

PARTICULARS	QUARTER ENDED		HALF YEAR ENDED		YEAR ENDED
	September 30, 2006 (Unaudited)	September 30, 2005 (Unaudited)	September 30, 2006 (Unaudited)	September 30, 2005 (Unaudited)	March 31, 2006 (Audited)
<b>Income from Software services and products</b>	<b>25,556.94</b>	<b>21,355.56</b>	<b>48,761.76</b>	<b>42,293.81</b>	<b>82,507.62</b>
Software development expenses	15,810.64	14,066.63	30,806.79	27,935.54	56,207.71
<b>Gross Profit</b>	<b>9,746.30</b>	<b>7,288.93</b>	<b>17,954.97</b>	<b>14,358.27</b>	<b>26,299.91</b>
Selling and marketing expenses	2,652.01	2,027.23	4,852.53	4,078.55	8,168.66
General and Administrative expenses	2,519.74	2,528.24	4,929.85	4,884.30	10,424.30
<b>Operating Profit before interest, depreciation &amp; amortisation</b>	<b>4,574.55</b>	<b>2,733.46</b>	<b>8,172.59</b>	<b>5,395.42</b>	<b>7,706.95</b>
Finance Charges	17.19	12.34	35.60	33.27	79.18
Depreciation / Amortisation	1,183.45	1,247.44	2,354.58	2,472.48	4,944.66
<b>Operating profit after interest, depreciation &amp; amortisation</b>	<b>3,373.91</b>	<b>1,473.68</b>	<b>5,782.41</b>	<b>2,889.67</b>	<b>2,683.11</b>
Provision for diminution in value of Investments	(3.80)	--	(3.80)	--	6.31
Share of Profit / Loss of Associate Companies	92.21	(16.69)	145.78	(105.88)	(76.93)
<b>Profit</b>	<b>3,462.32</b>	<b>1,456.99</b>	<b>5,924.39</b>	<b>2,783.79</b>	<b>2,612.49</b>
Other Income (including net foreign exchange losses/gains)	(161.90)	206.00	(127.27)	417.11	832.95
<b>Profit before tax</b>	<b>3,300.42</b>	<b>1,662.99</b>	<b>5,797.12</b>	<b>3,200.90</b>	<b>3,445.44</b>
Provision for taxation	590.04	337.09	1,059.25	712.46	1,314.79
<b>Profit after tax</b>	<b>2,710.38</b>	<b>1,325.90</b>	<b>4,737.87</b>	<b>2,488.44</b>	<b>2,130.65</b>
<b>Earnings per share - of Rs.5 each (Rs.)</b>					
Basic	2.76	1.35	4.82	2.54	2.17
Diluted	2.74	1.35	4.80	2.53	2.17

POLARIS SOFTWARE LAB LIMITED					
AUDITED FINANCIAL RESULTS FOR THE PERIOD ENDED SEPTEMBER 30, 2006 PREPARED AS PER INDIAN GAAP					
PARTICULARS	QUARTER ENDED		HALF YEAR ENDED		YEAR ENDED
	September 30, 2006 Audited	September 30, 2005 Unaudited	September 30, 2006 Audited	September 30, 2005 Unaudited	March 31, 2006 Audited
<b>Income from Software services and products</b>	<b>23,842.51</b>	<b>17,572.78</b>	<b>42,547.16</b>	<b>35,037.04</b>	<b>68,394.06</b>
Software development expenses	16,805.64	12,001.05	29,592.37	24,028.09	47,879.57
<b>Gross Profit</b>	<b>7,036.87</b>	<b>5,571.73</b>	<b>12,954.79</b>	<b>11,008.95</b>	<b>20,514.49</b>
Selling and marketing expenses	1,414.97	1,681.37	2,749.05	3,207.26	6,777.68
General and Administrative expenses	2,002.33	1,818.68	3,736.77	3,755.30	7,382.43
<b>Operating Profit before interest, depreciation &amp; amortisation</b>	<b>3,619.57</b>	<b>2,071.68</b>	<b>6,468.97</b>	<b>4,046.39</b>	<b>6,354.38</b>
Finance Charges	12.91	10.56	24.08	21.58	54.92
Depreciation / Amortisation	1,068.31	1,170.18	2,132.51	2,330.75	4,643.97
<b>Operating profit after interest, depreciation &amp; amortisation</b>	<b>2,538.35</b>	<b>890.94</b>	<b>4,312.38</b>	<b>1,694.06</b>	<b>1,655.49</b>
Provision for diminution in value of investments	18.71	--	22.09	--	216.66
<b>Profit before other income and tax</b>	<b>2,519.64</b>	<b>890.94</b>	<b>4,290.29</b>	<b>1,694.06</b>	<b>1,438.83</b>
Other Income (including net foreign exchange losses / gains)	(299.84)	104.74	(43.56)	323.55	600.63
<b>Profit before tax</b>	<b>2,219.80</b>	<b>995.68</b>	<b>4,246.73</b>	<b>2,017.61</b>	<b>2,039.46</b>
Provision for taxation	369.93	186.09	647.91	412.96	709.91
<b>Profit after tax</b>	<b>1,849.87</b>	<b>809.59</b>	<b>3,598.82</b>	<b>1,604.65</b>	<b>1,329.55</b>
Paid-up equity share capital	4,912.04	4,901.61	4,912.04	4,901.61	4,911.50
Reserves excluding revaluation reserves	--	--	--	--	48,214.95
<b>Earnings per share of Rs 5 each (Rs.)</b>					
Basic	1.88	0.83	3.66	1.64	1.36
Diluted	1.87	0.82	3.65	1.63	1.35
Total Public Shareholding as defined under clause 40A of the Listing Agreement.					
Number of shares	70,852,444	72,358,722	70,852,444	72,358,722	72,556,482
Percentage of shareholding	72.12	73.81	72.12	73.81	73.86
Face value per share (Rs.)	5.00	5.00	5.00	5.00	5.00

SEGMENT INFORMATION	September 30, 2006 Audited	September 30, 2005 Unaudited	September 30, 2006 Audited	September 30, 2005 Unaudited	March 31, 2006 Audited
<b>A) Segment revenue:</b>					
Banking & Financial services	21,116.06	15,746.89	37,803.90	31,400.45	61,453.53
Emerging verticals	2,726.45	1,825.89	4,743.26	3,636.59	6,940.53
<b>Total Revenues</b>	<b>23,842.51</b>	<b>17,572.78</b>	<b>42,547.16</b>	<b>35,037.04</b>	<b>68,394.06</b>
<b>B) Segment results:</b>					
<b>Profit/loss before tax and interest</b>					
Banking & Financial services	7,690.27	4,901.26	13,176.73	9,089.02	16,541.82
Emerging verticals	558.15	403.38	1,069.52	670.93	716.82
<b>Total</b>	<b>8,248.42</b>	<b>5,304.64</b>	<b>14,246.25</b>	<b>9,759.95</b>	<b>17,258.64</b>
a) Interest	(12.91)	(10.56)	(24.08)	(21.58)	(54.92)
b) Other unallocable expenditure net of unallocable income	(6,015.71)	(4,298.40)	(9,975.44)	(7,720.76)	(15,164.26)
<b>Total profit before tax</b>	<b>2,219.80</b>	<b>995.68</b>	<b>4,246.73</b>	<b>2,017.61</b>	<b>2,039.46</b>
<b>C) Capital employed:**</b>	<b>55,121.78</b>	<b>54,603.19</b>	<b>55,121.78</b>	<b>54,603.19</b>	<b>53,126.45</b>

\*\* The assets & liabilities of the company cannot be classified under any specific segment as they are used / contracted interchangeably, hence segment wise capital employed is not disclosed.

**NOTES :**

- The above results were reviewed by the Audit Committee and approved by the Board at its meeting held on October 17, 2006.
- The Stand alone financial statements of the Company for the Quarter and Six months ended September 30, 2006 were audited by the Statutory auditors of the Company.
- Staff Costs for the Quarter ended Sept 30, 2006 was Rs.17,065.98 Lakhs (Quarter ended Sept 30, 2005 was Rs.12057.25 Lakhs).
- Provision for taxation includes current tax, deferred tax and fringe benefit tax.
- No. of Complaints pending at the beginning of the quarter Nil  
No. of Complaints received during the quarter 31  
No. of Complaints disposed off during the quarter 31  
No. of Complaints lying unresolved at the end of the quarter Nil
- The Company has entered into a revised contract services and support agreement effective from April 1, 2006 in September 2006, with some of its subsidiaries based on a detailed study conducted in this respect. Income from Software Services and Products, Software Development Expenses and profit before tax for the quarter ended September 30, 2006 of the stand alone financials includes Rs. 1,587 lakhs, Rs. 1,326 lakhs & Rs. 261 lakhs respectively relating to quarter ended June 30, 2006 on account of adjustments effected on this basis.
- During the quarter, the Company has transferred Unclaimed & Unpaid Dividend for the Financial Year 1998-99 and application money lying in Refund Order Account (IPO) since 1999, to the Investor Education and Protection Fund.
- The Company has not allotted any shares under Associates Stock Option Plans of the Company during the quarter ended September 30, 2006.
- Figures of the earlier periods, wherever necessary, have been regrouped to conform with those of the current periods.

Place : Chennai  
Date : October 17, 2006

for Polaris Software Lab Limited

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

**Arun Jain**  
Chairman & Managing Director