Operating profit before interest, depreciation and amortisation		23,352.45	11,819.37
Finance charges	15	73.54	78.61
Depreciation and Amortisation	4	5,051.43	4,602.48
		5,124.97	4,681.09
Operating profit after interest, depreciation and amortisation		18,227.48	7,138.28
Other income, net	16	2,476.68	365.31
Foreign exchange gains / (losses), net		(5,638.40)	1,445.70
PROFIT BEFORE TAX		15,065.76	8,949.29
Incometaxes - Current Tax		2,309.25	1,454.87
- Deferred Tax		(169.42)	(134.51)
- Fringe Benefit Tax		262.76	290.68
- MAT Credit Entitlement		(317.01)	-
PROFIT AFTER TAXATION		12,980.18	7,338.25
Share of Profit/(Loss) of Associate Companies [Refer note A1(d) of schedule 17]		91.09	(16.75)
NET PROFIT FOR THE YEAR		13,071.27	7,321.50
Profit brought forward from previous year		27,557.47	22,493.89
Amount available for appropriation		40,628.74	29,815.39
APPROPRIATIONS			
Dividend			
- Interim		1,480.14	-
- Final		1,233.45	1,480.11
Tax on Dividend		461.18	251.48
Amount transferred to General Reserve		1,870.29	526.33
Balance carried to Balance Sheet		35,583.68	27,557.47
		40,628.74	29,815.39
EARNINGS PER SHARE [Refer note B 6 of schedule 17] (equity shares par value Rs 5 each)			
Basic		13.25	7.42
Diluted		13.24	7.40
Number of shares used in computing earnings per share			
Basic		98,675,728	98,639,382
Diluted		98,697,955	98,938,304
Significant accounting policies and notes to accounts	17		

The schedules referred to above and the notes thereon form an integral part of the Consolidated Profit and Loss account

As per our report of even date.

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

per **S.Balasubrahmanyam**
Partner
Membership No 053315
Chennai
April 20, 2009

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 20, 2009

R.C. Bhargava
Director

B. Muthusubramanian
Company Secretary

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

(Rs in lacs)

	March 31, 2009	March 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax, including share of profit / (loss) on associate companies	15,156.85	8,932.54
Adjustments for:		
Depreciation / amortisation	5,051.43	4,602.48
Interest income	(163.79)	(197.72)
Dividend income	(956.32)	(242.13)
Exchange differences on foreign exchange translation	(848.88)	(478.48)
Provision for doubtful debts, net	333.83	35.55
Bad debts written off	574.07	-
(Profit) / Loss on sale of investments	(1,267.94)	32.34
(Profit) / Loss on sale of fixed assets	117.55	132.61
Lease finance charges	5.82	9.67
Share of (profit) / loss on associate companies	(91.09)	16.75
<u>Changes in current assets and liabilities</u>		
Decrease / (Increase) in sundry debtors	225.12	(2,728.29)
Decrease / (Increase) in loans and advances	2,078.81	(1,996.90)
Increase / (Decrease) in current liabilities and provisions	7,006.21	2,768.87
Taxes paid	(3,013.93)	(2,451.51)
Net cash from operating activities	24,207.74	8,435.78
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets and changes in capital work in progress	(3,553.48)	(3,897.74)
Acquisition of subsidiary [Refer note B8(d) of schedule 17]	(3,700.00)	-
Proceeds from sale of fixed assets (Purchase) / sale proceeds of other long term investments	58.13	131.72
Net (increase) / decrease in non-trade investments	2,305.97	(185.00)
Interest received	(15,675.04)	(5,440.89)
Dividend received	163.79	197.72
	956.32	242.13
Net cash used in investing activities	(19,444.31)	(8,952.06)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share capital issued on exercise of stock options	0.08	4.64
Proceeds from share premium on exercise of stock options	1.15	72.18
Proceeds / (Repayment) of secured loans	(46.87)	(46.12)
Lease finance charges	(5.82)	(9.67)
Dividends paid during the year	(3,442.62)	(1,236.01)
Net cash used in financing activities	(3,494.08)	(1,214.98)
Exchange differences on translation of foreign currency cash and cash equivalents and movement in foreign currency translation reserve	1,593.86	106.43
Net increase / (decrease) in cash and cash equivalents during the year	2,863.21	(1,624.83)
Cash and cash equivalents at the beginning of the year	7,676.00	9,300.83
Cash and cash equivalents at the end of the year * [Refer Schedule 7]	10,539.21	7,676.00

* The balances include Rs.58.46 (March 31, 2008: Rs.38.23) which are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

As per our report of even date.

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

per **S.Balasubrahmanyam**
Partner
Membership No 053315
Chennai
April 20, 2009

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 20, 2009

R.C. Bhargava
Director
B. Muthusubramanian
Company Secretary

POLARIS SOFTWARE LAB LIMITED - GROUP

Schedules to the Consolidated Balance Sheet as at

(Rs in lacs)

	March 31, 2009	March 31, 2008
1 SHARE CAPITAL		
Authorised		
120,000,000 equity shares of Rs 5 each.	6,000.00	6,000.00
(March 31, 2008: 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, 2008: 10,000,000 11% preference shares of Rs 5 each)		
	<u>6,500.00</u>	<u>6,500.00</u>
Issued, Subscribed and Paid up		
98,676,197 equity shares of Rs 5 each	4,933.81	4,933.73
(March 31, 2008: 98,674,597 equity shares of Rs 5 each) fully paid up		
	<u>4,933.81</u>	<u>4,933.73</u>
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.		
(iii) For stock options outstanding refer note B4 of schedule 17.		
2 RESERVES AND SURPLUS		
General Reserve - As per last balance sheet	14,849.68	14,323.35
Add : Transferred from Profit and Loss Account	1,870.29	526.33
	<u>16,719.97</u>	<u>14,849.68</u>
Foreign currency translation reserve -		
As per last balance sheet	(90.86)	(18.66)
Add : Adjustment for the year	1,620.62	(72.20)
	<u>1,529.76</u>	<u>(90.86)</u>
Securities Premium Account -		
As per last balance sheet	18,498.82	18,426.64
Add: Premium received on issue of shares under ASOP plans to employees	1.15	72.18
	<u>18,499.97</u>	<u>18,498.82</u>
Profit and Loss Account balance	35,583.68	27,557.47
	<u>72,333.38</u>	<u>60,815.11</u>
3 SECURED LOANS		
Finance Lease Obligation (Secured against cars taken on finance lease by the Company)	35.71	82.58
	<u>35.71</u>	<u>82.58</u>

Polaris Software Lab Limited - Group
Schedules to the Consolidated Balance Sheet as at March 31, 2009
4. FIXED ASSETS

(Rs in lacs)

Sl No	Description	Cost						Depreciation and Amortisation				Net Book value			
		April 1, 2008	Assets acquired on acquisition	Additions	Deletions	Exchange Adjustments +	March 31, 2009	April 1, 2008	Depreciation on assets acquired on acquisition	For the year	on deletions	Exchange Adjustments +	March 31, 2009	March 31, 2009	March 31, 2008
A	TANGIBLE ASSETS														
1	Land (Refer Note 1)	1,321.90	1,502.35	29.15	-	42.79	2,896.19	4.79	-	1.60	-	-	2,889.80	1,317.11	
2	Buildings(Refer Note 2)	11,364.33	750.77	198.45	113.80	118.44	12,318.19	1,589.63	167.18	476.42	35.73	29.00	10,091.69	9,774.70	
3	Plant & Machinery (including Computer Equipment, software and accessories)	20,685.35	441.22	1,901.76	73.07	63.56	23,018.82	16,480.54	411.59	2,074.12	67.26	48.92	4,070.91	4,204.81	
4	Electrical Fittings	966.30	-	161.52	34.74	0.16	1,093.24	512.18	-	123.86	26.19	0.01	609.86	454.12	
5	Furniture, Fittings and Office equipment	5,751.25	207.91	679.96	239.25	81.28	6,481.15	2,514.38	151.71	653.46	169.83	43.06	3,288.37	3,236.87	
6	Vehicles (Refer note 3)	473.99	-	12.08	76.75	-	409.32	289.37	-	67.74	62.92	-	115.13	184.62	
	SUB TOTAL (A)	40,563.12	2,902.25	2,982.92	537.61	306.23	46,216.91	21,390.89	730.48	3,397.20	361.93	120.99	20,939.28	19,172.23	
B	INTANGIBLE ASSETS														
1	Software Products (Refer note A7 of Schedule 17)	5,508.58	-	-	-	-	5,508.58	3,842.45	-	1,654.23	-	-	11.90	1,666.13	
2	Intellectual property rights	599.90	-	492.51	-	16.96	1,109.37	599.90	-	-	-	-	509.47	-	
	SUB TOTAL (B)	6,108.48	-	492.51	-	16.96	6,617.95	4,442.35	-	1,654.23	-	-	521.37	1,666.13	
	TOTAL (A+B)	46,671.60	2,902.25	3,475.43	537.61	323.19	52,834.86	25,833.24	730.48	5,051.43	361.93	120.99	31,374.21	20,838.36	
	Previous year	41,311.73	-	6,261.39	879.92	(21.60)	46,671.60	21,862.95	-	4,602.48	615.59	(16.60)	25,833.24	20,838.36	

Note:

1. Land includes leasehold land: Gross block Rs 243.46; Net Block Rs 237.08 (March 31, 2008 : Gross block Rs 226.26; Net Block Rs 221.80)
2. Building includes leasehold improvements amounting to Gross Block of Rs 337.04 and Net Block of Rs 122.54 (March 31, 2008: Gross Block of Rs 435.95 and Net Block of Rs 270.29)
3. Vehicles include assets acquired under finance leases: Gross Block Rs 238.45; Net Block Rs 33.07 (March 31, 2008: Gross Block Rs 311.46; Net Block Rs 88.94)

* Exchange adjustment represents foreign exchange gain/loss on account of translation of overseas subsidiaries and branches

POLARIS SOFTWARE LAB LIMITED - GROUP

Schedules to the Consolidated Balance Sheet as at

(Rs in lacs)

	March 31, 2009	March 31, 2008
5. INVESTMENTS		
LONG TERM INVESTMENT (AT COST) TRADE (UNQUOTED)		
Software Sidoun GmbH (Germany)	4.96	527.61
Common stock of Euros 1,175,990 fully paid up (March 31,2008: Common stock of Euros 1,175,990)		
Less: Diminution in value of investments	-	(527.61)
	4.96	-
Eternet Inc. (USA)	-	116.25
(March 31,2008 : 1,250,000 shares of USD 0.2 each fully paid up)		
Less: Diminution in value of investments	-	(116.25)
	-	-
NMS Works Software Private Limited (India)	415.00	415.00
[Refer note B8(b) of schedule 17] 725,756 equity shares of Rs.10 each fully paid up (March 31, 2008: 725,756 equity shares of Rs.10 each fully paid up)		
Less: Share of Profit / (Loss) of Associate Company	(415.00)	(343.87)
	-	71.13
224,524 12% Optionally Convertible Cumulative Preference Shares of Rs. 10 each fully paid up (March 31, 2008 : 224,524 12 % Optionally Convertible Cumulative Preference shares of Rs 10 each)	152.50	152.50
Adrenalin eSystems Limited (India)	833.88	833.88
[Refer note B8(a) of schedule 17] 13,078,080 equity shares of Rs 5 each fully paid up (March 31, 2008: 13,078,080 equity shares of Rs 5 each fully paid)		
Less: Share of Profit / (Loss) of Associate Company	(792.27)	(792.27)
	41.61	41.61
15,200,000 7% cumulative preference shares of Rs 5 each fully paid up (March 31, 2008: 15,200,000 7% cumulative preference shares of Rs 5/- each fully paid up)	760.00	760.00
AIG Systems Solutions Private Limited (India)	-	326.69
[Refer note B8(c) of schedule 17] 462,100 equity shares of Rs 10 each fully paid up (March 31, 2008: 462,100 equity shares of Rs 10 each fully paid up)		
Add : Share of Profit/(Loss) of Associate Company	-	515.87
	-	842.56
(A)	959.07	1,867.80

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

(Rs in lacs)

	March 31, 2009	March 31, 2008
5. INVESTMENTS (Contd.)		
CURRENT INVESTMENTS NON TRADE (QUOTED)		
- Lower of costs and market value		
Mutual Funds		
TFLD TATA Floater Fund - Daily Dividend 41,745,829.614 units (March 31, 2008: 5,900,056.031 units) Face value: Rs 10 per unit	4,189.44	592.11
UTI Treasury Advantage Fund - IP - Dly Dividend 415,941.372 units (March 31, 2008:Nil units) Face value: Rs 1000 per unit	4,160.63	-
HDFC Cash Mgmt Fund - Treasury Advantage - WP - Dly Div 17,015,830.869 units (March 31, 2008: Nil units) Face value: Rs 10 per unit	1,706.94	-
Birla Sun Life Savings Fund - IP - Dly Dividend 14,847,571.306 units (March 31, 2008: Nil units) Face value: Rs 10 per unit	1,485.77	-
Reliance Medium Term Fund - Daily Dividend 16,444,829.713 units (March 31, 2008: Nil units) Face value: Rs 10 per unit	2,811.33	-
Birla Sun Life DBF - Retail - Mthly Div 9,792,699.440 units (March 31, 2008: Nil units) Face value: Rs 10 per unit	1,006.79	-
ICICI Prudential Short Term Plan-Fortnightly Div 13,476,521.154 units (March 31, 2008: Nil units) Face value: Rs 10 per unit	1,613.80	-
HDFC HIF - S T P - Dividend 15,692,210.961 units (March 31, 2008: Nil units) Face value: Rs 10 per unit	1,664.22	-
Birla Sun Life Short Term Fund - IP - Daily Dividend 100,69,623.774 units (March 31, 2008: Nil units) Face value: Rs 10 per unit	1,007.52	-
ICICI Prudential Flexible Income Plan daily Dividend Reinvestment 27,580,293.386 units (March 31, 2008: Nil units) Face value: Rs 10 per unit	2,916.20	-
UTI Liquid Plus Fund - IP - Daily Dividend 34.334 units (March 31, 2008: Nil units) Face value: Rs 1000 per unit	0.35	-
HDFC Short Term Plan - Dividend 2,912,607.113 units (March 31, 2008: Nil units) Face value: Rs 10 per unit	301.20	-
Kotak Floater - LT - Daily Dividend No. of Units.5966813.750 5,966,813.750 units (March 31, 2008: Nil units) Face value: Rs 10 per unit	601.44	-

POLARIS SOFTWARE LAB LIMITED - GROUP

Schedules to the Consolidated Balance Sheet as at

(Rs in lacs)

	March 31, 2009	March 31, 2008
5. INVESTMENTS (Contd.)		
HDFC Floating Rate Income Fund - Short Term Plan - Dividend Reinvest	-	17.80
Nil units (March 31, 2008: 1,777,815.531 units) Face value: Rs 10 per unit		
DWS Money Plus Fund - Inst Plan - Daily Dividend	-	932.98
Nil units (March 31, 2008: 2,046,948.252 units) Face value: Rs 10 per unit		
OLPIDD HSBC Liquid Plus - Institutional Plus-Daily Dividend	-	315.83
Nil units (March 31, 2008: 3,157,856.551 units) Face value: Rs 10 per unit		
Prudential ICICI FMP Series 35 - 3 Months Plan C - Retail - Div.	-	312.53
Nil units (March 31, 2008 - 2,819,686.699 units) Face value: Rs 10 per unit		
Reliance Short Term Fund - Retail Plan - Div Plan	-	419.73
Nil units (March 31, 2008: 3,976,467.441 units) Face value: Rs 10 per unit		
Templeton India Short Term Income Plan Weekly Div - Div Reinvest	-	412.34
Nil units (March 31, 2008: 38,137.369 units) Face value: Rs 1,000 per unit		
ING Liquid Plus Fund - Institutional Daily Dividend	-	308.10
Nil units (March 31, 2008: 3,079,976.312 units) Face value: Rs 10 per unit		
ICICI Prudential Institutional Short Term - Monthly Dividend	-	304.73
Nil units (March 31, 2008: 2,739,573.372 units) Face value: Rs 10 per unit		
Kotak Flexi Debt Fund - Daily Dividend	-	511.30
Nil units (March 31, 2008: 5,097,116.198 units) Face value: Rs 10 per unit		
BSL Interval Income Fund - INSTL - Qtly - Series 2 - Div	-	205.11
Nil units (March 31, 2008: 2,051,071.276 units) Face value: Rs 10 per unit		
AIG India Treasury Plus Fund Institutional Daily Dividend	-	306.57
Nil units (March 31, 2008: 3,062,366.245 units) Face value: Rs 10 per unit		
Lotus India Short Term Plan - Instl. Weekly Dividend	-	708.34
Nil units (March 31, 2008: 6,990,322.177 units) Face value: Rs 10 per unit		

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

(Rs in lacs)

	March 31, 2009	March 31, 2008
5. INVESTMENTS (Contd.)		
Tata FIP Fund - Series A1 - IP - Mthly Dividend Nil units (March 31, 2008: 3,028,957.313 units) Face value: Rs 10 per unit	-	303.05
ING Short Term Income Fund - Dividend Nil units (March 31, 2008: 2,626,303.866 units) Face value: Rs 10 per unit	-	301.32
HDFC Quaterly Interval Fund - Plan B - WP - Dividend Nil units (March 31, 2008: 2,991,712.956 units) Face value: Rs 10 per unit	-	300.00
HDFC Quaterly Interval Fund - Plan C - WP - Dividend Nil units (March 31, 2008: 4,996,802.047 units) Face value: Rs 10 per unit	-	500.00
Reliance Liquid Plus IP - Daily Dividend Reinvestment Nil units (March 31, 2008: 131.600 units) Face value: Rs 1,000 per unit	-	1.32
Birla Short Term Fund - Fortnightly Dividend - Reinvestment Nil units (March 31, 2008: 4,000,751.807 units) Face value: Rs 10 per unit	-	402.38
Templeton India Ultra Short Bond Fund - Super IP - Dividend Nil units (March 31, 2008: 5,015,463.907 units) Face value: Rs 10 per unit	-	502.49
Sundaram BNP Paribas Select Focus - Dividend Nil units (March 31, 2008: 1,466,082.188 units) Face value: Rs 10 per unit	-	170.77
	(B)	7,828.80
	(A + B)	9,696.60

[Aggregate market value of quoted investments

March 31, 2009: Rs.23,465.63 (March 31, 2008: Rs 7,844.34)]

POLARIS SOFTWARE LAB LIMITED - GROUP

Schedules to the Consolidated Balance Sheet as at

(Rs in lacs)

	March 31, 2009	March 31, 2008
6 SUNDRY DEBTORS		
(Unsecured)		
Debts outstanding for a period exceeding six months		
- considered good	2,894.67	1,674.77
- considered doubtful	3,051.87	2,722.08
Other debts		
- considered good	17,417.99	19,370.05
- considered doubtful	1.04	14.29
	<u>23,365.57</u>	<u>23,781.19</u>
Less: Provision for doubtful debts	3,052.91	2,736.37
	<u>20,312.66</u>	<u>21,044.82</u>
7 CASH AND BANK BALANCES		
Cash on hand	7.09	7.14
Balances with scheduled banks		
- in current accounts	1,482.97	2,417.65
- in deposit accounts	1,197.02	655.48
Balances with non-scheduled banks in current accounts		
- Bank of America, New Jersey, USA	640.60	494.88
- Barclays Bank, UK	1,595.52	1,147.12
- Citi Bank, Singapore	739.65	510.79
- ANZ Bank, Australia	290.81	578.49
- Dresdner Bank, Germany	299.43	33.10
- Ulster Bank, Ireland	1,322.69	469.06
- UBS Bank, Switzerland	119.35	102.06
- Bank of Tokyo Mitsubishi, Japan	28.71	18.65
- Citi Bank, Japan	235.74	285.89
- Chase Bank, New Jersey, USA	156.65	256.76
- ICICI Bank, Canada	48.99	56.33
- Banco De Chile	716.80	86.86
- Citi Bank, Australia	213.77	152.20
- Citi Bank, Dubai	32.50	20.20
- TD Can Trust, Canada	133.54	15.67
- ABN AMRO, Netherlands	42.47	26.56
- Citi Bank, France	73.07	0.24
- Citi Bank , Bahrain	199.15	139.48
- Citi Bank , Hongkong	84.52	50.43
- Citizens Bank, US	9.30	-
- PNC Bank, US	47.91	-
- Citi Bank , Korea	0.11	-
Balances with non-scheduled banks in deposit accounts		
- Bank of America, New Jersey, USA	820.85	150.96
	<u>10,539.21</u>	<u>7,676.00</u>
8 OTHER CURRENT ASSETS, LOANS AND ADVANCES		
8A OTHER CURRENT ASSETS		
Revenues accrued but not billed	14,216.69	15,128.61
	<u>14,216.69</u>	<u>15,128.61</u>

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

(Rs in lacs)

	March 31, 2009	March 31, 2008
8B LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	2,578.69	2,708.94
Advances and Loans to associates	35.79	44.72
Advance income tax (net of provision for tax)	2,377.83	2,058.35
MAT credit entitlement	317.01	-
Loans to employees	471.83	387.28
Loans to employees welfare trust	534.22	559.87
Salary advance	227.56	306.61
Balance with government authorities	1,116.21	1,212.72
Rental and other deposits	1,375.57	2,043.20
	9,034.71	9,321.69
	23,251.40	24,450.30
9 CURRENT LIABILITIES		
Sundry creditors	16,032.44	13,492.91
Forward cover payable	2,279.13	-
Unclaimed dividends	57.17	36.51
Advances received from customers	189.25	4.51
Billings in excess of revenues	1,873.17	471.14
	20,431.16	14,005.07
10 PROVISIONS		
Provision for gratuity	1,417.02	967.13
[Refer note B3 of schedule 17]		
Provision for leave benefits	1,612.96	1,462.05
Provision for taxation (net of Advance income tax and tax deducted at source)	188.25	310.69
Proposed dividend	1,233.45	1,480.11
Provision for tax on proposed dividend	209.63	251.48
	4,661.31	4,471.46
11 DEFERRED TAX LIABILITY		
Fixed assets	1,226.88	1,162.34
Provision for doubtful debts	(509.17)	(430.99)
Others	(52.97)	(44.99)
	664.74	686.36
12 DEFERRED TAX ASSET		
Fixed assets	732.81	620.72
Provision for doubtful debts	89.35	59.94
Others	147.47	112.01
	969.63	792.67

POLARIS SOFTWARE LAB LIMITED - GROUP

Schedules to the Consolidated Profit and Loss Account for the year ended

(Rs in lacs)

	March 31, 2009	March 31, 2008
13 SOFTWARE DEVELOPMENT AND BPM EXPENSES		
Salaries and bonus including overseas staff expenses and outsourced consultants cost *	75,958.28	62,488.12
Staff welfare	3,355.24	2,742.86
Contribution to provident and other funds *	1,609.27	1,061.66
Gratuity	474.84	404.87
Travel Project	5,119.08	5,651.93
Consumables and computer maintenance	44.44	51.31
Communication expenses	1,736.46	1,643.76
License	242.49	420.75
	88,540.10	74,465.26
14 SELLING, ADMINISTRATION AND OTHER GENERAL EXPENSES		
Salaries and bonus including overseas staff expenses *	13,175.59	12,222.68
Contribution to provident and other funds *	290.51	277.23
Professional and Legal charges	1,364.30	1,270.90
Traveling and conveyance	1,420.51	1,636.25
Rent	2,296.14	2,466.65
Business promotion	1,068.63	1,188.14
Power and fuel	1,533.37	1,516.86
Printing and stationery	184.85	171.95
Office maintenance	533.03	461.34
Provision for doubtful debts	333.83	351.36
Insurance charges	209.51	215.86
Advertisements	15.21	17.99
Bad debts written off	590.73	315.81
Less: out of provision for earlier years	<u>(16.66)</u>	<u>(315.81)</u>
Rates and taxes	146.77	50.23
Auditors' remuneration	45.63	46.21
Repairs - Building	217.01	188.16
Repairs - Plant and machinery	794.04	822.58
Repairs - Others	383.88	324.18
Directors' sitting fees	9.10	9.15
Donations	103.09	22.96
Miscellaneous expenses	1,202.92	384.74
	25,901.99	23,645.42
* Also refer Note B9 to Schedule 17		
15 FINANCE CHARGES		
Lease finance charges	5.82	9.67
Bank charges and others	67.72	68.94
	73.54	78.61
16 OTHER INCOME		
Interest received on deposits with banks and others	163.79	197.72
Profit on sale of investments, net	1,267.94	(32.34)
Dividends received on investment in mutual funds (Non trade - quoted)	956.32	242.13
Profit / (loss) on sale of assets, net	(117.55)	(132.61)
Miscellaneous income	206.18	90.41
	2,476.68	365.31

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**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.

Subsidiaries	Country of incorporation	Proportion of ownership interest
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%
Intellect SEEC Inc.**	USA	100%
Optimus Global Services Limited	India	100%
SEEC Technologies Asia (P) Limited***	India	100%

* subsidiaries of Polaris Software Lab Limited, United Kingdom.

** a subsidiary of Polaris Software Lab Pte Limited, Singapore.

*** a subsidiary of Intellect SEEC Inc., USA.

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

Associates	% of share held	Original cost of investment	Goodwill / (capital reserve)	Share of accumulated profit / (loss) as at March 31, 2009	Carrying amount of investments as at March 31, 2009
		Rs.	Rs.	Rs.	Rs.
NMS Works Software Private Limited	45.85%	415.00	-	(415.00)	-
Adrenalin eSystems Limited	40.25%	833.88	41.61	(792.27)	41.61

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). Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. 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, all subsidiaries and associates. 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. 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. All material inter-Company transactions and balances are eliminated on consolidation.

- (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. The excess of cost to the company of its investments in subsidiary companies over its share of the equity of the subsidiary companies at the dates on which the investments in the subsidiary companies are made, is recognized as goodwill being an asset in the consolidated financial statements.
- (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. 91.09 in the profit (net) of NMS Works Software Limited, Adrenalin eSystems Limited and AIG Systems Solutions Private Limited which are accounted under the 'equity method' as per AS 23 'Accounting for Investments in Associates in Consolidated Financial Statements'. 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.

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.)**2. Use of estimates**

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

Revenue accrued but 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 Management

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.

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 estimated by the management, 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:

Asset category	Estimated Useful Life (years)
Tangible assets	
Buildings	29
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
Servers and computer accessories	5
Furniture and fixtures, office equipment and electrical fittings	10
Vehicles	6
Intangible Assets	
Software Products (indigenously developed)	3-5
Intellectual property rights (indigenously developed/acquired)	1

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.

During the year, the Company revised its estimates on useful life of software products. Had the Company continued to use the earlier basis of amortization, the charge to the Profit and Loss Account for the year would have been lower by Rs.704.94 Lakhs and net block of fixed assets would correspondingly have been higher by Rs 704.94 Lakhs. Leasehold land is amortized over the period of lease.

The excess of consideration paid over the book value of assets acquired has been recognized as goodwill in accordance with Accounting Standard (AS) 21 on 'Consolidated Financial Statements'. Goodwill arising on account of acquisition of subsidiaries and affiliates is not being amortised but is being reviewed periodically for impairment. If the carrying value of the goodwill exceeds its fair value, goodwill is considered to be impaired and the impairment is charged to the Profit and Loss Account for the year.

8. Research and development expenses for software products**Expenditure**

Software product and Intellectual property development costs are expensed as incurred until technological feasibility is established. 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.

Software Development expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to development of the product and intellectual property rights.

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.)

Amortization

The amortization of software development costs and intellectual property rights are 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 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.

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 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.

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.)

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 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 into 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 and 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 employee's salary. The Company has no further obligations under the plan beyond its monthly contributions. The contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due and there are no other obligations other than the contribution payable.

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.

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.)

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.

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.

Minimum alternative tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal income tax after the tax holiday period. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Group and the asset can be measured reliably.

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

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.)

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.

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 year ending March 31, 2010.

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 amortized on a straight-line basis over the vesting period of the shares to be issued if any, under Stock Option Plans and disclosed as 'employee stock compensation expense' 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. 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.

16. Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on 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.

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(All amounts in Rupees lacs, unless otherwise stated)

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

17. 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.

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, 2009 is Rs.218.79 (March 31, 2008: Rs 790.56).

(ii) As at March 31, 2009, the Group has outstanding guarantees and counter guarantees of Rs. 589.02 (March 31, 2008: Rs 578.03) issued to various banks, in respect of the guarantees given by the banks in favour of various government authorities and others.

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

- a. Demand from Indian income tax authorities for as at March 31, 2009 is Rs. 1,199.16 (March 31, 2008: Rs.1,088.53). 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.
- b. Sales Tax demand from Commercial Tax Officer, Chennai is Rs 520 as at March 31, 2009 (March 31, 2008: Rs 520); and
- c. Sales Tax demand from Commercial Tax Officer, Hyderabad is Rs 42.40 as at March 31, 2009 (March 31, 2008: Rs Nil).

The company has filed appeals with respective Appellate authorities and 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 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 March 31, 2009	As at March 31, 2008
Not later than one year	34.43	53.29
Later than one year and not later than 5 years	4.24	38.12
	38.67	91.41
Less: Amount representing future interest	2.96	8.83
Present Value of minimum lease rentals	35.71	82.58

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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 31 March, 2009	As at 31 March, 2008
Lease payments for the year	2,049.32	2,343.14
Contingent rent recognised in Profit and Loss Account	-	-
Minimum Lease Payments :		
Not later than one year	1,262.00	1,297.51
Later than one year and not later than five years	2,759.97	1,006.04
Later than five years	813.61	607.30
Total	4,835.58	2,910.85

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 table 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, 2009	Year ended March 31, 2008
Obligations at the beginning of the year	988.22	709.57
Obligations at the beginning of the year for the subsidiary acquired during the year	109.27	-
Current service cost	430.15	373.87
Interest cost	64.76	56.79
Expected return on plan assets		(1.00)
Actuarial (gains) / losses	(21.30)	(24.79)
Benefits paid	(118.61)	(126.22)
Obligations at the year end	1,459.63	988.22

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

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
Change in plan assets		
Plan assets at period beginning, at fair value	21.09	25.20
Plan assets at year beginning, at fair value for the subsidiary acquired during the year	27.50	-
Expected return on plan assets	1.29	-
Contributions	111.34	122.11
Benefits paid	(118.61)	(126.22)
Plan assets at year end, at fair value	42.61	21.09
Reconciliation of present value of the obligation and the fair value of plan assets		
Fair Value of plan assets at the end of the year	42.61	21.09
Present value of defined benefit obligations at the end of the year	(1,459.63)	(988.22)
Asset/(Liability) recognized in the balance sheet	(1,417.02)	(967.13)
Gratuity cost for the year		
Current service cost	437.29	373.87
Interest cost	64.76	56.79
Expected return on plan assets	1.29	(1.00)
Actuarial (gains) / losses	(21.30)	(24.79)
Net gratuity cost	482.04	404.87
Defined Benefit Obligation	1,459.63	988.22
Plan Assets	42.61	21.09
Surplus/(deficit)	(1,417.02)	(967.13)
Experience adjustments on plan liabilities	(21.30)	(24.79)
Experience adjustments on plan assets	-	-
Assumptions:		
Discount rate	7%	8%
Estimated return on plan assets	7%	8%

The fund is partly 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,

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

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 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 2009 is presented below.

Particulars	March 31, 2009		March 31, 2008	
	Number of Shares	Weighted Average Exercise Price (Rs.)	Number of Shares	Weighted Average Exercise Price(Rs.)
Outstanding at the beginning of the year	44,565	145.23	98,970	139.01
Granted during the year	-	-	-	-
Exercised during the year	-	-	(4,290)	120.12
Forfeited during the year	(1,850)	186.24	(5,560)	126.59
Expired during the year	(37,315)	146.32	(44,555)	136.16
Outstanding at the end of the year	5,400	123.65	44,565	145.23
Exercisable at the end of the year	5,400	123.65	44,565	145.23

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

Particulars	March 31, 2009	March 31, 2008
Range of exercise price	123.65	123.65 — 219.00
Weighted average remaining contractual life (in years)	-	1.00
Weighted average fair value of options granted	-	-

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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, 2009 is presented below.

Particulars	March 31, 2009		March 31, 2008	
	Number of Shares	Weighted Average Exercise Price (Rs.)	Number of Shares	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the year	19,370	125.76	65,635	104.55
Granted during the year	-	-	-	-
Exercised during the year	-	-	(11,080)	84.99
Forfeited during the year	(350)	126.70	(5,290)	126.70
Expired during the year	(13,020)	126.70	(29,895)	94.14
Outstanding at the end of the year	6,000	123.65	19,370	125.76
Exercisable at the end of the year	6,000	123.65	19,370	125.76

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

Particulars	March 31, 2009	March 31, 2008
Range of exercise price	123.65	123.65 — 126.70
Weighted average remaining contractual life (in years)	-	1.00
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.

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17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**Associate Stock Option Plan 2003**

The Shareholders of the Company at the EGM held on March 12, 2004 approved an Associate Stock Option Plan (the 2003 Plan). The 2003 Plan provides for issuance of 3,895,500 options, convertible in to equivalent number of equity shares of Rs 5 each, to the employees including Directors. No compensation cost has been recorded as the scheme terms are fixed and the exercise price equals the market price of the underlying stock on the grant date. The market price, in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 as amended from time to time, shall be the latest available closing price prior to the date of the meeting of the Board of Directors in which options are granted, on the stock exchange on which the shares of the Company are listed. If the Shares are listed on more than one stock exchange then the stock exchange where there is highest trading volume on the said date shall be considered. The option vests over a period of 5 years from the date of grant in a graded manner, with 20% of the options vesting each year. The exercise period shall commence from the date of vesting and expires within 36 months from the last vesting date.

A summary of the status of the 2003 plan at March 31, 2009 is presented below.

Particulars	March 31, 2009		March 31, 2008	
	Number of Shares	Weighted Average Exercise Price (Rs.)	Number of Shares	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the year	2,939,900	146.79	3,286,400	143.40
Granted during the year	614,000	51.27	313,500	147.74
Exercised during the year	(1,600)	76.60	(77,100)	80.72
Forfeited during the year	(244,150)	140.73	(557,400)	136.91
Expired during the year	(205,650)	140.11	(25,500)	137.08
Outstanding at the end of the year	3,102,500	128.88	2,939,900	146.79
Exercisable at the end of the year	1,812,100	140.94	1,430,250	147.87

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

Particulars	March 31, 2009	March 31, 2008
Range of exercise price	34.35 — 227.40	66.05 — 227.40
Weighted average remaining contractual life (in years)	4.18	3.88
Weighted average fair value of options granted	31.04	76.70

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

Associate Stock Option Plan 2004

The Shareholders of the Company in the AGM held on 22 July 2005 approved an Associate Stock Option Plan (the 2004 plan). The 2004 plan provides for issuance of 1,084,745 options, convertible in to equivalent number of equity shares of Rs 5 each, to the associates including Directors. No compensation cost has been recorded as the scheme terms are fixed and the exercise price equals the market price of the underlying stock on the grant date. The market price, in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 as amended from time to time, shall be the latest available closing price prior to the date of the meeting of the Board of Directors in which options are granted, on the stock exchange on which the shares of the Company are listed. If the Shares are listed on more than one stock exchange then the stock exchange where there is highest trading volume on the said date shall be considered. The option vests over a period of 5 years from the date of grant in a graded manner, with 20% of the options vesting each year. The exercise period shall commence from the date of vesting and expires within 36 months from the last vesting date.

A summary of the status of the 2004 plan at March 31, 2009 is presented below.

Particulars	March 31, 2009		March 31, 2008	
	Number of Shares	Weighted Average Exercise Price (Rs.)	Number of Shares	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the year	717,000	152.71	780,000	148.13
Granted during the year	-	-	-	-
Exercised during the year	(1,200)	-	(16,100)	-
Forfeited during the year	(35,800)	160.85	(46,100)	76.60
Expired during the year	(15,800)	52.36	(800)	76.60
Outstanding at the end of the year	664,200	156.50	717,000	152.71
Exercisable at the end of the year	395,800	155.47	282,000	155.74

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

Particulars	March 31, 2009	March 31, 2008
Range of exercise price	76.60 — 227.40	76.60 — 227.40
Weighted average remaining contractual life (in years)	4.02	5.02
Weighted average fair value of options granted	-	-

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:

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

Particulars	April to March 09	April to March 08
Profit after tax		
- as reported	13,071.27	7,321.50
- pro forma profit	12,993.29	6,419.10
Earnings Per Share (in Rs.)		
Basic		
- As reported	13.25	7.42
- Pro forma	13.17	6.51
Diluted		
- As reported	13.24	7.40
- Pro forma	13.16	6.49

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 09	April to March 08
Risk-free interest rate	5.89%	7.81%
Expected life	2.5 to 6.5 Years	2.5 to 6.5 Years
Expected volatility	64.18%	54.42%
Expected dividend yield	1.19%	1.07%

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.

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

Total 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.

Primary segment information

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
<u>Segment revenues</u>		
Banking and financial services	124,836.29	98,157.58
Emerging verticals	12,958.25	11,772.47
	137,794.54	109,930.05
<u>Segment Profit before finance charges, unallocable expenses and tax</u>		
Banking and financial services	43,797.20	30,276.07
Emerging verticals	4,222.90	2,046.15
	48,020.10	32,322.22
Finance charges	(73.54)	(78.61)
Other unallocable expenditure net of unallocable income	(32,789.71)	(23,311.07)
Profit before taxation	15,156.85	8,932.54
Income taxes including deferred tax, fringe benefit tax and net of MAT credit entitlement	(2,085.58)	(1,611.04)
<i>Profit after taxation</i>	13,071.27	7,321.50

Secondary segment information

Region	Year ended March 31, 2009	Year ended March 31, 2008
<u>Segment revenues</u>		
United States of America	53,065.81	38,583.65
Europe	41,440.60	34,448.68
Asia Pacific	23,833.51	19,053.21
India and Middle East	19,454.62	17,844.51
	137,794.54	109,930.05

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

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17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**6. Earnings per Share ("EPS")**

Reconciliation of basic and diluted shares used in computing EPS:

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
Weighted average number of equity shares outstanding during the period-Basic	98,675,728	98,639,382
Add: Effect of dilutive issue of stock options to be converted	22,227	298,922
Weighted average number of equity shares outstanding during the period-Diluted	98,697,955	98,938,304
Net profit for calculation of Basic and diluted EPS	13,071.27	7,321.50
Basic earnings per share	13.25	7.42
Diluted earnings per share	13.24	7.40

7. Related party transactions

List of related parties where control exists:

<u>Associates</u>
<ul style="list-style-type: none"> • NMS Works Software Private Limited ('NMS') • Adrenalin eSystems Limited ('Adrenalin eSystems') • Orbitech Employees Welfare Trust
<u>Others</u>
(a) Enterprises that directly, or indirectly through one or more intermediaries, control the Group and enterprise of which the Group is an associate.
<ul style="list-style-type: none"> • Citi bank and its branches • Polaris Holdings Private Limited • Orbitech Limited
(b) Enterprises that have a member of Key Management in common with that of the Group
<ul style="list-style-type: none"> • Ullas Trust
<u>Key management personnel</u>
<ul style="list-style-type: none"> • Mr. Arun Jain, Chairman and Managing Director • Mr. Arup Gupta, Executive Director

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

7. Related party transactions (Contd.)

Figures in brackets denote previous year figures

PARTICULARS	ASSOCIATES				OTHERS	
	Adrenalin eSystems	NMS	AIGSS	Orbitech trust	Others	Key managerial person
Balances due to / from related parties						
Receivables - Trade debts	-	-	-	-	4,479.80	-
	-	-	(113.00)	-	(6,570.02)	-
Receivables - Other advances	35.79	-	-	534.22	-	-
	(44.73)	-	-	(559.87)	-	-
Investments	1,593.88	567.50	-	-	-	-
	(1,593.88)	(567.50)	(326.70)	-	-	-
Provision for investments	-	415.00	-	-	-	-
	-	(343.87)	-	-	-	-
Related party transactions						
Advances/Loan given	-	-	-	-	-	-
	-	-	-	(29.72)	-	-
Advances/Loan repaid	-	-	-	25.66	-	-
	-	-	-	-	-	-
Software development service income	-	-	193.43	-	11,678.75	-
	-	-	(334.21)	-	(30,205.14)	-
Reimbursement of expenses to the Company	78.77	-	-	-	-	-
	(0.66)	-	-	-	-	-
Reimbursement of expenses by the Company	87.70	-	-	-	-	-
	-	-	-	-	(96.47)	-
Lease Payments	-	-	-	-	-	-
	-	-	-	-	(47.12)	-
Investments	-	-	-	-	-	-
	(70.00)	(115.00)	-	-	-	-
Provision for diminution in value of investments	-	71.13	-	-	-	-
	-	(102.60)	-	-	-	-
Remuneration to Managing Director and Executive Director	-	-	-	-	-	242.54
	-	-	-	-	-	(92.53)

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17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**8. Investments in Associates and Subsidiaries**

- a) The Group's equity ownership interest in Adrenalin eSystems Limited is 40.25% as at March 31, 2009. 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.3,044.15 as per the unaudited financial statements of ASL as on March 31, 2009 are on account of initial 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. 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, 2009, ASL has earned a nominal net profit after tax. The management expects to improve the revenue and profitability in the coming years and all intangibles have also been amortized fully during the year. 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.
- b) The Group's equity ownership interest in NMS Works Software Private Limited ("NMS") is 45.85% as at March 31, 2009. 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 financials statements as at March 31, 2009, NMS had accumulated losses aggregating to Rs 741.02. Accordingly, there is no permanent diminution in the value of its investments in NMS and the share of loss is also restricted to the extent of equity.
- c) The Group has divested its holding in AIG Systems Solutions Private Limited at profit on sale of investments of Rs. 1,301.37 during the year.
- d) The Group has acquired entire equity interest in Intellect SEEC Inc., a US Based Insurance technology provider, with effect from October 01, 2008. The excess of purchase consideration paid over the net assets of Intellect SEEC Inc. has been recognized as Goodwill to the extent of Rs 1,987.62. The profit and loss account for the year includes revenue of Rs 984.42 and profit of Rs 80.01 of Intellect SEEC Inc.
9. 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
	March 31, 2009	March 31, 2008
Salaries and bonus including overseas staff expenses	89,133.87	74,710.79
Contribution to provident and other funds	1,899.78	1,338.89
Total	91,033.65	76,049.68

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Schedules to the Consolidated Financial Statements

(All amounts in Rupees lacs, unless otherwise stated)

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

10. 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, 2009	March 31, 2008
Number of contracts	108	77
USD Equivalent	1830.00	1,180.00
INR Equivalent	84,189.95	47,283.58

Particulars	Year ended	Year ended
	March 31, 2009	March 31, 2008
Number of contracts	12	-
EUR Equivalent	69.00	-
INR Equivalent	4489.80	-

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Particulars	2009		
	Currency	Amount in Foreign currency	INR Equivalent
Amounts receivable in foreign currency	USD	205.96	10,446.34
	EUR	5.52	372.17
	GBP	0.70	50.71
	AUD	0.77	27.03
	JPY	19.00	9.88
	MYR	0.32	4.51
Amounts payable in foreign currency	USD	42.81	2,171.44
	JPY	41.64	21.65

11. 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

per **S.Balasubrahmanyam**
Partner
Membership No 053315
Chennai
April 20, 2009

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 20, 2009

R.C. Bhargava
Director

B. Muthusubramanian
Company Secretary

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