

200

The Power of Intellect™



**The World's
Largest Banks
and Insurance
Companies Rely
on Polaris**

**The
Power of
Intellect™**

**ANNUAL REPORT
2009 - 10**

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A complete version of this book is available at the site www.polarisFT.com

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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FINANCIAL HIGHLIGHTS

Polaris Software Group

Financial Highlights

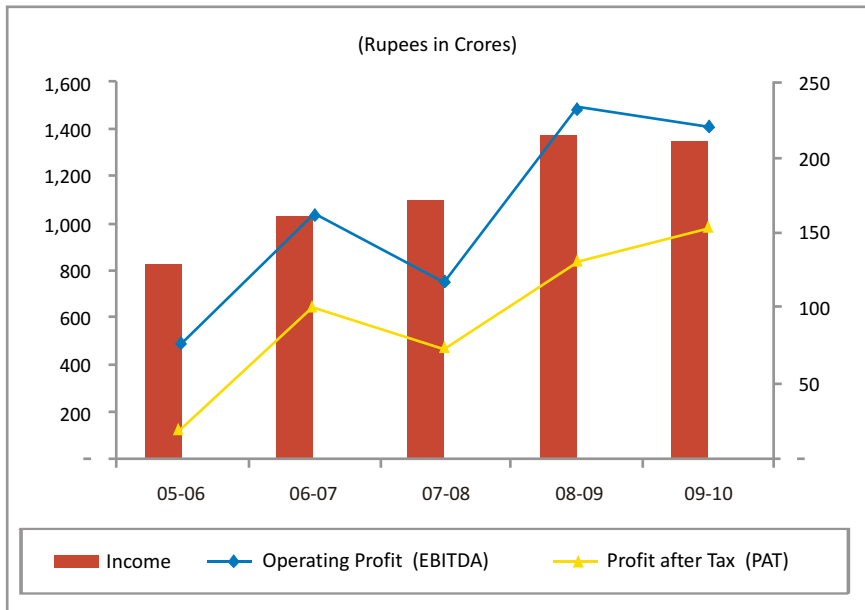
Rs in Crores except per share data

For the Year	05-06	06-07	07-08	08-09	09-10
Income *	825.06	1032.34	1099.28	1377.94	1353.75
Operating Profit (EBITDA)	77.07	161.28	118.20	233.50	222
Profit after Tax (PAT)	21.31	101.06	73.20	130.71	152.84
At the Year end					
Fixed Assets	237.63	223.08	213.33	228.90	227.14
Cash and cash equivalents **	121.70	117.20	155.05	340.04	504.22
Shareholders' Equity (Net worth)	540.89	601.54	657.48	772.66	872.46
Earnings Per Share - Basic	2.17	10.28	7.42	13.25	15.48
Dividend (%) ***	25%	45%	30%	55%	70%

* Excluding other income

** Includes mutual funds investments

*** Includes interim dividends



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Chairman's Statement

**The biggest Banks and Insurance
companies rely on Polaris**

Dear Shareholders,

The ultimate test for a business model is during change. What we witnessed the previous year was the world economy reeling from the impact of an unprecedented crisis. Negative growth of global economies pushed back the growth trajectory by at least 3 years. In this situation, your company grew its earnings by 17%. This laudable effort speaks volumes of your company's robust business model with the world's most efficient suite of Products (branded under Intellect™) and Services and the commitment of Polaris to deliver higher technology throughput to an enviable landscape of global customers.

This year also marked the coming of age of our strategy to establish ourselves as a leader in the Financial Technology space. Your company today finds itself in the consideration set of the world's leading banks, and is increasingly being invited to the table for key technology decisions.

During the year over 50 new customers chose Intellect™ as their technology platform from needs as diverse as customer responsiveness to risk mitigation. Cumulatively, Intellect™ powers 200 customers across the world! The Intellect™ led revenues which were 17% in the March'09 quarter has grown to 23% during the quarter ending March'10

Your company's strength is now well accepted in the global industry analyst community. Polaris solutions were covered in 22 reports by the leading analysts of the world.

Early on your company broke away from the strategy of mid-tier companies and decided to position itself as a leader in the Financial

Technology space. This positioning has been built around the conscious strategy of offering the largest possible suite of banking products together with the services model. During the year your company made relentless progress on this strategy and acquired two more specialist product companies - Laser Soft Infosystems and IndigoTX Software. These companies augmented our capability to expand our strategy to specific markets.

As a prelude to market expansion, your company invested significantly in branding activities. The presence of Polaris was well noticed during global industry events like SIBOS, Meftec, etc. During the year Polaris launched a very aggressive advertising campaign of 1000 spots per week at NewYork - the financial center of the world.

As you are aware, Polaris had identified four growth levers in its 3.0 journey, viz - Growth through Products - Intellect Expansion; Growth through expanding business in accounts - Account expansion; Growth through entering new countries - Country expansion and Growth in new segment - Insurance.

We started the year where customers gave us deal sizes of Rs 2 crore to Rs 5 crore and we closed the year with 4 customers trusting Polaris with transformation budgets of over Rs 20 crore.

Needless to say, to make this strategy work, some very clever people had to work very hard. The ability to provide higher technology efficiency to our clients was built on innovation in our learning and knowledge management framework. Your company today owns the complete industry process model for the banking industry including Retail Banking, Credit Cards, Mortgages, Mutual Funds,

Derivatives, Custody and Securities, Global Cash Management, Trade Finance, Treasury, Liquidity, Life Insurance, Property and Casualty Insurance, Reinsurance. etc. Polaris developed these models during the year through its Proprietary methodology called 'LO'.

This knowledge framework has been the foundation for Polaris to differentiate itself in the market place. The knowledge framework allows Polaris to shorten the cycle time for learning. In an industry short of talent, the ability to create experts is as essential as the ownership of Intellectual Property in the form of products.

This differentiation supported by account management framework and enterprise program management methodology (D-3 OTIF) deployed across Polaris helped customers to get software delivery on predicted date. During the year Polaris delivered over 26% projects ahead of schedule.

During the year, Polaris expanded its presence in Vietnam in the Asia Pacific region, Chile in Latam region and Egypt in MEA region. I must place on record the efforts of Polaris Managers and Associates who took world class global solutions and implemented them flawlessly in the language of the local country. The 'Can Do It' spirit of Polaris got further validated through these 'tough terrain' implementations' and opened up Polaris markets in a more than 60 countries.

I would also like to put on record the achievements of the Quality department, which enabled Polaris to get re-certified at CMMi level 5. Human Resources has designed and implemented several global best

practices like Partnership Council (shared destiny model), comprehensive leadership development using LB SCORE (leadership bandwidth) and PDD (performance development) frameworks. The Technology department helped in taking the reusability index to the next level by applying its principles in Financial technology architectures, tool based engineering and tool based development environment (ZING). 24X7 world class secured technology and physical infrastructure across 22 locations has been managed most cost efficiently to provide leverage in winning global sourcing deals.

Insurance companies were one of the earliest sectors to adopt technology in the world. In other words, these Insurance companies are today saddled with huge inefficiencies of legacy technologies which are prone to high risks and poor customer responsiveness. Polaris owns some of the best Intellect™ Insurance technology that allows it to assemble solutions from components and thereby cut down both on risk of delivery as well as cycle times. More than 15 Global customers accepted this technology to renovate their business processes across Australia, India, Hong Kong, the United Kingdom and the United States. This revolutionary technology helped Insurance companies through effective agent portals, responsive customer acquisition, underwriting and claim solutions. Polaris uses these solutions to establish trust with clients and then cross sell comprehensive services in this domain.

Cost control and cash collection are the two key metrics the Finance department aligned during the year. Cash kitty crossed Rs 500 crore without any debt because of best DSO days in the industry. We effectively completed

three acquisitions in last 18 months and assimilated into direct operations of the company.

During Lakshya -2010 (the annual direction setting forum), Polaris came out with Integrated Enterprise Value Creation model around 6 dimensions called - Enterprise Value Cuboid. The value dimensions are Customer Capital, Human Capital, Execution Capital, Intellectual Property (IP) Capital, Brand Capital and Finance Capital. We assigned leaders and teams to enhance each capital. I am introducing them to you in subsequent pages of this document.

Your company has always been a passionate proponent of the thought that the true potential of India will be realized when the children of India can believe in themselves and their potential. The Ullas Trust - a social trust managed by associates of the company - is the company's vehicle to ignite the 'CAN DO IT' spirit among teenagers at government schools. This year it provided scholarships and mentoring to over 3500 students across 28 districts of Tamil Nadu, Andhra Pradesh, Maharashtra, Haryana and Delhi.

Further reinforcing this belief are more than 100 associates who are challenged physically but in performance stand tall among their peers. Your company is very proud of these associates and the SAMPADA initiative whose purpose is to integrate actively the physically challenged amongst us.

In summary, I look back with satisfaction on the year gone by. I look forward to the coming year with confidence. We will have our challenges in the year ahead and most notably around continued investments in talent development and speed at which we

can develop this talent. On behalf of management team of Polaris, I want to communicate to all shareholders that we value the trust that you have placed in us and we will actively work to manage these challenges and continue to strive to outperform your expectations.

I once again thank each of you for the trust placed in Polaris Board, Management and Polaris associates.

Warm Regards,



Arun Jain
Founder, Chairman & CEO

“

In a product journey
200 installations in
20 countries across
6 continents is a
critical size for the
next growth engine

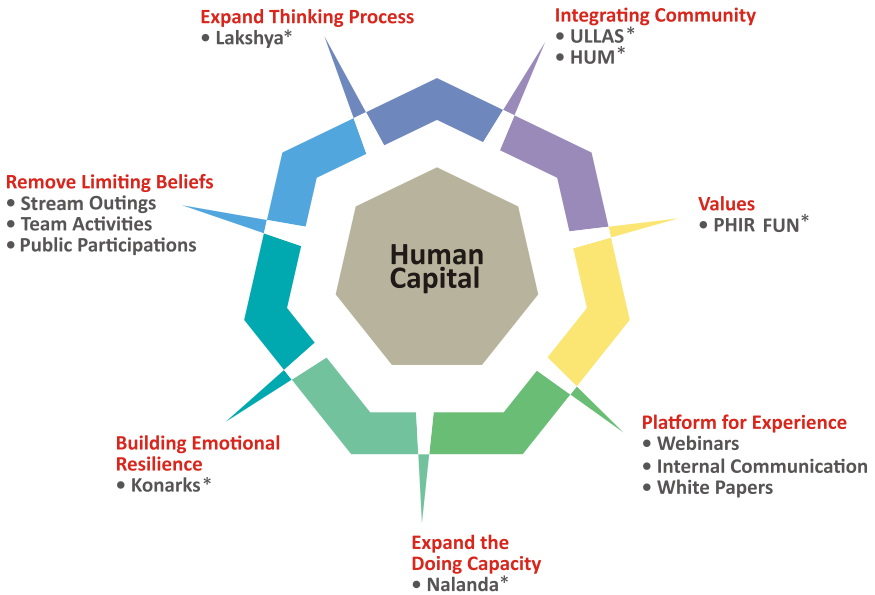


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Human Capital



- * **Konark** : A unique community of high value, high-performing individuals selected from across the length and breadth of Polaris
- PHIR Fun** : Passion, Humility, Integrity, Respect, combined with Fun.
- Lakshya** : The annual, visioning exercise involving every single associate in Polaris
- Nalanda** : The corporate university of Polaris
- Ullas** : The society connect initiative of Polaris, recognized as one of India's best CSR initiatives.
- Hum** : Family connect programs at Polaris are run through the Hum Trust



We have always believed in 'Living Our Dreams' and to do so, we have persistently taken calculated steps in the right direction. The competence of our 9000+ associates is the key to making us the 'Market Leader in Financial Technology' and so we keep investing, both in terms of money and time, for their overall development. From imparting multi-functional skills by practicing job rotation to arranging certification courses at Nalanda, the Corporate University of Polaris, we create a holistic learning experience for our associates.

The trust that we bestow on our associates has given us some of the most innovative of products as a result of their vast experience and unwavering dedication to deliver nothing

but the best. The 'Konark' community is a reiteration of this trust symbolizing energy and excellence at Polaris. Konarks come with a great deal of responsibility in leading the organisation through transformation and change management, and anchor all mission critical projects. The next level of leadership is spearheaded by a 30 member Partnership Council which practices participative management towards a shared destiny for all at Polaris which results into the highest levels of corporate governance within the organisation.

Our diverse teams that span 6 continents bring a rich flavor to the Polaris culture and add value to the company that is always looking to adopt and adapt global best practices.

The Team



Sunil Vasantrao



Sudha Kunkalienkar



Ashish Devalekar



Vikas Misra



Soma Sajeevan TK

IP Capital



INTELLECT™ UNIVERSAL BANKING

INTELLECT™ RETAIL BANKING

INTELLECT™ WEALTH

INTELLECT™ CARDS

INTELLECT™ PORTALS

INTELLECT™ CASH AND LIQUIDITY

INTELLECT™ RISK AND TREASURY

INTELLECT™ TRADE FINANCE

INTELLECT™ BROKERAGE

INTELLECT™ INSURANCE

What best one can do with the experience of working with the world's largest and most respected banks and insurance companies?

Encapsulate the best practices into a cutting edge and world class product suite – the all encompassing suite for Banking, Financial Services and Insurance space – what we call as Global Universal Banking (GUB).

Polaris products and platforms are branded as Intellect™, a 'designed for SOA' product platform that was launched in 2005. A challenger brand within 5 years of launch, Intellect™ notched up an impressive 200 wins, showing that the journey towards market leadership was underway.

Our domain expertise helped us make strong inroads into the Insurance sector with Intellect Insurance, an award-winning ACORD compliant solution designed to provide seamless integration and straight through processing for business. Its ability to provide customers with a 360° view of their clients in turn improved their customer retention, loyalty and lowers operating costs.

What it means for customers: Intellect tries to address deep domain business challenges with technology. At one end it meets the needs of global banks with state-of-the-art functionality for boundaryless banking and at

the other end provides solution for high volume mass banking needs of emerging markets. It is a definitive alternative for modernization of legacy platforms – brick by brick and self funded.

Intellect™ brings distinctive advantage to Polaris:

- It opens up the technology markets beyond the traditional developed markets of US and Europe. Intellect™ has been rolled out in banks present in over 30 countries
- Intellect™ is an expression of domain expertise and excellence
- Provides a non linear element to the business growth



The Team



Mohit Oberoi



Uppili Srinivasan



Manish Maakan



Venkatesh Srinivasan



Ravi Koka

Customer Capital



In a year that witnessed uncertainty in the financial services segment in the developed markets, Polaris delivered positive results led by a high number of product wins, multiple large outsourcing engagements and penetration into new markets.

The result? Satisfied customers, repeat business and increased customer engagement. Testimony to this is our average CSAT rating which went up to 4.22/5 for the time period Apr'09 - Mar'10 from 4.08/5 the previous year.

Starting our journey, Polaris 1.0, with one customer in India, today in era of Polaris 3.0, we are partners with 10 out of the Top 15 Global Banks, 6 out of the Top 10 Insurance companies and a total of over 200 satisfied customers worldwide. Intellect™ made inroads in America and found acceptance in that marketplace, traditionally a tough product market. A leading Australian bank chose Intellect Global Universal Banking - Payment solution in a large product deal. A central bank in Africa region chose Intellect™ Core Banking. Insurance companies in America and Australia chose Intellect™ Insurance to automate their business processes. Intellect was successfully deployed in some of the biggest banks across the EMEA region as well.

Some of the world's most successful institutions have partnered with Polaris to optimize their technology investments, saving millions of dollars over the course of the

relationship. Deep industry understanding with over 10,000 technology and domain experts and world class processes combined with comprehensive technology and business practices, Polaris is the chosen partner for leading global institutions.

To achieve this, we created a two-pronged strategy based on two clear focus areas emerging in the Financial technology space viz., removal of inefficiencies created in Financial services industry due to islands of information & islands of decision making and the movement from traditional volume driven or procurement strategies to value driven strategy for Application renovation.

Predominantly positioned as specialists in Financial Technologies, Polaris is getting recognized for driving programs towards unlocking efficiencies and providing cutting edge business solutions by leveraging technology.



The Team



Dipak Bishnoi



Rama Sivaraman



Bikash Mathur



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Execution Capital

- * **LO** : Holistic, single view for building efficient applications
- COPARIS** : The 7 dimension application efficiency framework
- D-3 OTIF** : On Time In Full, customer delight is taken to the zenith by delivering 3 days ahead of schedule (D-3)

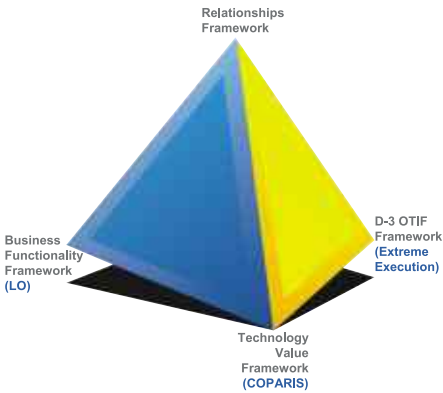
200 Intellect™ wins till date within 5 years of its launch - that says it all!

Absolute execution has always been the key to our success and nothing describes it better than 'Polaris 3.0 Prism'.

Whether it's LO* providing a holistic view to the product/solution architecture in a single window; COPARIS* a stringent proprietary measure used to ensure execution or D-3 OTIF* representing flawless delivery in full before scheduled date and time; everything integrates to become the DNA of Polaris' extreme execution potential.

Owing to our superior IP, latest technology platform built on SOA and global best practices encapsulated into the products, our Intellect™ business has started contributing 23% of our total revenues (fourth quarter of 2010) from a mere 8% in 2007 and 16% in 2009.

During FY 2009-10, the company achieved the lowest days of collection of 41 days from 62 days two years back, another proof of our competence; another feather in our cap.



The Team



Segar D



Sandeep Tandon



Manoj Saxena



Balakrishnan V



Govind Singhal

Brand Capital



Perceptions are often built up by hard facts, rather than impressions and the Polaris journey was no flash in the pan.

The 20-year evolution has been a well-defined growth story of a brand that orchestrated select vehicles that were in tune with the frequency of the market.

Our presence at key industry events like Sibos and Acord Loma among others have given us high visibility in the marketplace and contributed significantly to the funnel. Follow-up campaigns and analyst connect activities have further fuelled our lead generation activities.

Our unique account-based marketing approach is a research-based connect with key accounts. Our in-house team of experts supports the work that account managers are doing by finding new and improved ways to bring value to customers by leveraging our product-based solutions. To this end we have also developed a proprietary Touch Point Index to track our engagement with our key accounts.

In terms of creating credibility, we used a 360° branding approach. From traditional methods where we leveraged on analyst reports, to out-of-the box thinking like TV ads, we ran over one thousand 30 second TV spots every week in one of the world's largest financial centers - New York City, focusing on Manhattan, Brooklyn, and Queens.

However, our strongest brand ambassadors remain our 9000-plus team of Associates and our satisfied customers who keep the Polaris flag flying high.

The Team



Anil Verma



Supriyo Srircar



Padmini Sharath Kumar



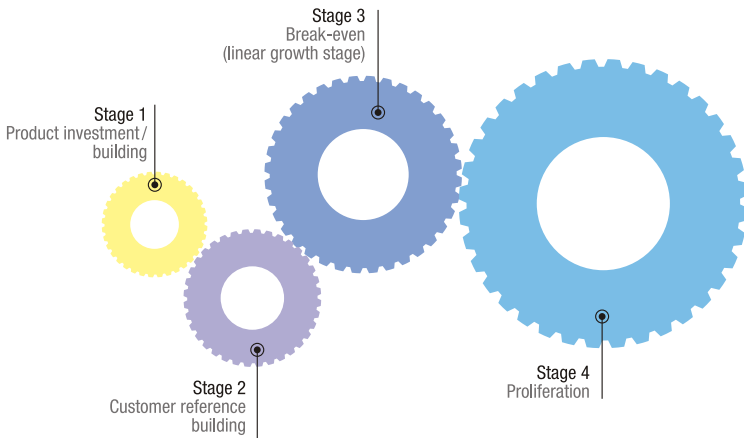
Kedarnath Udiyavar



Arun Jain

A close-up, low-angle shot of a US dollar bill, focusing on the eyes of the portrait. The image is slightly blurred, with a soft, warm light. The text 'Finance Capital' is overlaid in the top left corner.

Finance Capital



Imagine this: Top quality revenues, strong balance sheet with ever growing cash reserves, well oiled delivery and collection mechanism and ability to manage ever fluctuating currencies; combined with a unique and distinctive business model.

This is an investor's delight.

With our product portfolio in the third cycle, we have seen a significant growth in profits, which gets translated to a healthy EPS that exceeded guidance and dividend of 70%, all proof of a robust business model.

For a fact, how well the company braved the economic turbulence and delivered predictable results can be attributed to how well the business is strategically distributed across geographies i.e. 43% revenues from Americas, 27% from Europe and Asia-Pacific contributing to 30%, all by design.

Way back in 2003, Polaris decided to enter main stream products business as a way to

differentiate from pure services players and take a lead in chosen Financial Technology space. Since then, Polaris has traveled quite a distance and is now increasingly seen as a category leader in the Financial Technology space.

With simplified execution and focus on 'On Time and In Full' delivery, cash flows have substantially improved. Higher quality of delivery has resulted in better collections, moving to 41 days, a new benchmark in IT industry.

During the journey, from the early infrastructure building years, to setting world class process infrastructure to developing people infrastructure and institution building has happened without losing focus for a complex corporate governance infrastructure that spans 22 subsidiaries across the world. All these ingredients go on to make a global institution.

Most certainly the best is yet to come.

The Team



Govindarajan K



T V Sinha



Vinay Garg



Ramaswami SR



Srikanth R

GLOBAL OUTSOURCING

Expand

25 YEARS OF SUSTAINED AND GROWING VALUE WITH CITI.

Proactive

Diagnostics and Remedial Competencies

It all started in 1985 with the Citibank global consumer banking operations and even today, after over two decades, Citi is one of our biggest customers owing to our urge to equip business with the right enterprise management systems, technology, tools and methods enabling them to make best of their IT investments. The expertise of 'Entity' (Extended Technology Facility) lies in its ability to utilize domain knowledge, outsourcing experience and Intellectual Property to deliver superior technology solutions that are aligned to the business outcomes of our customers

Possibilities

Personalized

Business Outcome Driven

INTELLECTTM UNIVERSAL BANKING

Single View Capability - - - - -

**ADDRESSES THE CRITICAL
NEED FOR A SCALABLE,
FLEXIBLE, SECURE
AND CUSTOMER-CENTRIC
CORE-BANKING PLATFORM.**

Effective Relationship
Management - - - - -

**It can serve a bank's customers
across retail, small-to-medium size
enterprises (SME), and commercial
and corporate segments with the
capability to provide a single view of
the customer for effective
relationship management and
tracking of global limits for effective
risk management.**

Risk Management
Tracker - - - - -

INTELLECT™ RETAIL BANKING

Comprehensive

Business
user friendly

Loan life cycle
management

SYSTEM ACTS AS A
SINGLE PLATFORM FOR
LOAN AND MORTGAGE
PRODUCTS ACROSS
DIFFERENT BUSINESS
LINES.

Origination
Current / Savings Account
Term / Recurring Deposit
Debit Cards
Remittance
Teller Management
Collection



INTELLECT™ WEALTH

Prospect
Management

Seamless
Integration

Boundaryless
Banking

AN INTEGRATED FRONT,
MIDDLE AND BACK OFFICE
SOLUTION FOR MANAGING
WEALTH MANAGEMENT
LIFE CYCLE.

Financial need analyzer
Fund Investment
Portfolio analytics
Bancassurance
Margin Lending



INTELLECT™ CARDS

Lower Operational Costs

Global Interface Standards

Multiple Channels

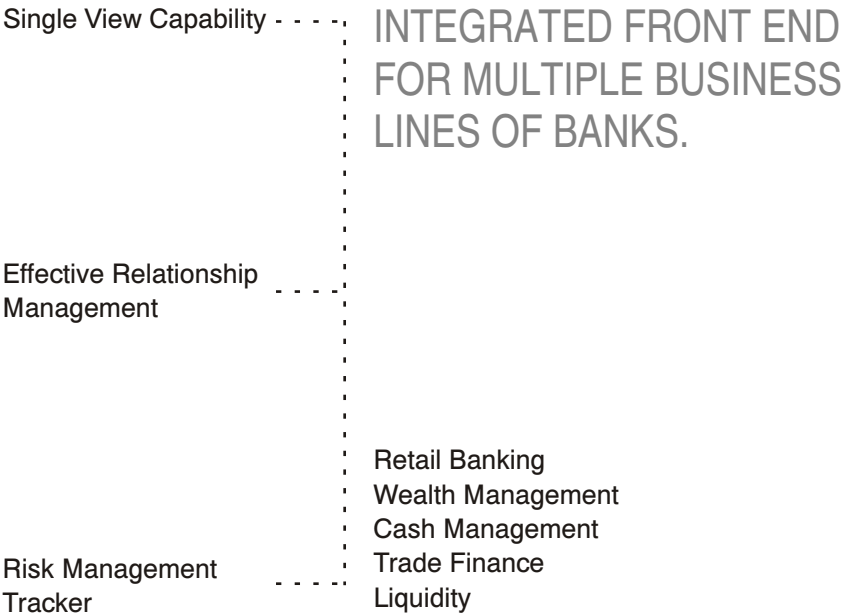
END TO END SOLUTION FOR CARD ISSUERS AND AQUIRERS.

- Issuing
- Acquiring
- Loyalty
- Fraud Early Warning
- Association Compliances





INTELLECT™ PORTALS





INTELLECTTM CASH AND LIQUIDITY

Domestic and
cross-border Sweeps

**HIGHLY FLEXIBLE
LIQUIDITY MANAGEMENT
PLATFORM.**

Flexible Allocation and
re-allocation Models

**Notional Pooling
Sweeping
Inter Company Loans
Investment Sweeps
Forecasting
Funds Control**

Multi & Cross
Currency Sweeping

INTELLECT™ RISK AND TREASURY

Online Risk and
Results Monitoring

Global Integrated
Position Views

Confirmation
Matching Systems

Rule-Based
Queue Workflows

User Configurable
Accounting

Quick Position and
Transfer and
Aggregation

PROVIDES OPERATIONAL
EFFICIENCY THROUGH
CENTRALIZATION OF
OPERATIONS AND FINANCIAL
REPORTING.

Forex
Money Markets
Fixed Income
Derivatives
Options

INTELLECT™ TRADE FINANCE

Flexibility

HIGHLY FLEXIBLE
AND USER-FRIENDLY
WEB-BASED, WORKFLOW
DRIVEN SOLUTION
ENABLING CENTRALIZED
OPERATIONS AND FASTER
PROCESSING.

Ease of use

Efficient
Risk Management

Enhanced
Customer Service

Recognized the
world over

Letter of Credit
Bills
Guarantees
Inter-company Loans
Re-Issuance
Supply Chain Financing

INTELLECT™ BROKERAGE

Custody, Clearing
and Settlement

Corporate
Actions

Billing

Reports

SWIFT
Messaging

Web Based
Services

**A COMPREHENSIVE
STRAIGHT THROUGH
PROCESSING
CUSTODY SYSTEM.**

**Trade Processing
Securities Lending
Fund Administration
Custody
Parameterization and Maintenance**

INTELLECT™ INSURANCE

Single View of the Customer

New Product Innovation and Configuration

Policy Services

Customer Information Management

Billing & Payments

Claims Management

Producer Distribution & Performance Management

CAN BE REUSED ACROSS CHANNELS, PRODUCTS AND LINES OF BUSINESS, INCREASING AGILITY AND LOWERING IT COSTS.

Provide users with intuitive, web-based functionality and a uniform way to access information and perform transactions across multiple back-end systems without the risk of rebuilding or replacing proven assets and thereby adding up to faster, more flexible solutions at significantly lower cost

SMART LEGACY MODERNIZATION

Least Risk



MODERNISING THE LEGACY
'NON-DISRUPTIVELY'.

Non-Disruptive



Offers calibrated modernization of existing legacy platforms at a bank in a non-disruptive manner by deploying innovative Intellect™ Application Manager toolkit and 'SmartBuild' solutions that are SOA compliant and backward compatible (in a self funded manner)

Least cost and
Self Funded Model



OPTIMUS

Customer and
Account Setup

Reconciliation

Updation of
customer
static data

Credit
Verification

Delinquency
Management

Contact Point
Verification

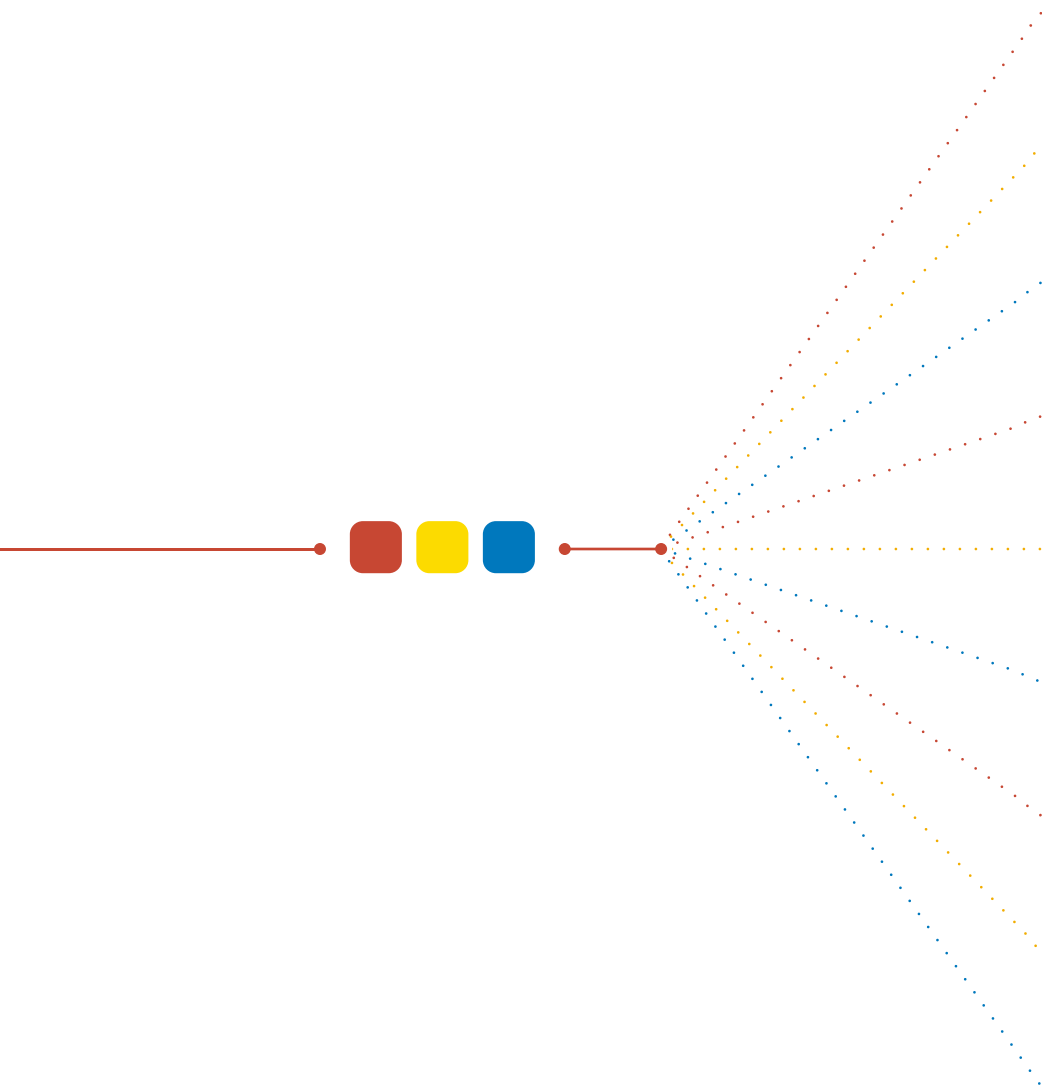
Cross-Sell of
investment / credit
card / loan products

UNIQUE BPO THAT
FOCUSES ON SERVICING
CLIENTS IN THE BANKING,
FINANCIAL SERVICES
AND INSURANCE DOMAIN.

We leverage our domain expertise and proven technology to offer an integrated service portfolio. All our service offerings work on a global mode through centralization to enable cost reduction and increased efficiency. By working with a BPO (Business Process Outsourcing) partner like us, customers will get someone who can speak their language and internalize their business goals.

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Board of **Directors**





Arun Jain
Chairman and
Managing Director



R C Bhargava
Chairman
Maruti Suzuki India Ltd



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



Abhay Agarwal
Practicing Chartered
Accountant



Arvind Kumar
Senior Lawyer
Supreme Court of India



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



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



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



Anil Nagu
Managing Director
Citi Venture Capital International

Management Committee



Arun Jain	Chairman & CEO
Govind Singhal	Chief Operating Officer & Head - Global Delivery & Operations
Kartik Kaushik	President & Head - Global Sales & Account Management
Srikanth R R	President & Chief Financial Officer
Ramaswami S R	Head - Strategy and Monetization
Somasajeevan T K	Global Head - Human Resources
K Srinivasan	Head - Global Alliances
Balakrishnan V	Chief Information Officer
Ed Khatuka	Global Head - Marketing
Shashi Mohan	Chief Technology Officer
Rama Sivaraman	Global Head - Process Excellence
Govindarajan K	Global Head - Administration
T V Sinha	Global Head - Special Projects
Patrick Moore	Head - North & Latin America Business
Anil Verma	Head - Australia & New Zealand Business
Bikash Mathur	Head - Europe, Middle East & Africa Business
Supriyo Sircar	Head - Asia Pacific Business
Sanjay Patel	Head - India Sales
Kedarnath Udiyavar	Global Head - Capital Markets & Asset Management
Manish Maakan	Global Head - Retail Banking
Vikas Misra	Head - Enterprise Solution and Mainframe
Venkatesh Srinivasan	Business Solution Centre Head - Risk Treasury & Liquidity
Manoj Saxena	Business Solution Centre Head - Corporate Banking
Uppili Srinivasan	Business Solution Centre Head - Intellect Global Universal Banking
Venkatesh Chillara	Business Solution Centre Head - Testing & PACE
Raj Parameswaran	Business Solution Centre Head - Retail Banking Services
Amit Gupta	Business Solution Centre Head - Insurance
Mohit Oberoi	CEO, Polaris Retail Infotech Limited
Pradeep Nevatia	Chief Operating Officer - Optimus Global Services
Ravindra Koka	Head - Intellect Insurance
Suresh Kamath	CEO, Laser Soft Infosystems
Sanjeev Gulati	Global Head - Key Account Relationships
Sunil Vasantryao	Global Head - Key Account Relationships & Delivery

POLARIS SOFTWARE LAB LIMITED

Abridged Annual Report for the year ended March 31, 2010

'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

DIRECTORS' REPORT

To the members,

We are delighted to present the report on our business and operations for the year ended March 31, 2010.

1. Results of operations

(Rs. in Crore, except per share data)

Consolidated financials	March 31, 2010	March 31, 2009
Income from Software Services & Products	1,353.76	1,377.94
Software development expenses	870.10	885.40
Gross Profit	483.66	492.54
Selling, Administrative & other General expenses	261.64	259.02
Operating profit before interest & Depreciation (PBITDA)	222.02	233.52
Finance charges	0.91	0.73
Depreciation	35.02	50.52
Operating Profit before tax	186.09	182.27
Other Income, net	19.12	24.77
Foreign Exchange gain / (loss), net	(26.42)	(56.38)
Net Profit Before Tax	178.79	150.66
Provision for tax including Deferred Tax	25.53	20.86
Net Profit After Tax	153.26	129.80
Share of profit / loss of associate companies	(0.42)	0.91
Net Profit for the year	152.84	130.71
Surplus brought forward	355.84	275.58
Profit available for appropriation	508.68	406.29
Appropriations		
Dividend – Interim	17.31	14.80
– Final	17.32	12.34
Total Dividend	34.63	27.14
Dividend Tax	5.89	4.61
Transferred to General Reserve	13.06	18.70
Balance carried to Balance Sheet	455.10	355.84
EPS		
Basic Rs.	15.48	13.25
Diluted Rs.	15.34	13.24

2. Business Performance

The consolidated revenue of Polaris Software Lab Limited from Software development services, products and Business Process Management for the year ended March 31, 2010 stood at Rs.1,353 Crores, as against the previous year's revenues of Rs.1,377 Crores. The consolidated Net Profit for the fiscal year ended March 31, 2010 stood at Rs.152.84 Crores as against the previous year's consolidated Net Profit of Rs.130.71 Crores. The Reserves and surplus increased to Rs. 822.99 Crores (2009-10) from Rs.723.33 Crores (2008-09).

Our software services engagements are driven with business benefits & long-term relationship vision. We have nurtured strong relationships through sustained delivery of value and it is with considerable pride that we would like to share that we are celebrating 25 years our relationship with Citibank, one that is based on sustained and growing value.

3. 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.	USA
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
15.	Laser Soft Infosystems Ltd.	India
16.	Polaris Software (Shanghai) Company Ltd.	China

Your Company has applied for an exemption under Section 212 of the Companies Act, 1956 to the Central Government, Ministry of Corporate Affairs (MCA) from attaching the Balance Sheet, Profit & Loss Account, Directors' Report and the Auditors' 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, at any point of time based on their request to the Company. 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.

4. Branding

Analyst accolades from respected names in the industry like Gartner, Tower, Forrester, AITE and Celent have added significant value to the brand. That coupled with participation in industry events, media activities like a sustained television campaign in the heart of the world financial capital- New York- has got us recognition as a global established us as a FinTech player. But our strongest brand ambassadors remain our satisfied customers.

5. Intellect™

Polaris suite of products, branded under intellect, brought in the competitive benefits to our customers in turn helping them take leadership positions in their market place. Intellect cumulatively won 200 deals globally and continues to build ever increasing momentum in the marketplace. Intellect grew to 23% during quarter ending March 2010 from 17% over the same quarter previous year. The growing stature of Intellect is also evident from the fact that it is able to gain market share in advanced markets like the US, Europe and Australia besides the emerging markets in APAC and India.

6. Quality Processes

Polaris quality processes are one of the key differentiators. Our proprietary program management methodology (D-3 OTIF) deployed across Polaris enhanced customer delight. Polaris successfully re-assessed at CMMi 1.2 Level 5 for its software services spanning all micro verticals within BFSI and across all business solution centers.

7. Execution

Proprietary frameworks like COPARIS back our execution process guided by the quality processes. Upon internal analysis we found that our delivery teams are 12% to 16% more effective than our competitors and our customers tend to agree. This manifested in the revenues from the Top 10 account that moved from 52% level to 55% level.

8. Strategic initiatives during the year

- We acquired Laser Soft Infosystems Ltd.
- A definitive agreement has been signed to acquire IndigoTX Software Private Ltd.
- We launched Intellect Privacy Card - a multi-layer security card, in collaboration with IIT, Madras.

9. Accolades

- Polaris achieved the SEI CMMi 1.2 Level 5 certification.
- Laser Soft Infosystems Ltd., (a Polaris Group Company) was awarded the prestigious NDTV Business Leadership Award under the 'Inclusion & Diversity' category.
- Polaris financial technology solutions were covered in 22 reports by leading analysts of the World.

10. Cash & Cash equivalents

Polaris liquidity remains healthy with zero-debt and a cash reserve of over Rs.500 crores. The DSO is at an impressive 43 days.

11. Share Capital

During the year, the company has allotted 284,950 equity shares of Rs.5/- each to 88 (eighty eight) Associates (employees), pursuant to the exercise of employee stock options under ASOP 2003 Scheme, as detailed hereunder.

As a result of the above allotments, the issued, subscribed and paid-up equity share capital increased from Rs.493,380,985/- comprising 98,676,197 number of equity shares of Rs.5/- each as on March 31, 2009 to Rs.494,805,735/- comprising of 98,961,147 number of equity shares of Rs.5/- each as on March 31, 2010. Further, your Company during this year, under ASOP 2004 Scheme transferred 21,100 shares to the associates from Orbitech Employees Welfare Trust, on exercise of the options granted under the said scheme.

12. Dividend

Our decision is to pay dividend up to 70%. In January 2010 we declared 35% interim dividend (amounting to Rs. 1.75/- per share).

We propose a final dividend of Rs. 1.75/- per share. Once approved at the formal Annual General Meeting, this dividend will be paid out of the profits of the company.

The transfer books and register of members of the Company will be closed w.e.f July 10, 2010 to July 15, 2010 (both days inclusive).

13. Corporate Governance

Your Company has been complying with the conditions of Corporate Governance as

stipulated in Clause 49 of the Listing Agreement. A separate report 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.

14. 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 Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in the Annexure to the Directors' Report section.

15. Particulars of employees

As required under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, a statement showing the names and other particulars of employees are set out in the Annexure to the Directors' Report, forming part of the complete version of the Annual Report for the year 2009-10. Pursuant to the exemption given under the Section 219(1)(b)(iv) of the Companies Act, 1956 the said annexure has not been enclosed with the Directors' Report forming part of the abridged version of the Annual Report 2009-10.

16. Director's responsibility statement as required under Section 217(2AA) of the Companies Act, 1956

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956 the Directors of your Company confirm that:

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

17. Directors

Messrs Satyapal, Anil Khanna and Arvind Kumar directors are retiring by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

Mr.Arup Gupta and Mr.Ajit Bhushan resigned from the directorship w.e.f July 16, 2009 & September 9, 2009 respectively. Mr.Anil Nagu was appointed as Additional Director with effect from October 15, 2009 and his candidature for appointment as a director in the ensuing annual general meeting of the Company, has been proposed by a member of the company.

18. Associate (Employee) Stock Option Schemes

- (i) ASOP 2000 & 2001

During the year, the Stock Options Schemes namely ASOP 2000 & 2001 were ceased to exist, under the said schemes no options/exercise of options were considered.

(II) ASOP 2003 & ASOP 2004 (Details of Options during the year 2009-10)

Particulars	ASOP 2003	ASOP 2004
Options outstanding as on 01-04-2009 (Option in force)	32,13,850	664,200
Options granted during the year	3,96,000	5,500
The pricing formula	market value	market value
Options vested as on March 31, 2010	338,150	1,01,000
Option exercised during the year	2,84,950	21,100
Total number of shares arising as a result of exercise of Options	2,84,950	21,100
Money realized by exercise of options in (Rs. In Crores)	2.40	0.16
Total number of options in force	28,80,300	609,500

ASOP 2003

	March 31, 2010	March 31, 2009	
Weighted average exercise price (Rs.)	143.51	51.27	
Weighted average fair value (Rs.)	75.29	31.04	
(i) Details of Options granted to Senior Managerial personnel:			
a. Number of Options granted		65,000	
b. Total number of personnel to whom the above options were granted		5	
(ii) Employee receiving 5% or more of the total number of options granted during the year		Nil	
(iii) Employees granted opting equal to or exceeding 1% of the issued capital		Nil	
Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of Option		Rs.13.11	
(i) Employee Compensation cost using intrinsic method of accounting		0	
(ii) Employee compensation cost using Fair Value method of accounting.		Rs.68,23,403	
Difference between (i) & (ii)		Rs.68,23,403	
Impact for the accounting period had the fair value method been used on the following:			
Net results decreased by		Rs.68,23,403	
Basic EPS will reduce by		0.07	
Method and significant assumptions used to estimate the fair value of Options under Black & Scholes Methods, significant Assumptions:	Date Grant	Share Price (Rs.)*	Exercise Price (Rs.)
a. Risk-free interest rate @ 7.08%	20 - Apr -09	68.10	60.00
b. Expected life of options 2.5 to 6.5 years	16 - Jul -09	101.70	101.20
c. Expected Volatility 67.32%	20 - Oct -09	150.15	147.95
d. Expected Dividend yield 1.35%			
e. Price of the underlying share in market at the time of grant under ASOP 2003: (*share price on the date of grant)	20 - Jan -10	186.15	194.55

Your Company has granted options to the eligible Associates under the Associate Stock Option Plans 2003 & 2004 as per SEBI Guidelines on (ESOP).

19. Auditors

M/s S.R. Batliboi & Associates, Chennai Chartered Accountants, who are the Statutory Auditors of the Company retire at the forthcoming Annual General Meeting and are eligible for re-appointment. The retiring Auditors have furnished a Certificate of their eligibility for re-appointment under Section 224 (1B) of the Companies Act, 1956 and have indicated their willingness to be re-appointed.

20. Fixed Deposits

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

21. Social Connect

Around 100 physically challenged associates at Polaris contribute very highly to our customer needs under the SAMPADA initiative.

Ullas Annual Workshop - Chennai

The Ullas Trust celebrated its 12th Annual Workshop on 29th August, 2009 in Chennai, with over 1200 (9th standard) students from Corporation and Government Schools participating in the 'Can Do It' workshop. The students were felicitated as 'Ullas Achievers' and awarded with scholarships. During this year your company distributed various scholarships to 2,434 students in Tamil Nadu.

Ullas Annual Workshop - Hyderabad

The Ullas Annual event Ullas Young achievers Awards function 2009-10, was held at Hyderabad on 27th February 2010. During this year 513 students were awarded scholarships at Andhra Pradesh.

Ullas Trust - Gurgaon

The Ullas Trust wing of Gurgaon has distributed Ullas scholarships to the 350 deserving students of the Corporation & Government Schools in Delhi.

22. Impending Litigations

Details of impending litigations are furnished in Note No.2(iii) & (iv) of the Abridged Financial Statements and also in Note No.B5(iii) & (iv) 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 2009-10.

23. Acknowledgement

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 Limited

Place : Chennai
Date : April 21, 2010

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.47/250/2010 – CL-III dated April 28, 2010 under section 212 of the Companies Act, 1956. This order exempts the Company from attaching the Balance Sheet, Profit and Loss Account, schedules, Directors' Report and Auditors' Report of its subsidiaries to the Annual report for the year 2009-10. 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 and also the detailed financial statements of individual subsidiary companies are uploaded/published in the web site of the Company (www.polaris.co.in).

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REPORT ON CORPORATE GOVERNANCE

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 its Shareholders' value.

2 Board of Directors

- Composition of the Board of Directors as on March 31, 2010
As a policy, 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 are disclosed in the Annual Report.
- Boards' Composition

Director	Number of Directors	% of combination
Executive	1	11%
Non-Executive	3	33%
Independent	5	56%
Total	9	100%

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

April 20, 2009
July 16, 2009
October 15, 2009
October 20, 2009
January 20, 2010
March 19, 2010

The maximum gap between two Board meetings was 92 days.

Attendance record of the Directors attending the Board Meetings during the year 2009-10 and Annual General Meeting held on July 16, 2009.

Sl. No.	Name	Director Identification Number (DIN)	Designation / Category*	No. of Meetings		Attendance of the AGM held on July 16, 2009
				Held	Attended	
1	Arun Jain	00580919	CMD	6	6	Yes
2	Arup Gupta	01682625	ED	2	2	No
3	Abhay Agarwal	00042882	NED	6	6	Yes
4	Ajit Bhushan	00789324	NED	2	1	No
5	Anil Khanna	01241325	NED	6	1	No
6	Anil Nagu	00110529	NED	3	1	No
7	Arvind Kumar	00636869	NED/ID	6	6	Yes
8	Ashok Jhunjhunwala Dr.	00417944	NED/ID	6	6	Yes
9	Raju Venkatraman	00007620	NED/ID	6	4	Yes
10	RC Bhargava	00632071	NED/ID	6	6	Yes
11	Satya Pal	00287845	NED/ID	6	5	Yes

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

Detailed attendance of the Board of Directors meetings during the year 2009-10 is given hereunder:-

Sl. No.	Name of the Director	20/04/09	16/07/09	15/10/09	20/10/09	20/01/10	19/03/10
1	Arun Jain	Yes	Yes	Yes	Yes	Yes	Yes
2	Arup Gupta	Yes	Yes	-	-	-	-
3	Abhay Agarwal	Yes	Yes	Yes	Yes	Yes	Yes
4	Ajit Bhushan	No	Yes	-	-	-	-
5	Anil Khanna	No	No	No	Yes	No	No
6	Anil Nagu	-	-	-	No	Yes	No
7	Arvind Kumar	Yes	Yes	Yes	Yes	Yes	Yes
8	Ashok Jhunjunwala Dr.	Yes	Yes	Yes	Yes	Yes	Yes
9	Raju Venkatraman	Yes	Yes	Yes	No	Yes	No
10	RC Bhargava	Yes	Yes	Yes	Yes	Yes	Yes
11	Satya Pal	Yes	Yes	Yes	Yes	No	Yes

Directors Resigned / appointed during the financial year 2009-10

1. Mr.Arup Gupta, Director resigned w.e.f July 16, 2009
2. Mr.Ajit Bhushan, Director resigned w.e.f September 9 , 2009
3. Mr.Anil Nagu, Director appointed w.e.f October 15,2009

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 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 4 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. 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 services. His skills are wide in all areas of financial services segment; he is an asset 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 (P) Ltd., Dabur Securities (P) Ltd., British Health Products (India) Ltd., Sahiwal Investment & Trading Company, Upvan Farms & Services (P) Ltd., Weltime Investment (P) Ltd.,Param Investments (P) Ltd., Northern Herbal Farms (P) Ltd., Intelligent Information Systems (P) Ltd., Burman Resorts (P) Ltd., Newage Capital Services (P) Ltd., Betteroption Estates (P) Ltd., Elephant India Advisors (P) Ltd., Green Valley Products (P) Ltd., Natures Bounty Wines & Allied Products (P) Ltd., Vansh Holdings (P) Ltd., Maneswari Trading Company, H & B Stores Ltd., Dr.Fresh Property Development (P) Ltd., Dr.Fresh Health Care (P) Ltd., Lite Eat Out Foods (P) Ltd., Super Hoze Industries (P) Ltd., Dr.Fresh Buildcon (P) Ltd., IMB Infrastructure (P) Ltd., KBC India (P) Ltd., Shree Investment (P) Ltd., Elephant India Finance (P) Ltd., and Dr.Fresh SEZ Phase I (P) Ltd., as an alternate director.

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

Mr.Anil Khanna, Managing Director – CITI Venture Capital International and he is responsible for cross border investment opportunities and business services. Prior to this role, he held various business management role at CITI Group and Marsh & Mc Clennan Company. Most recently, he managed Marsh & MC Clennan’s, US Consumer business. At Citi group from 1986-2000, he held the positions of President and Chief Executive Officer of Travelers 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 & Co and has an MBA from the Ivey School at the University, Western Ontario. He joined the Board of Polaris in April 2005. He is also a director of Eurasian Brewery Holdings Ltd., C-Cayco Co-Invest Ltd., C-Cayco Noteholder Ltd., Receivable Management Services International Inc.,NEPGP 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 practicing there. He is a Senior Lawyer having 46 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 is acting as chairman of Audit Committee of the Company. Mr.Arvind Kumar is also a Director in Nucsoft Limited, Associated Legal Advisors (P) Limited, Second Innings India (P) Limited and Inckah Infrastructure Technologies (P) Ltd.

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

Dr.Jhunjunwala received his B.Tech degree from IIT, Kanpur, and his 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, where he leads the Telecommunications and Computer Networks group (TeNeT). This group works with industry in the development of technologies relevant to India. It has incubated several technology companies which work in partnership with TeNeT group to develop Telecom and Banking products for Indian Urban and Rural Markets. He chairs Rural Technology and Business Incubator (RTBI) at IIT Madras and Mobile Payment Forum of India (MPFI).

Dr. Ashok Jhunjunwala has been awarded Padma Shri in the year 2002. He has been awarded Shanti Swarup Bhatnagar Award in 1998, Dr.Vikram Sarabhai Research Award for the year 1997, Millennium Medal at Indian Science Congress in the year 2000 and 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, Awarded Jawaharlal Nehru Birth Centenary Lecture Award by INSA for the year 2006, IBM Innovation and Leadership Forum Award by IBM for the year 2006, awarded Honorary Doctorate by the Institute of Blekinge Institute of Technology Sweden and Excellence in Science and Technology Award and recently awarded "Bharat Asmita Vigyaan – Tantragyaan Shresththa Award" for the best use of Science & Technology through Innovation by MIT Group of Institutions. He is a Fellow of World Wireless Research forum, IEEE and Indian academies including INAE, IAS, INSA and NAS.

Dr. Jhunjunwala is a Director in the Board of State Bank of India, TTML, 3i Infotech, Sasken, Tejas, IDRBT, Tata Communications and Exicom. He is a member of Prime Minister's Scientific Advisory Committee.

Mr.R.C. Bhargava - Former Chairman & Managing Director of Maruti Udyog Ltd.

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

From 1968 to 73, he was the Agricultural Production Commissioner and Secretary to the Government of the State of Jammu and Kashmir for the Departments of Agriculture, Horticulture, Animal Husbandry, Forests and Co-operation. He was a Special Assistant to the Union Minister of Energy, Government of India from 1973 to 74, and between 1974 & 78, he served as the Joint Secretary to the Government of India, Ministry of Energy and the Cabinet Secretariat. Thereafter, he moved to Bharat Heavy Electricals Ltd as Director (Commercial).

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

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

Mr.Bhargava is also a Director in 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 , FEM care Pharma Ltd., Aditya Birla Sun Life Asset Management Company 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., & FEM Care Pharma 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.

Mr.Raju Venkatraman is presently the Managing Director & CEO of MEDall Medical Services (P) Ltd. Mr.Raju'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 (P) Ltd., Vetri Info Data (P) 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 Ltd., and Member of its Audit Committee and Chairman of its Remuneration Committee.

Mr.Anil Nagu - Managing Director – Citi Venture Capital International

Mr.Anil Nagu, a member of the Institute of Chartered Accountants of India, joined Citibank, India in 1991. He is currently employed as Managing Director with Citi Venture Capital International (CVCI) and is involved with CVCI's transactions in the IT / IT enabled services sector. Also, he is responsible for Corporate Governance and structuring CVCI's Private Equity funds and their investments.

Prior to his current role, Mr.Anil Nagu was the Regional Cash and Trade product manager for the Central and Eastern Europe, Middle east, Africa and India. Also, he has worked in financial control and regional audit and risk review.

Mr.Anil Nagu, joined in the Board of Polaris in October 2009 and he is also in the boards of Sharekhan Ltd and Orbitech Ltd.

3 Audit Committee

The Company has a qualified and independent Audit Committee comprising 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 2009-10 on April 20, 2009, July 16, 2009, August 25, 2009, September 16, 2009, October 20, 2009 and January 20, 2010.

Members of the Audit Committee and number of meetings attended by each member during the year 2009-10.

Name	Designation Category	No. of Meetings	
		Held	Attended
Arvind Kumar	Chairman	6	6
Abhay Agarwal	Member	6	6
Ashok Jhunjhunwala Dr.	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 the 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 auditors and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered.
- Reviewing with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Directors' Responsibility Statement and the Board's Report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.
 - Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
 - Reviewing, with the management, performance of statutory and internal auditors and the adequacy of internal control systems.

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

Review of information

- a. Management discussion and analysis of financial condition and results of operations;
- b. Statement of significant related party transactions, as defined by the Committee, submitted by the management;
- c. Management letters/letters of internal control weaknesses issued by the statutory auditors;
- d. Internal audit reports relating to internal control weaknesses; and
- e. the 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, who 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 Schemes, identification of classes of employees entitled to participate in the scheme, framing of a detailed pricing formula, mode or process of exercise of the option etc.

The Remuneration & Compensation Committee had met four times during the year 2009-10 on April 20, 2009, July 16, 2009, October 20, 2009 and January 20, 2010.

Name	Designation	No. of Meetings	
		Held	Attended
R.C.Bhargava	Chairman	4	4
Ajit Bhushan*	Member	2	0
Ashok Jhunjunwala Dr.	Member	4	4
Satya Pal	Member	4	3

* Ajit Bhushan resigned from the Board w.e.f. September 9, 2009

Remuneration policy

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

Gross Remuneration paid/payable to Directors for the Financial Year 2009-10

(Rs. in Lacs)

Name of the Director	Salary, Perquisites & Allowances	Contribution to PF & other funds	Commission*	Sitting Fees	Stock Options grants
Arun Jain**	155.15	7.20	-	-	No grants to the directors of the company during the year 2009-10
Arup Gupta***	43.88	2.20	-	-	
Abhay Agarwal	-	-	5.47	1.85	
Ajit Bhushan	-	-	-	-	
Anil Khanna	-	-	-	-	
Arvind Kumar	-	-	5.47	1.65	
Ashok Jhunjunwala Dr.	-	-	5.47	2.05	
R.C.Bhargava	-	-	5.47	1.85	
Raju Venkatraman	-	-	3.83	0.75	
Satya Pal	-	-	4.29	1.05	
Anil Nagu	-	-	-	-	
Total	199.03	9.40	30.00	9.20	

* Paid based on the attendance of Directors in the Board, committee and other meetings.

** Includes a sum of Rs.90 Lacs towards bonus and is calculated based on performance criteria as determined by a resolution passed by the shareholders at the Annual General Meeting held on August 18, 2006 and also as approved by remuneration committee.

*** Resigned w.e.f. July 16, 2009 and the Salary is shown till this date.

Stock Options

During the financial year 2009-10, 396,000 number of Options were granted under ASOP 2003 as per 'Market Price' defined in the ASOP Policy 2003 as detailed hereunder:-

Sl. No.	Date of Grant	Option Price (Rs.)	No. of Associates	No. of Options
1	April 20, 2009	60.00	15	39,500
2	July 16, 2009	101.20	25	48,000
3	October 20, 2009	147.95	51	223,500
4	January 20, 2010	194.55	30	85,000
Total			121	396,000

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

The purpose of constituting this Committee is to uphold the basic rights of the shareholders including right to transfer and registration of shares, obtaining relevant information about the company on a timely and regular basis, participating and voting in shareholder meetings, electing members of the board and sharing in the residual profits of the Company. Further the Committee is empowered to act on behalf of the Board, in the matters connected with allotment of shares, issuance of duplicate share certificates, split and consolidation of shares into marketable lots etc.

The Shareholders' Committee had met four times during the year 2009-10 on 20th April 2009, 16th July 2009, 20th October 2009 and 20th January 2010.

Members of the Shareholders' Committee and the number of meetings attended by each member during the year 2009-10

Name	Designation	No. of Meetings	
		Held	Attended
Satya Pal	Chairman	4	3
Abhay Agarwal	Member	4	4
Ashok Jhunjhunwala Dr.	Member	4	4
Raju Venkatraman	Member	4	3

During the year, the company has allotted 284,950 equity shares of Rs.5/- each to 88 (eighty eight) Associates, pursuant to the exercise of employee stock options under ASOP 2003 Scheme as detailed hereunder:

Sl. No.	Date of Allotment	No. of Associates	No. of Shares allotted
1	July 16, 2009	5	12,300
2	October 20, 2009	22	66,700
3	November 18, 2009	8	68,600
4	December 16, 2009	13	32,300
5	January 20, 2010	24	41,550
6	February 16, 2010	16	63,500
	Total	88	284,950

As the result of the above allotments, the issued, subscribed and paid-up equity share capital increased from Rs.493,380,985/- comprising of 98,676,197 number of equity shares of Rs.5/- each as on March 31, 2009 to Rs.494,805,735/- comprising of 98,961,147 number of equity shares of Rs.5/- each as on March 31, 2010. Further, during this year under ASOP 2004 scheme 21,100 shares were transferred to the Associates from Orbitech Employee Welfare Trust, on exercise of options granted under the scheme. The allotted equity shares are listed and traded in the Stock Exchanges.

During the year, 2772 no. of Requests / Complaints had been received and resolved by the Company as detailed hereunder.

STATUS OF REQUEST/ COMPLAINTS April 01, 2009 to March 31, 2010			
Sl. No.	Subject	Received	Replied / Resolved
A. REQUESTS			
1	Change/Correction of Address	45	45
2	Receipt of DW 'S/Refund Order for Revalidation	348	348
3	Change/Correction of Bank Mandate/Name/Damage-DW	105	105
4	Request for Issue of Duplicate DW	4	4
5	Receipt of IB for Issue of Duplicate DW	39	39
6	Query Regarding Payment of DW	11	11
7	Receipt of DD(s) Against DW from Company/Bank	22	22
8	Request for ECS Facility	31	31
9	Letters from Clients Regarding Bills/Payments	23	23
10	Postal Return Documents (Reminder Letters)	1597	1597
11	Letter from SEBI/Stock Exchange/Acknowledgement	1	1
12	Registration of Power of Attorney	0	0
13	Loss of Securities and Request for Duplicate	16	16
14	Receipt of IB and Affidavit for Duplicate	8	8
15	Request for Consolidation/Split of Securities	23	23
16	Deletion of Joint Name Due to Death	6	6
17	Request for Transfer/Transmission of Securities	39	39
18	Change & Correction of Name in DW	9	9
19	Request for Demats/Remat	100	100
20	Clarification Regarding Shares	10	10
21	Correction of Name on Securities	11	11
22	DD Received from Banks against ECS Rejection	48	48
23	Others	54	54
Total (A)		2550	2550
B. COMPLAINTS			
1	Non-Receipt of Annual Report	19	19
2	Non-Receipt of Dividend Warrants	189	189
3	Non-Receipt of Securities	8	8
4	Non-Receipt of Fresh/New Securities	3	3
5	Non-Receipt of Refund Orders	3	3
Total (B)		222	222
Total (A) + (B)		2772	2772

Note: No. of complaints not resolved to the satisfaction of shareholders: Nil and no pending complaints as on March 31, 2010.

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 twelve times during the year 2009-10 on April 15, 2009, April 21, 2009, April 24, 2009, May 15, 2009, May 29, 2009, September 1, 2009, September 30, 2009, November 5, 2009, January 20, 2010, January 30, 2010, February 20, 2010 & March 10, 2010.

The present members of the Committee are:

Name	Designation
R. Srikanth	President & Chief Financial Officer
Muthusubramanian .B	Senior Vice President (Finance) & Company Secretary

6 General Meetings of the Company

Meeting:	14th AGM	15th AGM	16th AGM			
Date:	17th July, 2007	17th July, 2008	16th July, 2009			
Time:	3.30 P.M.	3.30 P.M.	3.30 P.M.			
Venue:	Music Academy, Chennai	Music Academy, Chennai	Music Academy, Chennai			
Sl.No.	Resolutions Passed	Type	Resolutions Passed	Type	Resolutions Passed	Type
1	Adoption of Annual Accounts (31/3/2007)	O	Adoption of Annual Accounts (31/3/2008)	O	Adoption of Annual Accounts (31/3/2009)	O
2	Declaration of Dividend - confirmation interim dividends paid as final.(45%)	O	Declaration of Dividend - Final (30%)	O	Declaration of Dividend - Final (35%)	O
3	Appt. of Mr. R.C.Bhargava, as a Director under Sec.256 of CA.	O	Appt. of Dr. Ashok Jhunjhunwala, as a Director under Sec.256 of CA.	O	Appt. of Mr. R.C. Bhargava, as a Director under Sec.256 of CA.	O
4	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	Appt.of Mr. Abhay Agarwal, as a Director under Sec 256 of CA.	O
5	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	Appt.of Mr. Raju Venkatraman, as a Director under Sec 256 of CA.	O
6	Re-appt. of M/s. S.R.Batliloi & Associates, as Statutory Auditors	O	Re-appt. of M/s.S.R.Batliloi & Associates, as Statutory Auditors	O	Re-appt. of M/s. S.R.Batliloi & Associates, as Statutory Auditors	O
7			Approval of payt of Commission to non-executive directors.	S		
8					Approval of shareholders pursuant to Sec 314(1) and 314(1B) of CA for Appt. of Mr. Vinay Garg, a relative of CMD	S
9					Approval of shareholders pursuant to Sec 314(1) and 314(1B) of CA for Appt. of Ms. Ruchira Gupta, a relative of Director	S
Type - O=Ordinary Resolution S=Special Resolution CA: means the Companies Act, 1956						

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.B14 under Significant Policies and Notes to accounts to the Balance Sheet and Profit & Loss Account.

Statutory Compliance, Penalties & Strictures

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

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

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, a certificate from the

Statutory Auditors, certifying the compliance of clause 49 of the Listing agreement was adhered/adopted 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, and 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 2009-10, no employee has been denied to access the Audit Committee.

c Risk Management framework

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

8 Means of communication

Quarterly and Half-yearly financial results

Quarterly/ Half-yearly financial results of the Company are published in one widely circulated English Newspaper (Business Standard) and a Vernacular (Tamil) Newspaper (Makkal Kural). The results are also promptly forwarded to Stock Exchanges in which the shares of the Company are listed and simultaneously uploaded/published on the Company's website www.polaris.co.in. The website also displays all official news releases issued by the Company from time to time.

Investor Education

Investors are being provided with timely information on all Company related matters including recruitment / appointment and remuneration of executive directors, circulars on the advantages of 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. A separate column in the website called "Frequently Asked Questions" is given, which answers substantially all the expected queries of investors about the Company.

The Management Discussion & Analysis report (MD&A)

The MD&A gives an overview of the Industry, Company's business and its Financials etc., is provided separately as a part of this Annual Report.

9 General Shareholder information

Date of incorporation	5 th January 1993	
Registered Office	Polaris House, No.244, Anna Salai, Chennai – 600 006	
Date of Annual General Meeting	15 th July 2010	
Venue of Annual General Meeting	Music Academy, Mini Hall, # 168, TTK Road, Chennai 600 014.	
Financial Reporting: (tentative and subject to change) 01.04.2010 - 31.03.2011		
First quarter ending June 30, 2010	Between 15 th and 31 st July 2010	
Second quarter ending September 30, 2010	Between 15 th and 31 st October 2010	
Third quarter ending December 31, 2010	Between 15 th and 31 st January 2011	
For the year ending March 31, 2011	Between 15 th and 30 th April 2011	
Annual General Meeting for the year ending March 31, 2011	July/August 2011	
Book Closure	From 10 th July 2010 to 15 th July 2010 (Both days are inclusive)	
Dividend for 2009-10 Total Dividend @ of 70% per share of Rs.5/- each i.e. Rs.3.50 per equity share (Interim + final)	Interim Dividend – 35% (Paid) i.e Rs.1.75 per equity share Final Dividend – 35%. (Recommended) i.e Rs.1.75 per equity share.	
Listing of shares with Stock Exchanges / Polaris shares traded in		
Madras Stock Exchange Ltd. w.e.f. 27 th September 1999	The Bombay Stock Exchange Ltd. w.e.f. 29 th September 1999	National Stock Exchange of India Ltd. w.e.f. 24 th November 1999.
Reuters code	BSE - Scrip Code	NSE - Scrip Code
POLS.BO (BSE) POLS.NS (NSE)	532254	POLARIS
ISIN Code	INE763A01023	
<ul style="list-style-type: none"> • The Company's shares are traded in "Group A" category in the Bombay Stock Exchange, Mumbai since 26th March 2001. • The Bombay Stock Exchange (BSE) has decided to include Polaris share in the "BSE mid-cap index" with effect from January 2010. • The Company hereby confirms that the listing fee for the year 2010-11, 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	

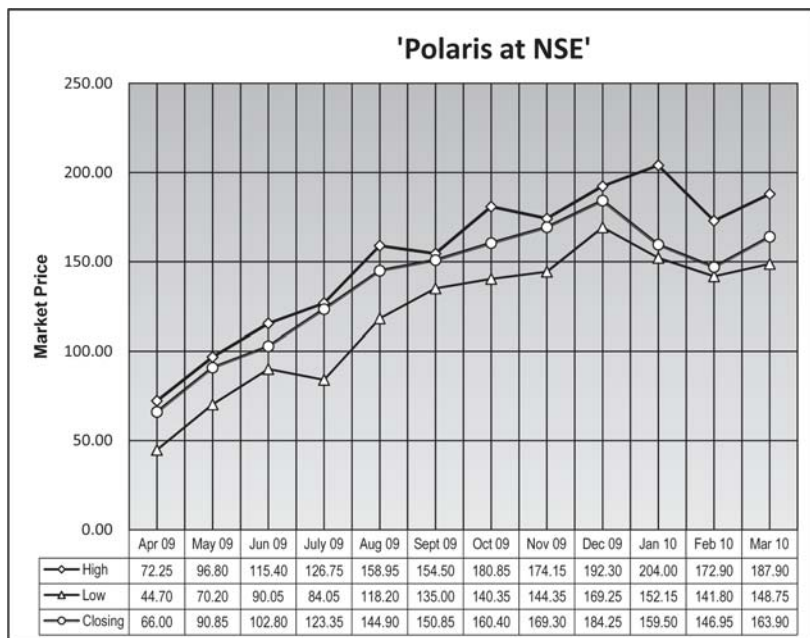
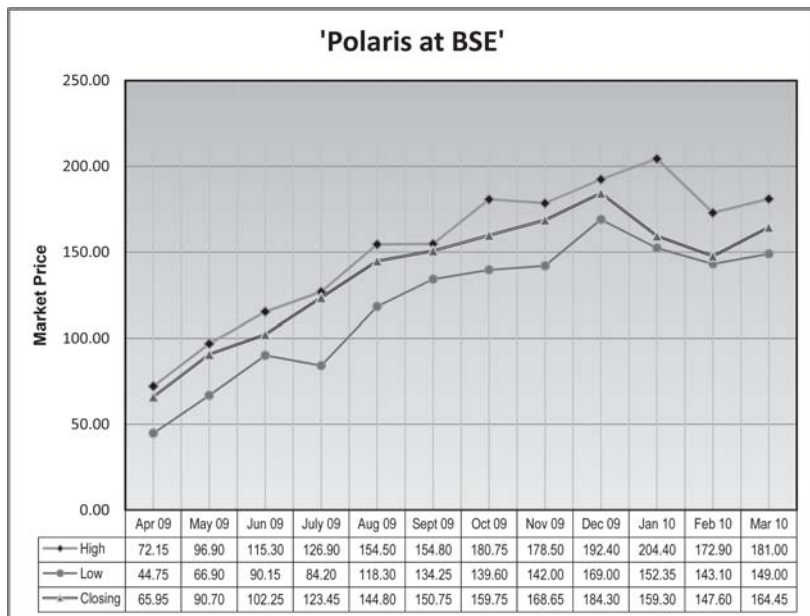
Publication of Quarterly Results		
Quarterly financial results were published during financial year 2009-10		
Language	News paper	Date
English Tamil	Business Standard Makal Kural	April 21, 2009
		July 17, 2009
		October 21, 2009
		January 21, 2010
Website address of the Company in which reports/financial results have been posted		www.polaris.co.in
Website address of stock exchange(s) in which reports / financial results are posted		
The Bombay Stock Exchange Ltd		The National Stock Exchange of India Ltd
www.bseindia.com		www.nseindia.com
Whether the Official News releases are displayed by the company		<input checked="" type="checkbox"/> Yes No

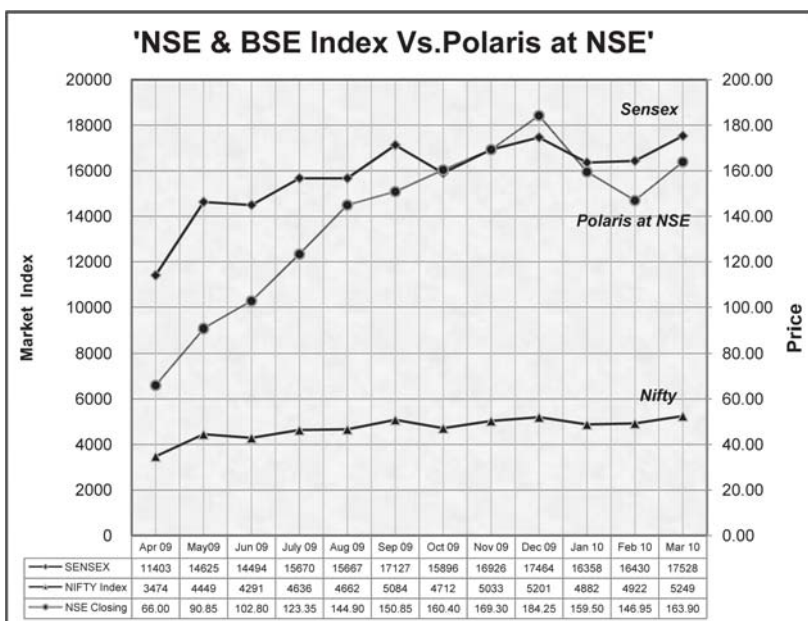
Share market data and the graphical representation of closing market prices movement of the Company's shares quoted in the Bombay Stock Exchange (BSE) Mumbai and National Stock Exchange Ltd. (NSE) from April 2009 to March 2010

Stock market data for the period April 2009 to March 2010 from Mumbai & National Stock Exchanges								
Month 2009-10	BSE- Price				NSE- Price			
	High	Low	Closing	Volume	High	Low	Closing	Volume
April	72.15	44.75	65.95	1,77,59,426	72.25	44.70	66.00	32,527,037
May	96.90	66.90	90.70	1,07,66,187	96.80	70.20	90.85	34,531,957
June	115.30	90.15	102.25	1,22,52,649	115.40	90.05	102.80	16,192,652
July	126.90	84.20	123.45	82,65,347	126.75	84.05	123.35	63,507,696
August	154.50	118.30	144.80	1,09,18,334	158.95	118.20	144.90	46,456,328
September	154.80	134.25	150.75	58,31,074	154.50	135.00	150.85	14,535,318
October	180.75	139.60	159.75	1,56,28,370	180.85	140.35	160.40	12,130,368
November	178.50	142.00	168.65	81,53,381	174.15	144.35	169.30	7,434,067
December	192.40	169.00	184.30	77,70,747	192.30	169.25	184.25	7,242,457
January	204.40	152.35	159.30	49,86,690	204.00	152.15	159.50	44,465,002
February	172.90	143.10	147.60	27,51,139	172.90	141.80	146.95	39,158,286
March	181.00	149.00	164.45	37,30,667	187.90	148.75	163.90	10,892,025
Total				108,814,011				329,073,193

Polaris share price (High / Low) during the financial year 2009-10:

Stock Exchange	Yearly high price	Date	Yearly low price	Date
NSE	204.00	19.01.2010	44.70	01.04.2009
BSE	204.40	19.01.2010	44.75	01.04.2009



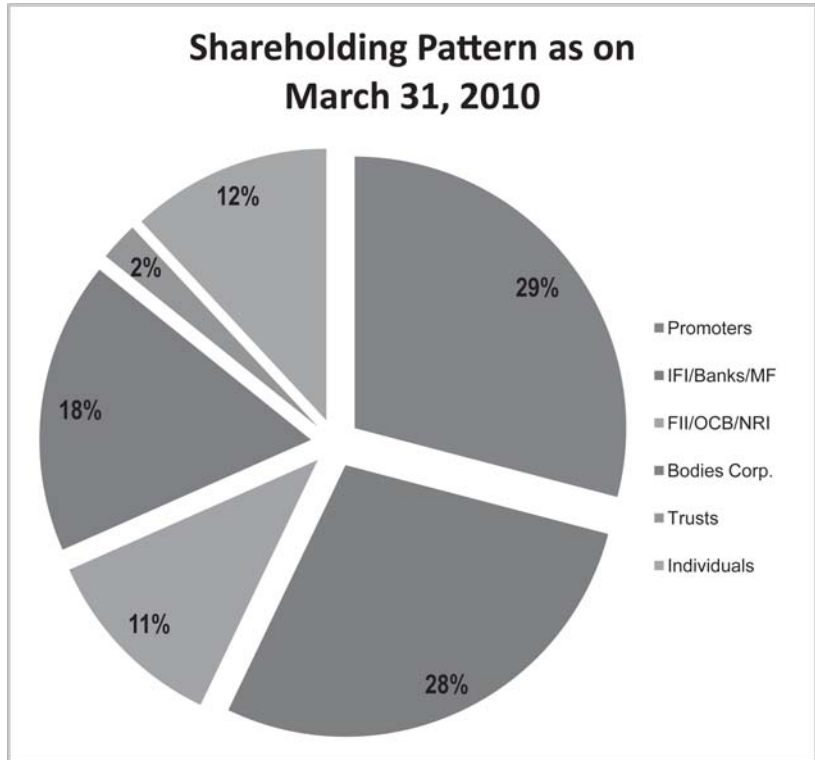


Shareholding pattern as on March 31, 2010

Shareholders		Shares		Total Shareholding as a % of total no. of shares	
Category	No.	Total	Dematerialised	As a % of (A+B)	As a % of (A+B+C)
A Promoters and Promoter Group					
(1) Indian					
(a) Individual /H U F	17	8,897,221	8,885,221	8.99	8.99
(b) Bodies Corporate	1	19,880,938	19,880,938	20.09	20.09
Sub-Total	18	28,778,159	28,766,159	29.08	29.08
(2) Foreign					
(a) Individuals (NRI's)	-	-	-	-	-
Total Group A (1+2)	18	28,778,159	28,766,159	29.08	29.08
B Public / others					
(1) Institution					
(a) Mutual Funds /UTI	38	15,836,871	15,836,871	16.00	16.00
(b) Financial Institution/Banks	10	11,503,035	11,503,035	11.62	11.62
(c) Insurance Companies	1	394,023	394,023	0.40	0.40
(d) Foreign Inst. Investors	55	10,847,672	10,847,522	10.96	10.96
Sub-Total	104	38,581,601	38,581,451	38.99	38.99
(2) Non-Institutions					
(a) Bodies Corporate	1012	17,224,563	17,214,813	17.41	17.41
(b) Individuals					
(i) Individuals holding nominal share capital up to Rs.1 lac	47,126	8,908,923	8,588,615	9.00	9.00
(ii) Individuals holding nominal share capital in excess of Rs.1 lac	38	2,479,650	2,479,650	2.51	2.51

Shareholders		Shares			Total Shareholding as a % of total no. of shares	
Category	No.	Total	Dematerialised	As a % of (A+B)	As a % of (A+B+C)	
(c) Others						
Overseas Bodies Corporate	2	300	250	0.00	0.00	
Trusts	11	2,267,101	2,244,801	2.29	2.29	
Clearing Members	140	413,033	413,033	0.42	0.42	
Non Resident Indians	612	307,817	303,217	0.31	0.31	
Sub-Total	48,941	31,601,387	31,244,379	31.93	31.93	
Total Group B	49,045	70,182,988	69,825,830	70.92	70.92	
C Shares held by Custodians against Deposit Receipts	-	-	-	-	-	
Grand Total (A+B+C)	49,063	98,961,147	98,591,989	100.00	100.00	

*No shares were pledged by the promoters as on March 31, 2010.



1. List of persons holding more than 1% of Shares as on March 31, 2010

Sl. No.	Name of the shareholder	No. of Shares	% of Share Capital
1	Polaris Holdings (P) Limited	19,880,938	20.09
2	Citibank A/C Orbitech Ltd.	11,325,351	11.44
3	Orbitech Ltd.	15,379,606	15.54
4	Arun Jain	4,302,364	4.35
5	Yogesh Andlay	2,075,047	2.10
6	Birla Sun Life Trustee Company (P) Ltd A/c Midcap Fund	2,138,957	2.16
7	Sundaram BNP Paribas Mutual Fund A/c Equity Multiplier	1,411,772	1.43
8	Sundaram BNP Paribas Mutual Fund A/c Smile Fund	1,400,000	1.41
9	Orbitech Employees Welfare Trust	1,366,725	1.38
10	JM Financial Mutual Fund – Core 11Fund series -1	1,234,650	1.25
11	Birla Sun Life Trustee Company P Ltd A/c Equity fund	1,091,047	1.10
12	Manju Jain	1,022,460	1.03
	Total	62,628,917	63.28

2. Directors Shareholding as on March 31, 2010

Sl. No.	Name of the Director	No. of Shares	% of Share Capital
1	Arun Jain	43,02,364	4.35
2	Arun Jain (HUF)	7,89,000	0.80
3	Abhay Agarwal	27,622	0.03
4	Arvind Kumar	35,000	0.04
5	Dr.Ashok Jhunjunwala	10,900	0.01
6	RC Bhargava	12,600	0.01
7	Satya Pal	33,400	0.03

Distribution schedule of shareholding as on March 31, 2010

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	6,201	37,189	6,120	37,094	81	95
11-25	5,826	1,22,700	5,823	1,22,641	3	59
26-50	9,335	4,25,873	9,237	4,20,988	98	4,885
51-100	10,985	10,25,696	10,780	10,05,376	205	20,320
101-500	13,577	31,65,507	12,611	29,82,858	966	1,82,649
501-1000	1,606	12,58,993	1,571	12,35,293	35	23,700
1001-5000	1,171	23,98,189	1,113	23,01,639	58	96,550
5001-10000	130	9,26,386	127	9,07,786	3	18,600
10000 +	232	896,00,614	231	895,78,314	1	22,300
Total	49,063	989,61,147	47,613	985,91,989	1,450	3,69,158
100%						

Comparative distribution schedule as on March 31, 2010

Shares	Physical		Demat		Total	
	Nos.	%	Nos.	%	Nos.	%
31.03.2010	369,158	0.37	98,591,989	99.63	98,961,147	100
31.03.2009	380,286	0.39	98,295,911	99.61	98,676,197	100
Shareholders						
31.03.2010	1,450	2.96	47,613	97.04	49,063	100
31.03.2009	1,489	2.24	65,047	97.76	65,047	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 Messrs 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 sent to the respective transferees.

- **Dividend Information**

Members are advised that the dividends amounting to Rs.345,922/- for the financial year ended 31st March 2002, which remain unpaid or unclaimed over a period of seven years, have been transferred by the Company to IEPF on November 10, 2009. Members who have not claimed the dividend for the below mentioned periods are requested to lodge their claim with the Company. 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
31.03.2003	19.09.2003	435,096.00	25.10.2010
31.03.2004	29.07.2004	474,244.00	03.09.2011
31.03.2005	22.07.2005	632,322.00	27.08.2012
31.03.2006	18.08.2006	522,893.00	23.09.2013
31.03.2007	22.01.2007	336,163.00	27.02.2014
	28.03.2007	593,563.50	03.05.2014
31.03.2008	17.07.2008	849,749.00	16.08.2015
31.03.2009	20.01.2009	919,704.00	19.02.2016
	16.07.2009	641,301.00	21.08.2016
31.03.2010	20.01.2010	1,070,527.00	25.02.2017
Total		6,481,562.50	

- **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, as amended pursuant to the guidelines issued by SEBI from time to time. This Policy deals with the rules, regulations and process for transactions

in the shares of the Company and shall apply to all transactions and for all associates in whatever capacity they may be, including Directors. This code forms part and parcel of the service conditions of the employees of the Company.

• **Locations**

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

• **Address for correspondence**

The Compliance Officer POLARIS SOFTWARE LAB LTD. Regd. Office: Polaris House, 244, Anna Salai, Chennai - 600 006 Phone: 044-2852 4154, 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: 044-2852 4154, Fax: 044-2852 3280 E-mail: shareholder.query@polaris.co.in
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By the order of the Board
For Polaris Software Lab Limited

Place : Chennai
Date : April 21, 2010

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, 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 2010 and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the audit committee
 - (i) significant changes in internal control over financial reporting during the year;
 - (ii) significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Place : Chennai

Date : April 21, 2010

Arun Jain
Chairman & Managing Director

R Srikanth
President & Chief Financial Officer

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

AUDITORS' CERTIFICATE

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 March 31, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

Firm registration number: 101049W

Chartered Accountants

per S Balasubrahmanyam

Partner

Membership No. 053315

Place: Chennai

Date: April 21, 2010

To,

The Members of Polaris Software Lab Ltd.

Chennai

Sub: Declaration by the CEO under Clause 49 (1)(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, 2010.

Place : Chennai

Date : April 21, 2010

Arun Jain

Chairman & Managing Director

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**Abridged Financial Statements For The Year Ended
March 31, 2010**

Auditor's 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, 2010 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. 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, 2010 prepared in accordance with Schedule VI to the Companies Act, 1956 and covered by our report dated April 21, 2010 to the members of the Company which report is attached.

For S.R. BATLIBOI & ASSOCIATES
Firm Registration No.: 101049W
Chartered Accountants

per S. Balasubrahmanyam
Partner
Membership No.: 053315

Chennai
April 21, 2010

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, 2010 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, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2010;
 - 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

Firm Registration No.: 101049W
Chartered Accountants

per S. Balasubrahmanyam
Partner
Membership No.: 053315

Chennai
April 21, 2010

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

Re: Polaris Software Lab Limited ('the Company')

- (i)
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
 - (c) There was no substantial disposal of fixed assets during the year.
- (ii) Due to the nature of business, the Company has no inventories and accordingly the provisions of clause 4(ii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (iii)
 - (a) The Company has granted loans to five companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.2,363.90 Lacs and the year-end balance of loans granted to such companies was Rs.254.26 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 companies 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) Undisputed statutory dues including provident fund, investor education and protection fund, income-tax, sales-tax, wealth-tax, service tax and cess and other material statutory dues applicable to it have generally been regularly deposited with the appropriate authorities though there are slight delays in payment of dues of employees' state insurance. The provisions relating to excise duty and customs duty are not applicable to the Company.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

(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, 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 and cess on account of any dispute. Dues outstanding of income-tax, sales-tax and service 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, 1961	Income Tax	118.21	Financial Year 2000-01, (Assessment Year 2001-02)	High Court
Income Tax Act, 1961	Income Tax	507.49	Financial Year 2001-02, (Assessment Year 2002-03)	High Court
Income Tax Act, 1961	Income Tax	864.44	Financial year 2003-04 (Assessment Year 2004-05)	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	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
Finance Act 1994	Service Tax*	132.82	Financial year 2004-05	Customs, excise & service tax appellate tribunal

*The Company has also deposited a sum of Rs.68.28 Lacs under protest

- (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) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks. 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
Firm Registration No.: 101049W
Chartered Accountants

per S. Balasubrahmanyam
Partner
Membership No.: 053315

Chennai
April 21, 2010

POLARIS SOFTWARE LAB LIMITED
Abridged Balance Sheet as at March 31, 2010

(Rs. in Lacs)

	March 31, 2010	March 31, 2009
I. SOURCES OF FUNDS		
(1) SHAREHOLDERS' FUNDS		
(a) Equity capital	4,948.06	4,933.81
(b) Reserves and surplus		
(i) General reserve	18,216.56	16,910.13
(ii) Foreign currency translation reserve	99.17	745.59
(iii) Securities premium account	18,725.58	18,499.96
(iv) Surplus in profit and loss account	36,019.06	28,312.27
(2) LOAN FUNDS		
Secured loans (other than debentures)	-	35.71
(3) DEFERRED TAX LIABILITY (NET)		
	84.15	77.18
	78,092.58	69,514.65
II APPLICATION OF FUNDS		
(1) FIXED ASSETS		
(a) Net block (original cost less depreciation)	17,173.07	16,266.02
(b) Capital work-in-progress including capital advances	1,245.25	1,430.28
(2) INVESTMENTS		
(a) Investment in subsidiary companies (Unquoted)	12,157.44	6,956.39
(b) Others		
(i) Quoted *	500.00	-
(ii) Unquoted	39,136.26	25,212.01
(3) (i) CURRENT ASSETS, LOANS AND ADVANCES		
(a) Sundry debtors	11,368.28	18,204.06
(b) Cash and bank balances	5,270.47	3,684.41
(c) Other current assets	8,609.06	10,753.35
(d) Loans and advances		
(i) To subsidiary and associate companies	999.83	2,624.45
(ii) To others	5,199.87	5,549.51
	31,447.51	40,815.78
LESS: (ii) CURRENT LIABILITIES AND PROVISIONS		
(a) Current liabilities	18,360.91	16,875.10
(b) Provisions	5,206.04	4,290.73
	23,566.95	21,165.83
NET CURRENT ASSETS (i - ii)	7,880.56	19,649.95
	78,092.58	69,514.65

* Aggregate market value of the quoted investments March 31, 2010: Rs.500.00 (March 31, 2009: Rs. Nil)

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**
Firm Registration No.: 101049W
Chartered Accountants

per **S. Balasubrahmanyam**
Partner
Membership No.: 053315
Chennai
April 21, 2010

Arun Jain
Chairman & Managing Director

R. Srikanth
President & Chief Financial Officer
Chennai
April 21, 2010

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 March 31, 2010**

(Rs. in Lacs except per share data)

	March 31, 2010	March 31, 2009
I INCOME		
Software development services and products		
- Overseas	105,445.35	108,377.20
- Domestic	8,902.34	8,757.23
Dividend	1,476.75	956.32
Interest	108.33	143.17
Other income	143.27	1,957.69
	116,076.04	120,191.61
II EXPENDITURE		
Salaries & other employee benefits	82,481.64	82,868.38
Software development expenses	4,384.82	4,999.38
Selling, administrative and other general expenses	8,923.84	8,037.30
Managerial remuneration	247.63	276.64
Finance charges	47.42	55.29
Depreciation and amortisation	2,544.59	4,270.05
Auditor's remuneration	50.62	45.63
Provision for doubtful debts (net)	179.36	199.92
Bad debts / advances written off	98.59	151.49
Provision for diminution in value of investments	-	71.13
Foreign exchange (gains) / losses, net	2,106.71	6,594.85
	101,065.22	107,570.06
III PROFIT BEFORE TAX (I - II)	15,010.82	12,621.55
IV Provision for taxation		
- Current tax	2,424.22	1,583.47
- Deferred tax	6.97	(21.52)
- Fringe benefit tax	-	245.99
- MAT credit entitlement	(484.69)	(305.06)
V PROFIT AFTER TAX	13,064.32	11,118.67
VI Profit brought forward from previous year	28,312.27	22,238.66
VII Amount available for appropriation	41,376.59	33,357.33
VIII APPROPRIATIONS		
Dividend		
- Interim dividend	1,730.81	1,480.14
- Proposed final dividend	1,731.82	1,233.45
Tax on dividend	588.47	461.18
Amount transferred to general reserve	1,306.43	1,870.29
Balance carried to balance sheet	36,019.06	28,312.27
	41,376.59	33,357.33
EARNINGS PER SHARE (equity shares par value Rs.5/- each)		
Basic	13.23	11.27
Diluted	13.11	11.27
Number of shares used in computing earnings per share		
Basic	98,765,014	98,675,728
Diluted	99,667,786	98,697,955

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**
Firm Registration No.: 101049W
Chartered Accountants

per **S. Balasubrahmanyam**
Partner
Membership No.: 053315
Chennai
April 21, 2010

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

Arun Jain
Chairman & Managing Director
R. Srikanth
President & Chief Financial Officer
Chennai
April 21, 2010

R.C. Bhargava
Director
B. Muthusubramanian
Company Secretary

POLARIS SOFTWARE LAB LIMITED
Statement of cash flows for the year ended March 31, 2010

(Rs. in Lacs)

	March 31, 2010	March 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	15,010.82	12,621.55
Adjustments for:		
Depreciation / amortisation	2,544.59	4,270.05
Interest income	(108.33)	(143.17)
Dividend income	(1,476.75)	(956.32)
Exchange differences on translation of foreign currency cash and cash equivalents	(157.10)	(348.97)
Exchange differences on foreign exchange translation	206.60	(577.39)
Provision for doubtful debts (Net)	179.36	199.92
Bad debts / advances written off	98.59	151.49
(Profit) / Loss on sale of investments	19.00	(1,946.01)
(Profit) / Loss on sale of fixed assets	(5.66)	115.46
Provision for diminution in value of investments	-	71.13
Lease finance charges	2.44	5.82
Changes in current assets and liabilities		
Decrease / (Increase) in sundry debtors	6,342.53	(986.78)
Decrease / (Increase) in other current assets & loans and advances	3,398.33	1,924.93
Increase / (Decrease) in current liabilities and provisions	131.22	7,215.82
Taxes paid	(2,183.27)	(1,989.34)
Net cash from operating activities	24,002.37	19,628.19
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets and changes in capital work in progress	(3,309.63)	(3,723.98)
Proceeds from sale of fixed assets	16.32	51.52
Acquisition of subsidiary (Refer note [B15] (d))	(3,471.95)	-
Sale proceeds of other long term investments	-	2,310.93
Net decrease / (increase) in non-trade investments	(14,443.25)	(15,675.04)
Loans to group companies (Net)	922.75	(1,213.81)
Interest received	108.33	143.17
Dividend received	1,476.75	956.32
Net cash used in investing activities	(18,700.68)	(17,150.89)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share capital issued on exercise of stock options	14.25	0.08
Proceeds from securities premium on exercise of stock options	225.62	1.14
Repayment of secured loans	(35.71)	(46.87)
Lease finance charges paid	(2.44)	(5.82)
Dividends paid during the year (including dividend tax)	(3,460.39)	(3,442.62)
Net cash used in financing activities	(3,258.67)	(3,494.09)
Exchange differences on translation of foreign currency cash and cash equivalents and movement in foreign currency translation reserve	(456.96)	1,610.94
Net increase / (decrease) in cash and cash equivalents during the year	1,586.06	594.15
Cash and cash equivalents at the beginning of the year	3,684.41	3,090.26
Cash and cash equivalents at the end of the year *	5,270.47	3,684.41

* The balances include Rs.64.82 (March 31, 2009: Rs 58.46) which are not available for use by the Company as they represent corresponding unpaid dividend.

As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES
Firm Registration No.: 101049W
Chartered Accountants

per S. Balasubrahmanyam
Partner
Membership No.: 053315
Chennai
April 21, 2010

Arun Jain
Chairman & Managing Director

R. Srikanth
President & Chief Financial Officer
Chennai
April 21, 2010

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

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

Notes to Abridged Financial Statements

1. All amounts in the financial statements are presented in Rupees Lacs, unless 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, 2010.

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, 2010 is Rs.1,689.85 (March 31, 2009: Rs.218.79) .

(ii) As at March 31, 2010, the Company has outstanding guarantees and counter guarantees of Rs.1,447.86 (March 31, 2009: Rs.577.05) issued to various banks, in respect of guarantees given by the banks in favour of various government authorities / others.

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

a. Demand from Indian income tax authorities as at March 31, 2010 is Rs.692.08 (March 31, 2009: Rs.1,199.16). The tax demand is mainly on account of disallowance of a portion of the deduction claimed by the company under Section 10A of the Income Tax Act. The Company is in the process of filing an appeal with the higher appellate authorities.

b. Sales Tax demand from Commercial Tax Officer Chennai is Rs.520.00 as at March 31, 2010 (March 31, 2009: Rs.520.00).

c. Sales Tax demand from Commercial Tax Officer, Hyderabad is Rs.42.40 as at March 31, 2010 (March 31, 2009: Rs.42.40) .

d. Service tax demand from Commissioner of Central Excise, Chennai as at March 31, 2010 is Rs.32.25 (March 31, 2009: Nil)

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

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

3. [B6] Leases

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

Particulars	As at	As at
	March 31, 2010	March 31, 2009
Not later than one year	-	34.43
Later than one year and not later than 5 years	-	4.24
	-	38.66
Less: Amount representing future interest	-	(2.96)
Present Value of minimum lease rentals	-	35.71

POLARIS SOFTWARE LAB LIMITED

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

Notes to Abridged Financial Statements

- (ii) The Company has taken certain offices and residential premises for the employees under operating leases which expire at various dates in future years and renewable for further period at the option of the company. There are no restrictions imposed by the lease arrangements. The minimum lease rental payments to be made in respect of these leases are as follows:

Particulars	As at	As at
	March 31, 2010	March 31, 2009
Lease payments for the year	816.01	1,124.55
Contingent rent recognised in Profit and Loss Account	-	-
Minimum Lease Payments :		
Not later than one year	505.52	596.67
Later than one year and not later than five years	536.50	871.07
Later than five years	-	-
Total	1,042.02	1,467.74

4. [B7] 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.

5. [B8] Managerial remuneration

Particulars	Year Ended	Year Ended
	March 31, 2010	March 31, 2009
<u>Chairman and Managing Director</u>		
Salary and perquisites	155.15	118.28
Contribution to provident and other funds	7.20	10.32
<u>Executive Director and Other Directors</u>		
Salaries and perquisites	73.88	133.52
Contribution to provident and other funds	2.20	5.42
Sitting fees	9.20	9.10
Total	247.63	276.64

The Directors are covered under the Company's gratuity policy along with the other employees of the Company. Proportionate amount of gratuity is not included in the disclosure above. However actual payments, if any, made on their resignation / retirement is considered.

Salaries and perquisites to other directors include commission of Rs.30/- (March 31, 2009 Rs.25.00) payable to non executive directors.

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

POLARIS SOFTWARE LAB LIMITED

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

Notes to Abridged Financial Statements

Sl. No.	Particulars	Year Ended March 31, 2010	Year Ended March 31, 2009
	Profit as per Profit and Loss Account	13,064.32	11,118.67
	<i>Add:</i>		
1	Whole-time directors' remuneration	208.43	242.54
2	Directors' sitting fees	9.20	9.10
3	Commission to non-whole-time directors	30.00	25.00
4	Provision for doubtful debts	179.36	199.92
5	Depreciation and amortization	2,544.59	4,270.05
6	Provision for taxation	1,946.50	1,502.88
7	Loss of capital nature	13.34	-
		17,995.74	17,368.16
	<i>Less:</i>		
1	Depreciation as envisaged under Section 350 of the Companies Act 1956 *	2,544.59	4,270.05
2	Profit of a Capital Nature	-	1,868.77
	Net profit on which commission is payable	15,451.15	11,229.35
	Commission to other directors at 1% of the net profits as calculated above	154.51	111.29
	Maximum allowed by the shareholders	45.00	45.00
	Commission approved by the board	30.00	25.00

* 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.

6. [B13] Earnings per Share ("EPS")

Reconciliation of basic and diluted shares used in computing EPS:

Particulars	Year Ended March 31, 2010	Year Ended March 31, 2009
Weighted average number of equity shares outstanding during the year – Basic	98,765,014	98,675,728
Add: Effect of dilutive issue of stock options to be converted	902,772	22,227
Weighted average number of equity shares outstanding during the year –Diluted	99,667,786	98,697,955
Net profit for calculation of Basic and diluted EPS	13,064.32	11,118.67
Basic earnings per share (in Rs.)	13.23	11.27
Diluted earnings per share (in Rs.)	13.11	11.27
Face value per equity share (in Rs.)	5.00	5.00

7. [B15] Investments in subsidiaries and associates

- a The Company's subsidiary Optimus Global Services Limited ('Optimus') incorporated in September 2002, is engaged in the business process outsourcing services. Optimus has accumulated losses amounting to Rs.2,509.01 as at March 31, 2010 on account of initial/set up stage operation in earlier years and on account of slowdown in BPO industry during the last two years. The management is optimistic about the future growth of Optimus and expects that Optimus will

POLARIS SOFTWARE LAB LIMITED

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

Notes to Abridged Financial Statements

earn profits in the future. Accordingly, management believes that there is no other than temporary diminution in the value of its investments in the subsidiary and hence it is stated at cost.

- b) The Company's equity ownership interest in Adrenalin eSystems Limited ("ASL") is 40.25% as at March 31, 2010. ASL is primarily engaged in the business of providing specific solutions relating to Human Relations suite of software solutions. The accumulated losses to the extent of Rs.3,001.03 as per the unaudited financial statements of ASL as on March 31, 2010 are on account of initial / start-up stage of operations. ASL has earned nominal profits in current year. As per the valuation of ASL as at March 31, 2010 carried out by the independent valuation expert, there is no diminution in the carrying value of investments. Accordingly, management believes that there is no other than temporary diminution in the value of its investments in the ASL and hence it is stated at cost.
- c) The Company's equity ownership interest in NMS Works Software Private Limited ("NMS") is 39.56% as at March 31, 2010. NMS is primarily engaged in the business of designing network management in Telecommunication and Internet Services. The orders secured during the year have reduced the accumulated losses. NMS had accumulated losses aggregating to Rs.551.31 as per the unaudited financial statements of NMS as on March 31, 2010. Accordingly the Company had determined and recorded a provision of Rs.415/- in the earlier year for other than temporary diminution in the value of its equity investment in NMS.
- d) The Company has acquired entire equity interest in Laser Soft Infosystems Limited ('Laser Soft'), a leading Banking software services company specializing in serving the unique needs of India & emerging markets with effect from November 16, 2009. The total consideration for acquisition is Rs.5,201.05 subject to price adjustment conditions based on future financial performance of Laser Soft over the next two years. The Company has paid a sum of Rs.3,471.95 for 89% equity interest as at March 31, 2010. The Company has accrued for the consideration payable for the balance equity shares, as the management expects the payment is probable in accordance with the term of the agreement and a reasonable estimate of the amount can be made as at March 31, 2010.
- e) The Company has entered into an definitive agreement on March 26, 2010 to acquire equity stake in Indigo TX Software Private Limited, a SaaS Software developer. The acquisition will be completed on compliance of closing conditions as per the agreement. The company has paid Rs.500.00 as a part of acquisition cost subsequent to the date of the balance sheet.

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

Particulars	Face Value in Rs.	Units	Cost
Birla Sun Life Cash Plus - Institutional Premium Plan - Daily Dividend	10	440.05	4,400.49
DWS Insta Cash Plus Fund - Super IP - Daily Dividend	10	130.02	1,300.16
DWS Ultra Short-Term Fund - IP - Daily Dividend	10	130.54	1,305.42
Templeton India TMA - IP - Daily Dividend	1,000	2.10	2,100.23
Templeton India TMA - Super IP - Daily Dividend	1,000	5.55	5,550.49
HDFC Liquid Fund - Daily Dividend	10	70.01	700.08

POLARIS SOFTWARE LAB LIMITED

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

Notes to Abridged Financial Statements**[B17] The following investments were purchased and sold during the year (Contd...)**

Particulars	Face Value in Rs.	Units	Cost
HDFC Liquid Fund - Premium Plan - Daily Dividend	10	330.03	3,300.35
HDFC Cash Mgmt Fund - Savings Plan - Daily Dividend	10	50.00	500.05
HDFC FRIF - Short Term Plan - Wholesale Option - Daily Dividend Reinvestment	10	110.71	1,107.12
HSBC Cash Fund - IP - Daily Dividend	10	40.00	400.02
HSBC FRF - LTP - IP - Weekly Dividend	10	40.40	403.96
ICICI Prudential Liquid - Super IP - Daily Dividend	10	320.03	3,200.26
ICICI Prudential Ultra Short Term Plan - Premium Plus - Daily Dividend	10	121.09	1,210.89
ICICI Prudential Ultra Short Term Plan - Premium Plus - Fortnightly Dividend	10	80.32	803.20
ICICI Prudential Ultra Short Term Plan - Super Premium - Daily Dividend	10	203.02	2,030.18
Kotak Liquid - Inst Premium Plan - Daily Dividend	10	440.05	4,400.46
Reliance Short Term Fund – Dividend	10	185.68	1,856.83
Reliance Liquidity Fund - Daily Dividend	1,000	6.60	6,600.71
Reliance Money Manager Fund - IP - Daily Dividend	10	763.62	7,636.21
Religare Liquid Fund - IP - Daily Dividend	10	150.01	1,500.15
Religare Ultra Short Term Fund - IP - Daily Dividend	10	80.35	803.47
Religare Short Term Plan - IP - Daily Dividend	10	113.12	1,131.23
Tata Liquid Fund - SHIP - Daily Dividend	10	150.04	1,500.38
Fortis Overnight Fund - Institutional Daily Dividend Reinvestment	10	225.02	2,250.17
Fortis Money Plus Institutional Plan Daily Dividend Reinvestment	10	248.74	2,487.36
JPMorgan India Liquid Fund - Super Inst. Daily Dividend Plan – Reinvest	10	50.00	500.04
JPMorgan India Treasury Fund - Super inst. Daily Dividend plan – reinvestment	10	50.88	508.83
Fidelity Cash Fund Institutional Daily Dividend Reinvestment	10	40.00	400.03
Fidelity Ultra Short Term Debt Fund - IP - Daily Dividend	10	40.14	401.43
ICICI Prudential Institutional Liquid Plan - Super Institutional Daily Reinvestment	10	70.01	700.07
IDFC Cash Fund - Super Inst Plan C - Daily Dividend Reinvestment	10	390.06	3,900.58
LICMF Liquid Fund - Dividend Plan Reinvestment	10	495.04	4,950.44
Sundaram BNP Paribas Money Fund - Super IP - Daily Dividend	10	50.00	500.04
DWS Insta Cash Plus Fund - IP - Daily Dividend	10	130.01	1,300.11

POLARIS SOFTWARE LAB LIMITED

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

Notes to Abridged Financial Statements

9. Key Ratios

	March 31, 2010	March 31, 2009
Ratios - Operational performance		
Operating profit / total revenue (%)	15.16	14.16
PAT / total revenue (%)	11.25	9.25
Ratios - Return		
Return on assets (PBT / total assets) (%)	14.77	13.92
PAT / average net worth (%)	17.73	17.17
Operating profit / capital employed (%)	22.57	24.48
Ratios - Balance Sheet		
Current ratio	1.33	1.93
Book value per share (Rs)	78.83	70.33
Total revenue / total assets (%)	1.14	1.33

10. [B20] As at March 31, 2010, the Company had no outstanding dues to Micro and Medium enterprises (March 31, 2009: Rs. Nil). The list of 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 is required to be furnished under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006.

11. [B21] 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**
Firm Registration No.: 101049W
Chartered Accountants

per **S. Balasubrahmanyam**
Partner
Membership No.: 053315
Chennai
April 21, 2010

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

Arun Jain
Chairman & Managing Director

R. Srikanth
President & Chief Financial Officer
Chennai
April 21, 2010

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	31.03.2010		
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	7,809,258	Total Assets	7,809,258
<u>Sources of funds</u>			
Paid up Capital	494,806	Reserves & Surplus	7,306,037
Secured Loans	-	Deferred Tax Liability	8,415
<u>Application of funds</u>			
Net fixed assets	1,841,832	Investments	5,179,370
Net Current Assets	788,056	Misc Expenditure	-
IV. Performance of the Company (Amount in Rs. Thousands)			
Turnover	11,434,769	Other Income	172,835
Total expenditure	10,106,522	Profit before tax	1,501,082
Profit after tax	1,306,432		
Earning per share in Rs	13.23	Dividend Rate	70%
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		R.C.Bhargava	
Chairman & Managing Director		Director	
R.Srikanth		B. Muthusubramanian	
President & Chief Financial Officer		Company Secretary	
Chennai			
April 21, 2010			

STATEMENT PURSUANT TO MINISTRY OF CORPORATE AFFAIRS
EXEMPTION APPROVAL UNDER SECTION 212 (8) OF THE COMPANIES ACT, 1956

Sl No	Name of the Subsidiary	Country	Report- ing Currency	Ex- change Rate	Capital	Reserves	Total Assets	Total Liabilities	Investment other than Investment in Subsidiary	Turnover	Profit before Tax	Provision for Tax	Profit after Tax	Proposed Dividend
1	Polaris Software Lab Pte Limited	Singapore	SGD	32.08	123.51	5,115.93	6,630.64	1,391.20	96.52	9,108.70	488.98	70.38	418.60	Nil
2	Polaris Software Lab Limited	United Kingdom	GBP	67.96	604.16	2,765.21	5,351.75	1,982.38	Nil	10,070.69	831.36	255.36	575.99	Nil
3	Polaris Software Lab SA	Switzerland	CHF	42.33	148.16	893.29	2,607.22	1,565.77	Nil	1,674.53	149.03	36.98	112.04	Nil
4	Polaris Software Lab GmbH	Germany	EUR	60.45	362.70	265.75	781.61	153.16	4.44	1,181.51	74.88	24.95	49.94	Nil
5	Polaris Software Pty Limited	Australia	AUD	41.16	10.29	889.91	2,379.48	1,479.28	Nil	3,719.82	276.04	79.95	196.09	Nil
6	Polaris Software Lab Ireland Limited	Ireland	EUR	60.45	106.50	1,430.50	1,845.54	308.54	Nil	2,318.27	616.80	80.53	536.27	Nil
7	Polaris Software Lab Japan KK	Japan	JPY	0.48	96.00	592.34	1,469.32	780.98	Nil	3,452.56	81.49	26.59	54.91	Nil
8	Polaris Software Lab Canada Inc	Canada	CAD	44.18	216.84	(107.55)	734.30	625.01	0.54	2,085.57	258.79	Nil	258.79	Nil
9	Polaris Software Lab BV	Netherlands	EUR	60.45	12.09	4.72	66.95	50.14	Nil	143.26	9.43	1.23	8.20	Nil
10	Polaris Software Lab Limitada	Chile	PESO	0.09	5.25	(13.06)	598.18	605.99	Nil	1,151.82	(131.13)	8.75	(139.88)	Nil
11	Polaris Software Lab (Shanghai) Ltd	China	CNY	6.61	9.04	0.20	31.25	22.01	Nil	19.89	0.69	0.49	0.20	Nil
12	Intellect SEEC Inc	USA	USD	44.90	3,145.25	(1,587.97)	3,735.16	2,177.88	Nil	2,195.79	118.09	10.18	107.91	Nil
13	Polaris Retail Infotech Limited	India	INR	1.00	900.00	(76.32)	1,170.54	346.86	Nil	895.44	(76.66)	Nil	(76.66)	Nil
14	Optimus Global Services Limited	India	INR	1.00	4,685.06	(2,285.91)	3,043.72	644.57	159.36	3,179.37	(547.53)	(76.80)	(470.73)	Nil
15	SEEC Technologies Asia (P) Ltd.	India	INR	1.00	349.90	1,253.25	1,789.40	186.25	Nil	997.20	153.34	11.10	142.24	Nil
16	Laser Soft Infosystems Limited	India	INR	1.00	783.13	2,062.61	3,513.79	668.05	0.36	4,110.07	852.41	51.40	801.01	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 31.03.2010

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MANAGEMENT DISCUSSION & ANALYSIS

Forming part of the Financial Statements for the year ended March 31, 2010

A. Overview

Industry Structure and Developments

2009 was the year of ‘after effects’; a recovery from the deep recession that developed markets went through. The Indian market, led by slightly subdued domestic demand, grew at a moderate pace, but continued to be affected by global tremors. Several governments worldwide, that had earlier united and put together stimulus packages one year into implementation, helped contain the shrinking economy and paved the way for revival by the end of fiscal 2010.

During the year, in an altered business scenario, IT services providers changed their priorities and business focus shifted from revenue growing strategies to customer retention strategies and internal management of costs with focus on profitability. With these changes they could report higher profitability despite lack of revenue growth, increased vendors’ agility to meet the growing demand in the coming years. At the customer end, business outcome-focused services gained prominence in a phase of vendor consolidation and selection.

Global IT Software and Services trends

TowerGroup report states the global IT spend by Financial Services industry is in the tune of US\$ 379 billion for this year, with US accounting to US\$ 135 billion; Europe contributing US\$ 147 billion and APAC at US\$ 81 billion.

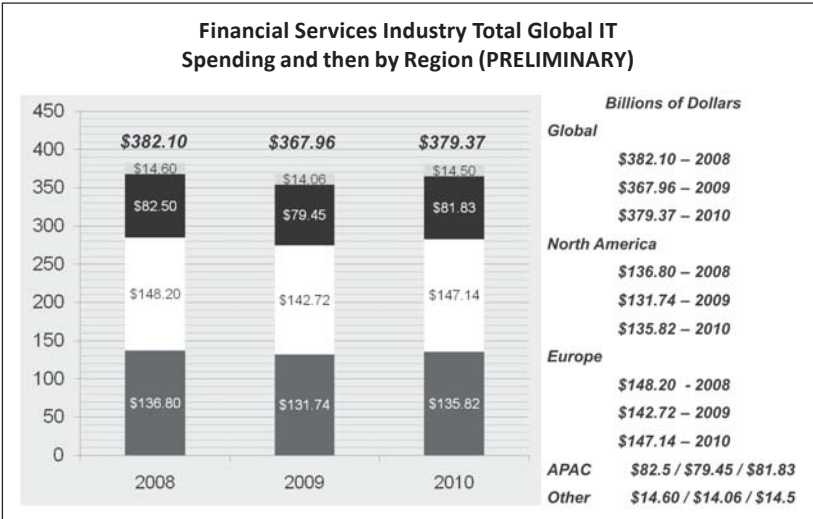


Table 1A: TowerGroup report stating global IT spend by Financial Services industry

Polaris is upbeat with fantastic opportunities to scale. Table 1B demonstrates the same. Each Bank gives us the opportunity to deliver customer responsive comprehensive solutions comprising of Intellect, Consulting and Professional Services.

Geo	< \$10 Bn	\$ 10 bn - \$ 100bn	> \$ 100 bn	Total
Americas	114	72	27	213
ANZ		3	6	9
APAC	58	140	30	228
EMEA	202	235	81	518
India	10	20	2	32
Total	384	470	146	1000

Source: The Banker (©The Financial Times Limited - 2010)

Table 1B: Top 1000 Banks across the Globe.

The US & European Financial Technology Sector

The world's largest financial companies are based out of the United States and Europe and the collective IT spend of US\$ 285 billion throws open huge opportunities. We expect the future years to be positive and show more growth. Polaris approaches this large market with clear strategies specifically for Tier 1 and Tier 2, Financial Services & Insurance entities. Today Polaris serves 8 of top 10 Financial Institutions.

The Emerging Markets Financial Technology Sector

The IT spend across emerging markets in APAC, Eastern Europe, Middle East & Africa is expected to be US\$ 95 billion for the year. This is a significant opportunity and Polaris is well poised to bid for its services and Intellect GUB across strategic segments.

Polaris leverages learnings from its global relationships and the combination of solutions & services to its best advantage in delivering business benefits to its BFSI customers – thereby making Polaris a true Financial Technology leader.

Polaris Differentiator

The experience of relationships with BFSI entities across developed markets like USA & Europe to emerging markets like Vietnam and Chile is a significant differentiator. We have hands-on experience in implementing Financial Technology solutions in the most mature & dynamic market as well as emerging market strengthening Polaris global knowledge on Banking, Financial Services & Insurance, thereby making us domain experts delivering the most efficient financial technology solutions. Our presence across 20 countries in 6 continents gains significance as we understand both the global financial process and country specific regulatory frameworks.

The IT-BPO sector

According to the NASSCOM Strategic Review Report 2010, export revenues are estimated to gross USD 50.1 billion in FY2010, growing by 5.4 per cent over FY2009, and contributing 69 per cent of the total IT-BPO revenues. Several key factors contribute to the growth of IT and IT-enabled services (ITES) in India including availability of quality talent at cost effective rates, rapidly developing infrastructure, an enabling innovation environment, supportive regulatory policies, and a positive overall business environment — all central pillars of India's value proposition.

Polaris' Global Sourcing

Polaris global sourcing is a result of two decades of learning and partnering with the world's top banking and insurance companies and is driven by business outcomes rather than pure cost arbitrage led outsourcing. We service global customers from our Centers of Excellence called 'Entity' which were created to equip business with the right enterprise management systems, technology, tools and methods enabling them to make best of their IT investments. The expertise of Entity lies in its ability to utilize domain knowledge, outsourcing experience and Intellectual Property to deliver superior technology solutions that are aligned to the business outcomes of our customers.

Power of Intellect™

Intellect is our product business that addresses deep domain business challenges with best of the breed technology solutions. Intellect Global Universal Banking is a comprehensive product suite comprising 9 key platforms - Intellect Universal Banking, Intellect Retail Banking, Intellect Wealth, Intellect Cards, Intellect Portals, Intellect Cash and Liquidity, Intellect Risk and Treasury, Intellect Trade Finance, Intellect Brokerage. The Intellect suite gives us the opportunity to tap market potential in 60 countries in the world to enable banks and financial services deliver services efficiently. With investments in creating the Intellect brand in the last 5 years, the contribution of Intellect revenues have grown in a sustained manner and forms an important part of our revenues.

Intellect Insurance is built based on 350 Acord compliant components using which we can swiftly build Insurance solutions for business process renovation.

Key Technology Trends:

We foresee the following technology trends would gain momentum:

- Our experience and trends show the shift towards enhanced customer responsiveness in BFSI entities. There is increased spend by Financial Companies in bringing portals; channels.
- Increasing focus on modernization: Banks in the last decade have realized the significance of exploiting technology and started mandating plans for modernization.
- India as a growing Product Development Hub: India has long been accepted as a key player in the technology services sphere. Increasingly, India is also becoming the destination for product development with major global software product companies setting up their offices in India and many Indian technology companies.

B. Financial Position

Highlights

- As a part of inorganic growth strategy, the company acquired Laser Soft Infosystems Ltd., to gain market leadership in Indian banking space. This acquisition has given access to 40 accounts in India for cross-selling Intellect products.
- The company signed a definitive agreement with Indigo TX Software, a SaaS software solution provider in the stock broking segment.
- Earnings per share amounts to Rs.15.48 as against Rs.13.25 in the previous year.
- The book value per share increased to Rs.88.29 as at March 31, 2010 compared to Rs.78.30.
- Market capitalization as at March 31, 2010 was Rs.1,621.97 Cr (previous year Rs.444.54 Cr) based on NSE prices.
- Dividend paid/recommended during the year stands at 70% as against 55% in the previous year.
- Net Profit during the year is Rs.152.84 Cr as against Rs.130.71 Cr in the previous year registering a YoY growth of 16.90%.

Sources of Funds

1. Share Capital

As at March 31, 2010, our authorized share capital was Rs.65 Cr. The break-up of our authorized share capital in equity and preference shares is detailed as follows:

- Equity shares of Rs.60 Cr. (120,000,000 equity shares of Rs.5/- each).
- 11% Preference shares of Rs.5 Cr. (10,000,000 Preference shares of Rs.5/- each).

The issued, subscribed & paid-up capital as at March 31, 2010 was Rs.49.48 Cr. (98,961,147 equity shares each of Rs.5/-).

During the year, 284,950 equity shares were allotted to associates & directors under Associate Stock Option Plans. Consequently, the paid up share capital increased by Rs.0.14 Cr. The details of the options granted, outstanding and vested as at March 31, 2010, are provided in the notes to the consolidated financial statements in this Annual Report.

2. Reserves and surplus

Reserves & Surplus stood at Rs.822.99 Cr, with an increase of Rs.99.66 Cr. compared to Rs.723.33 Cr. as on March 31, 2009.

2.1 General Reserve

The balance as at March 31, 2010 is Rs.180.27 Cr (previous year Rs.167.20 Cr). The addition to the General Reserve of Rs.13.07 Cr is on account of internal accruals by way of transfer of profits in the current year.

2.2 Foreign currency translation reserve

The balance as at March 31, 2010 is Rs. 0.36 Cr (previous year Rs.15.29 Cr). The decrease of Rs.14.93 Cr in Foreign currency translation reserve on account of translation of overseas subsidiaries and branches into reporting currency in line with Accounting standard 11 of ICAI. The movement was primarily due to of forex fluctuations during the year.

2.3 Securities premium account

The balance as at March 31, 2010 is Rs. 187.26 Cr (previous year Rs.185.00 Cr). Increase of Rs.2.26 Cr is on account of premium on the issue of shares during the year 2009-10 under ASOP schemes.

2.4 Profit and Loss account

The balance retained in the profit and loss account as March 31, 2010 is Rs.455.10 Cr (previous year Rs.355.84 Cr). Internal accrual made during the year is Rs.99.26 Cr after providing the interim and final proposed dividend of the year of Rs. 34.63 Cr and dividend tax of Rs.5.88 Cr. The total amount of profits appropriated to dividend including dividend tax Rs.40.51 Cr as compared to Rs.31.75 Cr in the previous year.

2.5 Shareholder funds

The total shareholder funds increased to Rs.872.47 Cr as at March 31, 2010 from Rs.772.67 Cr as of the previous year end. The book value per share increased to Rs.88.29 as at March 31, 2010 compared to Rs.78.30 as of the previous year.

3. Secured Loans

Secured loans include term loan of Rs.2.46 Cr which pertains to Laser Soft Infosystems, a subsidiary acquired during the year.

The Vehicle loan arrangement with financial institutions for associates forming part of secured loans for the previous year ending March 31, 2009 stood at Rs.0.36 Cr is fully discharged in respect of India Operations in the current year.

Application of Funds

4. Fixed assets

4.1 Capital expenditure

We incurred a capital expenditure of Rs.34.67 Cr (previous year Rs.35.53 Cr) comprising additions to the gross block of Assets of Rs.559.89 Cr offset by decrease of Rs.1.85 Cr on account of decrease in the capital work in progress.

4.2 Additions to Fixed Assets

During the year we capitalized Rs.34.67 Cr to our gross block comprising of Land & Buildings Rs.15.13 Cr and Plant, machinery & furniture of Rs.19.54 Cr.

Fixed assets acquired on acquisition during the year amounts to Rs.16.32 Cr and corresponding accumulated depreciation of Rs.13.89 Cr from Laser Soft Infosystems Ltd., leaving a net of Rs.2.43 Cr.

Significant Additions during the year was towards construction of Siruseri project, Chennai and upgradation of software excellence centre at Manikonda, Hyderabad.

4.3 Deletions to Fixed Assets

During the year the group realized Rs.0.76 Cr (Rs.0.58 Cr as of March 31, 2009) on the disposal of outdated assets with the book value of assets Rs.0.36 Cr.

4.4 Capital expenditure commitments

The company made contractual commitments to vendors who are executing various infrastructure projects. The estimated amount of such contracts remaining to be executed on capital account is Rs.16.90 Cr as at March 31, 2010 (Rs.2.19 Cr as at March 31, 2009).

5. 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 company has recognized goodwill of Rs.30.70 Cr in the consolidated financials as a result of acquisition of Laser Soft Infosystems Ltd. during the year.

6. Strategic Business Acquisition

6.1 Inorganic Growth Strategy

Growth is often accelerated through increased innovation, to compete and align with those companies that are developing the innovative technology or have an access to customer base. The Company is looking forward to grow inorganically given the right M&A candidates that would either help us build depth, breadth and scale in our capabilities.

6.1.1 Laser Soft Infosystems Ltd

Our company has during the year acquired entire equity interest in Laser Soft Info systems Ltd., a leading banking software products company having a singular focus in BFSI.

The total consideration for acquisition is Rs.52.01 Cr, subject to Price adjustment conditions based on financial performance of Laser Soft Infosystem Limited for the year ended 31 March 2010. The group profit and loss account for the period includes revenue of Rs.19.13 Cr and profit of Rs.6.59 Cr of Laser Soft Infosystems Ltd for the period November 2009 to March 2010.

6.1.2 Indigo TX Systems

Polaris has signed a definitive agreement with IndigoTX Software (GO TX Systems) for acquiring the majority interest. Indigo TX Software, is a Chennai based firm that specializes in SaaS. The driving force of the acquisition is to enter into Enterprise Brokerage solution market through SaaS model and to provide an edge to large financial institutions.

7. Investments

The strategic investment position as on March 31, 2010 stand at Rs.9.13 Cr.

8. Sundry Debtors

Sundry debtors amount to Rs.174.63 Cr (net of provision for doubtful debts amounting to Rs.33.26 Cr) as at March 31, 2010 compared to Rs.203.13 Cr (net of provision for doubtful debts amounting to Rs.30.53 Cr) as at March 31, 2009.

Debtors are 12.90% of the revenues for the year ended March 31, 2010 as compared to 14.74% for the previous year.

The days of sales outstanding were 43 days at the end of the current year as against 52 days at the previous year end.

9. Cash & Cash Equivalents

Cash and Cash equivalents includes the Bank balances, both rupee accounts and foreign currency accounts and mutual fund investments. Cash and cash equivalents as at March 31, 2010 increased by Rs.164.16 Cr (48.27%) to Rs.504.21 Cr from Rs.340.05 Cr as at March 31, 2009. The increase in the Cash & Cash equivalents was primarily on account of improved collections during the year and is in line with the finance strategy adopted in the present economic scenario.

The treasury policy calls for investing only in highly rated banks and financial institutions. March 31, 2010 saw an addition to our Mutual Fund and liquid investments that grew to Rs.380.50 Cr compared to Rs.234.66 Cr in the previous year end.

Due to effective deployment of surplus funds, our company earned a dividend of Rs.14.81 Cr compared to the previous year of Rs.9.56 Cr.

9.1 Liquidity and Capital

The company continues to maintain its practice of utilizing cash generated from operations to meet the 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.

10. Loans & Advances

Loans and advances as at March 31, 2010 were Rs.208.35 Cr (Rs.219.35 Cr as at March 31, 2009). Loans and advances have decreased by Rs.11.00 Cr (5.01%).

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

Particulars	(Rs. in Crores)		
	As at March 31, 2010	As at March 31, 2009	Variance
Advance tax	34.93	26.95	7.98
Revenues accrued but not billed	125.69	142.17	(16.48)
Others	47.73	50.23	(2.50)
Total	208.35	219.35	(11.00)

Advance income tax shown is net of provision for tax and includes MAT credit entitlement. Increase in Advance tax of Rs.7.98 Cr was due to Higher component of MAT in the current year of Rs.5.65 Cr as per provisions of Sec. 115 JB of the Income tax Act, based on book profits.

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.1.99 Cr.

11. Current Liabilities

Current liabilities have increased by Rs.41.88 Cr (20.49%), primarily on account of Liability towards acquisition, billing in excess of revenue and accrued salaries and benefits.

As there is no mark to market losses in respect of hedging contracts against exposure to movements in foreign currency rates, no liability for the same is created in the current year. We have not realized any mark to market gains as per the announcement of the ICAI dated March 29,2008. The details on forward cover contracts are provided in the notes to accounts to the financial statements.

(Rs. in Crores)

Current Liabilities	As at March 31, 2010	As at March 31, 2009	Variance
Sundry creditors	17.74	9.30	8.44
Payable towards acquisition of Laser Soft Infosystems Ltd	17.29	-	17.29
Accrued salaries and benefits	90.14	82.74	7.40
Forward cover payable	-	22.79	(22.79)
Billings in excess of revenue	32.04	18.73	13.31
Other Liabilities	88.98	70.75	18.23
Total	246.19	204.31	41.88

12. Provisions

Provision for the current year has increased by 21 % primarily on account of proposed final dividend and provision towards gratuity and leave encashment.

(Rs. in Crores)

Provisions	As at March 31, 2010	As at March 31, 2009	Variance
Provision for Gratuity & Leave encashment	34.16	30.30	3.86
Provision for taxation (net of Advance income tax and tax deducted at source)	1.98	1.88	0.10
Proposed dividend & dividend tax	20.26	14.43	5.83
Total	56.40	46.61	9.79

13. Net Current Assets

Net Current Assets as at March 31, 2010 were Rs.204.11 Cr compared to Rs.276.95 Cr in the previous year. The current ratio was 1.67 as at March 31, 2010 as compared to 2.10 in the previous year. Decrease is primarily due to the acquisitions during the year and other current liabilities.

14. Deferred tax assets / liability

The company recorded net deferred tax asset aggregating Rs.3.42 Cr (previous year Rs.3.05 Cr) as at March 31, 2010. Deferred tax assets/ liabilities represent timing differences between the financial and tax books arising out of depreciation on assets, carry forward losses and provisions for sundry debtors. The Company assess the likelihood that the deferred tax assets will be recovered from future taxable income.

C. Results of operations

1. Revenue

Total revenues for the year ended March 31, 2010 stands at Rs.1,353.76 Cr. This consists of 90.27% revenue from Export business and 9.73 % from domestic market.

2. Other income

The company 's other income amounts to Rs.19.12 Cr (Rs.24.77 Cr in the previous year) comprises of interest on deposits Rs.1.57 Cr, dividend received on mutual funds Rs.14.81 Cr, Profit on sale of assets Rs.0.40 Cr, Miscellaneous income Rs.2.53 Cr and Loss on sale investments Rs.0.19 Cr.

3. Foreign exchange gain / (loss)

Foreign exchange loss was restricted to Rs.26.42 Cr on account of 11.47% USD (apart from the other currencies) depreciation during the year against Indian rupee.

4. Expenditure

4.1 Software / Product Development Expenses

Software / product 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.870.09 Cr at 64.27% of revenue against Rs.885.40 Cr at 64.26% of revenue in the previous year.

(Rs. in Crores)

Particulars	Year ended March 31, 2010	% of Revenue	Year ended March 31, 2009	% of Revenue
Salaries and bonus including overseas staff expenses, outsourced consultants cost & employee benefits	778.24	57.49	775.67	56.29
Staff welfare	28.70	2.12	33.55	2.43
Project Travel and Communication expenses	57.74	2.87	68.55	4.97
Other Costs	5.40	0.40	7.63	0.55
Total	870.09	64.27	885.40	64.26
Total Revenue	1,353.76		1,377.94	

4.2 Selling, General and Administration

Selling expense primarily consist of Salaries, Travel, Advertising, and Business promotion. General and Administrative Expense primarily consists of Salaries and related costs for administrative, executive, finance and Human Resource function.

We incurred SG&A expenses at 19.33% of our total revenues compared to 18.80% during the previous year. Overall SGA expenses increased by 1% due to increase in Travel, Repairs & maintenance and General expenses, business promotion, Infrastructure costs & professional charges.

(Rs. in Crores)

Particulars	Year ended March 31, 2010	% of Revenue	Year ended March 31, 2009	% of Revenue
Salaries and bonus including overseas staff expenses & employee benefits	130.30	9.62	134.66	9.77
Rent	21.44	1.58	22.96	1.67
Traveling and conveyance	20.07	1.48	14.21	1.03
Power and fuel	14.87	1.10	15.33	1.11
Professional and Legal charges	15.15	1.12	13.64	0.99
Business promotion	13.31	0.98	10.69	0.78
Repairs & Maintenance	14.44	1.07	13.95	1.01
Other Costs	32.06	2.37	33.58	2.44
Total Cost	261.64	19.33	259.02	18.80
Revenue	1,353.76		1,377.95	

5. 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.

As per the company policy, software development costs are expensed in the same year. During the financial year 2009 product costs of Rs.16.54 Cr was fully amortized, resulting in a lesser depreciation cost in the current year.

We provided Rs.35.02 Cr for March 31, 2010 as against Rs.50.51 Cr for March 31, 2009 as depreciation for the respective years representing 2.59% and 3.67% of total revenues.

6. Income Taxes

Income tax includes current tax, deferred tax and FBT. Details of the same are given below:

(Rs. in Crores)

Particulars	March 31, 2010	March 31, 2009
TAX	25.53	20.86
PBT	178.79	150.66
% of tax on PBT	14.28%	13.84%

The company has calculated the tax liability after considering MAT in line with u/s 115 JB of Income Tax Act.

7. Profit after tax

The Net Profit after Tax increased to Rs.152.84 Cr from Rs.130.71 Cr in the previous year, primarily due to the following factors: -

- Cost for the year has decreased by Rs.12.68 Cr (1.11%) as against previous year cost to support the growth in revenue.

- Amortization cost reduced by 31% in the current year primarily on account of amortization of the company's intellectual property (IP), of Rs.16.54 Cr made in the previous year 2008-09.
- Forex loss was restricted to Rs.26.42 Cr on account of 11.47% USD (apart from the other currencies) depreciation during the year against Indian rupee.

8. 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

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Dividend %	70	55	30	45	25	35	35
Dividend Payout %	23	21	20	22	58	30	24

9. 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 2009-10.

10. Subsidiary Companies

For subsidiary details refer Report on Subsidiaries at page no.53

D. Opportunities and threats

We believe our business model has following inherent strengths:

- Deep domain expertise in the niche and large category of Financial Technology.
- Technically ahead and quick to adapt new technologies.
- Comprehensive Intellectual Property (IP) assets* built using futuristic SOA technology platform with zero capitalization.
- Experience from Tier 1 global banking relationship to a country specific emerging market clients.
- World class customer engagements including the largest bank and insurance companies.
- World class global sourcing centers of excellence supported with predictable enterprise management methodology.
- Balanced share of revenues in developed and emerging economies.
- Mature go to market and delivery execution model combined with market acceleration strategies.
- A strong leadership team led by Partnership Council and supported by comprehensive leadership and performance development frameworks.

* Our IP assets include:

- The Intellect Global Universal Banking (GUB) suite comprises 9 comprehensive platforms viz 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 products and 25 independently saleable products.

- Intellect SEEC is the SOA suite using which we assemble solutions for global Insurance companies through effective agent portals, customer acquisition, underwriting and claims processing.

Strategy

We seek to further our journey towards leadership position in Financial Technology space with a well differentiated solutions and services portfolio. We intend to increase our market share through:

- Focus on the key strategic accounts and seek opportunities to cross-sell and up-sell.
- Expand in new countries through Intellect solutions.
- Enhance brand visibility in the marketplace by collaborating with analysts and participation in leading industry forums.
- Leverage strong balance sheet and scout for inorganic growth opportunities.

Opportunities

We have identified four growth levers viz. Intellect (product) Expansion, Strategic accounts expansion, Country expansion and growth in Insurance segment. In addition to this, we have the following unique opportunities.

- The emerging economies in APAC, Latin America, Eastern Europe and Africa offer substantial opportunities for Polaris for license sales.
- Legacy modernization opportunities in the developed economies due to the cost pressures and high maintenance costs of legacy.
- Tier 2 and Tier 3 banks that are willing to explore smart technologies to grow in their local and overseas markets.

Competition

We have defined our market space as "Financial Technology" and see ourselves as Infrastructure providers to the firms operating in this space globally. Infrastructure provider means we have the wherewithal of Intellectual Property (IP), people capabilities and execution model to provide consulting, banking software, technology outsourcing services and BPO. Therefore we compete both in product/platform and services space. Over the years we have garnered market share which is growing steadily.

In the banking platform space Intellect™ Global Universal Banking (GUB) 10.0 competes with players such as Oracle, SAP, Temenos (T-24) and Infosys (Finacle). We also compete with few regionally available solutions providers in different geographies. Most of our competitors from the Indian markets have only core banking solution. Our solution offerings span all areas of retail, corporate and investment banking. Some of our solutions in Liquidity, Wealth, Custody and Portal are leading products in the global market place. Combined together, Polaris owns the largest IP and application Infrastructure in the Banking and Insurance space.

In the services space we count among the top services providers in the Financial Services outsourcing space competing with players including the large global outsourcing vendors viz. IBM, Cap Gemini and Cognizant; and Indian outsourcing vendors including TCS, Infosys, Wipro and HCL.

Threats

Polaris does not envisage any major fall out of the trends that may pose any significant threats to its business or operations. However there could be challenges that could affect our results. While the company has hedged judiciously with a view to protect its revenues, beyond certain limits the currency fluctuations may impact earnings. In a

growing demand scenario, hiring and utilizing talent effectively may impact utilization of resources and margins. Increase in the wage expectations combined with talent movement poses minor risks to our business operations.

Risks & Concerns

Polaris has strong risk processes, fully documented and followed. Exceptions to risks are raised through early warning systems. The formal process adopted in May 2005 has been regularly updated and fine tuned to ensure completeness. Risks are classified as:

Macro & Micro, based on the scope of the impact on the organization and Corporate & Non-corporate, based on the level at which it needs to be identified & mitigated.

A Risk Governance Committee is in place consisting of the CEO, CFO & Head of Process Excellence as its members. This committee builds, maintains, reviews & suggests changes to the Risk Manual from time to time.

IT Security, Market Risks, Financial Reporting Risks, Exchange Risks, Contractual Compliance Risks, Compliance Risks are the Broad Risks under which the risks are monitored and mitigated.

Human Resources Development

The total employee strength stood at 9512 as at 31st March 2010. Polaris launched the PCMM Certification roadmap program, in the previous year. This has helped us refine people practices. The initiatives, viz., on boarding, mentoring and leadership training which were implemented in the previous year were further strengthened. Nalanda, our Corporate University, aimed to achieve a minimum of 8 training days a year per associate.

During this year, Polaris launched "Language Book", a unique compendium of vocabulary that is specific to Polaris and widely understood by our associates. The roll out of this book with 'Konarks' strengthened connect and has percolated down to their teams.

**Consolidated Financial Statements For the Year
ended March 31, 2010**

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Auditor's Report

To

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 A of Schedule 17 to the financial statements) as at March 31, 2010 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Group's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. *The attached consolidated financial statements include loss (net) of Rs.41.61 Lacs in relation to Group's share in certain associates (NMS Works Software Private Limited and Adrenalin eSystems Limited), based on unaudited financial statements of these associates. The effect of adjustments, if any, that may have been required to be made to the attached consolidated financial statements, had the financials of those associates been audited, is not currently ascertainable. Audit report on the consolidated financial statements for the year ended March 31, 2009 was qualified accordingly.*
4. We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of Rs.11,753.35 Lacs as at March 31, 2010, the total revenue of Rs.21,027.93 Lacs and cash inflow (net) amounting to Rs.958.61 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 Accounting for Investments in Associates in Consolidated Financial Statements, notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).
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, the effect of which on the attached consolidated financial statements is not currently ascertainable*, 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, 2010;
 - (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
Firm's Registration No. 101049W
Chartered Accountants

per S. Balasubrahmanyam
Partner
Membership No: 053315

Chennai
April 21, 2010

Polaris Software Lab Limited - Group
Consolidated Balance Sheet as at March 31, 2010

(Rs. in Lacs)

	Schedule	March 31, 2010	March 31, 2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	4,948.06	4,933.81
Reserves and Surplus	2	82,298.81	72,333.38
		<u>87,246.87</u>	<u>77,267.19</u>
LOAN FUNDS			
Secured Loans	3	245.60	35.71
DEFERRED TAX LIABILITIES (NET)			
	11	302.54	664.74
		<u>87,795.01</u>	<u>77,967.64</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block	4	55,989.08	52,834.86
Less: Accumulated Depreciation and amortisation		34,520.36	31,374.21
Net block		<u>21,468.72</u>	<u>21,460.65</u>
Capital work-in-progress including capital advances		1,245.68	1,430.28
		<u>22,714.40</u>	<u>22,890.93</u>
GOODWILL [Refer note C9(c) of schedule 17]		5,057.45	1,987.62
INVESTMENTS			
	5	38,967.06	24,424.70
DEFERRED TAX ASSET (NET)			
	12	644.67	969.63
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	6	17,463.24	20,312.66
Cash and bank balances	7	12,372.13	10,539.21
Other current assets, loans and advances	8	20,835.15	21,935.36
		<u>50,670.52</u>	<u>52,787.23</u>
Less: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	9	24,618.65	20,431.16
Provisions	10	5,640.44	4,661.31
		<u>30,259.09</u>	<u>25,092.47</u>
NET CURRENT ASSETS			
		<u>20,411.43</u>	<u>27,694.76</u>
		<u>87,795.01</u>	<u>77,967.64</u>
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**
 Firm Registration No.: 101049W
 Chartered Accountants

per **S. Balasubrahmanyam**
 Partner
 Membership No.: 053315
Chennai
April 21, 2010

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

Arun Jain
 Chairman & Managing Director
R. Srikanth
 President & Chief Financial Officer
Chennai
April 21, 2010

R.C. Bhargava
 Director
B. Muthusubramanian
 Company Secretary

Polaris Software Lab Limited - Group

Consolidated Profit and Loss Account for the year ended March 31, 2010

(Rs. in Lacs except per share data)

	Schedule	March 31, 2010	March 31, 2009
INCOME			
Software development services and products			
- Overseas		121,748.61	122,329.35
- Domestic		10,447.64	9,303.82
Income from Business Process Management (BPM)			
- Overseas		461.64	96.31
- Domestic		2,717.73	6,065.06
		135,375.62	137,794.54
EXPENDITURE			
Software development and BPM expenses	13	87,009.58	88,540.10
Selling, administrative and other general expenses	14	26,164.22	25,901.99
		113,173.80	114,442.09
OPERATING PROFIT BEFORE INTEREST, DEPRECIATION AND AMORTISATION			
		22,201.82	23,352.45
Finance charges	15	91.09	73.54
Depreciation and amortisation	4	3,501.53	5,051.43
		3,592.62	5,124.97
OPERATING PROFIT AFTER INTEREST, DEPRECIATION AND AMORTISATION			
		18,609.20	18,227.48
Other income, net	16	1,911.88	2,476.68
Foreign exchange gains / (losses), net		(2,641.96)	(5,638.40)
		17,879.12	15,065.76
PROFIT BEFORE TAX			
Income taxes - Current tax		3,148.58	2,309.25
- Deferred tax		(30.08)	(169.42)
- Fringe benefit tax		-	262.76
- MAT credit entitlement		(565.23)	(317.01)
		15,325.85	12,980.18
Share of profit / (loss) of associate companies [Refer note C9(a) of schedule 17]		(41.61)	91.09
		15,284.24	13,071.27
NET PROFIT FOR THE YEAR			
Profit brought forward from previous year		35,583.68	27,557.47
Amount available for appropriation		50,867.92	40,628.74
APPROPRIATIONS			
Dividend			
- Interim dividend		1,730.81	1,480.14
- Proposed final dividend		1,731.82	1,233.45
Tax on dividend		588.47	461.18
Amount transferred to general reserve		1,306.43	1,870.29
Balance carried to balance sheet		45,510.39	35,583.68
		50,867.92	40,628.74
EARNINGS PER SHARE [Refer note C7 of schedule 17] (equity shares par value Rs.5/- each)			
Basic		15.48	13.25
Diluted		15.34	13.24
Number of shares used in computing earnings per share			
Basic		98,765,014	98,675,728
Diluted		99,667,786	98,697,955
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**
Firm Registration No.: 101049W
Chartered Accountants

per **S. Balasubrahmanyam**
Partner
Membership No.: 053315
Chennai
April 21, 2010

Arun Jain
Chairman & Managing Director
R. Srikanth
President & Chief Financial Officer
Chennai
April 21, 2010

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 - Group**Statement of consolidated cash flows for the year ended March 31, 2010**

(Rs. in Lacs)

	March 31, 2010	March 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	17,879.12	15,065.76
Adjustments for:		
Depreciation / amortisation	3,501.53	5,051.43
Provision for doubtful debts, (net)	257.06	333.83
Bad debts / advances written off	98.59	574.07
Lease finance charges	2.44	5.82
Interest income	(156.35)	(163.79)
Dividend income	(1,481.31)	(956.32)
(Profit) / Loss on sale of investments	19.10	(1,267.94)
(Profit) / Loss on sale of fixed assets	(40.24)	117.55
Exchange differences on translation of foreign currency cash and cash equivalents	(197.97)	(204.60)
Unrealised exchange (gain) / loss	151.28	(644.28)
Changes in current assets and liabilities		
Decrease / (Increase) in sundry debtors	3,560.62	225.12
Decrease / (Increase) in Other current assets & loans and advances	2,480.36	3,394.85
Increase / (Decrease) in current liabilities and provisions	2,251.33	7,006.21
Taxes paid	(2,904.67)	(3,013.93)
Net cash from operating activities	25,420.89	25,523.78
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets and changes in capital work-in-progress	(3,466.56)	(4,869.52)
Proceeds from sale of fixed assets	75.94	58.13
Acquisition of subsidiary [Refer note C9(c) of schedule 17]	(3,471.95)	(3,700.00)
Sale proceeds of other long term investments	-	2,305.97
Net (increase) / decrease in non-trade investments	(14,602.72)	(15,675.04)
Interest received	156.35	163.79
Dividend received	1,481.31	956.32
Net cash used in investing activities	(19,827.63)	(20,760.35)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share capital issued on exercise of stock options	14.25	0.08
Proceeds from share premium on exercise of stock options	225.62	1.15
Dividends paid during the year (including dividend tax)	(3,460.39)	(3,442.62)
Proceeds from Secured Loans	178.53	-
Repayment of Secured Loans	(35.71)	(46.87)
Lease finance charges	(2.44)	(5.82)
Net cash used in financing activities	(3,080.14)	(3,494.08)
Exchange differences on translation of foreign currency cash and cash equivalents and movement in foreign currency translation reserve	(925.51)	1,593.86
Net increase / (decrease) in cash and cash equivalents during the year	1,587.61	2,863.21
Cash acquired on acquisition of Laser Soft Infosystems Ltd	245.31	-
Cash and cash equivalents at the beginning of the year	10,539.21	7,676.00
Cash and cash equivalents at the end of the year *	12,372.13	10,539.21
[Refer Schedule 7]		

* The balances include Rs.64.82 (March 31, 2009: Rs.58.46) which are not available for use by the Company as they represent corresponding unclaimed dividend liabilities.

As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES
Firm Registration No.: 101049W
Chartered Accountants

per S. Balasubrahmanyam
Partner
Membership No.: 053315
Chennai
April 21, 2010

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

Arun Jain
Chairman & Managing Director

R. Srikanth
President & Chief Financial Officer
Chennai
April 21, 2010

R.C. Bhargava
Director

B. Muthusubramanian
Company Secretary

Polaris Software Lab Limited - Group
Schedules to the Consolidated Balance Sheet as at March 31, 2010

(Rs. in Lacs)

	March 31, 2010	March 31, 2009
1 SHARE CAPITAL		
Authorised		
120,000,000 equity shares of Rs.5/- each. (March 31, 2009: 120,000,000 equity shares of Rs.5/- each)	6,000.00	6,000.00
10,000,000 11% preference shares of Rs.5/- each (March 31, 2009: 10,000,000 11% preference shares of Rs.5/- each)	500.00	500.00
	6,500.00	6,500.00
Issued, Subscribed and Paid up		
98,961,147 equity shares of Rs.5/- each (March 31, 2009: 98,676,197 equity shares of Rs.5/- each) fully paid up	4,948.06	4,933.81
	4,948.06	4,933.81
Of the above :		
(i) 17,062,550 equity shares of Rs.5/- each (March 31, 2009: 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, 2009 : 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 C5 of schedule 17		
2 RESERVES AND SURPLUS		
General Reserve - As per last balance sheet	16,719.97	14,849.68
Add : Transferred from Profit and Loss Account	1,306.43	1,870.29
	18,026.40	16,719.97
Foreign currency translation reserve - As per last balance sheet	1,529.76	(90.86)
Add : Adjustment for the year	(1,493.33)	1,620.62
	36.43	1,529.76
Securities Premium Account - As per last balance sheet	18,499.97	18,498.82
Add: Premium received on issue of shares under ASOP plans to employees	225.62	1.15
	18,725.59	18,499.97
Profit and Loss Account balance	45,510.39	35,583.68
	82,298.81	72,333.38
3 SECURED LOANS		
From Banks		
- Overdraft (Secured against fixed deposit receipts)	245.53	-
- Finance Lease Obligation (Secured against cars taken on finance lease by the Company)	0.07	35.71
	245.60	35.71

**Polaris Software Lab Limited - Group
Schedules to the Consolidated Balance Sheet as at March 31, 2010**

4. FIXED ASSETS

(Rs. in Lacs)

Sl No	Description	Gross Block						Depreciation and Amortisation					Net Block	
		April 01, 2009	Assets acquired on acquisition	Additions	Deletions	Exchange adjustments *	March 31, 2010	April 01, 2009	Depreciation on assets acquired on acquisition	For the year	on deletions	Exchange adjustments *	March 31, 2010	March 31, 2009
A	TANGIBLE ASSETS													
1	Land (Refer Note 1)	2,896.19	49.84	1,316.04	-	(228.62)	4,033.45	6.39	-	8.81	-	15.20	4,018.25	2,889.80
2	Buildings(Refer Note 2)	12,318.19	51.11	448.91	1.23	(317.28)	12,499.70	2,226.50	16.70	458.77	0.37	2,640.73	9,858.97	10,091.69
3	Plant & Machinery (including Computer Equipment, Software and accessories)	23,032.24	539.52	1,449.30	1,234.12	(76.80)	23,710.14	18,949.43	458.53	2,048.64	1,212.83	20,152.22	3,557.92	4,082.81
4	Electrical Fittings	1,093.24	-	36.92	17.56	0.63	1,113.23	609.86	-	97.64	17.15	690.38	422.85	483.38
5	Furniture, Fittings and Office equipment	6,481.15	140.84	399.99	95.81	47.54	6,973.71	3,192.78	128.25	672.76	87.40	3,813.70	3,160.01	3,288.37
6	Vehicles (Refer note 3)	409.32	52.20	-	181.25	-	280.27	294.19	44.14	55.79	176.52	217.60	62.67	115.13
	SUB TOTAL (A)	46,230.33	833.51	3,651.16	1,529.97	(574.53)	48,610.50	25,279.15	647.62	3,342.41	1,494.27	27,529.83	21,080.67	20,951.18
B	INTANGIBLE ASSETS													
1	Intellectual Property Rights - Banking	5,838.17	798.46	-	-	-	6,636.63	5,838.17	741.70	56.76	-	6,636.63	-	-
2	Intellectual property Rights - Insurance	509.47	-	-	-	(24.41)	485.06	-	-	102.36	-	97.01	388.05	509.47
3	Intellectual Property Rights - Retail	256.89	-	-	-	-	256.89	256.89	256.89	-	-	256.89	-	-
	SUB TOTAL (B)	6,604.53	798.46	-	-	(24.41)	7,378.58	6,095.06	741.70	159.12	-	6,990.53	388.05	509.47
	TOTAL (A+B)	52,834.86	1,631.97	3,651.16	1,529.97	(598.94)	55,989.08	31,374.21	1,389.32	3,501.53	1,494.27	34,520.36	21,468.72	21,460.65
	Previous year	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	21,460.65

Note:

- Land includes leasehold land - Gross Block Rs.243.46; Net Block Rs.228.26 (March 31, 2009 : Gross Block Rs.243.46; Net Block Rs.237.07).
- Buildings include leasehold improvements amounting to Gross Block of Rs.337.04 and Net Block of Rs.115.54 (March 31, 2009: Gross Block of Rs.337.04 and Net Block of Rs.122.54).
- Vehicles include assets acquired under finance leases: Gross Block of Rs.73.07; Net block Rs. Nil (March 31, 2009: Gross block Rs.238.45; Net block Rs.33.07).

* Exchange adjustments represent 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 March 31, 2010

(Rs. in Lacs)

	March 31, 2010	March 31, 2009
5. INVESTMENTS		
LONG TERM INVESTMENT (AT COST)		
TRADE (UNQUOTED)		
Software Sidoun GmbH Germany	4.96	4.96
Common stock of Euros 1,175,990 fully paid up (March 31, 2009: Common stock of Euros 1,175,990)		
NMS Works Software Private Limited, India	415.00	415.00
725,756 equity shares of Rs.10/- each fully paid up (March 31, 2009: 725,756 equity shares of Rs.10/- each fully paid up)		
Less: Provision for diminution in value of investments [Refer note C9 (b) of schedule 17]	(415.00)	(415.00)
	-	-
224,524 12% Optionally Convertible Cumulative Preference shares of Rs. 10 each fully paid up (March 31, 2009 : 224,524 12% Optionally Convertible Cumulative Preference shares of Rs.10/- each.)	152.50	152.50
Adrenalin eSystems Limited, India	833.88	833.88
13,078,080 equity shares of Rs.5/- each fully paid up (March 31, 2009 : 13,078,080 equity shares of Rs.5/- each fully paid up)		
Less: Share of Profit / (Loss) of Associate Company [Refer note C9 (a) of schedule 17]	(833.88)	(792.27)
	-	41.61
15,200,000 7% cumulative preference shares of Rs.5/- each fully paid up (March 31, 2009: 15,200,000 7% cumulative preference shares of Rs.5 each fully paid up)	760.00	760.00
(A)	917.46	959.07
LONG TERM INVESTMENT (AT COST)		
NON TRADE		
Equity Shares - Quoted	0.21	-
237 equity shares in Andhra Bank of Rs.10/- each (March 31, 2009 : Nil)		
Equity Shares - Unquoted	0.15	-
100 equity shares in Catholic Syrian Bank of Rs.10/- each (March 31, 2009 : Nil)		
Bonds - Quoted	500.00	-
Indian Railway Finance Corporation 500 Bonds (March 31, 2009: NIL) Face value: Rs.100,000.00 per bond		
(B)	500.36	-

Polaris Software Lab Limited - Group
Schedules to the Consolidated Balance Sheet as at March 31, 2010

(Rs. in Lacs)

	March 31, 2010	March 31, 2009
INVESTMENTS (continued)		
CURRENT INVESTMENTS (Lower of cost and market value)		
NON TRADE (UNQUOTED)		
Mutual Funds		
Reliance Medium Term Fund - Daily Dividend 11,181,590.25 units (March 31, 2009: 16,444,829.71 units) Face value: Rs.10.00 per unit	1,911.55	2,811.33
Birla Sun Life DBF - Retail - Monthly Dividend 4,829,871.86 units (March 31, 2009: 9,792,699.44 units) Face value: Rs.10.00 per unit	501.40	1,006.79
HDFC HIF - S T P - Dividend 16,801,023.50 units (March 31, 2009: 15,692,210.96 units) Face value: Rs.10.00 per unit	1,781.45	1,664.22
HDFC Short Term Plan - Dividend 26,216,749.43 units (March 31, 2009: 2,912,607.11 units) Face value: Rs.10.00 per unit	2,709.97	301.20
Kotak Floater - LT - Daily Dividend 3,205,344.36 units (March 31, 2009: 5,966,813.75 units) Face value: Rs.10.00 per unit	323.09	601.44
HDFC Cash Mgmt Fund - Treasury Advantage - WP - Daily Dividend 836,392.68 units (March 31, 2009: 17,015,830.87 units) Face value: Rs.10.00 per unit	83.90	1,706.94
Birla Sun Life Floating Rate Fund - LTP - IP - Weekly Dividend 10,001,051.78 units (March 31, 2009: NIL units) Face value: Rs.10.00 per unit	1,002.42	-
Templeton India STIP - Weekly Dividend 19,963.08 units (March 31, 2009: NIL units) Face value: Rs.1,000.00 per unit	214.45	-
Templeton India STIP - IP - Weekly Dividend 188,244.61 units (March 31, 2009: NIL units) Face value: Rs.1,000.00 per unit	1,903.57	-
Templeton FRIF - Long Term - Super IP - Daily Dividend 26,281,174.40 units (March 31, 2009: NIL units) Face value: Rs.10.00 per unit	2,629.99	-
IDFC Money Manager Fund - Investment Plan - Inst Plan B- Daily Dividend Reinvestment 29,414,858.12 units (March 31, 2009: NIL units) Face value: Rs.10.00 per unit	2,945.90	-
LICMF Savings Plus Fund - Daily Dividend Plan Reinvestment 25,714,412.14 units (March 31, 2009: NIL units) Face value: Rs.10.00 per unit	2,571.44	-

Polaris Software Lab Limited - Group
Schedules to the Consolidated Balance Sheet as at March 31, 2010

(Rs. in Lacs)

	March 31, 2010	March 31, 2009
LICMF Income Plus Fund - Daily Dividend Plan Reinvestment 7,046,168.70 units (March 31, 2009: NIL units) Face value: Rs.10.00 per unit	704.62	-
Sundaram BNP Paribas Flexible Fund - STIP - Daily Dividend 5,042,496.34 units (March 31, 2009: NIL units) Face value: Rs.10.00 per unit	506.87	-
DWS Cash Opportunities Fund - IP - Daily Dividend 3,139,545.07 units (March 31, 2009: NIL units) Face value: Rs.10.00 per unit	314.72	-
Birla Sun Life Short Term Opportunities Fund - IP - Weekly Dividend 10,049,874.49 units (March 31, 2009: NIL units) Face value: Rs.10.00 per unit	1,005.18	-
ICICI Prudential Banking & PSU Debt Fund - Weekly Dividend 35,768,679.91 units (March 31, 2009: NIL units) Face value: Rs.10.00 per unit	3,580.67	-
Religare Active Income Fund - IP - Monthly Dividend 15,338,376.97 units (March 31, 2009: NIL units) Face value: Rs.10.00 per unit	1,533.84	-
Birla Sun Life Interval Income Fund Quarterly Plan - Series II - IP - Dividend 14,068,558.56 units (March 31, 2009: NIL units) Face value: Rs.10.00 per unit	1,406.86	-
IDFC FMP - HYS 9 - Plan A - Dividend 10,052,100.03 units (March 31, 2009: NIL units) Face value: Rs.10.00 per unit	1,005.21	-
Kotak Quarterly Interval Plan - Series VI - Dividend 20,000,000.00 units (March 31, 2009: NIL units) Face value: Rs.10.00 per unit	2,000.00	-
Reliance RSF - Debt - IP - Growth 2,387,185.59 units (March 31, 2009: NIL units) Face value: Rs.10.00 per unit	300.00	-
Reliance Interval Fund - Quarterly Series II - IP - Dividend 4,998,900.24 units (March 31, 2009: NIL units) Face value: Rs.10.00 per unit	500.00	-
Reliance Interval Fund - Monthly Series II - IP - Dividend 5,997,780.82 units (March 31, 2009: NIL units) Face value: Rs.10.00 per unit	600.00	-
Tata FIP Fund - Series C3 - IP - Monthly Dividend 15,007,325.36 units (March 31, 2009: NIL units) Face value: Rs.10.00 per unit	1,500.73	-

Polaris Software Lab Limited - Group
Schedules to the Consolidated Balance Sheet as at March 31, 2010

(Rs. in Lacs)

	March 31, 2010	March 31, 2009
UTI Fixed Income Interval Fund - Quarterly Plan III - IP - Dividend 19,998,000.20 units (March 31, 2009: NIL units) Face value: Rs.10.00 per unit	2,000.00	-
UTI FIIF - Series 2 - Qtly Interval Plan V - Dividend 20,112,687.16 units (March 31, 2009: NIL units) Face value: Rs.10.00 per unit	2,011.41	-
TFLD TATA Floater Fund - Daily Dividend NIL units (March 31, 2009: 41,745,829.61 units) Face value: Rs.10.00 per unit	-	4,189.44
UTI Treasury Advantage Fund - IP - Daily Dividend NIL units (March 31, 2009: 415,941.37 units) Face value: Rs.1,000.00 per unit	-	4,160.30
Birla Sun Life Savings Fund - IP - Daily Dividend NIL units (March 31, 2009: 14,847,571.31 units) Face value: Rs.10.00 per unit	-	1,486.05
ICICI Prudential Short Term Plan-Fortnightly Dividend NIL units (March 31, 2009: 13,476,521.15 units) Face value: Rs.10.00 per unit	-	1,613.85
Birla Sun Life Short Term Fund - IP - Daily Dividend NIL units (March 31, 2009: 10,069,623.77 units) Face value: Rs.10.00 per unit	-	1,007.52
ICICI Prudential Flexible Income Plan daily Dividend Reinvestment NIL units (March 31, 2009: 27,580,293.39 units) Face value: Rs.10.00 per unit	-	2,916.20
UTI Liquid Plus Fund - IP - Daily Dividend NIL units (March 31, 2008: 34.33 units) Face value: Rs.1,000.00 per unit	-	0.35
(C)	37,549.24	23,465.63
(A + B+ C)	38,967.06	24,424.70
Aggregate market value of quoted investments	500.26	-
Aggregate book value of quoted investments	500.21	-
Aggregate book value of unquoted investments	38,466.85	24,424.70

Polaris Software Lab Limited - Group
Schedules to the Consolidated Balance Sheet as at March 31, 2010

(Rs. in Lacs)

	March 31, 2010	March 31, 2009
6 SUNDRY DEBTORS		
(Unsecured)		
Debts outstanding for a period exceeding six months		
- considered good	2,225.63	2,894.67
- considered doubtful	3,326.39	3,051.87
Other debts		
- considered good	15,237.61	17,417.99
- considered doubtful	-	1.04
	<u>20,789.63</u>	<u>23,365.57</u>
Less: Provision for doubtful debts	3,326.39	3,052.91
	<u>17,463.24</u>	<u>20,312.66</u>
7 CASH AND BANK BALANCES		
Cash on hand	5.82	7.09
Balances with scheduled banks		
- in current accounts	1,930.96	1,482.97
- in deposit accounts	724.66	1,197.02
Balances with foreign banks		
- in current accounts	4,593.32	7,031.28
- in deposit accounts	5,117.37	820.85
	<u>12,372.13</u>	<u>10,539.21</u>
8 OTHER CURRENT ASSETS, LOANS AND ADVANCES		
8A OTHER CURRENT ASSETS		
Revenues accrued but not billed	12,569.52	14,216.69
	<u>12,569.52</u>	<u>14,216.69</u>
8B LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	1,072.11	1,262.65
Advances and Loans to associates	86.20	35.79
Advance Income Tax (net of provision for tax)	2,610.44	2,377.83
MAT credit entitlement	882.24	317.01
Loans to employees	541.33	471.83
Loans to employees welfare trust	498.30	534.22
Salary advance	259.30	227.56
Balance with government authorities	1,139.03	1,116.21
Rental and other deposits	1,176.68	1,375.57
	<u>8,265.63</u>	<u>7,718.67</u>
	<u>20,835.15</u>	<u>21,935.36</u>
9 CURRENT LIABILITIES		
Sundry creditors	20,503.80	16,032.44
Forward cover payable	-	2,279.13
Unclaimed dividends	64.82	57.17
Advances received from customers	846.16	189.25
Billings in excess of revenues	3,203.87	1,873.17
	<u>24,618.65</u>	<u>20,431.16</u>

Polaris Software Lab Limited - Group
Schedules to the Consolidated Balance Sheet as at March 31, 2010

(Rs. in Lacs)

	March 31, 2010	March 31, 2009
10 PROVISIONS		
Provision for gratuity [Refer note C4 of schedule 17]	1,520.32	1,417.02
Provision for leave benefits	1,896.20	1,612.96
Provision for taxation (net of Advance Income Tax and Tax Deducted at Source)	197.78	188.25
Proposed dividend	1,731.82	1,233.45
Provision for Tax on proposed dividend	294.32	209.63
	5,640.44	4,661.31
11 DEFERRED TAX LIABILITIES		
Fixed assets	804.67	1,226.88
Provision for doubtful debts	(509.17)	(509.17)
Others	7.04	(52.97)
	302.54	664.74
12 DEFERRED TAX ASSETS		
Fixed assets	467.94	732.81
Sundry debtors	62.31	89.35
Others	114.42	147.47
	644.67	969.63

Polaris Software Lab Limited - Group

Schedules to the Consolidated Profit and Loss Account for the year ended March 31, 2010

(Rs. in Lacs)

	March 31, 2010	March 31, 2009
13 SOFTWARE DEVELOPMENT AND BPM EXPENSES		
Salaries and bonus including overseas staff expenses and outsourced consultants cost *	75,709.85	75,958.28
Staff welfare	2,870.47	3,355.24
Contribution to provident and other funds *	1,835.26	1,609.27
Gratuity [Refer note C4 of schedule 17]	279.08	474.84
Travel Project	3,881.87	5,119.08
Communication expenses	1,892.54	1,736.46
Software Licenses	445.66	242.49
Hardware cost	45.49	-
Consumables and computer maintenance	49.36	44.44
	87,009.58	88,540.10
14 SELLING, ADMINISTRATION AND OTHER GENERAL EXPENSES		
Salaries and bonus including overseas staff expenses*	12,751.19	13,175.59
Contribution to provident and other funds *	278.35	290.51
Rent	2,144.44	2,296.14
Traveling and conveyance	2,007.27	1,420.51
Power and fuel	1,487.29	1,533.37
Professional and Legal charges	1,514.86	1,364.30
Business promotion	1,331.14	1,068.63
Repairs - Plant and machinery	966.44	794.04
Repairs - Building	108.68	217.01
Repairs - Others	368.39	383.88
Office maintenance	543.48	533.03
Provision for doubtful debts	257.06	333.83
Bad debts written off	98.59	574.07
Insurance	231.52	209.51
Printing and stationery	190.41	184.85
Rates and taxes	186.98	146.77
Donations	141.52	103.09
Auditors' remuneration	50.62	45.63
Directors' sitting fees	9.20	9.10
Advertisements	11.29	15.21
Miscellaneous expenses	1,485.50	1,202.92
	26,164.22	25,901.99
* Refer note C10 of schedule 17		
15 FINANCE CHARGES		
Lease finance charges	2.44	5.82
Bank charges and others	88.65	67.72
	91.09	73.54
16 OTHER INCOME		
Interest received on deposits with banks and others	156.35	163.79
Dividends received on investment in mutual funds (Current , Non trade - unquoted)	1,481.31	956.32
Profit / (loss) on sale of investments, net	(19.10)	1,267.94
Profit / (loss) on sale of assets, net	40.24	(117.55)
Miscellaneous income	253.08	206.18
	1,911.88	2,476.68

POLARIS SOFTWARE LAB LIMITED**Schedules to the Consolidated Financial Statements***All amounts in Rupees Lacs, unless otherwise stated***17. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS****A. Description of the Group**

Polaris Software Lab Limited ("Polaris" or "the Company"), its subsidiaries and its associates (collectively referred to as "the Polaris Group" or "the 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.

Polaris is the flagship Company of the Group and is listed on the principal stock exchanges of India.

The list of subsidiaries with percentage holding is given below.

S. No.	Subsidiaries	Country of incorporation	Proportion of ownership interest within the group
1.	Polaris Software Lab Ltd	United Kingdom	100%
2.	Polaris Software Pty Ltd	Australia	100%
3.	Polaris Software Lab SA	Switzerland	100%
4.	Polaris Software Lab GmbH	Germany	100%
5.	Polaris Software Lab Pte Limited	Singapore	100%
6.	Polaris Software Lab Japan KK	Japan	100%
7.	Polaris Software Lab Ireland Ltd	Ireland	100%
8.	Polaris Software Lab Canada Inc	Canada	100%
9.	Polaris Retail Infotech Limited	India	100%
10.	Polaris Software Lab Limitada*	Chile	100%
11.	Polaris Software Lab B.V.*	Netherlands	100%
12.	Intellect SEEC Inc.**	USA	100%
13.	Optimus Global Services Limited	India	100%
14.	SEEC Technologies Asia (P) Ltd ***	India	100%
15.	Laser Soft Infosystems Ltd	India	100%
16.	Polaris Software Lab (Shanghai) Ltd**	China	100%

* Subsidiaries of Polaris Software Lab Limited, United Kingdom.

** Subsidiaries of Polaris Software Lab Pte Limited, Singapore.

***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	Share of accumulated (loss)/provision for diminution as at March 31, 2010	Carrying amount of investments as at March 31, 2010
NMS Works Software Private Limited	39.56%	415.00	(415.00)	-
Adrenalin eSystems Limited	40.25%	833.88	(833.88)	-

POLARIS SOFTWARE LAB LIMITED

Schedules to the Consolidated Financial Statements

All amounts in Rupees Lacs, unless otherwise stated

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

B. 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 in all material respects comply with the notified accounting standard by Companies Accounting Standards Rules, 2006 (as amended) 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 and all its subsidiaries, which are more than 50%, owned or controlled. The financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the accounting standard on Consolidated Financial Statements as specified in the Companies (Accounting Standard) Rules, 2006 (as amended).

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 (as amended), 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 investment in subsidiary companies over its share of the equity of the subsidiary companies at the date on which the investments in the subsidiary companies are made, is recognized as goodwill being an asset in the consolidated financial statement.
- (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.

2. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon management's best knowledge of current events and actions, 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

POLARIS SOFTWARE LAB LIMITED**Schedules to the Consolidated Financial Statements***All amounts in Rupees Lacs, unless otherwise stated***17. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)**

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 in excess of billings 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.

Business Process Outsourcing

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

Other Income

Interest is recognized using the time-proportion method.

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

POLARIS SOFTWARE LAB LIMITED

Schedules to the Consolidated Financial Statements

All amounts in Rupees Lacs, unless otherwise stated

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

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. Leases

Assets acquired on finance leases are capitalized and a corresponding liability disclosed as lease obligations under "Secured Loans". Such assets are capitalised 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 Group 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.

6. 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 life of assets estimated by the management, whichever is higher. Individual assets costing less than Rs.5,000/- are depreciated at the rate of 100%.

The estimated useful life 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 whichever is lower
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
Software Products & Intellectual property assets (indigenously developed)	3-5

Leasehold land is amortized over the period of lease.

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

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

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

All amounts in Rupees Lacs, unless otherwise stated

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

'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.

7. Impairment

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

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

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.

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

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 year 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.

POLARIS SOFTWARE LAB LIMITED

Schedules to the Consolidated Financial Statements

All amounts in Rupees Lacs, unless otherwise stated

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

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

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

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

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

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

10. Forward contracts in foreign currencies

The Group uses foreign exchange forward contracts to hedge its exposure to movements in foreign currency rates. The use of these foreign exchange forward contracts reduces the risk or cost to the Group and the Group does not use the foreign exchange forward contracts for trading or speculation purposes. Forward exchange contracts that are not hedges of forecasted transactions are accounted for using the Guidance in Accounting Standard ('AS') 11, 'The effects of changes in foreign exchange rates'. The premium or discount on all such contracts arising at the inception of each contract is amortised as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognized as income or as expense for the period. The exchange difference is calculated as the difference between the foreign currency amount of the contract translated at the exchange rate at the reporting date, or 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 Group records net mark-to-market losses, if any, in respect of forward exchange contracts entered in to hedge a highly probable forecast transaction but, net mark-to-market gains are not recorded for such transactions.

11. Investments

Investments are classified as long-term investments and current investments. Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Long-term investments are stated at cost and any decline

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

All amounts in Rupees Lacs, unless otherwise stated

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

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 Group 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 Group provides for gratuity in accordance with the Payment of Gratuity Act, 1972, a defined benefit retirement plan (the Plan) covering all employees. The plan, subject to the provisions of the above Act, provides a lump sum payment to eligible employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Gratuity liability is accrued and provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

Superannuation

The Group 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 Group has no further obligations under the Plan beyond its annual contribution.

Leave Benefits

As per the current employment policy of the Group, employees can carry forward accumulated leave balances as per Group'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.

POLARIS SOFTWARE LAB LIMITED

Schedules to the Consolidated Financial Statements

All amounts in Rupees Lacs, unless otherwise stated

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

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 Group. 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 assets can be realised and are re-assessed 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 Group 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, 2011.

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.

POLARIS SOFTWARE LAB LIMITED**Schedules to the Consolidated Financial Statements***All amounts in Rupees Lacs, unless otherwise stated***17. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)****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.

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.

C. 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, 2010 is Rs.1,689.85 (March 31, 2009: Rs.218.79).
 - (ii) As at March 31, 2010, the Group has outstanding guarantees and counter guarantees of Rs.1,683.86 (March 31, 2009: Rs.589.02) 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 Group, not acknowledged as debts include:
 - a. Demand from Indian income tax authorities as at March 31, 2010 is Rs.1,366.09 (March 31, 2009: Rs.1,199.16). 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, 2010 (March 31, 2009: Rs.520/-);
 - c. Sales Tax demand from Commercial Tax Officer, Hyderabad is Rs.42.40 as at March 31, 2010 (March 31, 2009: Rs.42.40) and
 - d. Service Tax demand from Commissioner of Central Excise, Chennai as at March 31, 2010 is Rs.32.25 (March 31, 2009: Nil)

POLARIS SOFTWARE LAB LIMITED

Schedules to the Consolidated Financial Statements

All amounts in Rupees Lacs, unless otherwise stated

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

The Group 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. No tax expense has been accrued in the financial statements for the tax demand raised. Management believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Group'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.

3. Leases

- (i) The future obligation for vehicles taken on lease is given below:

Particulars	As at March 31, 2010	As at March 31, 2009
Not later than one year	0.07	34.43
Later than one year and not later than 5 years	-	4.24
	0.07	38.67
Less: Amount representing future interest	-	2.96
Present Value of minimum lease rentals	0.07	35.71

- (ii) The Group has taken certain offices and residential premises for the employees under operating leases, which expires at various dates in future years and renewable for further period at the option of the Group. There are no restrictions imposed by the lease arrangements. The minimum lease rental payments to be made in respect of these leases are as follows:

Particulars	As at March 31, 2010	As at March 31, 2009
Lease payments for the year	1,852.62	2,049.32
Contingent rent recognised in Profit and Loss Account	-	-
Minimum Lease Payments:		
Not later than one year	1,022.35	1,262.00
Later than one year and not later than five years	1,576.05	2,759.97
Later than five years	247.81	813.61
Total	2,846.21	4,835.58

4. Gratuity

The Group 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 summarises 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.

POLARIS SOFTWARE LAB LIMITED**Schedules to the Consolidated Financial Statements***All amounts in Rupees Lacs, unless otherwise stated***17. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)**

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

Particulars	Year Ended March 31, 2010	Year Ended March 31, 2009
Obligations at the beginning of the year	1,459.63	988.22
Obligations at the beginning of the year for the subsidiary acquired during the year	109.58	109.27
Adjustments to opening obligations during the year	(86.54)	-
Current service cost	312.67	430.15
Interest cost	111.19	64.76
Expected return on plan assets	0.77	-
Actuarial (gain) / losses	(71.05)	(21.30)
Benefits paid	(121.47)	(118.61)
Obligations at the year end	1,714.78	1,459.63
Change in plan assets		
Plan assets at year beginning, at fair value	42.61	21.09
Plan assets at year beginning, at fair value for the subsidiary acquired during the year	87.16	27.50
Adjustments to opening fair value of plan assets during the year	2.37	-
Expected return on plan assets	15.18	1.29
Contributions	169.72	111.34
Benefits paid	(122.58)	(118.61)
Plan assets at year end, at fair value	194.46	42.61
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	194.46	42.61
Present value of defined benefit obligations at the end of the year	(1,714.78)	(1,459.63)
Asset/(Liability) recognized in the balance sheet	(1,520.32)	(1,417.02)
Gratuity cost for the year		
Current service cost	312.67	437.29
Interest cost	111.19	64.76
Expected return on plan assets	15.18	1.29
Actuarial (gain) / losses	(71.05)	(21.30)
Adjustments during the year from opening obligations	(88.91)	-
Net gratuity cost	279.08	482.04
Defined Benefit Obligation	1,714.78	1,459.63
Plan Assets	194.46	42.61
Surplus/(deficit)	(1,520.32)	(1,417.02)
Experience adjustments on plan liabilities	(71.05)	(21.30)
Experience adjustments on plan assets	-	-
Assumptions:		
Discount rate	7.82%	7%
Estimated return on plan assets	7.82%	7%
Employee turnover	16%	10%

POLARIS SOFTWARE LAB LIMITED

Schedules to the Consolidated Financial Statements

All amounts in Rupees Lacs, unless otherwise stated

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

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.

5. Stock Option Plans

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

The option plans are summarized below:

Associate Stock Option Plan 2000

On 9 March 2000, the Company's shareholders approved in the Extraordinary 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 March 31, 2010 is presented below.

Particulars	March 31, 2010		March 31, 2009	
	Number of Shares	Weighted Average Exercise Price (Rs.)	Number of Shares	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the year	5,400	123.65	44,565	145.23
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Forfeited during the year	-	-	(1,850)	186.24
Expired during the year	(5,400)	123.65	(37,315)	146.32
Outstanding at the end of the year	-	-	5,400	123.65
Exercisable at the end of the year	-	-	5,400	123.65

POLARIS SOFTWARE LAB LIMITED**Schedules to the Consolidated Financial Statements***All amounts in Rupees Lacs, unless otherwise stated***17. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)**

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

Particulars	March 31, 2010	March 31, 2009
Range of exercise price	-	123.65
Weighted average remaining contractual life (in years)	-	-
Weighted average fair value of options granted	-	-

The options exercisable at the end of the year have become nil and hence ceases to exist.

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 March 31, 2010 is presented below.

Particulars	March 31, 2010		March 31, 2009	
	Number of Shares	Weighted Average Exercise Price (Rs.)	Number of Shares	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the year	6,000	123.65	19,370	125.76
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Forfeited during the year	-	-	(350)	126.70
Expired during the year	(6,000)	123.65	(13,020)	126.70
Outstanding at the end of the year	-	-	6,000	123.65
Exercisable at the end of the year	-	-	6,000	123.65

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

Particulars	March 31, 2010	March 31, 2009
Range of exercise price	-	123.65
Weighted average remaining contractual life (in years)	-	-
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.

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

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 the 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.

The options exercisable at the end of the year have become nil and hence ceases to exist.

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 into 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, 2010 is presented below:

Particulars	March 31, 2010		March 31, 2009	
	Number of Shares	Weighted Average Exercise Price (Rs.)	Number of Shares	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the year	3,213,850	129.44	2,939,900	146.49
Granted during the year	396,000	143.51	614,000	51.27
Exercised during the year	(284,950)	84.18	(1,600)	76.60
Forfeited during the year	(244,500)	113.88	(137,650)	131.28
Expired during the year	(200,100)	134.10	(200,800)	144.27
Outstanding at the end of the year	2,880,300	144.66	3,213,850	129.44
Exercisable at the end of the year	1,576,200	147.36	1,923,350	141.46

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

Particulars	March 31, 2010	March 31, 2009
Range of exercise price	34.35 – 171.95	34.35 – 227.40
Weighted average remaining contractual life (in years)	4.62	5.25
Weighted average fair value of options granted	75.29	31.04

POLARIS SOFTWARE LAB LIMITED**Schedules to the Consolidated Financial Statements***All amounts in Rupees Lacs, unless otherwise stated***17. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)****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, 2010 is presented below.

Particulars	March 31, 2010		March 31, 2009	
	Number of Shares	Weighted Average Exercise Price (Rs.)	Number of Shares	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the year	664,200	156.78	717,000	154.42
Granted during the year	5,500	194.55	-	-
Exercised during the year	(21,100)*	76.60	(1,200)*	52.35
Forfeited during the year	(29,900)	177.47	(35,800)	160.85
Expired during the year	(9,200)	158.46	(15,800)	76.60
Outstanding at the end of the year	609,500	159.45	664,200	156.78
Exercisable at the end of the year	414,700	146.42	395,800	155.47

* These shares were allotted from Orbitech Welfare Trust.

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

Particulars	March 31, 2010	March 31, 2009
Range of exercise price	76.60	76.60 – 227.40
Weighted average remaining contractual life (in years)	4.56	5.52
Weighted average fair value of options granted	102.30	-

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:

POLARIS SOFTWARE LAB LIMITED

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

Particulars	Year Ended March 31, 2010	Year Ended March 31, 2009
Profit after tax		
- as reported	15,284.24	13,071.27
- Pro forma profit	15,216.00	12,993.29
Earnings Per Share (in Rs.)		
Basic		
- As reported	15.48	13.25
- Pro forma	15.41	13.17
Diluted		
- As reported	15.34	13.24
- Pro forma	15.27	13.16

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 10	April to March 09
Risk-free interest rate	7.08%	5.89%
Expected life	2.5 to 6.5 years	2.5 to 6.5 Years
Expected volatility	67.32%	64.18%
Expected dividend yield	1.35%	1.19%

6. 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.

POLARIS SOFTWARE LAB LIMITED**Schedules to the Consolidated Financial Statements***All amounts in Rupees Lacs, unless otherwise stated***17. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)**

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, 2010	Year Ended March 31, 2009
<u>Segment revenues</u>		
Banking and financial services	120,882.48	124,836.29
Emerging verticals	14,493.14	12,958.25
	135,375.62	137,794.54
<u>Segment Profit before finance charges, unallocable expenses and tax</u>		
Banking and financial services	41,033.78	43,797.20
Emerging verticals	4,293.24	4,222.90
	45,327.02	48,020.10
Finance charges	(91.09)	(73.54)
Other unallocable expenditure net of unallocable income	(27,398.42)	(32,789.71)
	17,837.51	15,156.85
Profit before taxation	(2,553.27)	(2,085.58)
Income taxes including deferred tax, fringe benefit tax and net of MAT credit entitlement		
<i>Profit after taxation</i>	15,284.24	13,071.27

Secondary segment information

Region	Year Ended March 31, 2010	Year Ended March 31, 2009
<u>Segment revenues</u>		
United States of America	63,947.92	53,065.81
Europe	41,366.45	41,440.60
Asia Pacific	17,514.25	23,833.51
India and Middle East	12,547.00	19,454.62
	135,375.62	137,794.54

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

POLARIS SOFTWARE LAB LIMITED**Schedules to the Consolidated Financial Statements***All amounts in Rupees Lacs, unless otherwise stated***17. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)**

Particulars	Associates		Others		Key managerial person	
	31-Mar-10	31-Mar-09	31-Mar-10	31-Mar-09	31-Mar-10	31-Mar-09
BALANCE DUE FROM RELATED PARTIES						
Receivables - Trade debts						
Citi bank and its branches			6,442.89	4,479.80		
Receivables - Other advances						
Adrenalin eSystems	85.55	35.79				
Orbitech Employees Welfare Trust			498.30	534.22		
BALANCE DUE TO RELATED PARTIES						
Payables - Trade debts						
Adrenalin eSystems	5.19	1.34				
INVESTMENTS						
Adrenalin eSystems	1,593.88	1,593.88				
NMS	567.50	567.50				
Provision for investments						
NMS	415.00	415.00				
TRANSACTIONS DURING THE YEAR						
Advances/Loan given						
NMS	75.00	-				
Advances/Loan repaid						
Adrenalin eSystems	-	25.66				
NMS	79.42	-				
Software development service income						
Citi bank and its branches			55,149.77	38,385.15		
Software development expenses						
Adrenalin eSystems	33.65	61.39				
Reimbursement of expenses to the Company						
Adrenalin eSystems	126.75	78.77				
Interest income						
NMS	4.42	-				
Provision in diminution in value of investments						
NMS	-	71.13				
Dividend paid						
Orbitech Limited			521.39	605.39		
Citibank A/c Orbitech Limited			480.39	677.28		
Orbitech Employees Welfare Trust			41.33	41.69		
Polaris Holdings Limited			596.43	596.43		
Key managerial person					152.74	152.67
Remuneration to Managing Director/ Executive Director					208.43	242.54
MAXIMUM BALANCE OUTSTANDING DURING THE YEAR						
Receivables - Loan to Group Companies						
NMS	79.42	-				
Receivables - Other advances						
Adrenalin eSystems	124.68	54.55				
Orbitech Employees Welfare Trust			534.22	560.79		

POLARIS SOFTWARE LAB LIMITED

Schedules to the Consolidated Financial Statements

All amounts in Rupees Lacs, unless otherwise stated

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

9. Investments in Associates and Subsidiaries

- a) The Company's equity ownership interest in Adrenalin eSystems Limited ("ASL") is 40.25% as at March 31, 2010. ASL is primarily engaged in the business of providing specific solutions relating to Human Relations suite of software solutions. The accumulated losses to the extent of Rs.3,001.03 as per the unaudited financial statements of ASL as on March 31, 2010 are on account of initial / start-up stage of operations. ASL has earned nominal profits in current year. As per the valuation of ASL as at March 31, 2010 carried out by the independent valuation expert, there is no diminution in the carrying value of investments. Accordingly, management believes that there is no other than temporary diminution in the value of its investments in the ASL and hence it is stated at cost, less share of losses to the extent of equity.

The Consolidated Financial Statements include Rs.833.88 as share of accumulated losses, and a share of loss of Rs.41.61 for the current year of, Adrenalin eSystems Limited which is accounted under equity method as per AS 23 – Accounting for Investment in Associates. The Financial Statements of Adrenalin 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 Adrenalin, if any, will not be material.

- b) The Company's equity ownership interest in NMS Works Software Private Limited ("NMS") is 39.56% as at March 31, 2010. NMS is primarily engaged in the business of designing network management in Telecommunication and Internet Services. The orders secured during the year have reduced the accumulated losses. NMS had accumulated losses aggregating to Rs.551.31 as per the unaudited financial statements as on March 31, 2010. Accordingly, the Company had determined and recorded a provision of Rs.415, in the earlier years, for other than temporary diminution in the value of its equity investment in NMS.
- c) The Company has acquired entire equity interest in Laser Soft Infosystems Limited ('Laser Soft'), a leading banking software services company specializing in serving the unique needs of India & emerging markets with effect from November 16, 2009. The total consideration for acquisition is Rs.5,201.05 subject to price adjustment conditions based on future financial performance of Laser Soft over the next two years. The company has paid a sum of Rs.3,471.95 for 89% equity interest as at March 31, 2010. The company accrued for the consideration payable for the balance equity shares, as the managements expects the payment is probable in accordance with the term of the agreement and a reasonable estimate of the amount can be made as at March 31, 2010. The excess of purchase consideration over the net assets of Laser Soft to the extent Rs.3,069.83 is recognized as goodwill. The profit and loss account for the year includes revenue of Rs.1,913.22 and profit of Rs.659.16 of Laser Soft.
- d) The Company has entered into a definitive agreement on March 26, 2010 to acquire equity stake in Indigo TX Software Private Limited, a SaaS Software developer. The acquisition will be completed on compliance of closing conditions as per the agreement. The company has paid Rs.500.00 as a part of acquisition cost subsequent to the date of the balance sheet.

POLARIS SOFTWARE LAB LIMITED**Schedules to the Consolidated Financial Statements***All amounts in Rupees Lacs, unless otherwise stated***17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)**

10. 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 March 31, 2010	Year Ended March 31, 2009
Salaries and bonus including overseas staff expenses	88,461.04	89,133.87
Contribution to provident and other funds	2,113.61	1,899.78
Total	90,574.65	91,033.65

11. Derivative Instruments

The Group uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted revenue receivable 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 March 31, 2010	Year Ended March 31, 2009
Number of contracts	108	108
USD Equivalent	1,940	1,830
INR Equivalent	93,906.93	84,189.95

Particulars	Year Ended March 31, 2010	Year Ended March 31, 2009
Number of contracts	Nil	12
EUR Equivalent	Nil	69
INR Equivalent	Nil	4,489.80

POLARIS SOFTWARE LAB LIMITED

Schedules to the Consolidated Financial Statements

All amounts in Rupees Lacs, unless otherwise stated

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Continued)

12. Unhedged Foreign Currency Exposure

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

Particulars	2010		
	Currency	Amount in Foreign currency	INR Equivalent
Amounts receivable in foreign currency	USD	251.52	11,271.93
	EUR	14.79	893.81
	GBP	2.05	139.19
	AUD	1.22	50.39
	CAD	8.38	370.37
	CNY	0.17	1.12
	SGD	1.94	62.22
	CHF	5.55	235.03
Amounts payable in foreign currency	USD	82.04	3,634.64
	GBP	25.01	1,468.81
	EUR	2.18	132.03
	CHF	0.03	1.10
	JPY	48.55	23.30

13. 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**
Firm Registration No.: 101049W
Chartered Accountants

per **S. Balasubrahmanyam**
Partner
Membership No.: 053315
Chennai
April 21, 2010

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

Arun Jain
Chairman & Managing Director

R. Srikanth
President & Chief Financial Officer
Chennai
April 21, 2010

R.C. Bhargava
Director

B. Muthusubramanian
Company Secretary

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POLARIS SOFTWARE LAB (SHANGHAI) LTD, CHINA
March 31, 2010

SIVASUBRAMANIAN & RAO
Chartered Accountants

D2, Third Floor, B Block, "Parsn Paradise"
109 GN Chetty Road, T. Nagar, Chennai - 600 017.
Mail: auditcas@vsnl.com Phone No.: (044) 4260 5612

To
The Board of Directors,
Polaris Software Lab Limited
Chennai - 600 006.

1. We have reviewed the accompanying balance sheet of Polaris Software Lab (Shanghai) Ltd, China at March 31, 2010 and the statement of profit for the year ended, prepared in conformity with the accounting principles generally accepted in India. 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 review.
2. We have based our certification on the Trial Balance certified by the Company for the period ended 31st March 2010 and
3. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of this certification.
4. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give a true and fair view of the state of affairs of Polaris Software Lab (Shanghai) Ltd, China at March 31, 2010 and of its profit for the year then ended, in conformity with the accounting principles generally accepted in India.
5. This report is furnished solely for use in preparing the consolidated accounts of Polaris Software Lab Limited. It is not to be used for any other purpose, or referred to in any other document.

For SIVASUBRAMANIAN & RAO
Firm Registration No. 003904S
Chartered Accountants

R. Satyam
Partner, Membership No. 210147

Place: Chennai
Date: April 20, 2010

Directors' Report

Your directors present this report on the financial statements for the year ended 31 March 2010.

Directors

The following persons hold office as directors of Polaris Software Shanghai Limited as at the date of this report:

Mr. Supriyo Sircar
Mr. R. Srikanth
Mr. Ramaswami S R

Results

Operating Profit after Income Tax for the year ended 31st March 2010 is CNY 3,013.
(No comparative figure is given since 2009-10 is the 1st year of operation)

Principal Activities

The principal continuing activity of the company during the year was to provide Software related services for banking, financial services, manufacturing & distribution and SME's Sectors.

Dividends

The directors do not recommend payment of dividend and no dividend have been paid or declared.

Review of Operations

The company has been able to provide software development and services to a select group of companies in China enhancing their productivity and competitiveness in a challenging business environment. This value creation has been possible by harnessing the global learning and expertise of the Polaris Group.

Significant Accounting Policies

The company's equity of USD 20,000 are fully held by Polaris Software Lab Pte Ltd., Singapore. The company complies with the local accounting GAAP which is in line with the Group Accounting Policies.

Matters subsequent to the end of the Financial Year

At the date of this report no matter or circumstances has arisen since 31st March 2010 that has significantly affected or may affect:

- (a) The company's operation;
- (b) The results of those operation; or
- (c) The company's state of affair, in financial years subsequent to 31st march 2010.

Likely Developments

The directors believe that notwithstanding the impact of the Global economic showdown barring unforeseen circumstances the company will continue to perform well in the market, with the world class process and systems.

This report is made in accordance with a resolution of the directors.

Supriyo Sircar
Director

R. Srikanth
Director

Place: Singapore
Date: April 20, 2010

Polaris Software Lab (Shanghai) Ltd, China
Balance Sheet as at March 31, 2010

Particulars	Schedule	(Amount in CNY) March 31, 2010
SOURCES OF FUNDS		
SHAREHOLDERS' FUNDS		
Share Capital	1	136,800
Reserves and Surplus	2	3,013
		139,813
		139,813
APPLICATION OF FUNDS		
CURRENT ASSETS, LOANS AND ADVANCES		
Sundry Debtors	4	160,282
Cash and Bank balances	3	243,295
Loans and Advances	5	69,192
		472,769
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities	6	310,407
Provisions	7	22,549
		332,956
NET CURRENT ASSETS		139,813
		139,813

The Schedules referred to above form an integral part of these financial statements.
This is the Balance Sheet referred to in our report of even date.

For SIVASUBRAMANIAN & RAO
Firm Registration No. 0039045
Chartered Accountants

R. Satyam
Partner
Membership No. 210147
Date : April 20, 2010

For SIVASUBRAMANIAN & RAO
Firm Registration No. 0039045
Chartered Accountants

R. Satyam
Partner
Membership No. 210147
Date : April 20, 2010

Polaris Software Lab (Shanghai) Ltd, China
Profit and Loss Account for the year ended March 31, 2010

Particulars	Schedule	(Amount in CNY) March 31, 2010
INCOME		
Software development services and products		300,911
		300,911
EXPENDITURE		
Software development expenses	8	216,882
Selling, Administrative and other General expenses	9	73,129
		290,011
Operating profit before interest, depreciation and amortisation		10,900
Finance charges	10	152
Depreciation and Amortisation		-
		152
Operating profit after interest, depreciation and amortisation		10,748
Other income	11	(382)
Profit before taxation		10,366
Income taxes - Current tax		7,353
Profit after taxation		3,013
Profit brought forward from previous year		-
Amount available for appropriation		3,013
Appropriations		
Balance carried to Balance Sheet		3,013
		3,013

The schedules referred to above form an integral part of these financial statements.
This is the Profit & Loss Account referred to in our report of even date.

For Polaris Software Lab (Shanghai) Ltd, China
Suprio Sircar
Director

R. Srikanth
Director

Polaris Software Lab (Shanghai) Ltd, China
Schedules to the Balance Sheet and Profit and Loss account as at March 31, 2010

(Amount in CNY)

Particulars	31.03.2010
1 SHARE CAPITAL	
Authorised Capital	
Issued , subscribed and paid up	
Equity Share Capital	136,800
(USD 20,000 held by Polaris Software Lab Pte Ltd., Singapore)	
	<u>136,800</u>
2 RESERVES AND SURPLUS	
Profit and Loss account balance	3,013
	<u>3,013</u>
3 CASH AND BANK BALANCES	
Balances with Non scheduled Banks	
- Citi Bank - China - USD A/c	102,161
- Citi Bank - China - CNY A/c	141,133
	<u>243,295</u>
4 SUNDRY DEBTORS	
(Unsecured)	
Debts outstanding for a period not exceeding six months	
- Considered good	160,282
	<u>160,282</u>
5 LOANS AND ADVANCES	
(Unsecured considered good)	
Advances recoverable in cash or in kind or for value to be received	13,220
Advance income tax	5,403
Salary Advance	16,969
Unbilled Debtors	33,600
	<u>69,192</u>
6 CURRENT LIABILITIES	
Sundry creditors	
- For expenses	15,062
Loans / Advance from Group Companies	
- Polaris Software Lab Pte Ltd., Singapore	278,376
- Polaris Software Lab Ltd., India	16,969
	<u>310,407</u>
7 PROVISIONS	
Provision for taxation	22,549
	<u>22,549</u>
8 SOFTWARE DEVELOPMENT EXPENSES	
Salaries and bonus including overseas staff expenses and outsourced consultants cost	197,149
Travel Project	19,733
	<u>216,882</u>
9 SELLING, ADMINISTRATION AND OTHER GENERAL EXPENSES	
Professional charges	30,329
Rent	25,586
Rates and taxes	15,196
Miscellaneous expenses	2,018
	<u>73,129</u>
10 FINANCE CHARGES	
Bank and other charges	152
	<u>152</u>
11 OTHER INCOME	
Interest received on deposits with banks and others	84
Foreign exchange gains / (Loss), net	(466)
	<u>(382)</u>

POLARIS SOFTWARE LAB LIMITED

Registered Office: Polaris House, No.244, Anna Salai, Chennai - 600 006
Phone: 044 - 2852 4154, Fax: 044 - 2852 3280, Website: www.polaris.co.in

NOTICE

NOTICE IS HEREBY GIVEN THAT THE SEVENTEENTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD ON THURSDAY THE JULY 15, 2010 AT 3.00 P.M. AT MUSIC ACADEMY MINI HALL, NO.168, TTK ROAD, CHENNAI 600 014 TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2010 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors' and the Auditors' thereon.
2. To declare dividend for the financial year 2009-10, if any.
3. To appoint a Director in the place of Mr.Arvind Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr.Satya Pal, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in the place of Mr.Anil Khanna, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to authorize the Board of Directors to fix their remuneration. M/s.S.R.Batlboi & Associates, Chartered Accountants, the retiring auditors, are eligible for re-appointment.

Special Business

7. **To consider and, if thought fit, to pass with or without modifications(s), the following resolution as an ORDINARY RESOLUTION:**

"Resolved that Mr.Anil Nagu, who was appointed as an Additional Director under Section 260 of the Companies Act, 1956 on 15th October, 2009 and who shall hold office upto the date of the Seventeenth Annual General Meeting and in respect of whom a notice under Section 257 of the Companies Act, 1956 has been received proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

By the order of the Board
For Polaris Software Lab Limited

Place : Chennai
Date : April 21, 2010

B. Muthusubramanian
Company Secretary

NOTES:

1. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company.** Voting is by a show of hands unless a poll is demanded by a member or members present in person, or by proxy, holding at least one-tenth of the total shares entitled to vote on the resolution or by those holding paid-up capital of at least Rs.50,000/-. A proxy shall not vote except on a poll. Proxies in order to be effective must be received by the Company at its Registered Office not less than 48 hours before the meeting. Shareholders holding requisite number of shares/voting power and who wish to demand a poll are requested to inform the Company, of their intention to do so, to enable the Company to make appropriate arrangements for the conduct of poll.
2. Member/Proxy holder must bring the attendance slip to the meeting and hand it over at the entrance duly signed.
3. The Register of Members and Share Transfer Books of the Company will be closed from July 10, 2010 to July 15, 2010 (both days inclusive).
4. The Register of Directors' Shareholding, maintained under Section 307 of the Companies Act, 1956 (Act) will be available for inspection by the members at the AGM.
5. The Register of Contracts, maintained under Section 301 of the Act will be available for inspection by the members at the Registered Office of the Company.
6. The certificate from the Auditors of the Company certifying that the Company's Associate Stock Option Plan(s) are being implemented in accordance with the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 as applicable and in accordance with the resolution of the Members in the General Meeting, is available for inspection by the Members at the Annual General Meeting.
7. Members are requested to quote their Registered Folio Number or Demat Account Number & Depository Participant (D.P.) Id. Number on all correspondence with the Company. The transfer deeds, communication for change of address, bank details, ECS details, mandates (if any), should be lodged with M/s.Karvy Computershare Private Limited, Hyderabad. Members whose shareholding is in the electronic mode are requested to intimate the same to their respective Depository Participants.
8. The Company is extending the Electronic Clearing Service (ECS) facility to the shareholders, which will enable them to receive dividend through electronic mode. Under ECS arrangement, the dividend amount will be directly credited to the bank account of the shareholder.
9. Members who are holding physical shares in more than one folio are requested to intimate to the Company/Registrar & Share Transfer Agents the details of all their folio numbers for consolidation into a single folio.
10. The information pursuant to Clause 49 of the Listing Agreement with respect to the details of the Directors seeking re-appointment in this 17th Annual General Meeting is annexed.
11. Dividend for the Financial Year ended 31st March 2003, which remains unclaimed, will be due for transfer to the Investor Education Protection Fund of the Central Government ('IEPF') later this year, pursuant to the provisions of Section 205A of the Act. Members who have not encashed their dividend warrants for the F.Y. ended 31st March 2003 or any subsequent financial year(s), are requested to correspond

with M/s.Karvy Computershare Private Limited, Hyderabad. Members are advised that in terms of the provisions of Section 205C of the Act, once unclaimed dividend is transferred to IEPF, no claim shall lie in respect thereof.

12. This notice for the 17th Annual General Meeting is attached hereto with the Annual Report for the financial year 2009-10.

ADDITIONAL INFORMATION OF DIRECTORS THOSE WHO ARE SEEKING RE-APPOINTMENT AT THE 17th ANNUAL GENERAL MEETING TO BE HELD ON JULY 15, 2010

Name	Mr. Arvind Kumar	Mr. Satya Pal	Mr. Anil Khanna
Father's name	Mr. S.N. Mathur	Mr. Pritam Chandra	Mr. Jagmohan Khanna
Address	117, Supreme Enclave, Mayur Vihar, Phase - I, Delhi - 110091	44, New Rajdhani Enclave, Vikas Marg, New Delhi - 110092	1003 Forest Avenue RYE, New York, NY 10580 USA
Date of birth	02.06.1942	22.08.1931	31.08.1956
Nationality	Indian	Indian	American
Occupation	Senior Lawyer, Supreme Court	Consultant	Banker
Date of Appt.	12.05.1995	09.04.1997	27.04.2005

The Profile and attendance records of the directors seeking re-appointment are furnished in the Corporate Governance Report which forms part of the Annual Report 2009-10.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No.7 :

Profile of Mr.Anil Nagu

Father's name	Mr. Maharaj Narain Nagu
Address	17, Reynolds Way, Croydon, CR05JW
Date of Birth	September 26, 1966
Nationality	Great Britain
Occupation	Executive
Date of Appt.	October 15, 2009

The Board of Directors of the Company has appointed Mr.Anil Nagu as an Additional Director w.e.f October 15, 2009, under Section 260 of the Act and to hold office until the next AGM of the Company. The Company has received a notice in writing from a member proposing the candidature of Mr.Anil Nagu as a Director liable to retire by rotation in terms of Section 257 of the Act. The requisite details of Mr.Anil Nagu, i.e. expertise in specific functional areas, other directorship and shareholdings are provided in the Corporate Governance Report which forms part of the Annual Report for the year 2009-10.

None of the directors except Mr.Anil Nagu is interested in the resolution.

Place : Chennai
Date : April 21, 2010

B. Muthusubramanian
Company Secretary

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POLARIS SOFTWARE LAB LIMITED

Regd. Office: Polaris House, 244, Anna Salai, Chennai - 600 006

17th Annual General Meeting to be held on Thursday the July 15, 2010 at 3.00 P.M.at Music Academy - Mini Hall, TTK Road, Alwarpet, Chennai 600 014

Attendance Slip

Registered Folio No :(or)

Demat Account No.D.P.Id.No.....

Name of Shareholder(s)

I/We certify that I am/we are Member/s/Proxy of the Member/s of the Company holding Shares.

.....
Signature of Member/s/Proxy

- A member or his duly appointed Proxy wishing to attend the meeting must complete this Admission Slip and hand it over at the entrance.
- Name of the Proxy in Block letters (in case a Proxy attends the meeting)
- Those who hold shares in demat form to quote their Demat Account No. and Depository Participant (D.P.) Id. No.



POLARIS SOFTWARE LAB LIMITED

Regd. Office: Polaris House, 244, Anna Salai, Chennai - 600 006

17th Annual General Meeting to be held on Thursday the July 15, 2010 at 3.00 P.M.at Music Academy - Mini Hall, TTK Road, Alwarpet, Chennai 600 014

PROXY FORM

I / We of being a Member/ Members of Polaris Software Lab Limited hereby appoint of or failing him / her of as my / our Proxy to attend and vote for me / us on my / our behalf at the 17th Annual General Meeting of the Company to be held on Thursday the July 15, 2010 at 3.00 P.M. at Music Academy-Mini Hall, T.T.K Road, Alwarpet, Chennai 600 014 and at any adjournment thereof.

In witness whereof

I/We have signed on this day of 2010.

Registered Folio No. :(or)

Demat Account No.D.P.Id.No.....



- The Proxy form should be signed by the member across the stamp.
- A member intending to appoint a Proxy should complete the Proxy form and deposit it at the Company's Registered Office, at least 48 hours before the meeting.
- Those who hold shares in Demat form to quote their Demat Account No. and Depository Participant (D.P.) Id. No.

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Registered Office

Polaris Software Lab Limited

'Polaris House', 244, Anna Salai

Chennai - 600006, India

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Fax: 91-44-2852 3280

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www.polarisFT.com