Annual Report 2009 - 10

CHASE THE LIMIT

...seize the dream

NUCLEUS SOFTWARE

Annual Report 2009 - 10

CHASE THE LIMIT...

NUCLEUS SOFTWARE

www.nucleussoftware.com

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Dear Shareholder,

I present to you the performance of your Company for the financial year 2009-10. Before I update you on the financial results, I take immense pride in sharing with you that your Company's flagship product FinnOne™ has been recognized as the number one best selling Retail Lending Software by IBS Publishing for the second consecutive year in 2009. The ranking re-instates Nucleus' leadership position in lending software and is a strong endorsement of our vision, mission and commitment to customer satisfaction.

It also gives me great pleasure to report that the Annual Report and Accounts of our Company for the year ended March 31, 2009, were adjudged as the BEST under the category 'Information Technology, Communication and Entertainment enterprises' of the 'ICAI Awards for Excellence in Financial Reporting', by the Institute of Chartered Accountants of India (ICAI), for the second consecutive year. We received a GOLD shield in the category. The award reflects and reinforces Nucleus' commitment towards adhering to statutory, legal and regulatory requirements and compliance with the accounting and financial reporting standards, codes and practices.

In terms of financial performance, consolidated revenue for the year 2009-10 was Rs.291.78 crore against Rs.328.40 crore in the previous year. With total expenses at Rs.237.70 crore in comparison to Rs.278.80 crore in the previous year, the consolidated EBITDA increased to Rs.54.08 crore in comparison to Rs.49.60 crore in the previous year.

Consolidated net profit for the year was Rs.38.40 crore, against Rs.32.26 crore in the previous year. EPS for the year was Rs.11.86 against Rs.9.97 for the previous year. The Board of Directors have recommended a final dividend of 25%, Rs.2.50 per share, which is subject to approval of the shareholders in the ensuing Annual General Meeting.

The year gone by has been extremely challenging with a falling top line. As committed to you in the previous year, we focused on cost reduction and hence operating margins have grown by 343 basis points to 18.53% for the year against 15.10% in the previous year. Major emphasis will be laid in the current year on regaining top line growth and increasing the market share. Increasing productivity to compensate for the increasing manpower cost will have to be dealt with great emphasis. The steep appreciation of Rupee against all major currencies is another external factor which will need closer management. New technologically superior versions of our key products will be launched during the current year and we are confident of maintaining our competitive edge.

Nucleus' vision is to be a leading global end-to-end products & solution provider; a customer-oriented global organization committed to the highest level of quality for its products and services. Continued R&D effort and investment enables Nucleus to maintain a technology edge in rapidly evolving market and introduce new innovative products & solutions. Nucleus Software generates 60% revenue from IPR led business & services. Post downturn, we are witnessing organizations in the markets expanding, especially those with focus on higher quality and improving IT efficiencies. Internationally also there has been a resurgence in the activities in the banking industry. Recent reports have shown signs of recovery in demand from the banking, financial and insurance verticals also, with the banks hiking their discrete expenditures to upgrade and strengthen their systems. In such times, FinnOne™ solution would be the best option for the lenders as they look forward to managing their lending business effectively.

Our Product business revenue at Rs.173.95 crore, accounted for 59.62% of revenue for the year, against Rs.219.96 crore, 66.98 % revenue in the previous year. This includes Rs.151.12 crore of product revenue from own business against Rs.200.72 crore in the previous year. The Company continues to focus and invest on development of niche Banking Products.

Operating cash flow for the year after working capital changes is Rs.45.45 crore against Rs.37.52 crore in the previous year. Receivables are at Rs.57.68 crore against Rs.80.10 crore. Other Current Assets are at Rs.30.95 crore against Rs.29.43 crore. The Company continues to enjoy a high level of liquidity. 'Cash and Bank balances' and 'Current Investments' were at Rs. 162.40 crore as on March 31, 2010 against Rs.122.18 crore as on March 31, 2009.

The rupee strengthened against all major currencies during the fiscal year 2009-10 because of continued foreign capital inflows seeking higher yields, better fiscal position and high economic growth. Volatility in foreign exchange markets create large risks for us with 87.39% of our revenue denominated in foreign currency. Our total hedges were of US $10.40 million at the end of the year at an average of Rs.46.50. This includes US $0.40 million of options which are marked to market at the year end rate of Rs.45.09 and US $10.00 million of forwards, on which a mark to market gain of Rs.1.37 crore is in the hedging reserve.

Amidst the progression post-recession, we won 31 new product orders for 87 product modules of FinnOne™, our retail loan Suite and Cash@Will™, the cash management product. In all, 84 product modules went live in the year. An increasing trend has been witnessed in 'requests for proposals' (RFP) from across the globe and 280 product demonstrations were held during the year. Deal closure decisions have been delayed due to various unforeseen circumstances such as crisis in different parts of the world, which led to temporary holding of decisions, and we expect such decisions to start happening soon.

During the year, Forrester Research recognized Nucleus for its banking platform deals in 2008 and as an industry vertical specialist in their report "Working with Tier Two Offshore Providers". There have also been some good endorsements from Gartner and Celent as well, during the course of the year. We also participated in numerous banking events globally, like the Asian Banker Summit 2010 in Singapore, SIBOS, the largest banking event at Hong Kong and sixth CEE retail banking event at Vienna. We were the platinum sponsors in the largest banking event in MEFTEC in Middle East.

As far as markets are concerned, now we are operating in almost all the markets. We have increased our sales presence in Europe and Latin America, and are confident of generating some business from these markets. We also added 12 channel partners across the globe during the year.

To keep pace with emerging trends across the globe, a number of product releases were done and some new developments were initiated. A new Java version of Cash@Will™, the Cash Management product, was released during the year. It is pertinent to mention that some of the modules released during the year such as Forecaster / Lead Management / Customer Service module and Dealer Funding have started gaining high visibility and a number of orders have been won for these modules. We are also working towards CMMI level III certification and achieving 100% compliance for all our processes. During the year, we had high number of successful deliveries across the globe, and a very high customer satisfaction rating from many customers.

This year was very challenging from the HR perspective, as we planned to manage most of our requirements with internal resource movements and improving productivity of the existing teams. Selective hiring continued for skills not available internally and we adopted a judicious approach in our hiring decisions. Resources were re-aligned and moved internally. Short term ramp-up requirements of projects were fulfilled by hiring temporary contract staff. Efforts on training and skills enhancements were further enhanced. We continued our efforts of capturing product knowledge and translating it in to Computer Based Trainings (CBT's), which ensured building of knowledge repository at organizational level. The manpower strength as on March 31, 2010 was 1558.

In order to rationalize operations, the Board of Directors of your Company, in the previous financial year, approved closure of two wholly owned subsidiaries viz. Nucleus Software (Australia) Pty Ltd., Australia and Nucleus Software (HK) Ltd., Hong Kong subject to necessary regulatory approvals. During the year, Nucleus Software (HK) Ltd., Hongkong, was de-registered as per the applicable laws of Hongkong and Nucleus Software (Australia) Pty Ltd., Australia was de-registered on April 5, 2010 as per the applicable laws of Australia.

I feel great in sharing with you that for the fourth consecutive year, your Company has been ranked amongst the "Top 25 companies adopting Good Corporate Governance Practices" by the Institute of Company Secretaries of India.

The Indian IT sector is showing signs of recovery and this is a good sign for all the players in this sector. Positive signs shown by the US and European markets are further fueling the growth of Indian IT sector. Recent reports have shown signs of recovery in demand, especially from the banking, financial and insurance verticals with the banks hiking their discrete expenditures to upgrade and strengthen their systems. Nucleus with its services solutions and business model is poised to make the most out of the times to come and deliver maximum value to our customers, shareholders and all other stakeholders.

We have great aspirations and have to work hard, with persistence. We need support form fellow Nucleites, guidance of our Board Members and well-wishers, our customers, business associates and shareholders for achieving our vision and mission. Meanwhile, I also take the opportunity to thank all of you and request you to be with us in making this journey of Nucleus Software a very exciting and thrilling one.

Vishnu R Dusad
Chief Executive Officer & Managing Director
Date: April 25, 2010

"chase the limits..."

Up until the 15th century, most noble minds considered earth to be flat. It was professed that there exists a limit to earth's boundary, beyond which exists a point of no return. However, a young man and his crew challenged the limits and set sail to prove otherwise...and his crew did!

Up until the 20th century, setting afoot on the surface of moon seemed a fairytale, till the brave souls of Apollo 11 chased the limits and took a giant leap beyond.

Over the centuries, man has emerged successful every time he stood determined against the trying times & chased his dreams tirelessly. It is only with wit, vigor and undeterred determination that man can challenge the limits and go beyond into the unknown - a world full of endless possibilities, where success is only defined by passion.

At Nucleus, every activity is backed by passion – passion to create world-class products for the banking and financial sector, passion to create robust processes, passion to delight customers. It is with this passion that Nucleus has been surging forward tirelessly to challenge the trying times of the economic downturn and continue to be amongst the leading creators of intellectual property for the banking and financial sector across the globe.

"banking on innovation;
innovation on banking"

It all began with the inception of the company in 1986 with the vision to add value to our customers' business and thus enable them to reach greater heights on the success ladder. With the launch of software products in 1996, Nucleus took a step into harnessing intellectual capital of the country and create world-class software products for the banking industry.

Since then, year after year, Nucleus has been creating solutions that make life simpler for banks and financial institutions across the globe. At Nucleus, we have dedicated 24 years of devoted focus to creating what the future should look like for banks and financial institutions.

Even during tough times, Nucleus continued to invest in R&D to invent new solutions for the banking industry and release 6 additional modules as add-ons to the lending suite. In 2009 we launched the Java version of the cash management solution, which is a more robust and technologically advanced version, based on J2EE framework - 'n' tier architecture.

This year, Nucleus will be launching its next generation banking software product, a technologically advanced solution that will help banks further improve their operational efficiencies and customer value and change the way banks' customers do banking.

The recession has put all banks on the same platform and the race to the top begins again as the economy recovers. This is the time when the best equipped will put their foot on gas and surge full force forward. Our solutions are the best options for banks and financial institutions to get that extra thrust to stay ahead of competition.

"limits mark the beginning of
a new realm"

Today technology isn't just revolutionizing core competencies for banks; it is actually changing the way banks' customers do banking. Aligning our intellectual capital with business requirement, Nucleus' innovative and pioneering products and software solutions provide critical competitive advantage to banks and financial institutions through maximized returns and reduced cost and time to market with new products.

In 2009, FinnOne™ has been ranked once again as the 'World's No.1 Selling Lending Software Product'. FinnOne™ has been ranked amongst the top for over five years and is a testimony to our passion to add value to our customers' business and equip them with the power to stay a step ahead of competition.

In FY10, despite the prevailing after-effects of the meltdown, your Company won a record 31 new orders globally, including prominent names (including government banks) across geographies. Despite the prevailing feeling of cutting down IT costs in banks in financial institutions to stay afloat, Nucleus bagged 14 new clients globally, winning orders for 87 new product modules for FinnOne™ & CASH@Will™ Suite. We also won several large projects from existing relationships for services business.

With the advent of our Silver jubilee year, Nucleus will step into a new era by re-strengthening its grassroots and revising our processes to ensure quality and value add at each step.

"chasing excellence"

- Nucleus Software's FinnOne™ has been ranked once again as the 'World's No 1 Selling Lending Software product' (for year 2009) by IBS Publishing, UK | 2009.

- Annual Report and Accounts of Nucleus Software for year ended March 31, 2009 have been adjudged as the BEST under the category 'Information Technology, Communication and Entertainment enterprises' of the 'ICAI Awards for Excellence in Financial Reporting' by the Institute of Chartered Accountants of India (ICAI). A GOLD SHIELD was awarded to the Company. Nucleus has received the Gold Shield for the 2nd consecutive year | 2009.

- Nucleus Software has been ranked among the Top 25 companies adopting "Good Corporate Governance Practices" by ICSI for four consecutive years | 2009.

- South Asian Federation of Accountants (SAFA) has adjudged Nucleus' Annual Report as the recipient of the Merit Position for the Best Presented Accounts and Corporate Governance Disclosures Award 2008 under the category of Corporate Governance Disclosure | 2009.

- Forrester Research, a leading independent analyst firm, has recognized Nucleus Software as an industry vertical specialist in their recent report "Working With Tier Two Offshore Providers | 2009.

Board Of Directors

Janki Ballabh
Chairman

Vishnu R Dusad
CEO & Managing Director

Arun Shekhar Aran
Non-Executive Director

Prithvi Haldea
Non-Executive Director

Sanjiv Sarin
Non-Executive Director

Offices

Registered Office
Nucleus Software Exports Ltd.
33-35 Thyagraj Nagar Mkt, New Delhi - 110003
Ph: +91 - 11 - 24627552 Fax: +91 - 24620872

Corporate Office
Nucleus Software Exports Ltd.
A-39, Sector 62, Noida - 201307, India
Ph: +91 - 120 - 4031400 Fax: +91 - 120 - 4031672

Company Secretary

Poonam Bhasin

Auditors

B S R & Co.
Chartered Accountants

Bankers

Citibank
HDFC Bank

Year at a Glance

Rs. in crore, except per share data

For the Year Ended March 31,	CONSOLIDATED PERFORMANCE 2010	2009
Revenue from Operations	291.78	328.40
Operating Profit (EBITDA)	54.08	49.61
Profit after Tax (PAT)	38.40	32.26
EBITDA as a % of Revenue from Operations	18.53%	15.11%
PAT as a % of Revenue from Operations	13.16%	9.82%
EPS	11.86	9.97
Dividend Per Share	2.50	2.50
Dividend Payout	8.09	8.09
As at March 31,		
Share Capital	32.37	32.37
Reserves and Surplus	238.70	207.93
Net Worth	271.07	240.30
Total Assets	271.53	241.16
Net Fixed Assets	54.23	64.21
Investments	95.90	16.29
Current Assets	184.73	238.44
Cash and Cash Equivalents	162.40	122.18
Working Capital	117.75	158.89
Market Capitalisation	446.38	164.60
No. of Shareholders	18,366	13,266
No. of Shares (Face Value of Rs.10.00)	32,370,024	32,370,024

Notes:

1) *Market Capitalisation is calculated by considering the closing market price of the scrip at the close of the year.*

2) *While calculating the figures of group, the intergroup transactions have been ignored.*

Year at a Glance

All figures in US$'000 except per share data

CONSOLIDATED PERFORMANCE

For the Year Ended March 31,	2010	2009
Revenue from Operations	61,080	72,287
Operating Profit (EBITDA)	11,321	10,920
Profit after Tax	8,039	7,101
EBITDA as a % of Revenue from Operations	18.53%	15.11%
PAT as a % of Revenue from Operations	13.16%	9.82%
EPS	0.25	0.22
Dividend Per Share	0.05	0.06
Dividend Payout	1,694	1,781
As at March 31,		
Share Capital	7,179	6,380
Reserves and Surplus	52,939	40,980
Net Worth	60,118	47,359
Total Assets	60,220	47,529
Net Fixed Assets	12,027	12,655
Investments	21,269	3,210
Current Assets	40,969	46,993
Cash and Cash Equivalents	36,070	24,080
Working Capital	26,114	31,315
Market Capitalisation	98,998	32,440

Notes:

1) *Market Capitalisation is calculated by considering the closing market price of the scrip at the close of the year.*

2) *While calculating the figures of group, intergroup transactions have been ignored.*

3) *For the year ended March 31, 2010, the revenue and expenditure items have been translated at an average rate of Rs.47.77 /US$ against Rs.45.43/US$ for March 31, 2009 and balance-sheet items at the year end rate of Rs.45.09/US$ against Rs.50.74/US$ for March 31, 2009*

DIRECTORS' REPORT

Directors' Report

To the Members,

We have pleasure in presenting your Company's Twenty First Annual Report, together with the Audited Statement of Accounts, for the year ended March 31, 2010.

1. FINANCIAL RESULTS - Consolidated

(Rs. in crore)

For the Year Ended March 31,	2010	*% of Revenue*	2009	*% of Revenue*
Revenue from Operations	**291.78**	***100.00***	**328.40**	***100.00***
Software Development Expenses	196.17	*67.23*	222.55	*67.77*
Gross Profit	**95.61**	***32.77***	**105.85**	***32.23***
Selling and Marketing Expenses	22.66	*7.77*	27.80	*8.47*
General and Administration Expenses	18.87	*6.47*	28.45	*8.66*
Operating Profit (EBITDA)	**54.08**	***18.53***	**49.60**	***15.10***
Depreciation	11.33	*3.88*	13.28	*4.04*
Withholding Taxes Charged off	0.43	*0.15*	7.26	*2.21*
Operating Profit After Interest, Depreciation and Withholding Taxes	**42.32**	***14.50***	**29.06**	***8.85***
Foreign Exchange Gain / (Loss)	(8.03)	*(2.75)*	(7.92)	*(2.41)*
Other Income	9.62	*3.30*	13.71	*4.17*
Profit Before Tax	**43.91**	***15.05***	**34.85**	***10.61***
Provision for Taxation				
– Current	8.99	*3.08*	5.38	*1.64*
– MAT Credit Entitlement	(2.15)	*(0.74)*	(2.02)	*(0.62)*
– Fringe Benefit	0.03	*0.01*	0.70	*0.21*
– Deferred	(1.36)	*(0.47)*	(1.49)	*(0.45)*
– Earlier Year Tax	–	–	0.02	*0.01*
Profit After Tax	**38.40**	***13.16***	**32.26**	***9.82***
Earning Per Share (in Rs. per Equity Share of face value Rs. 10 each)				
– **Basic**	**11.86**		**9.97**	
– **Diluted**	**11.86**		**9.96**	

FINANCIAL RESULTS - Nucleus Software Exports Limited

(Rs. in crore)

For the Year Ended March 31,	2010	*% of Revenue*	2009	*% of Revenue*
Revenue from Operations	**194.15**	***100.00***	**209.43**	***100.00***
Software Development Expenses	125.48	*64.63*	130.73	*62.42*
Gross Profit	**68.67**	***35.37***	**78.70**	***37.58***
Selling and Marketing Expenses	14.12	*7.27*	18.73	*8.94*
General and Administration Expenses	14.95	*7.70*	21.77	*10.39*
Operating Profit (EBITDA)	**39.60**	***20.40***	**38.20**	***18.24***
Depreciation	9.80	*5.05*	10.12	*4.83*
Withholding Taxes Charged off	0.43	*0.22*	7.26	*3.47*
Operating Profit after Interest, Depreciation and Withholding Taxes	**29.37**	***15.13***	**20.82**	***9.94***
Foreign Exchange Gain / (Loss)	(5.71)	*(2.94)*	(8.81)	*(4.21)*
Other Income	15.63	*8.05*	16.56	*7.91*
Profit Before Tax	**39.29**	***20.24***	**28.57**	***13.64***
Provision for Taxation				
– Current	6.83	*3.52*	3.36	*1.60*
– MAT Credit Entitlement	–	–	(0.52)	*(0.25)*
– Fringe Benefit	0.03	*0.02*	0.70	*0.33*
– Deferred	(1.31)	*(0.67)*	(1.31)	*(0.63)*
– Earlier Year Tax	–	–	0.19	*0.09*
Profit After Tax	**33.74**	***17.38***	**26.15**	***12.49***
Dividend	8.09		8.09	
Tax on Dividend	0.15		0.65	
Transferred to General Reserve	3.37		2.61	
Profit Retained in Profit & Loss Account	22.13		14.80	
Earning Per Share (in Rs. per Equity Share of face value Rs. 10 each)				
– **Basic**	**10.42**		**8.08**	
– **Diluted**	**10.42**		**8.08**	

2. RESULTS OF OPERATIONS

(a) Consolidated Operations

Your Company's revenue from operations for the year is Rs.291.78 crore against Rs.328.40 crore in the previous year, a fall of 11%. Total operational expenses for the year are at Rs.237.70 crore against Rs.278.80 crore in the previous year, a reduction of 15%. Despite a fall in revenue precipitated by global meltdown and slow recovery, the Company was able to achieve an increase in the operating margins by 343 basis points, as it was able to put in place well in time several cost control measures. As a result, the Operating Profit (EBITDA) achieved was Rs.54.08 crore, 19% of revenue, against Rs.49.60 crore, 15% of revenue in the previous year.

Profit after Tax for the year at Rs.38.40 crore, 13% of revenue, is higher by 19% over Rs.32.26 crore, 10% of revenue, for the previous year.

(b) Standalone Operations

The total revenue from operations for the year is Rs.194.15 crore against Rs.209.43 crore in the previous year, a fall of 7%. Total operational expenses for the year are at Rs.154.55 crore against Rs.171.23 crore in the previous year, a reduction of 10%. Operating Profit (EBITDA) is at Rs. 39.60 crore, 20% of revenue, against Rs.38.20 crore, 18% of revenue in the previous year.

Profit after Tax for the year at Rs.33.74 crore, 17% of revenue, is higher by 29% over Rs.26.15 crore, 12% of revenue, in the previous year.

3. DIVIDEND

Your Directors are pleased to recommend a dividend of 25% (Rs.2.50 per equity share of Rs.10 each), subject to the approval by the Shareholders at the forthcoming Annual General Meeting.

The total amount of dividend payout will be Rs.8.09 crore, 21% of consolidated profits for the year, against a payout of Rs.8.09 crore, 25% of consolidated profits in the previous year.

The Register of Members and Share Transfer Register shall remain closed during the period starting 17th June to 24th June 2010 (both days inclusive) for the purpose of Annual General Meeting and for payment of dividend. The dividend, if approved at the Annual General Meeting, will be payable to members whose names appear on the Register of Members of the Company on June 17, 2010, being the first day of Book-Closure and to those whose names appear as beneficial owner in the records of National Securities Depositories Ltd. and Central Depository Services (India) Ltd. on close of business as on June 16, 2010.

Pursuant to the provisions of Section 205A (5) of the Companies Act, 1956, the Company transferred the following unpaid /unclaimed dividends relating to the following two years to the Investor Education and Protection Fund (IEPF) established by the Central Government.

Dividend for the Year	Amount of Unpaid Dividend
2000-2001 - Interim Dividend	Rs.28,762
2000-2001 - Final Dividend	Rs.74,339
2001-2002 - 1st Interim Dividend	Rs.58,921
2001-2002 - 2nd Interim Dividend	Rs.50,979

4. SHARE CAPITAL

The paid-up share capital as on March 31, 2010 was 32,370,024 equity shares of Rs.10 each. There has been no increase in the paid-up share capital of the Company during the year.

5. REVIEW OF BUSINESS & OUTLOOK

We are a Software Product Company operating in the Banking and Financial Services Domain. Our customers are banks and non-banking financial institutions and our products are largely in the origination and management of "Retail Loans", and the management of corporate liquidity by banks .'The 'Global Financial Crisis' was characterized by near universal uncertainty about bank solvency , the collapse /rescue of large financial institutions , severe credit squeeze, lack of liquidity for industry and the consequent negative effect on the Real economy. There were Government bailouts and global co-operation across the so called developed and emerging markets. Though the 2010 global GDP forecast is 2.7%, the recent events in the Euro zone and the need to finance huge fiscal deficits, do underline the fragility of the Global recovery.

The fiscal year ended March 2010 had challenges with slow decision making by the customers and, increasing price competition. In addition, there was a partial cancellation of a major customer order of our subsidiary in Japan. While there is no current or future liability arising from this partial cancellation, the learning's have been imbibed which will make us focus on skill development and training, appropriate to the business and cultural nuances specific to each country that we deal with.

While the initial response by our customers, existing and prospective, was to postpone their spending decisions, including on IT products, there are now signs of increased interest, especially in end-to- end solutions and for innovative product-based solutions and pricing models to improve the offerings. Several banks and financial institutions are now willing to commit to product orders. This trend is being witnessed in almost all markets, including Latin America.

There are clear signs that the developing countries are now excelling at business innovation and technology and will lead the way in the future. This is already visible in the Mobile banking and money exchange segments with Inclusive banking being the dominant trend to take banking to the masses. Your Company is investing in new technology to upgrade its existing product portfolio and at the same time looking at new products and applications, both from an organic and an inorganic growth perspective. Of course, the focus of your Company would continue to be on development of software products for the Banking and Financial Institutions.

6. NOTABLE ACCOLADES RECEIVED DURING THE YEAR

- Nucleus Software's FinnOne™ has been ranked **'World's No 1 Selling Lending Software product'** by IBS Publishing for the second consecutive year in 2009.
- The Annual Report of Nucleus Software for year ended March 31, 2009 has been adjudged as the **BEST** under the category 'Information Technology, Communication and Entertainment enterprises' of the 'ICAI Awards for Excellence in Financial Reporting' by the Institute of Chartered Accountants of India (ICAI). **A GOLD SHIELD** was awarded to the Company, for the second consecutive year.
- Nucleus Software has been ranked among the **Top 25 companies adopting "Good Corporate Governance Practices"** by ICSI for fourth consecutive year in 2009.
- South Asian Federation of Accountants (SAFA) has adjudged Nucleus' Annual Report as the recipient of the **Merit Position** for the Best Presented Accounts and Corporate Governance Disclosures Award 2008 under the category of Corporate Governance Disclosure.
- Forrester Research, a leading independent analyst firm, has recognized Nucleus Software as an **industry vertical specialist** in their recent report "Working with Tier Two Offshore Providers".

7. SUBSIDIARIES

The Company has following wholly owned subsidiaries:

Name of Subsidiary	Location
• Nucleus Software Solutions Pte. Ltd.	Singapore
• Nucleus Software Inc.	USA
• Nucleus Software Japan Kabushiki Kaiga	Japan
• VirStra I- Technology Services Ltd.	India
• Nucleus Software Netherlands B.V.	Netherlands
• Nucleus Software Ltd.	India
Step Down Subsidiary of Nucleus Software Exports Ltd.	
• VirStra I- Technology (Singapore) Pte. Ltd.	Singapore

During the year, your Company made an additional investment of € 100,000 in Nucleus Software Netherlands B.V., by subscribing to its equity share capital. The Company also received an interim dividend of Rs. 7 crore from VirStra i-Technology Services Ltd., a wholly owned subsidiary.

In order to rationalize operations, the Board of Directors of your Company, in the previous financial year, decided closure of two wholly owned subsidiaries viz. Nucleus Software (Australia) Pty Ltd., Australia, and Nucleus Software (HK) Ltd., Hong Kong, subject to necessary regulatory approvals. During the year, Nucleus Software (HK) Ltd., Hongkong, was de-registered as per the applicable laws of Hong Kong and Nucleus Software (Australia) Pty Ltd., Australia was de-registered on April 5, 2010 as per the applicable laws of Australia.

As per Section 212 of the Companies Act, 1956, a Company is required to attach the Directors' Report, Balance Sheet and Profit and Loss Account of all subsidiaries to its balance sheet. Your Company has been presenting the audited consolidated accounts in the Annual Report in the past in accordance with Indian GAAP, which give a full and fair presentation of the Company's financials in keeping with global best practices. Accordingly, your Company applied to the Central Government for an exemption from attaching detailed accounts of the subsidiaries. The Government has granted exemption to the Company from Section 212 of the Companies Act, 1956 and accordingly, the financial statements of the subsidiaries are not attached in the Annual Report.

For providing information to Shareholders, the annual accounts of these subsidiary Companies along with related information are available for inspection during business hours at the Company's registered office and at the concerned subsidiary's offices.

8. INFRASTRUCTURE

Your Company has offices in several locations across the globe. The office space and seating capacity of these offices is detailed below:

Office Location	Area in Sq. ft.	Seating Capacity - No. of Persons
Noida		
Unit - I	87,423	705
Unit - II	90,265	778
Multi Facility Block	30,433	194
Total	**208,122**	**1,677**
Chennai	13,524	209
Singapore	12,379	201
New Delhi	10,000	140
Pune	9,573	120
Mumbai	3,250	31
Dubai	1,290	17
Japan	431	5
Amsterdam	561	7
USA	410	4
Total	**259,540**	**2,411**

Noida and New Delhi premises are owned by the Company and the other office premises are under lease.

9. SPECIAL ECONOMIC ZONE (SEZ) PROJECT

Nucleus Software Ltd., a wholly-owned subsidiary of the Company, had acquired 17.41 acres of land in a SEZ in Jaipur at a private sector multi-product Special Economic Zone, "Mahindra World City" in the year 2008-09. SEZ's are eligible for a host of fiscal benefits, incentives and concessions both from the State and Union Government.

On account of the economic downturn, the Company decided to defer the plans for commencing operations at the SEZ. The basic infrastructural work has now commenced and we expect to commission a 250-person facility before March, 2011.

10. QUALITY PROCESSES

Your Company continues its focus on Quality. To further augment this, during the year, your Company engaged external consultants to familiarize Project Managers with Best Practices of the industry. On-job handholding sessions were organized to enhance key process/metrics concepts of the practitioners. The Capability Maturity Model Integration (CMMI) initiative progressed as per schedule with the appraisal of implementation status of various process areas required for Maturity Level 3. This helped in further institutionalization of processes across the organization in a sustained manner.

A Project Management tool- PMP, which was developed in-house, was launched during the year for better planning and management of product development, implementation of projects. Extensive training on PMP and related tools was conducted to make users come up the curve within a short period. New and enhanced process steps were formulated to eliminate waste and improve efficiencies. These were included in the in-house software process standards and have been made applicable to all the employees.

Your Company is also focusing on a high-quality "Voice of Customer" (Customer Satisfaction Rating) system. A centralized business analyst pool has been created to interact with customers to ensure that their requirements are clearly documented and understood, and are communicated to the Delivery Team. During the year, your Company also created a Delivery Assurance Group to facilitate development and implementation of standard processes.

11. HUMAN RESOURCE MANAGEMENT

Your Company strongly believes that it is only investing in people that will make your Company scale new heights, which in turn would ensure better performance and sustainability of the Company, the society, the economy and the environment. Being a knowledge-based industry, a high intellectual capital lends competitive advantage to a firm; intellectual capital that comprise of human capital and intellectual assets.

The year witnessed new challenges as the IT sector in India started recovering from a severe recession and IT companies started recruiting once again. During the year, your Company's HR team focused on providing cost-efficient solutions and leveraging economies of scale through manpower planning (ramp up and ramp down), compensation and benefits, to align with the business in hand and the future pipeline. Employee retention strategies were worked out for key resources. Regular communication with Nucleites, open houses and understanding and resolving their concerns was a major activity during the year. A special interim appraisal for employees was also carried out during the year.

Focus was imparted on managing manpower requirements with the internal movement of resources, at the same time maintaining and improving productivity of the existing teams. Selective hiring was done for skills not available internally and temporary and contract staff were hired for short-term requirements of the projects.

Project Management and Business Analysis competencies were further strengthened through new hiring and series of training sessions which culminate in internal competency assessments (ICA) and certifications. Extensive skill enhancement programs were conducted for technology and framework knowledge of products, and product knowledge was captured and translated into Computer-Based Trainings (CBT's).This ensured the building of knowledge repository at the organization level.

12. ADDITIONAL INFORMATION TO SHAREHOLDERS

Detailed information to the shareholders in the form of "Shareholders' Referencer" is provided later in this report.

13. SECRETARIAL AUDIT

In order to strengthen the internal processes of the secretarial department of your Company, an assignment was given for a comprehensive Secretarial Audit to a professional Company Secretary firm. While the audit revealed that the Company was in compliance of all laws/regulations, some recommendations made by the Secretarial Auditor for adopting Best Practices are now being implemented.

14. LIQUIDITY AND CASH EQUIVALENTS

Your Company continues to retain its status of a debt-free Company. It has been consistently following a conservative investment policy over the years, maintaining a reasonably high level of cash and cash equivalents, which enable the Company to completely eliminate short and medium term liquidity risks.

Our liquidity position continue to be strong with cash and cash equivalents reaching 60% of our total assets at Rs.162.40 crore at the year end, against Rs.122.18 crore, 51% of total assets at the close of the previous year.

During the year, working capital requirements, capital expenditure and dividend payments were more than adequately covered by the internal cash accruals. An amount of Rs.38.68 crore, as on March 31, 2010 was in bank fixed deposits at an average interest rate of 4.69% per annum net of tax, and Rs.95.66 crore was in Liquid and Liquid Plus schemes of various mutual funds, in dally dividend schemes with full liquidity. The mix between deposits and liquid mutual funds is a function of the prevailing interest rates.

15. FOREIGN EXCHANGE RISK

The Indian Rupee strengthened by 11 per cent against the US dollar during the year ended March, 2010, from Rs.50.74 per Dollar end-March 2009 to Rs.45.09 per Dollar end-March 2010.

With continued foreign capital inflows, largely portfolio investments, seeking participation in the country, with the second highest GDP growth rate in the world, the Rupee also appreciated by 5.5 per cent against the Pound Sterling, 9.44 per cent against the Euro and 7.35 per cent against the Japanese Yen.

However, this firming Rupee on the back of rising foreign investments in India's fast growing economy, poses a challenge to the industry, which is substantially export-oriented. At a macro level, high inflation, continuing current account deficit and the fiscal deficit do indicate a weakening of Rupee. However, the exchange rate continues to be influenced by short term flows and there is a loss in competitiveness especially with China, which has held the exchange rate steady for almost 18 months.

While the Company cannot directly influence the exchange rates, it is incumbent upon the management to follow a prudent policy to hedge the foreign currency risk, but without taking speculative positions. The Company has a conservative approach and does not speculate in foreign currency markets. Forwards are held to maturity and regular reporting and monitoring systems are in place including quarterly updates to the Audit Committee.

During the year, the Company followed a well-defined hedging policy of hedging close to receivables through Forward Contracts which are designated Highly Probable Forecast Transactions. With Rupee appreciation, this has resulted in favorable contribution to the revenue. There have, however , been losses below the EBITDA line due to translation of receivables and other foreign currency current assets held in India.

At the year end, the Company had US$ 10.40 million of hedges compared to US$ 9.15 million at the beginning of the year.

16. FIXED DEPOSITS

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

17. AUDITORS

The present Statutory Auditors of the Company, B S R & Co, retire at the forthcoming Annual General Meeting, and are eligible for re-appointment.

The Board of Directors have formally approved a Policy for Rotation of Statutory Auditors of the Company in their meeting held on January 17, 2010. According to the Policy, the Statutory Auditors of the Company will have a maximum tenure of 6 years. The first proposal for rotation of Statutory Auditors for the year 2010-11 has been recommended by the Board to the Shareholders in the forthcoming Annual General Meeting of the Company, for their approval, pursuant to the receipt of Special Notice from a member of the Company in terms of Section 190 to be read with Section 225(1) of the Companies Act, 1956, proposing the appointment of Deloitte Haskins & Sells, Chartered Accountants, New Delhi as Statutory Auditors of the Company from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting. Deloitte Haskins & Sells have expressed their willingness to act as Statutory Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Companies Act, 1956.

Ensuring quality and independent audit has been a long-standing objective of good Corporate Governance at Nucleus. Adoption of the Rotation Policy will be a significant move in that direction. It is also expected to improve Auditor's independence and enhance audit quality.

18. DIRECTORS

The Articles of Association of the Company provide that at least two-thirds of our Directors shall be subject to retirement by rotation. One third of these retiring directors must retire from office at each Annual General Meeting of the shareholders. A retiring Director is eligible for re-election.

Mr. Arun Shekhar Aran and Mr. Sanjiv Sarin, Directors of the Company, shall retire at the ensuing Annual General Meeting, and have offered themselves for re-appointment.

Mr. Janki Ballabh was appointed as an Additional Director and Chairman of the Board on November 15, 2008. The shareholders at the Annual General Meeting held on July 8, 2009, approved his appointment as a Director liable to retire by rotation. At the same time, Mr. Ballabh was re-elected as the Chairman of the Board by the Board of Directors.

Mr. Suresh Joshi, a Non-Executive Director liable to retire by rotation at the Annual General Meeting held on July 8, 2009, vacated his office as he did not offer himself for re-appointment due to his advancing age.

19. CORPORATE GOVERNANCE

Good Corporate Governance and Risk Management frameworks at Nucleus put in place over the years ensure a value-driven approach, sound business practices, fundamentally strong control environment, strong information systems, effective early warning mechanisms and real-time response system.

We, at Nucleus, believe that good and effective Corporate Governance is more of values and culture and not just compliance of laws and regulations in general, and Corporate Governance guidelines in particular. It is true that the law alone cannot bring changes and transformation. Voluntary compliance both in form and in substance, and going beyond that, plays an important role in developing a system of good Corporate Governance.

The Ministry of Corporate Affairs (MCA), released in December 2009, the voluntary guidelines on Corporate Governance, drawn from best practices. Although voluntary in nature, listed companies are expected to be proactive in compliance and provide reasons of non-compliance of any section, if any. Although your Company is already compliant with most of the sections, the Corporate Governance Committee of your Company has charted the plan for implementation of some of the new suggestions. The section-wise response to these Guidelines is provided later in this report.

In recognition of the Corporate Governance policies and practices implemented both in form and substance, your Company was short listed as one of the Top 25 Companies adopting "Good Corporate Governance Practices" by the Institute of Company Secretaries of India for the fourth consecutive year in 2009.

20. CORPORATE SOCIAL RESPONSIBILITY (CSR)

A new renewed area of focus for your Company during the year was Corporate Social responsibility (CSR). On the basis of directions provided by the Board of Directors, many programmes have been initiated to promote CSR activities. A separate chapter detailing CSR activities of the Company is provided later in this report.

21. EMPLOYEE STOCK OPTION PLAN

Particulars	1999 Plan	2002 Plan	2005 Plan	2006 Plan
(a) Total number of options under the Plan	170,000	225,000	6,00,000	1,000,000
(b) Pricing formula	Rs.24/- per Equity Share of Rs.10/- each	75% of the Fair Market Price as on date of grant	100% of the Fair Market Price as on date of grant	100% of the Fair Market Price as on date of grant
(c) Options granted during the year	–	–	–	40,000
(d) Options vested as of March 31, 2010	–	73,300	85,400	33,930
(e) (i) Options exercised during the year	–	–	–	–
(ii) Total number of shares arising as a result of exercise of above options during the year*	–	–	–	–
(f) Options forfeited during the year	–	37,800	14,000	35,000
(g) Option lapsed during the year	–	14,950	42,600	93,786
(h) Variation of terms of options during the year	–	–	–	–
(i) Amount realized by exercise of options during the year	–	–	–	–
(j) Total number of options in force as on March 31,2010	–	73,300	85,400	67,144
(k) Details of options granted during the year ended March 31, 2010 to:				
(i) Senior managerial personnel of the Company**:	–	–	–	40,000
(ii) any other employee who receives a grant in any one year of options amounting to 5% or more of options granted during that year.	–	–	–	–
(iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversion) of the Company at the time of grant.	–	–	–	–
(l) Weighted average exercise price of options	–	360.26	356.39	608.03
(m) Weighted average fair value of the options	–	376.86	242.89	471.30

** Your Company issued Bonus Shares in the ratio of 1:1 in August 2007 and in accordance with statutory approvals, all options granted before Bonus Issue on exercise will entitle the option holders for 2 shares for 1 option held.*

*** Name : Ravi Verma*
Designation : President & Global Head-Human Resource
ESOP (2006) : 40,000

Your Company has used intrinsic value of stock options to determine compensation cost. If the compensation cost for the ESOPs had been determined in a manner with the fair value approach, the Company's net income and EPS would have been impacted as below:

Net Income		
	As Reported	**Rs. 33.74 crore**
	Less: Adjusted Amount	Rs. 0.82 crore
	Adjusted Net Income	**Rs. 32.92 crore**
Basic and Diluted EPS		
	As Reported	
	Basic	Rs.10.42
	Diluted	Rs.10.42
	After Adjustment	
	Basic	Rs.10.17
	Diluted	Rs.10.17

Your Company has adopted Black Scholes option pricing model to determine the fair value of stock options.

The significant assumptions are:

1.	Risk free interest rate	8.00%
2.	Expected life	1-4 years
3.	Expected volatility	42.06% to 149.75%
4.	Expected dividend yield	0.84%
5.	Market price grant wise,	
	Plan wise on date of grant:	(In Rs.)
	ESOP (2002)	193.95 to 505.00
	ESOP (2005)	357.00 and 320.00
	ESOP (2006)	117.00 to 568.00

22. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies act, 1956, read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988, are set out in Annexure-A which forms part of this Report.

23. PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, and forming part of the Directors' Report for the year ended March 31, 2010 is annexed as Annexure-B.

24. DIRECTOR'S RESPONSIBILITY

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

(i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(ii) the Directors have selected such accounting policies and applied them consistently, except where otherwise stated in the notes on accounts, 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 have 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 have prepared the annual accounts on a going concern basis.

25. ACKNOWLEDGMENTS

Your Directors would like to place on record their gratitude for the co-operation received from the Government of India, the Customs and Excise Departments, Software Technology Park-Noida, Software Technology Park-Chennai, Software Technology Park-Pune and all other government agencies.

Your Directors also thank all the customers, vendors, shareholders and bankers for their support to the Company. The Board, in specific, wishes to place on record its sincere appreciation of the contribution made by all the employees towards the continued growth of the Company.

For and on behalf of the Board of Directors

Noida (U.P.)
April 25, 2010

Janki Ballabh
Chairman

Annexure A

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

A. DETAILS OF CONSERVATION OF ENERGY

The operations of the Company involve low energy consumption. Adequate measures have, however, been taken to conserve energy, including the following:

1. Use of latest technology such as T5 and CFL lights to economize our electrical consumptions.

2. Use of eco-friendly gas (FM 200) in the fire suppression system in the data center.

3. Rain water harvesting.

4. Use of AAC blocks in construction for keeping the load and pressure on air-conditioning minimal.

5. Use of furniture and equipment products that are standard and branded, and which comply with environment-friendly specification.

6. Implementation of Green building designs and construction which dramatically reduces the enormous amounts of energy that buildings consume in heating, cooling, lighting and water use.

7. Regular UPS and AC plant maintenance to ensure efficient working of the equipments.

8. New DG synchronization panel was procured during the year, to run the DG set at optimum load. Care was taken to keep air and noise pollution well within the prescribed limits.

   The Company is exploring the feasibility of using the terrace space for generation of solar power. Power generated will be used in tandem with the existing UP Board or DG power to reduce the withdrawal from these sources.

   Your Company is always in a look out for innovative and efficient energy conservation technologies and applies them prudently. The upcoming facility at SEZ Jaipur, shall see the use of eco-friendly green ideas used to the maximum like Use of ground air-conditioning system, grid linked solar power.

B. RESEARCH AND DEVELOPMENT

Your Company has an IP led business model and globally licenses Intellectual Property in the form of products for the Banking and Financial Services Industry. As a Product Company, we believe that Research and Development is the key to sustained development. We continuously strive to enhance our products, so as to deliver more and better value to our esteemed customers. We continually invest in research and development of new products and services, designs, frameworks, processes and methodologies. This effort creates a strong quality culture and enhances productivity and customer satisfaction.

1. R&D Initiatives in Specific Areas

Your Company is one of the few IT companies in India, which are focused on the business of building their own Intellectual Property. Since 1989, Nucleus has been continuously involved in research and development activities to develop new business applications for the banking industry. There is a constant need for your Company, being a Product development Company to develop and upgrade new software and associated services. R&D is a critical source of value creation for your Company. The Company needs to develop and release new products, relatively frequently, to remain competitive. Two major challenges are associated with it:

- Resource allocation to work on tomorrow's next generation products
- Maintaining margins, particularly for legacy and non-core products.

The Research and Development investments of your Company are focused to get a deep understanding of the banking business processes and develop technologies and products which can improve these processes by bringing about fundamental changes in the way businesses operate.

The R&D expenditure is focused on development of new business applications covering new areas of banking, and conducting core research in the arena of new technologies.

There is a technology incubation unit which has been created to strengthen the Company's technology incubation. Your Company has also created centralized business analyst pool which interacts with customers to ensure that their requirements are absolutely clearly documented and understood, and to support the delivery in delivering as per norms. New technologies are being developed that will place risk management at the centre of any business strategy deployed by financial institutions in these uncertain times.

2. Benefits of the Above R&D

The focused investment in Products and the intensive Research & Development initiatives undertaken by your Company during the year has helped to stay ahead of competition both functionally and technically and in line with the customer needs.

In line with the goal of serving the customers in a better way, focus was on technology upgrade of FinnOne™.

Nucleus' vision is to be a leading global end-to-end products & solution provider; a customer-oriented global organization committed to the highest level of quality for its products and services. Continued R&D effort and investment enables Nucleus to maintain a technology edge in rapidly evolving market and introduce new innovative products & solutions.

To keep pace with emerging trends across the globe, a number of product releases were done and some new developments were initiated. A new Java version of Cash@Will, the cash management product, was released during the year. It is pertinent to mention that some of the modules released during the year such as Forecaster / Lead Management / Customer Service module and Dealer Funding have started gaining high visibility and orders have been won for these modules. We are also working towards CMMI level III certification and achieving 100% compliance with relation to all our processes. During the year, your Company had a high number of successful deliveries across the globe, and a very high customer satisfaction rating from many customers.

3. **Future Plan of Action**

With our business model continuing to yield positive results, the Company is now planning to invest further in product development and add new products to the portfolio. The focus is on increasing robustness of the product and proactively sending updates to customers. This will ensure that customer encounters reduced support issues which will also reduce support cost substantially. As the primary objective, investments in enhancements and development of path beating niche products will continue, thus delivering enhanced customer value.

We are confident that Nucleus products will continue to add business value to current and future customers and partners.

C. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Efforts towards Technology Absorption, Adaptation and Innovation

Your Company realizes the importance of innovation and constant improvement in key areas of business. As business and technologies are changing constantly, investment in research and development activities is of paramount importance. Your Company continued its focus on quality up gradation of software development processes and software product enhancements. This has helped maintain margins despite changes in technology. In order to create a conducive environment which propels adaptation of new ideas, skills and methodologies, your Company has instituted a culture of quality consciousness at grass-root level.

Your Company not only encourages innovation, but also recognizes and rewards it suitably. This policy is not restricted to technology, but includes innovation in non-IT processes and Human resource initiatives.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. **Export Initiatives and Development of New Export Markets**

Your Company is recognized as one of the pioneers in software exports in the Banking domain. The Company is registered with the Software Technology Park of India and has network of international offices across the globe.

During the year, your Company received orders from multiple regions, and also increased sales presence in Europe and Latin America. The Company is pursuing prospects for product business from Japan, Southeast Asia, Middle East, India, Africa and Francophone countries. There have been some new prospects from these regions and your Company is confident to get some business from these markets. Twelve new channel partners across the globe were also added during the year.

In FY 10, foreign exchange earnings from software products and services is at Rs.155.85 crore, 80% of total revenue against Rs.171.21 crore, 82% of the total revenue in FY 09.

2. **Foreign Exchange Earned and Used**

(Rs. in crore)

For the Year ended March 31,	2010	2009
Foreign Exchange earnings	155.85	171.21
Foreign Exchange outgo (including capital goods)	28.84	38.43

For and on behalf of the Board of Directors

Noida (U.P.)
April 25, 2010

Janki Ballabh
Chairman

Annexure B

Statement under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

Sl No.	Name	Designation	Qualification	Age	Date of Joining	Total Experience	Gross Remuneration (Rs.)	Designation - Previous Employment
1	Abhijit Mittra *	Vice President	MA, PGDM Com. Soft. Appl.	45	21-Jul-99	23	2,143,667	Manager - RPG ITOCHU Finance Ltd
2	Alok Agarwal*	Vice President	B.Sc,MCA	38	15-Feb-10	15	354,476	Associate General Manager - HCL Technologies
3	Anil Aggarwal	Associate Vice President	B .COM,CA	44	12-Sep-02	21	2,605,567	Senior Manager - Pearl Global Limited
4	Anurag Bhatia	Senior Vice President	MCA	44	15-Jan-96	20	3,678,589	System Analyst - TCS Limited
5	Dr. Asha Goyal *	Vice President & Head Quality	B.E., B.Sc., M. Tech., Ph. D.	63	2-Jan-07	35	1,563,607	VP - IBM
6	Dharamvir Rohilla *	Vice President	M.Sc.	55	23-Nov-06	32	1,970,628	Group Manager - Perot System
7	Inamdar Balchandra C.	Vice President	M.Sc.	49	5-Jan-04	25	3,707,908	General Manager (Operations) - Walchand Infotech
8	Kamal Nayyar	Associate Vice President	B.Sc,MCA	38	1-Feb-97	13	2,936,289	N.A
9	Kishore Tambe *	Vice President	B.Sc , MCA	44	1-Feb-96	19	1,613,157	Senior Engineer - Softek Ltd.
10	Niraj Vedwa	Chief Operating Officer	PGDSM	44	8-Mar-99	22	8,958,781	National Sales Manager - Modicorp Ltd
11	Parag Bhise	Vice President	MCA	45	3-Oct-89	20	3,256,238	Project Trainee - Cooperative Milk Producers Federation of Patna
12	Pinakin G. Pujara	Associate Vice President	B. Com, MBA	51	22-Aug-05	29	3,165,388	VP Finance - Transformers & Rectifiers (India) Ltd.
13	Piramanayagam T	Associate Vice President	MDBA	45	4-May-04	19	3,550,305	Senior Consultant - Patni Computers
14	Prakash Pai	President	M.Sc.	49	1-Jun-94	26	6,129,972	Chief Officer (EDO) - Bank of India
15	Pramod K. Sanghi	President -Finance & Chief Financial Officer	B. Com(H), PGDM	55	15-Apr-02	32	6,966,425	Executive Director (Finance) - Pearl Global Limited
16	Ravi Pratap Singh	President	B.A (Hons), PG Diploma	49	1-Apr-94	23	6,343,009	President (Technologies) - Nucleus Software Workshop (P) Ltd
17	Rajesh Garg	Associate Vice President	B. Tech.	39	20-Nov-06	17	3,012,522	Director - ISS - Infogain India Pvt. Ltd.
18	R Venkatraman	Vice President	B.Sc, DCA	40	21-Dec-96	13	2,682,768	Systems Assistant, Department of Telecommunication
19	Ravi Verma	President & Global Head - Human Resource	Masters in Public Administration, PGDPM	50	8-Feb-06	28	6,236,934	Vice President (Human Resources) - Reliance Industries Limited
20	Sanjeev Kulshrestha	Vice President	MCA, M.Sc.	46	7-Feb-96	18	3,618,133	Software Engineer - Information Technologies (INDIA) Ltd
21	Saurabh Sharma	Associate Vice President	BE, MBA	39	3-Jun-02	16	3,030,512	Project Leader - Tata Consultancy Services
22	Sourabh Palit*	Vice President	BA	41	22-Feb-10	17	389,776	Indusind Bank - Vice President
23	Suneel Sehgal	Associate Vice President	B.Com,MBA	38	20-Oct-03	17	3,114,360	Manager - ICICI Infotech
24	Dr. Vishnu Rao Nandamuri	Vice President	B.E., LL.B., MBA, M. Tech., Ph.D.	46	8-Sep-08	20	3,395,515	Senior Consultant - Iflex Solutions
25	Vishnu R Dusad	CEO & MD	B. Tech.	53	9-Jan-89	29	11,882,738	N.A

* Employed for part of the year

Note:

a) Remuneration comprises salary, allowances, and taxable value of perquisites.

b) All appointments are contractual in nature.

For and on behalf of the Board of Directors

Noida (U.P.)
April 25, 2010

Janki Ballabh
Chairman

Annexure - C

AUDITORS' CERTIFICATE

(Under Clause 49 of the Listing Agreement)

To the Members of
Nucleus Software Exports Limited

We have examined the compliance of conditions of Corporate Governance by Nucleus Software Exports Limited ("the Company"), 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 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.

We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned 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 **B S R & Co.**
Chartered Accountants
Firm registration number : 101248W

Sd/-
Jiten Chopra
Partner
Membership No. 092894

Gurgaon
April 25, 2010

CERTIFICATION BY MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER OF THE COMPANY

We, Vishnu R. Dusad, Managing Director and Pramod K. Sanghi, Chief Financial Officer, of Nucleus Software Exports Limited ("the Company"), to the best of our knowledge and belief, certify that:

1. We have reviewed the financial statements for the year ended March 31, 2010 along with its schedules and notes on accounts, as well as the cash flow statements; and the Directors' Report;

2. These statements do not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, misleading with respect to the statements made;

3. These financial statements, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and applicable laws and regulations;

4. Based on our knowledge and information, no transactions entered into by the Company during the period, which are fraudulent, illegal or violative of the Company's code of conduct.

5. We are responsible for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal controls systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee of the Company's Board of Directors, deficiencies in the design or operation of internal controls and steps proposed to be taken to rectify these deficiencies.

6. We have disclosed, based on our most recent evaluation, to the Company's Auditors and the Audit Committee of the Company's Board of Directors:

   a. Significant changes in internal control over financial reporting during the period;

   b. There are no significant changes in accounting policies during the year; and

   c. There are no instances of significant fraud of which we have become aware and the involvement, therein, of the management or an employee having significant role in the Company's internal control system over financial reporting.

7. We further declare that all Board Members and senior managerial personnel have affirmed compliance with the code of conduct for the current year.

Noida (U.P.)	**Vishnu R. Dusad**	**Pramod K. Sanghi**
April 25, 2010	**Managing Director**	**Chief Financial Officer**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Management's Discussion and Analysis of Financial Condition and Results of Operations

A. Industry Structure and Developments

With the global economy showing small green shoots of growth, the Indian IT industry is also all geared up to take new challenges. The industry has learnt its lessons from recession, and is actively taking steps to sustain India's advantage, and make India's IT industry more resilient to global economic conditions. This optimism is being reflected in all parts of the world. As per NASSCOM, the Indian software industry grew between 5-7% during the year 2009-10, within the 4-7 percent expansion projected earlier. This strategic positioning is best described by Som Mittal, President, Nasscom, in the Nasscom Strategic Review 2010, "Recognizing that opportunities that lie ahead will be different from the past, the industry has redefined its aspirations for the next decade. It would specifically be focusing on embedding itself deep in customer value chains, expansion of design services in the manufacturing segment, services and delivery becoming location agnostic and building co-existing models."

The cloud as a delivery model is also here to stay, and Indian IT service providers will need to adapt themselves in this new world order. From a growth perspective, the future is still bright and has been impacted by the after effects of recession, witnessed by everyone.

Spending is returning and decisions held back are being made. Organizations are now recognizing Information Technology's (IT) contribution to economic performance extending beyond managing expenditures. They expect IT to help rationalize their costs and improve margins, not merely by cost cutting but by changing business processes, workforce practices and information use. Movement towards SaaS and cloud computing, shared services is expected to take firm shape. Government IT spending is on a rise across the world, with deep focus on infrastructure and security. Other areas of spending include data management, on demand ERP, virtualisation, and efforts to increase and deliver enterprise managed services on IP networks. Even though India has a sizeable share in the global Information technology market, there is tremendous headroom for growth. Significant opportunities exist in core vertical and geographic segments of BFSI, the domain in which your Company operates and emerging geographies and markets. Development of these new opportunities can lead to manifold increase in the current addressable market, and Indian IT revenues. The industry also has the potential to transform India by harnessing technology for inclusive growth.

B. Company Background

The Company was incorporated on January 9, 1989 as Nucleus Software Exports Private Limited (Nucleus) with its registered office at 33-35 Thyagraj Nagar Market, New Delhi-110003.

In August 1995, Nucleus made an Initial Public Offer and is currently listed on National Stock Exchange of India Ltd., Bombay Stock Exchange Ltd. and Madras Stock Exchange Ltd.

Nucleus provides software solutions to the Banking and Financial Services Industry. For over 20 years, the Company has developed solutions spanning from Retail Banking to Corporate Banking, Cash Management, Internet Banking and Credit Cards. FinnOne™, the Flagship product of Nucleus Software is a comprehensive suite for Retail Banking applications comprising of modules like Customer Acquisition System, Loan Management, Delinquency and Recovery Management, Deposits and Finance Against Securities. Cash@Will™ and BankOnet™ are the offerings from Nucleus Software in the area of Cash Management and Internet Banking respectively. Over the years, the committed professionals have provided solutions par excellence and with the experience and skills, the Company has been able to create a global footprint of clients and partners across multiple continents with Multi-product, multi-service, multi-currency and multi-lingual implementations, leading to worldwide acceptability and customer satisfaction. Nucleus operates through integrated and well-networked subsidiaries in India, Japan, Netherlands, Singapore and USA and subsidiary branch offices in India, Korea, Philippines, UAE and UK. Since 1995, product development has been our forte and the Company has chosen to exclusively develop products and further add value through dedicated research and development initiatives.

Over the years Nucleus has gained tremendous experience working closely with IT leaders in the Banking and Financial Services industry, leading to, not only a thorough but also an unmatched insight into the unique needs of the sector. Headquartered in Delhi, India, the Company has following wholly owned Subsidiaries.

Date of Incorporation	Name of Subsidiary Company	Location	% of Holding
February 25, 1994	Nucleus Software Solutions Pte. Ltd.,	Singapore	100%
August 5, 1997	Nucleus Software Inc.	USA	100%
November 2, 2001	Nucleus Software Japan Kabushiki Kaiga	Japan	100%
May 6, 2004	VirStra-I Technology Services Limited	India	100%
February 3, 2006	Nucleus Software Netherlands B.V.	Netherlands	100%
April 21, 2008	Nucleus Software Ltd.	India	100%

In addition, there is a step-down subsidiary VirStra I-Technology (Singapore) Pte. Limited incorporated in Singapore, which is a fully owned Subsidiary of VirStra I-Technology Services Limited.

During the year, Nucleus Software (HK) Ltd., Hongkong, was de-registered as per the applicable laws of Hong Kong and Nucleus Software (Australia) Pty Ltd., Australia was de-registered on April 5, 2010 as per the applicable laws of Australia.

The Company has branch offices in Chennai and Mumbai in India and in London and Dubai. The Singapore subsidiary has branch offices in Seoul in Korea and Manila in Philippines. These Subsidiaries/branch offices help the Company in providing front-end support to clients and explore new opportunities.

C. THE WAY FORWARD

The Company has tremendous domain knowledge in the BFS vertical and is now offering end to end solutions including products, projects and services. The geographically dispersed customer base of renowned banks and financial institutions is a major asset and we are uniquely equipped to offer complete solutions

We visualize broadening of our current role, one that entails greater collaboration and partnership with customers. Recognizing the fact, that opportunities in the future will be different from the past, the Company has defined following aspirations for the future:

- Sustained top line growth and higher profits on a yearly basis
- 100% Process compliance in true spirit.
- Delivery efficiency including :
  - Zero defects.
  - Top notch quality standards.
  - Delivery of projects on schedule.
- Higher customer satisfaction rating across regions.
- Higher employee satisfaction and sense of belongingness to the organization.

The Company is working towards a strategic, structural and tactical shift which leads to a lean and mean organization, specifically, working on embedding itself deep in customer value chains and upgrading products. While the potential is immense, challenges around resources, their retention, risk, and competition need to be suitably addressed. We will continue with our efforts to support growth, as we enter the next decade.

Some of the notable accolades won by Nucleus are:

- Nucleus Software's FinnOne™ has been ranked '**World's No 1 Selling Lending Software product**' by IBS Publishing for the second consecutive year in 2009
- Annual Report of Nucleus Software for year ended March 31, 2009 has been adjudged as the **BEST** under the category 'Information Technology, Communication and Entertainment enterprises' of the '**ICAI Awards for Excellence in Financial Reporting**' by the Institute of Chartered Accountants of India (ICAI). **A GOLD SHIELD was awarded to the Company.** Nucleus has received the Gold Shield for the 2nd consecutive year.
- Nucleus Software has been ranked among the **Top 25 companies adopting "Good Corporate Governance Practices"** by ICSI for fourth consecutive year in 2009
- South Asian Federation of Accountants (SAFA) has adjudged Nucleus' Annual Report as the recipient of the merit position for the **Best Presented Accounts and Corporate Governance Disclosures Award 2008** under the category of Corporate Governance Disclosure.
- Forrester Research, a leading independent analyst firm, has recognized Nucleus Software **as an industry vertical specialist** in their recent report "Working With Tier Two Offshore Providers".
- Nucleus Software's FinnOne™ has been ranked '**World's No 1 Selling Lending Software product ' (for year 2008) by IBS Publishing of U.K.**
- Annual Report and Accounts of Nucleus Software for year ended March 31, 2008 have been adjudged as **the BEST** under the category 'Information Technology, Communication and Entertainment enterprises' of the '**ICAI Awards for Excellence in Financial Reporting**' by the Institute of Chartered Accountants of India (ICAI). This award signifies that the accounting policies followed by Nucleus Software are the Best amongst the category.
- Nucleus Software has been **ranked among the Top 25 Companies adopting "Good Corporate Governance Practices in India"** for the year 2008.
- Nucleus Software has been Ranked Amongst **India's Top 15 Exciting Emerging Companies to Work For** by Nasscom**.**
- Nucleus Software has been recognized under "**Best Practices" for Performance Management System** by NASSCOM, 2008.
- Nucleus is selected as one of **Forbes ASIA's 200 Best Under A Billion companies**, for the second consecutive year, list released in September 2008.
- Nucleus Software has been conferred the **Best Independent Software Vendor (ISV) Partner (North India for 2008)** award by IBM.
- Nucleus Software was awarded the **"D&B - ECGC Indian Exporters' Excellence Award"** by Dun & Bradstreet India (D&B India) and Export Credit Guarantee Corporation of India Ltd (ECGC) for the year 2007.

- Nucleus Software was adjudged as **one of the fastest growing companies in Asia Pacific** under Deloitte Technology Fast 500 - 2007.
- Nucleus Software was conferred with **Oracle Partner of the Year Award in Fusion Middleware category** at an APAC level.
- Nucleus Software was awarded for being the **Fastest Growing ISV in 2007** by Oracle Corporation.
- Nucleus Software was ranked **13th in Dataquest Top 20 Best Employers Survey 2006**. Survey was conducted by IDC-Dataquest amongst 200 IT employers across India.
- Received the award for **"Excellence in Financial Reporting" by the Institute of Chartered Accountants of India (ICAI) for financial year 2005**. Our Annual Report was adjudged No.2 in the category of 'Information Technology, Communication and Entertainment Enterprises' companies.
- Annual Report for financial year 2005 received the **'Merit Award' for "Best Presented Accounts Award" by the South Asian Federation of Accountants in January 2007** in the category of 'Communication and Information Technology Sector".

D. Company Management

A well qualified Board with Mr. Vishnu R Dusad as the Managing Director & CEO, manage the Company. All the Independent Directors at Nucleus bring with them their diverse knowledge, experience and expertise and provide valuable contribution in the deliberations and decisions of the Board. With over-all strength of five members, eighty percent of the Board comprise of Independent, Non-Executive Directors. The Board of Directors play a pivotal role in framing strategic roadmap, analyzing the business opportunities and the inherent risks involved and in the decision making process.

To strengthen the strategic and operational leadership at Nucleus, Niraj Vedwa was appointed as the Chief Operating Officer (COO), w.e.f. January 1, 2010. His responsibilities now include managing global sales, marketing, deliveries, product development, quality, quality testing, IT in the Company. Previously, he was working as the President & Head - Global Sales & Marketing for the Company, where he oversaw global teams to drive sales, marketing, external communication and client relationships.

The Company has a concept of Matrix Structure, which puts together the advantages of both functional and geographical reporting. At the senior most level, an 'Executive Committee' consisting of the CEO, COO, CFO and President & Global Head - Human Resource have frequent meetings to discuss strategy issues and frame policies. Concurrently, a "Management Council" which includes Executive Committee members and other Vice Presidents of the Company meets daily, to collectively address policy implementation and operations across the Company.

At the Parent Company level, global responsibilities for Software Delivery, Quality Assurance, Product and Account Management, Sales and Marketing, Finance and Human Resources have been defined to achieve the objectives.

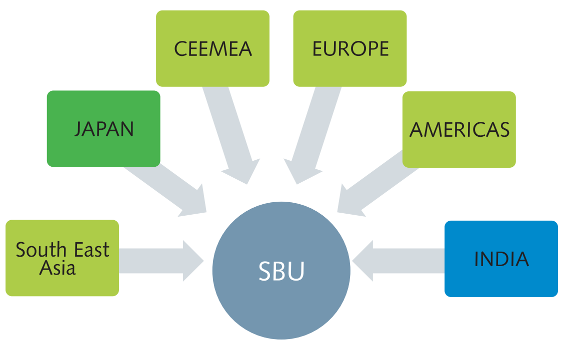
Strategic Business Units "SBU", based organization structure, introduced during the year 2008-09, was further strengthened and gained momentum across the organization. Under this structure, Strategic Business Units have been set up based on geographies or key customers for serving the following objectives:

- Meet business scalability requirements
- Integration between Sales and Delivery
- Searching newer geographies
- Improve Company visibility
- Better resource utilization
- Growth opportunities for employees
- Creation of specific geography/customer focus
- Better organizational efficiency

At the corporate level, strategic areas/tasks have been defined to guide the new structure and ensure corporate continuity, strategic planning and other corporate tasks.

At the SBU level, the structure ensures conversion of Strategic Plans into Regional Business Strategy, customer satisfaction, process compliance, resource allocation and retention and overall administration.

SBU Organisation Structure at Nucleus



At the Project level, the structure develops project approach to implement strategies related to planning, initiation, execution and control.

A Resource Management Group (RMG) was formed for just in time resource allocation to projects and monitoring idle time and productivity.

E. OPPORTUNITIES AND THREATS

The global economic scenario has improved significantly over the previous year, with recovery in USA and emerging markets. However, Europe still remains a drag on the global economy with mounting concerns on a possible debt crisis in the region. India on the other hand has seen a strong growth rebound in FY 2010 with GDP expected to come with an upward bias, as estimated by the Finance Minister in his budget speech.

The year witnessed the emergence of thrust on growth as the core theme for the next decade. We targeted our growth engines, invested in developing innovative solutions for our customers, focused on end-to-end capabilities in our core competence areas, strengthened internal capabilities by upgrading talent and making knowledge investments. This coupled with our compelling and dynamic value proposition and competitiveness ensured that Nucleus remains the leader in the global lending landscape. Company's flagship product FinnOne™ was recognized as the number one bestselling Retail Lending Software by IBS Publishing for the second consecutive year in 2009, a strong endorsement of our vision, mission and commitment to customer satisfaction.

We believe there are opportunities as well as constraints and we are exploring different business models to effectively meet customer expectations on cost effective business solutions. Despite the near-term uncertainties, India's medium to long-term economic outlook remains positive and supports forecasts of increasing technology penetration. Strategically, our focus is on the "Retail Banking" niche and consequent specialization enables us to explore our IPR to reasonable value.

F. OUTLOOK

Emphasis in the current year would be to return to top line growth and increase our market share .The challenge lies in increasing productivity to compensate for the increasing manpower cost. The steep appreciation of Rupee against all major currencies, is another external factor which needs closer management. During the year, we will launch new technologically superior versions of our key products and are confident of maintaining our competitive edge.

Nucleus Software foresees a strong demand for our niche product from across the globe. There are proposals submitted all across the globe for all over product. To strengthen our hold in other parts of the world, we have signed twelve new partners in different parts of the world and are increasing our share of business in various geographies.

Nucleus is heading towards becoming one of the icons of what intellectual property in India can produce. While our services, solutions and business model are well suited to help our customers reap maximum benefits from their investments, we are focusing on enhancing our business and investing smartly for the future. We have increased our focus on enhancing our product technology and creating revolutionized products that would enable banks and financial institutions to mitigate risk and provide quicker and enriched services to their customers.

Sentiments all over are improving, banks and financial institutions are open to taking product order decisions that were suspended for some time. We see this trend in all markets, including Latin America. The Company reinstates its commitment to being a 'Product Company' and continues to focus and invest on development of software products for Banking and Financial Institutions.

G. RISKS AND CONCERNS

They have been discussed in detail in the Risk Management chapter elsewhere in the Report.

H. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Absence of well-defined and scalable processes and procedures can have a serious impact on execution of projects and smooth flow of work. The Company is fully aware, that any gap in execution of project not only leads to delays but also adversely affects our long-term relations with the customers.

The Company has well defined roles, responsibilities and authorities for employees at all levels. The Company aims at promoting operational efficiency while emphasizing adherence to policies and processes. The Company has appointed internal auditors to check on the validity and correctness of internal reporting, which would in turn validate financial reporting.

The risks inherent in non adoption of Corporate Governance frameworks in their true spirit emanates from the reluctance of Management to introduce transparency and professionalism in their businesses. The more important conclusion is that companies with high Corporate Governance standards have less to hide and thereby create greater value for shareholders. The Company has a strong Whistle Blower Policy, which helps the employees to work in good faith.

The Internal Control systems at Nucleus consist of a set of rules, procedures and organizational structures which aim to:

- ensure that corporate strategy is implemented,
- achieve effective and efficient corporate processes,
- safeguard the value of corporate assets,
- ensure the reliability and integrity of accounting and management data, and
- ensure that we are fully process compliant.

The following measures are in place to ensure financial responsibility:

- Any unbudgeted expenses are approved by the Managing Director & CEO.
- All capital expenditure beyond specified limits is approved by the Managing Director & CEO.
- Financial reviews of performance are held monthly with focus on revenue, cost of delivery and project execution.

- All Business Units have business targets for each financial year, which are tracked regularly by senior management. Monthly review meetings are held of all key matrices defined in the goals for the financial year.
- To further ensure better internal control, the Board empowers the all-independent Audit Committee, with the authority to investigate any matter relating to the internal control system and to review the scope of Internal Audit.

The Company is committed to instill quality at all levels of implementation of projects. Moreover adequacy of internal controls across various processes are continuously monitored to rectify any deficiencies identified from time to time.

The CEO/CFO certification provided elsewhere in the report also places responsibility on the CEO and CFO to continuously ensure adequacy of our internal control systems and procedures.

I. Material developments in Human Resources

Being a knowledge-based industry, increasing demands of technology coupled with a short supply of professionals (with the requisite expertise) has increased the costs of delivering technology. This makes incentive compensation a significant feature, with the result that software companies have moved from conventional pay-for-time methods to a combination of pay-for-knowledge and pay-for-performance plans. With the determinants of pay being profit, performance and value-addition, emphasis is now on profit sharing (employee stock option plans) or performance-based pay, keeping in view the long-term organizational objectives rather than short-term production-based bonuses. This pressurizes HR teams to devise optimized compensation packages, although compensation is not the motivator in this industry.

The year witnessed new challenges as IT sector in India started reviving from recession and IT companies came back on a hiring spree. During the year, HR focused on providing cost-efficient solutions and leveraging economies of scale through manpower planning (ramp up and ramp down), compensation and benefits, to keep with the Business at hand and future pipeline. Employee retention strategies were worked out for key resources. Regular communication with Nucleites, open houses and understanding and resolving their concerns was a major activity over the last year. A special interim appraisal for employees was also carried out during the year. .

Focus was imparted on managing manpower requirements with the internal movement of resources, at the same time maintaining and improving productivity of the existing teams. Selective hiring was done for skills not available internally and temporary and contract staff were hired for short-term ramp up requirements of the projects.

Project Management and Business Analysis competencies were further strengthened through new hiring and series of training sessions which culminate in internal competency assessments (ICA) and certifications. Extensive skill enhancement programs were conducted for technology and framework knowledge of products, and product knowledge was captured and translated into Computer-Based Trainings (CBT's).This ensured the building of knowledge repository at the organization level.

J. FINANCIAL CONDITION

Results of Operations *(Rs. in crore)*

For the Year Ended March 31,	2010	% of Revenue	2009	% of Revenue	Growth %
Revenue From Operations	**194.15**	***100.00***	**209.43**	***100.00***	***(7.30)***
Software Development Expenses	125.48	*64.63*	130.73	*62.42*	*(4.02)*
Gross Profit	**68.67**	***35.37***	**78.70**	***37.58***	***(12.74)***
Selling and Marketing Expenses	14.12	*7.27*	18.73	*8.94*	*(24.61)*
General and Administration Expenses	14.95	*7.70*	21.77	*10.39*	*(31.33)*
Operating Profit (EBITDA)	**39.60**	***20.40***	**38.20**	***18.24***	***3.66***
Depreciation	9.80	*5.05*	10.12	*4.83*	*(3.16)*
Withholding Taxes	0.43	*0.22*	7.26	*3.47*	*NA*
Operating Profit after Interest, Depreciation and Withholding Taxes	29.37	*15.13*	20.82	*9.94*	*41.07*
Other Income	15.63	*8.05*	16.56	*7.91*	*(5.62)*
Foreign Exchange Gain/ (Loss)	(5.71)	*(2.94)*	(8.81)	*(4.21)*	*(35.19)*
Profit Before Tax	**39.29**	***20.24***	**28.57**	***13.64***	*37.52*
Provision for Taxation					
– Current	6.83	*3.52*	3.36	*1.60*	*NA*
– MAT credit entitlement	–	–	(0.52)	*(0.25)*	*NA*
– Fringe Benefit	0.03	*0.02*	0.70	*0.33*	*NA*
– Deferred	(1.31)	*(0.67)*	(1.31)	*(0.63)*	–
– Earlier year tax	–	–	0.19	*0.09*	*NA*
Profit After Tax	**33.74**	***17.38***	**26.15**	***12.49***	***29.02***

Revenue

We derive our revenue from the following business segments:

- Products
- Projects and Services

During the year, the total revenue was Rs.194.15 crore against Rs.209.43 crore for the previous year, a fall of 7.30%. The revenue from product business constituted 85.61% of revenue and projects and professional services constituted 14.39% of revenue during the year.

Expenditure

During the year, our continued focus was on cost structure rationalization and targeted reduction of expenses by 10%. Operational expenses are at Rs.154.55 crore against Rs.171.23 crore in the previous year, a fall of 9.74%.

Software Development Expenses

Software development expenses primarily consist of compensation to our software professionals, expenses on travel to execute work at client site, consultancy charges, software development charges, cost of software purchased for delivery to clients, bandwidth and proportionate infrastructure and management cost.

During the year, our software development expenses were Rs.125.48 crore, 64.63% of revenue against Rs.130.73 crore, 62.42% of revenue in the previous year.

(Rs. in crore)

For the Year Ended March 31,	2010	*% of Revenue*	2009	*% of Revenue*	*Growth %*
Employee Costs	84.61	43.58	92.70	44.26	(8.74)
Travel Expenses	12.95	6.67	13.34	6.37	(2.89)
Cost of Software Purchased for Delivery to Clients	7.18	3.70	5.38	2.57	33.41
Communication	1.14	0.59	1.51	0.72	(24.53)
Power and Fuel	2.15	1.11	2.46	1.17	(12.51)
Rent, Rates and Taxes	1.41	0.73	0.53	0.25	NA
Software and Other Development Charges	7.63	3.93	7.93	3.79	(3.83)
Legal and Professional	3.27	1.69	1.83	0.88	78.51
Conveyance	1.13	0.58	1.10	0.52	2.99
IT Expenses	1.28	0.66	0.92	0.44	39.39
Repairs and Maintenance	1.34	0.69	1.19	0.57	12.89
Training and Recruitment	0.34	0.18	1.15	0.55	(70.01)
Insurance	0.42	0.21	0.32	0.15	31.34
Others	0.63	0.33	0.38	0.18	67.26
Total Software Development Expenses	**125.48**	**64.63**	**130.73**	**62.42**	**(4.01)**
Revenue	***194.15***	***100.00***	***209.43***	***100.00***	***(7.30)***

Costs on direct employees, contract staff and consultants appearing in different accounting heads above were at Rs.84.61 crore, 67.43% of total development expense against Rs.92.70 crore, 70.91% of total development expense in the previous year.

The Gross margin for the current financial year was Rs.68.67 crore at 35.37% of revenue, against Rs.78.70 crore at 37.58% of revenue in the previous year.

Selling and Marketing Expenses

Our selling and marketing expenses comprise of compensation of sales and marketing personnel, travel, brand building, participation in exhibitions, conferences and seminars and advertising, communication, training and recruitment and other allocated infrastructure costs. The Company has ambitious plans to increase geographical reach with a mix of direct sales effort and channel partners.

During the year our selling and marketing expenses were Rs.14.12 crore, 7.27% of revenue against Rs.18.73 crore, 8.94% of revenue in the previous year, a fall of 24.61%.

(Rs. in crore)

For the Year Ended March 31,	2010	*% of Revenue*	2009	*% of Revenue*	*Growth %*
Employee Costs	7.08	3.64	9.09	4.34	(22.19)
Travel Expenses	2.87	1.48	2.71	1.29	6.25
Rent, Rates and Taxes	0.53	0.27	0.85	0.41	(38.50)
Advertisement and Business Promotion	0.41	0.21	0.89	0.42	(53.88)
Communication	0.38	0.20	0.14	0.06	NA
Conference, Exhibition and Seminar	0.20	0.10	0.19	0.09	4.23
Commission on Sales	0.07	0.03	0.04	0.02	NA
Legal and professional charges	0.37	0.19	1.36	0.65	(72.69)
Printing and stationary	0.03	0.02	0.17	0.08	NA
Others	2.17	1.12	3.30	1.57	(34.02)
Total Selling and Marketing Expenses	**14.12**	**7.27**	**18.73**	**8.94**	**(24.61)**
Revenue	***194.15***	***100.00***	***209.43***	***100.00***	***(7.30)***

Employee costs have decreased by 22% over the previous year.

General and Administrative Expenses

Our general and administrative expenses include compensation to our employees in Corporate Office, Finance, HR, Administration and other general functions; related travel & communication costs, legal and professional charges, repairs and maintenance, insurance, provision for doubtful debts, bad debts and other allocated infrastructure expenses.

During the year the Company incurred general and administrative expenses of Rs.14.95 crore, 7.70% of revenue against Rs.21.77 crore, 10.39% of revenue in the previous year, representing a decrease of 31.33% .

(Rs. in crore)

For the Year Ended March 31,	2010	*% of Revenue*	2009	*% of Revenue*	*Growth %*
Employee Costs	8.68	*4.47*	10.44	*4.99*	(16.85)
Travel Expenses	0.23	*0.12*	1.57	*0.75*	NA
Legal and Professional Charges	0.65	*0.33*	1.87	*0.89*	(65.51)
Communication	0.21	*0.11*	0.20	*0.10*	1.94
Provision for Doubtful Debts	1.21	*0.63*	3.07	*1.46*	(60.43)
Rent, Rates and Taxes	0.27	*0.14*	0.26	*0.12*	2.68
Conveyance	0.20	*0.10*	0.22	*0.10*	(9.82)
Printing and Stationery	0.06	*0.03*	0.11	*0.05*	(46.46)
Power and Fuel	0.19	*0.10*	0.22	*0.10*	(13.55)
Advertisement	0.06	*0.03*	0.14	*0.07*	(60.02)
Advances and current assets written off	0.02	*0.01*	0.48	*0.23*	NA
Provision for diminution in value of investments	1.63	*0.84*	0.55	*0.26*	NA
Miscellaneous expenses	1.55	*0.80*	2.63	*1.26*	(41.20)
Total General and Administrative Expenses	**14.95**	***7.70***	**21.77**	***10.39***	**(31.33)**
Revenue	***194.15***	***100.00***	***209.43***	***100.00***	***(7.30)***

There is a reduction in employee cost , travel, professional charges among other heads in keeping with our goal of reduction in cost. Provisioning for bad debts is substantially lower than the previous year.

Operating Profit

During the year our operating income was Rs.39.60 crore, 20.40% of revenue against Rs.38.20 crore, 18.24% of revenue in the previous year.

Depreciation

Depreciation on fixed assets was Rs.9.80 crore, 5.05% of revenue for the year against Rs.10.12 crore, 4.83% of revenue in the previous year.

Withholding Taxes

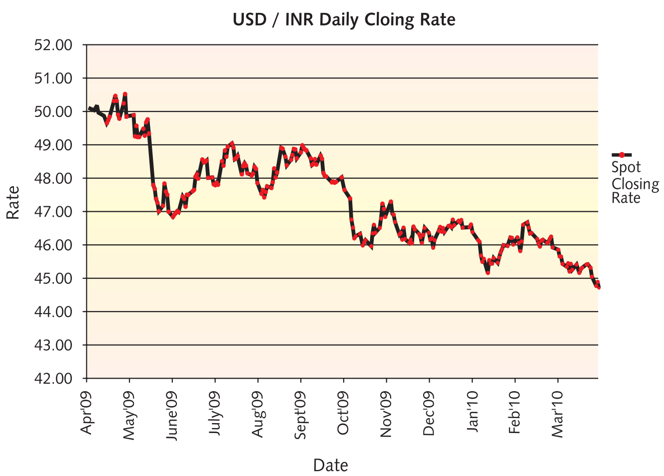
Withholding taxes charged off, representing withholding taxes charged to the Profit and Loss Account during the year, net of set offs available, are at Rs.0.43 crore, against Rs.7.26 crore in the previous year. These relate to taxes withheld by customers/ subsidiaries on overseas transactions.

Taxes withheld by customer are available to be adjusted with tax liability as per applicable law and thus are not charged to expenses.

Foreign Exchange gain/ Loss:

The US$ Rupee exchange rate was extremely volatile during the year as evident below:

Foreign Exchange Gain (Loss) includes gain (loss) from cancellation of options and forward contracts other than those covered by hedge accounting, translation of current assets and liabilities at quarter end rates, and those arising from realization /payments of receivables/payables respectively. During the year, the Company had a foreign exchange loss of Rs. 5.71 crore against a loss of Rs. 8.81 crore in the previous year.



Other Income

Other Income represents income received in the form of dividends from non-trade investments, interest on fixed deposits, capital gains on the sale of current investments, profit on sale of fixed assets and foreign exchange gains.

(Rs. in crore)

For the Year Ended March 31,	2010	2009
On Investments		
Dividend	1.55	1.39
Dividend from subsidiary	7.00	4.25
Interest Income	5.13	3.48
Profit on sale of investments	–	6.70
Others	1.95	0.74
Total	**15.63**	**16.56**

Other income for the year was Rs.15.63 crore against Rs.16.56 crore for the previous year.

The Company maintained a proper investment mix by investing funds into both Mutual Funds and Fixed Deposits. The Company had an investment of Rs.85.20 crore in Mutual Funds and Rs.38.65 crore in Fixed Deposits, against Rs.13.53 crore in Mutual Funds and Rs.71.89 crore in Fixed Deposits as on March 31, 2009. The Company made a shift from growth schemes in Mutual Funds to Dividend schemes

Provision for Income Tax *(Rs. in crore)*

For the Year Ended March 31,	2010	2009
Provision for Taxation		
- Current Tax	6.83	3.36
- Fringe Benefit Tax	0.03	0.70
- MAT Credit Entitlement	–	(0.52)
- Deferred Tax Expense	(1.31)	(1.31)
- Earlier Year Tax	–	0.19
Total	**5.55**	**2.42**

Total effective tax for the year was 15.06% of Profit Before Tax, in comparison to 27.03% of Profit Before Tax for the previous year.

Your Company has some units registered under "Software Technology Parks" in India and was entitled to an income tax exemption as per applicable laws and thus had lower tax implication till March 31, 2009. As per the Union Budget 2010-11, there has been no extension of tax holiday enjoyed by units in STP/ FTZ under Section 10A of the IT Act beyond 31 March 2011 and also there has been an increase in the rate of MAT from existing 15% to 18% (plus applicable surcharge and education cess).

Consequently, three of our STPI units at Noida, Chennai and

Pune will continue to enjoy the income tax exemption upto March 31, 2011. One of the units at the Noida campus, which had already completed 10 years became fully taxable from April 1, 2009. The tax implication for all these units will be higher w.e.f the financial year 2011-12.

Net Income

Net profit for the year was Rs. 33.74 crore, 17.38% of revenue, representing an increase of 29.02% over net income of Rs. 26.15 crore, 12.49% of revenue, during the previous year.

FINANCIALS

Share Capital

The Share Capital of the Company consists only of Equity Share Capital. There has been no increase in the paid-up share capital of the Company during the year. The paid-up share capital as on March 31, 2010 was 32,370,024 equity shares of Rs.10 each.

Retained Earnings

During the year Company earned net profit of Rs.33.74 crore. The Company has proposed dividend of Rs.8.09 crore and transferred Rs.3.37 crore to general reserve. During the previous year the Company paid dividend of Rs.8.09 crore and transferred Rs.2.61 crore to general reserve. Dividend tax for the year was Rs.0.15 crore (Rs.0.65 crore for the previous year).

Reserves and Surplus

The movement in the components of reserves and surplus is as below:

(Rs. in crore)

	Opening Balance as on April 1, 2009	Additions/ (Deletions) during the year	Closing Balance as on March 31, 2010
General Reserve	61.83	3.38	65.21
Securities Premium	2.10	–	2.10
Capital Reserve	0.25	0.30	0.55
Employee Stock Options (net of deferred employee compensation)	1.23	(0.41)	0.82
Hedging Reserve	(1.04)	2.15	1.11
Profit and Loss Account Balance	108.35	22.12	130.47
Total	**172.72**	**27.54**	**200.26**

Fixed Assets

(Rs. in crore)

As at March 31,	2010	2009	Inc/Dec %
Gross Block			
Freehold land	0.34	0.34	–
Leasehold land	6.64	6.64	–
Building	24.23	24.30	(0.29)
Office and other equipment	14.10	13.93	1.22
Computers	22.27	22.51	(1.07)
Vehicles	1.72	1.73	(0.58)
Furniture and fixtures	4.67	4.69	(0.43)
Software	13.77	13.20	4.32
Leasehold improvement	1.25	1.25	–
Total	**88.99**	**88.59**	**0.45**
Less: accumulated depreciation	48.39	39.38	22.28
Net Block	**40.60**	**49.21**	**(17.50)**
Add: Capital Work in Progress	–	0.09	–
Net Fixed Assets	**40.60**	**49.30**	**(17.65)**

As at March 31, 2010, gross block of fixed assets including investment in technology assets was Rs.88.99 crore (Rs.88.59 crore as on March 31, 2009). The net fixed assets after depreciation were Rs.40.60 crore as on March 31, 2010 as compared to Rs.49.30 crore as on March 31, 2009.

Capital work in progress as on March 31, 2010 is NIL against Rs.9 Lakhs as on March 31, 2009. The Company has not made any substantial investment in fixed asset during the year.

Investments

The investment of the Company (net of provision if any) in the Equity Share capital of its subsidiaries stood as follows:

(Rs. in crore)

Name of Subsidiary, Location	As at March 31, 2010	2009
Nucleus Software Solutions Pte. Ltd., Singapore	1.63	1.63
Nucleus Software Inc., USA.	–	1.63
Nucleus Software Japan Kabushiki Kaiga, Japan	0.41	0.41
Virstra I-Technology Services Limited, India	1.00	1.00
Nucleus Software Netherlands B.V., Netherlands	1.86	1.18
Nucleus Software Limited, India	10.00	10.00
Step down Subsidiary		
VirStra I- Technology (Singapore) Pte. Limited, Singapore	0.56	0.56

Reduction in investments in subsidiary Companies is due to provision made for diminution in value for Nucleus Software Inc., USA.

Other investments of the Company include:

Rs.8.92 crore in ICICI Prudential Flexible Income Plan Premium-(D)

Rs.6.45 crore in Birla Sun Life Savings Fund-Inst-(D)

Rs.7.72 crore in Fortis Money Plus Plan-Inst-(D)

Rs.5.98 crore in HDFC Cash Management Fund-Treasury Advantage Plan-Wholesale-(D)

Rs.7.91 crore in JP Morgan India Treasury Fund-Super Inst-(D)

Rs.7.65 crore in Reliance Medium Term Fund - (D)

Rs.2.03crore in Reliance Money Manager Fund-Inst-(D)

Rs.9.95 crore in LICMF Savings Plus Fund-(D)

Rs.9.95 crore in Kotak Flexi Debt Scheme - Inst. (D)

Rs.7.34 crore in JM Money Manager Fund Super Plus Plan-(D)

Rs.4.79 crore in UTI Treasury Advantage Fund-Inst-(D)

Rs.4.51crore in S252 SBNPP Ultra ST Fund Super-Inst-(D)

Rs.2.00 crore in TFLD TATA Floater Fund (D)

Investment in mutual funds is in low risk liquid funds.

Other Long Term Investments

Other Long term investment comprise of Investment in 25,000 Equity Shares of face value of Rs. 100/- each in Ujjivan Financial Services Private Ltd. Ujjivan Financial Services Private Ltd., has been promoted in the area of micro finance by a group of experienced professional with banking and technology background.

Current Investments and Bank Balances

Our capital requirements are completely financed by internal accruals. Your Company continues to remain debt-free and we believe that cash generated from operations and reserves and surplus are sufficient to meet our obligations and requirements towards capital expenditure and working capital requirements

As of March 31, 2010 the cash and bank balances stood at Rs.43.78 crore (Rs.82.49 crore on March 31, 2009) and current investments in liquid schemes and Fixed Maturity Plans of mutual funds were Rs.85.20 crore (Rs.13.54 crore on March 31, 2009). As a part of the financial policies, the Company believes in maintaining high level of liquidity as it provides immense support against contingencies and uncertainties.

(Rs. in crore)

As at March 31,	**2010**	**2009**
Cash and cheque in hand	0.82	0.19
Balances with Bank		
– In Current Accounts	4.31	7.62
– In Fixed Deposit Account	38.65	71.89
Remittance in transit	–	2.78
Investments in Mutual Funds	85.20	13.54
Total	**128.98**	**96.03**

Our net cash flow from operating activities before working capital changes was Rs.38.80 crore for the financial year, against Rs.27.71 crore in the previous year. After considering working capital changes, operating cash flow is Rs.30.91 crore against Rs.21.50 crore, and reduction which merits further analysis.

Operating cash flow is today considered a better measure of operations of the Company than the net profits as it measures the cash generated by the operations and our performance on this criteria is satisfactory.

To summarise the Company's liquidity position, given below are few ratios:

As at March 31,	**2010**	**2009**
Operating cash flow as % of revenue	19.96%	13.23%
Days of sales receivables	88	89
Cash and cash Equivalents as % of assets	55.37%	46.68%
Cash and cash Equivalents as % of revenue	66.43%	45.84%
Current investments as % of assets	36.57%	6.58%
Current investments as % of revenue	43.89%	6.46%

Trade Receivables

Our trade receivables (net of provision) as on March 31, 2010 were Rs. 46.57 crore against Rs. 51.27 crore on March 31, 2009. In the opinion of management all the trade receivables are recoverable.

(Rs. in crore)

As at March 31,	**2010**	**2009**
Due from		
- Subsidiaries	10.03	3.77
- Others	36.54	47.50
Total	**46.57**	**51.27**

The age profile of the debtors (net of provision) is given below:

As at March 31,	2010	2009
Less than 6 months	77.12%	83.08%
More than 6 months	22.88%	16.92%
Days of sales receivables (DSR)	88	89

Management is making all efforts to reduce DSR.

Loans and Advances

(Rs. in crore)

As at March 31,	2010	2009
Advances recoverable in cash or in kind or for value to be received	2.00	1.14
Loans and advances to subsidiaries	2.93	2.51
Security deposits	1.07	0.99
Mark to Market on Options	1.02	–
Advance income tax	7.33	4.16
Prepaid expenses	2.75	2.12
Advance fringe benefit tax	0.27	0.26
MAT credit entitlement	4.53	5.73
Total	**21.90**	**16.91**

Advances recoverable in cash or in kind or for value to be received are primarily towards amounts paid in advance for value and services to be received in future, and staff advances. The amount is Rs.2.00 crore as on March 31,2010 (Rs.1.14 crore as on March 31,2009)

Security Deposits are primarily for hiring of office premises and staff accommodation. The amount is Rs.1.07 crore as on March 31, 2010 (Rs.0.99 crore as on March 31, 2009). Advance income tax has increased due to income tax deducted at source by customers.

Pursuant to the changes in the Indian Income Tax Act, 1961, the Company has calculated its tax liability after considering Minimum Alternate Tax (MAT). A sum of Rs.4.53 crore is carried forward and shown under Loans and Advances as at March 31, 2010 to be set off against future tax liabilities.

Current Liabilities

Sundry Creditors represent amounts payable for the supply of goods and services.

The total amount of Sundry Creditors as on March 31, 2010 is Rs.20.71 crore (Rs.20.26 crore as on March 31,2009). The increase in Sundry Creditors is primarily on account of increase in liabilities related to staff, suppliers for services, capital goods etc.

(Rs. in crore)

As at March 31,	2010	2009
Sundry Creditors	20.71	20.26
Witholding tax	–	2.58
Due to Subsidiaries	0.29	0.69
Advances from customers	7.83	5.98
Mark to Market on options/ forward Contracts	–	4.04
Unclaimed dividend	0.15	0.12
Other liabilities	1.77	3.40
Book overdraft	0.39	–
Total	**31.14**	**37.07**

Advances from customers as on March 31, 2010 is Rs.7.83 crore (Rs.5.98 crore as on March 31,2009). These consist of advance payments received from customers and "Unearned Revenue". Unearned Revenue is defined as client billing for which related costs have not incurred or product license delivery is at later date.

The amount of Unclaimed Dividend as on March 31, 2010 is Rs.0.15 crore (Rs.0.12 crore as on March 31, 2009).

Other liabilities represent amounts accrued for statutory dues for the taxes deducted at source by the Company, staff provident fund, employee state insurance liabilities, sales tax, etc. The total amount of other liabilities as on March 31,2010 is Rs.1.77 crore (Rs.3.40 crore as on March 31, 2009).

Provisions

Provisions as on March 31, 2010 were Rs.19.62 crore (Rs.18.50 crore as on March 31, 2009). The break-up of provision at the year-end is given below:

(Rs. in crore)

As at March 31,	2010	2009
Gratuity	5.88	5.13
Leave encashment	4.31	3.91
Dividend	8.09	8.09
Corporate dividend tax	1.34	1.37
Total	**19.62**	**18.50**

Provision for Dividend as on March 31, 2010 is Rs.8.09 crore (similar to the previous year), with a provision for corporate dividend tax of Rs.1.34 crore (Rs.1.37 crore as on March 31, 2009).

AUDITORS' REPORT

For the Financial Statements for the year ended March 31, 2010

Auditors' Report

To the Members of
Nucleus Software Exports Ltd.

We have audited the attached Balance Sheet of Nucleus Software Exports Ltd. ('the Company') as at 31 March 2010, the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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

(a) 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;

(b) 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;

(c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

(d) in our opinion, the Balance Sheet, the Profit and Loss Account and the 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, to the extent applicable;

(e) on the basis of written representations received from the directors, as on 31 March 2010, and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and

(f) 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:

   (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010;

   (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

   (iii) in the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

***for* B S R & Co.**
Chartered Accountants
Firm Registration No.: 101248W

Sd/-
Jiten Chopra
Partner
Membership No.: 092894

Gurgaon
April 25, 2010

Annexure to the Auditors' report

The Annexure referred to in our report to the members of Nucleus Software Exports Ltd. ('the Company') for the year ended 31 March 2010. We report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets so as to cover all fixed assets in a phased manner over a period of three years. In accordance with this programme, management has during the year physically verified computers, office equipments, plant and machinery and vehicles at its facility in Noida and Chennai. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, no material discrepancies were noticed on such verification.

(c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.

(ii) The Company is a service company, primarily rendering software services. Accordingly it does not hold any physical inventories. Thus, the provisions of paragraph 4(ii) of the Order are not applicable to the Company.

(iii) (a) The Company has granted an interest free unsecured loan to one of its wholly owned subsidiary company, covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs. 29,314,849 and the year end balance of such loan as at 31 March 2010 was Rs. 29,314,849. As informed to us, the Company has not granted any other loan, secured or unsecured to other companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

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.

(b) According to the information and explanations given to us, we are of the opinion that the terms and conditions on which the loan has been granted to the subsidiary company listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.

(c) According to the terms of the interest free loan agreement between the Company and its wholly owned subsidiary company per (iii) (a) above, no portion of principal amount was repayable during the current year.

(d) There are no amounts overdue as at 31 March 2010 in respect of loan granted to the company mentioned in (iii) (a) above in accordance with the terms of the interest free loan agreement.

(iv) In our opinion and according to the information and explanations given to us and having regard to the explanation that services rendered are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.

(v) (a) In our opinion and according to the information and explanation given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.

(b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time except for purchase and sale of certain types of services which are for the specialized requirements of the Company and the buyers respectively and for which alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.

(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 of the company and nature of its business.

(viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of services rendered by the Company.

(ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Customs duty, Investor Education and Protection Fund and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the provisions of Excise duty are not applicable to the Company.

There were no dues on account of cess under Section 441A of the Companies Act, 1956 since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Customs duty, Investor Education and Protection Fund and other material statutory dues were in arrears as at 31 March 2010 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Wealth tax, Service tax, and Customs duty which have not been deposited with the appropriate authorities on account of any dispute, except the following:

Name of the statute	Nature of the dues	Total amount involved (Rupees)	Period to which the amount relates	Forum where dispute is pending
Income-tax Act, 1961	Income-tax	1,364,572	Assessment year 2005-06	Income-tax Appellate Tribunal
Income-tax Act, 1961	Income-tax	1,122,734	Assessment year 2006-07	Commissioner of Income Tax (Appeals)

As explained to us, the provisions of Excise duty are not applicable to the Company. In respect of Cess refer to our comments in para (ix) (a) above.

(x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.

(xi) The Company did not have any outstanding dues to any financial institution, banks or debentureholders during the year.

(xii) 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 and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.

(xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(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 are of the opinion that funds raised on short-term basis have not been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to companies, firms or parties 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) The Company has not raised any money by public issues.

(xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

***for* B S R & Co.**
Chartered Accountants
Firm Registration No.: 101248W

Sd/-
Jiten Chopra
Partner
Membership No.: 092894

Gurgaon
April 25, 2010

Balance Sheet as at 31 March 2010

Amount in Rupees

	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	323,715,240	323,715,240
Advance pursuant to Stock Option Schemes		3,451,740	5,999,100
Reserves and Surplus	2	2,002,445,835	1,727,290,025
		2,329,612,815	2,057,004,365
		2,329,612,815	2,057,004,365
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	889,880,166	885,944,866
Less: Accumulated Depreciation		(483,922,774)	(393,789,994)
Net Block		405,957,392	492,154,872
Add: Capital Work in Progress (including capital advances)		–	919,233
		405,957,392	493,074,105
Investments	4	1,003,520,091	296,293,234
Deferred Tax Asset (refer note 3, schedule 16)		27,847,509	14,721,892
Current Assets, Loans and Advances			
Sundry Debtors	5	465,722,111	512,700,324
Cash and Bank Balances	6	437,777,347	824,813,049
Loans and Advances	7	219,066,286	169,103,521
Other Current Assets	8	277,322,328	302,072,562
		1,399,888,072	1,808,689,456
Less: Current Liabilities and Provisions			
Current Liabilities	9	(311,357,140)	(370,679,290)
Provisions	10	(196,243,109)	(185,095,032)
		(507,600,249)	(555,774,322)
Net Current Assets		892,287,823	1,252,915,134
		2,329,612,815	2,057,004,365
Significant accounting policies and notes to the accounts	16		

The schedules referred to above form an integral part of the Balance Sheet

As per our report of even date attached

For B S R & Co.
Chartered Accountants
Firm Registration No.: 101248W

For and on behalf of the Board of Directors

Jiten Chopra
Partner
Membership No.: 092894

Janki Ballabh
Chairman

Vishnu R Dusad
Managing Director

Gurgaon
April 25, 2010

NOIDA (U.P.)
April 25, 2010

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

Profit and Loss Account for the year ended 31 March 2010

Amount in Rupees

	Schedule	For the Year ended 31 March 2010	For the Year ended 31 March 2009
Sales and Services	11	1,941,474,342	2,094,346,387
Software Development Expenses	12	1,254,784,873	1,307,267,825
Gross Profit		686,689,469	787,078,562
Selling and Marketing Expenses	13	141,165,863	187,345,955
General and Administration Expenses	14	149,532,764	217,739,746
Operating Profit Before Depreciation and Withholding Tax		395,990,842	381,992,861
Depreciation	3	98,034,005	101,177,086
Withholding Taxes Charged off		4,256,080	72,624,682
Operating Profit After Depreciation and Withholding Tax		293,700,757	208,191,093
Other Income	15	156,306,359	165,644,797
Loss on Foreign Exchange Fluctuation (net)		(57,101,741)	(88,096,691)
Profit Before Taxation		392,905,375	285,739,199
Provision for Tax – current income tax		68,274,561	33,500,000
– MAT credit entitlement (refer note 9, schedule 16)		–	(5,200,000)
– fringe benefit tax		332,155	7,020,686
– deferred tax credit (refer note 3, schedule 16)		(13,125,617)	(13,101,386)
– income tax for earlier years		–	1,943,173
Provision for Wealth Tax		61,714	88,047
Profit After Taxation		337,362,562	261,488,679
Profit Amount Available for Appropriation			
Profit for the Year		337,362,562	261,488,679
Add: Balance Brought Forward		1,083,451,476	935,567,064
Total Amount Available for Appropriation		1,420,814,038	1,197,055,743
Proposed Dividend		80,925,060	80,925,060
Corporate Dividend Tax		1,544,569	6,530,339
Transferred to General Reserve		33,736,256	26,148,868
Balance Carried Forward to the Balance Sheet		1,304,608,153	1,083,451,476
Earnings per Equity Share (par value Rs. 10 each) (refer note 17, schedule 16)			
Basic		10.42	8.08
Diluted		10.42	8.07
Number of Shares used in Computing Earnings per Equity Share			
Basic		32,370,024	32,369,568
Diluted		32,374,213	32,377,620
Significant accounting policies and notes to the accounts	16		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report of even date attached

For B S R & Co.
Chartered Accountants
Firm Registration No.: 101248W

For and on behalf of the Board of Directors

Jiten Chopra
Partner
Membership No.: 092894

Janki Ballabh
Chairman

Vishnu R Dusad
Managing Director

Gurgaon
April 25, 2010

NOIDA (U.P.)
April 25, 2010

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

Statement of Cash Flow for the year ended 31 March 2010

Amount in Rupees

	For the Year ended 31 March 2010	For the Year ended 31 March 2009
A. Cash Flow from Operating Activities		
Net profit before tax	392,905,375	285,739,199
Adjustment for:		
Depreciation	98,034,005	101,177,086
Exchange difference on translation of foreign currency accounts	22,618,639	9,665,202
Dividend received from non-trade investments	(15,466,174)	(13,916,401)
Dividend received from subsidiary	(70,000,000)	(42,500,000)
Interest on fixed deposits	(51,328,624)	(34,769,928)
Profit on sale of investments	(9,264)	(66,988,868)
Amortisation of employees stock compensation expenses	(4,160,326)	3,220,673
Profit on sale of fixed assets (net)	(2,485,655)	–
Advances and other current assets written off	245,787	4,846,684
Provision for doubtful debts / advances / other current assets	12,138,934	30,679,934
Provisions written back	(10,777,495)	(5,511,808)
Provision for dimunition in the value of investments	16,293,150	5,515,363
Operating profit before working capital changes	388,008,352	277,157,136
Increase in sundry debtors	22,503,215	(69,417,582)
(Increase) / decrease in loans and advances	(25,817,424)	12,824,301
Decrease in other current assets	1,950,295	60,902,154
Decrease in current liabilities and provisions	(6,365,170)	(8,418,249)
	380,279,268	273,047,760
Income tax paid (net)	(70,630,153)	(51,127,761)
Wealth tax paid	(61,714)	(88,047)
Fringe benefit tax paid	(472,156)	(6,880,686)
Net cash from operating activities (A)	**309,115,245**	**214,951,266**
B. Cash Flow from Investing Activities		
Purchase of fixed assets/capital work in progress	(15,361,291)	(81,187,982)
Sale of fixed assets	3,764,053	–
Purchase of current investments	(2,158,513,766)	(1,685,829,309)
Proceeds from sale of current investments	1,441,826,023	2,353,813,139
Proceeds from sale of non trade investments	–	158,732,400
Investments in shares of subsidiaries	(6,823,000)	(106,391,000)
Loans and advances to subsidiaries (net)	(8,199,823)	(30,367,749)
Interest on fixed deposits	63,735,291	9,150,848
Income tax paid on interest income	(17,449,748)	(15,415,620)
Dividend received from non-trade investments	15,466,174	13,916,401
Dividend received from subsidiary	70,000,000	42,500,000
Net cash from / (used in) investing activities (B)	**(611,556,087)**	**658,921,128**
C. Cash Flow from Financing Activities		
Dividend paid (including corporate dividend tax)	(82,782,000)	(106,380,524)
Advance pursuant to employee stock option scheme / proceeds from employee stock option excercised	400,000	360,000
Net cash used in financing activities (C)	**(82,382,000)**	**(106,020,524)**
Net increase /(decrease) in cash and cash equivalents (A+B+C)	**(384,822,842)**	**767,851,870**
Opening cash and cash equivalents	824,813,049	57,191,639
Exchange difference on translation of foreign currency bank accounts	(2,212,860)	(230,460)
Closing Cash and Cash Equivalents*	437,777,347	824,813,049

* include fixed deposits amounting to Rs. 5,570,013 (Rs.5,365,165) under lien with bank on account of guarantees issued on behalf of the Company and other fixed deposits amounting to Rs. 380,900,000 (Rs. 713,577,049)

Note:

1. The above cash flow statement has been prepared in accordance with the 'Indirect method' as set out in the Accounting Standard 3 on "Cash Flow Statements" prescribed under Companies (Accounting Standards) Rules, 2006.
2. Cash and cash equivalents consist of cash in hand, cheques in hand, remittance in transit, balances in current accounts and fixed deposits with scheduled banks / non scheduled banks.

As per our report of even date attached

For B S R & Co.
Chartered Accountants
Firm Registration No.: 101248W

For and on behalf of the Board of Directors

Jiten Chopra
Partner
Membership No.: 092894

Janki Ballabh
Chairman

Vishnu R Dusad
Managing Director

Gurgaon
April 25, 2010

NOIDA (U.P.)
April 25, 2010

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

Amount in Rupees

	As at 31 March 2010	As at 31 March 2009
SCHEDULE 1		
SHARE CAPITAL		
Authorised capital		
40,000,000 (40,000,000) equity shares of Rs.10 each	400,000,000	400,000,000
Issued, subscribed and paid up		
Issued		
32,372,824 (32,372,824) equity shares of Rs.10 each	323,728,240	323,728,240
Subscribed and paid up		
32,370,024 (32,370,024) equity shares of Rs.10 each, fully paid up	323,700,240	323,700,240
Of the above:		
16,185,012 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of securities premium account during the year ended 31 March 2008		
8,045,406 equity shares of Rs. 10 each have been issued as bonus shares by capitalisation of securities premium account during the year ended 31 March 2005		
2,637,050 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of general reserve and securities premium account during the year ended 31 March 2002		
1,452,270 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of general reserve during the year ended 31 March 1995		
Add: 2,800 (2,800) forfeited equity shares pending for reissue	15,000	15,000
	323,715,240	**323,715,240**
SCHEDULE 2		
RESERVES AND SURPLUS		
General reserve		
Balance as at 1 April	618,391,859	592,242,991
Add: Transferred from Profit and Loss Account	33,736,256	26,148,868
	652,128,115	618,391,859
Securities premium account		
Balance as at 1 April	20,953,189	20,484,589
Add: Securities premium received	–	360,000
Add : On conversion of stock options issued to employees	–	123,600
Less: Amount utilised for issuance of bonus shares	–	15,000
	20,953,189	20,953,189
Capital reserve account		
Balance as at 1 April	2,540,030	1,800,030
Add: Amount forfeited against employees stock option plan	2,947,360	740,000
	5,487,390	2,540,030
Employee stock options		
Balance as at 1 April	14,340,608	15,248,208
Add: Options granted during the year	–	–
Less: Reversal on forfeiture of stock options granted	6,136,380	784,000
Less: Transferred to securities premium account on exercise of stock options	–	123,600
	8,204,228	14,340,608
Less: Deferred employee compensation	–	(1,976,054)
	8,204,228	12,364,554
Hedging reserve (refer note 4, schedule16)		
Balance as at 1 April	(10,411,083)	–
Add: Movement during the year	21,475,843	(10,411,083)
	11,064,760	(10,411,083)
Profit and Loss Account		
Balance as at 1 April	1,083,451,476	935,567,064
Add: Profit for the year	337,362,562	261,488,679
Less: Transferred to general reserve	33,736,256	26,148,868
Less: Proposed dividend	80,925,060	80,925,060
Less: Corporate dividend tax (refer note 21, schedule 16)	1,544,569	6,530,339
	1,304,608,153	1,083,451,476
	2,002,445,835	**1,727,290,025**

Schedules forming part of the financial statements

SCHEDULE 3
FIXED ASSETS

Amount in Rupees

	Gross block				Accumulated depreciation				Net block	
	As at 1 April 2009	Additions	Deductions / adjustments	As at 31 March 2010	As at 1 April 2009	Depreciation for the year	Deductions / adjustments	As at 31 March 2010	As at 31 March 2010	As at 31 March 2009
Tangible assets										
Freehold land	3,360,720	–	–	3,360,720	–	–	–	–	3,360,720	3,360,720
Leasehold land	66,395,000	–	–	66,395,000	5,128,737	751,556	–	5,880,293	60,514,707	61,266,263
Leasehold improvements	12,539,955	–	–	12,539,955	4,929,850	4,177,186	–	9,107,036	3,432,919	7,610,105
Buildings	243,025,991	–	(750,000)	242,275,991	27,538,556	7,995,149	(137,192)	35,396,513	206,879,478	215,487,435
Plant and machinery (including office equipment)	139,303,347	1,744,548	–	141,047,895	74,161,298	21,548,937	–	95,710,235	45,337,660	65,142,049
Computers	225,128,953	3,670,553	(6,089,607)	222,709,899	142,258,794	36,938,492	(6,055,768)	173,141,518	49,568,381	82,870,159
Vehicles	17,278,364	1,958,429	(2,056,152)	17,180,641	9,606,943	2,894,269	(1,424,401)	11,076,811	6,103,830	7,671,421
Furniture and fixtures	46,902,885	67,500	(283,864)	46,686,521	32,588,900	5,618,412	(283,864)	37,923,448	8,763,073	14,313,985
Intangible assets										
Softwares	132,009,651	5,673,893	–	137,683,544	97,576,916	18,110,004	–	115,686,920	21,996,624	34,432,735
Total	**885,944,866**	**13,114,923**	**(9,179,623)**	**889,880,166**	**393,789,994**	**98,034,005**	**(7,901,225)**	**483,922,774**	**405,957,392**	**492,154,872**
Previous year	788,863,849	97,081,017	–	885,944,866	292,612,908	101,177,086	–	393,789,994	492,154,872	

Amount in Rupees

	As at 31 March 2010	As at 31 March 2009
SCHEDULE 4		
INVESTMENTS		
Long term investments		
Equity shares - Trade and unquoted		
25,000 (25,000) equity shares of Rs 100 each, fully paid up, in Ujjivan Financial Services Private Limited	2,500,000	2,500,000
	2,500,000	2,500,000
Equity shares in wholly owned subsidiaries - Unquoted		
625,000 (625,000) equity shares of Singapore Dollar 1 each, fully paid up, in Nucleus Software Solutions Pte. Ltd., Singapore, a wholly owned subsidiary	16,319,950	16,319,950
1,000,000 (1,000,000) equity shares of US Dollar 0.35 each, fully paid up, in Nucleus Software Inc., USA, a wholly owned subsidiary	16,293,150	16,293,150
Less: Provision for diminution in value of investment in Nucleus Software Inc., USA	(16,293,150)	–
200 (200) equity shares of Japanese Yen 50,000 each, fully paid up, in Nucleus Software Japan Kabushiki Kaiga, Japan, a wholly owned subsidiary	4,092,262	4,092,262
316,000 (316,000) equity shares of Australian Dollar 1 each, fully paid up, in Nucleus Software (Australia) Pty. Ltd., Australia, a wholly owned subsidiary (refer note 25, schedule16)	9,790,955	9,790,955
Less: Provision for diminution in value of investment in Nucleus Software (Australia) Pty. Ltd., Australia	(9,790,955)	(9,790,955)
100,000 (100,000) equity shares of Hongkong Dollar 1 each, fully paid up, in Nucleus Software (HK) Ltd., Hong Kong, a wholly owned subsidiary (refer note 24, schedule16)	–	619,885
Less: Provision for diminution in value of investment in Nucleus Software (HK) Ltd., Hong Kong	–	(619,885)
1,000,000 (1,000,000) equity shares of Rs 10 each, fully paid up, in VirStra *i*-Technology Services Limited, India, a wholly owned subsidiary [Of the above, 6 (6) equity shares are held by nominees on behalf of the Company]	10,000,000	10,000,000
3,000 (2,000) equity shares of Euro 100 each, fully paid up, in Nucleus Software Netherlands B.V., Netherlands, a wholly owned subsidiary	18,579,000	11,756,000
10,000,000 (10,000,000) equity shares of Rs. 10 each, fully paid up, in Nucleus Software Limited, India a wholly owned subsidiary [Of the above, 6 (6) equity shares are held by nominees on behalf of the Company]	100,000,000	100,000,000
	148,991,212	158,461,362
Current investments		
Investments in bonds and mutual funds - Non trade and unquoted		
843,889 (Nil) units of face value of Rs. 100 each of ICICI Prudential Flexible Income Plan - Premium - (D)	89,228,309	–
Nil (5,255,930) units of face value of Rs. 10 each of ICICI Prudential Institutional Liquid Plan-Super Inst-(D)	–	52,561,930

Amount in Rupees

	As at 31 March 2010	As at 31 March 2009
6,446,666 (Nil) units of face value of Rs. 10 each of Birla Sun Life Savings Fund-Inst-(D)	64,510,501	–
7,718,375 (Nil) units of face value of Rs. 10 each of Fortis Money Plus Plan-Inst-(D)	77,207,676	–
Nil (2,828,469) units of face value of Rs. 10 each of HDFC Cash Management Fund-Savings Plan-(D)	–	30,084,727
Nil (1,231,736) units of face value of Rs. 10 each of HDFC Liquid Fund Premium Plan-(D)	–	15,100,840
5,958,385 (Nil) units of face value of Rs. 10 each of HDFC Cash Management Fund-Treasury Advantage Plan-Wholesale-(D)	59,771,541	–
7,898,841 (Nil) units of face value of Rs. 10 each of JP Morgan India Treasury Fund-Super Inst-(D)	79,058,710	–
Nil (1,966,813) units of face value of Rs. 10 each of Reliance Liquid Fund -Treasury Plan Institutional Option-(D)	–	30,067,057
4,475,934 (Nil) units of face value of Rs. 10 each of Reliance Medium Term Fund - (D)	76,518,328	–
20,231 (Nil) units of face value of Rs. 1000 each of Reliance Money Manager Fund-Inst-(D)	20,253,632	–
9,954,857 (Nil) units of face value of Rs. 10 each of LICMF Savings Plus Fund-(D)	99,548,567	–
Nil (684,631) units of face value of Rs. 10 each of LICMF Liquid Fund-(D)	–	7,517,318
9,899,960 (Nil) units of face value of Rs. 10 each of Kotak Flexi Debt Scheme - Inst. (D)	99,469,852	–
7,335,658 (Nil) units of face value of Rs. 10 each of JM Money Manager Fund Super Plus Plan-(D)	73,395,456	–
47,849 (Nil) units of face value of Rs 1000 each of UTI Treasury Advantage Fund-Inst-(D)	47,859,307	–
4,497,335 (Nil) units of face value of Rs 10 each of S252 SBNPP Ultra ST Fund Super-Inst-(D)	45,139,750	–
1,999,606 (Nil) units of face value of Rs 10 each of TFLD TATA Floater Fund (D)	20,067,250	–
	852,028,879	**135,331,872**
	1,003,520,091	**296,293,234**

Notes:

1. Net asset value (NAV) of current investments is Rs.852,028,879 (Rs.135,331,872) as at 31 March 2010.
2. Refer note 8, schedule 16 for details of investments purchased and sold during the year ended 31 March 2010.

Amount in Rupees

	As at 31 March 2010	As at 31 March 2009
SCHEDULE 5		
SUNDRY DEBTORS (UNSECURED)*		
Debts outstanding for a period exceeding six months		
– Considered good	106,542,229	86,754,261
– Considered doubtful	16,858,700	14,314,413
	123,400,929	101,068,674
Less: Provision for doubtful debts	(16,858,700)	(14,314,413)
	106,542,229	86,754,261
Other debts (considered good)	359,179,882	425,946,063
	465,722,111	**512,700,324**

* includes debt amounting to Rs.8,399,626 (Rs.10,615,001) from Nucleus Software Inc., USA, Rs.63,968,946 (Rs.7,696,718) from Nucleus Software Japan Kabushiki Kaiga, Rs.23,016,437 (Rs.16,029,068) from Nucleus Software Solutions Pte. Ltd., Singapore, Rs.872,270 (Rs.610,246) from Nucleus Sofware Netherlands B.V., Netherlands and Rs.4,031,694 (Rs.2,704,526) from VirStra i -Techonolgy Services Limited, India, being companies under the same management within the meaning of section 370 (1-B) of the Companies Act, 1956.

	As at 31 March 2010	As at 31 March 2009
SCHEDULE 6		
CASH AND BANK BALANCES (refer note 7, schedule16)		
Cash in hand	81,735	487,952
Cheques in hand	8,121,930	1,366,929
Balances with scheduled banks:		
– in current accounts	42,097,386	74,676,490
– in fixed deposit accounts*	386,470,013	718,942,214
Balance with non scheduled banks:		
– in current account (Citibank, United Kingdom) [Maximum amount outstanding during the year Rs.2,148,871 (Rs.2,307,184)]	79,827	1,019,739
– in current account (Citibank, U.A.E) [Maximum amount outstanding during the year Rs.4,508,639 (Rs.3,212,886)]	926,456	476,810
Remittance in transit	–	27,842,915
	437,777,347	**824,813,049**

* include fixed deposits amounting to Rs.5,570,013 (Rs.5,365,165) under lien with bank on account of guarantees issued on behalf of the Company

	As at 31 March 2010	As at 31 March 2009
SCHEDULE 7		
LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	19,947,737	11,440,354
Loans and advances to subsidiaries*	29,314,849	25,114,849
Security deposits	10,661,857	9,891,046
Mark to Market on Options/Forward contracts (refer note 4, schedule 16)	10,202,533	–
Advance income tax [net of provision Rs.110,787,306 (Rs.61,606,885)]	73,372,126	41,566,786
Advance fringe benefit tax [net of provision Rs.24,915,859 (Rs.24,583,704)]	2,732,275	2,592,274
MAT credit entitlement (refer note 9, schedule16)	45,300,000	57,300,000
Prepaid expenses	27,534,909	21,198,212
	219,066,286	**169,103,521**

* includes loan amounting to Rs.29,314,849 (Rs.25,114,849) to Nucleus Software Limited, [maximum amount outstanding during the year Rs.29,314,849 (Rs.25,114,849)], being companies under the same management within the meaning of section 370 (1-B) of the Companies Act, 1956.

Amount in Rupees

	As at 31 March 2010	As at 31 March 2009
SCHEDULE 8		
OTHER CURRENT ASSETS		
Service income accrued but not due [net of provision of Rs.15,859,397 (Rs.12,010,692)]*	263,026,359	275,369,926
Interest accrued but not due	14,295,969	26,702,636
	277,322,328	**302,072,562**

* includes service income accrued but not due amounting to Rs. Nil (Rs.52,292,340) from Nucleus Software Japan Kabushiki Kaiga being company under the same management within the meaning of section 370 (1-B) of the Companies Act, 1956.

	As at 31 March 2010	As at 31 March 2009
SCHEDULE 9		
CURRENT LIABILITIES		
Sundry creditors*#	207,116,066	202,633,269
Withholding tax	–	25,770,224
Due to subsidiaries	2,892,049	6,891,872
Advances from customers	78,316,833	59,815,181
Mark to Market on Options / Forward contracts (refer note 4, schedule16)	–	40,417,880
Unclaimed dividends	1,467,148	1,194,215
Other liabilities**	17,662,767	33,956,649
Book overdraft	3,902,277	–
	311,357,140	**370,679,290**

* The Company has no amounts payable to micro, small and medium enterprises as defined in section 7(1) of the Micro, Small and Medium Enterprises Development Act, 2006, to the extent such parties have been identified from the available information.

\# Includes salary, bonus and incentives payable of Rs.33,395,239 (Rs.54,367,100).

** Includes contribution to provident and other funds payable of Rs.7,740,364 (Rs.8,499,304).

	As at 31 March 2010	As at 31 March 2009
SCHEDULE 10		
PROVISIONS		
Gratuity	58,763,800	51,341,655
Leave encashment	43,113,406	39,075,103
Proposed dividend	80,925,060	80,925,060
Corporate dividend tax	13,440,843	13,753,214
	196,243,109	**185,095,032**

Amount in Rupees

	For the year ended 31 March 2010	For the year ended 31 March 2009
SCHEDULE 11		
SALES AND SERVICES		
Software development services and products		
– Domestic	383,007,216	382,272,032
– Overseas	1,558,467,126	1,712,074,355
	1,941,474,342	**2,094,346,387**
SCHEDULE 12		
SOFTWARE DEVELOPMENT EXPENSES		
Salaries and allowances	777,540,990	853,455,537
Contribution to provident and other funds	45,074,528	48,499,723
Directors' remuneration	10,232,000	6,210,000
Employee's stock compensation expenses (net)	–	2,737,584
Staff welfare	13,205,601	16,133,330
Conveyance	11,282,421	10,954,723
Communication	11,366,265	15,060,620
Rent	14,149,382	5,331,569
Legal and professional	32,727,100	18,333,397
Repair and maintenance		
– Buildings	2,107,256	558,689
– Others	11,272,768	11,293,073
Training and recruitment	3,447,037	11,495,603
Printing and stationery	1,236,537	922,899
Insurance	4,157,955	3,165,838
Software and other development charges	76,265,562	79,306,710
Cost of software purchased for delivery to clients	71,787,541	53,811,355
Travelling	129,512,354	133,363,188
Power and fuel	21,489,863	24,563,233
Information technology expenses	12,838,364	9,210,475
Miscellaneous expenses	5,091,349	2,860,279
	1,254,784,873	**1,307,267,825**
SCHEDULE 13		
SELLING AND MARKETING EXPENSES		
Salaries and allowances	57,315,186	80,466,585
Contribution to provident and other funds	2,013,852	2,503,103
Directors' remuneration	10,232,000	6,210,000
Employee's stock compensation expenses (net)	–	196,123
Staff welfare	1,193,931	1,556,938
Conveyance	1,253,663	2,904,912
Communication	3,832,118	1,350,934
Rent	5,255,041	8,544,802
Legal and professional	3,717,034	13,610,004
Repair and maintenance		
– Buildings	110,624	29,330
– Others	591,774	592,842
Training and recruitment	242,881	448,948
Printing and stationery	346,204	1,727,967
Insurance	214,615	175,979
Travelling	28,740,118	27,050,489
Advertisement and business promotion	4,103,157	8,897,607
Power and fuel	2,008,532	1,926,985
Conference, exhibition and seminar	7,538,983	12,840,739
Information technology expenses	667,046	352,399
Commission to channel partners	7,419,381	5,658,663
Miscellaneous expenses	4,369,723	10,300,606
	141,165,863	**187,345,955**

Amount in Rupees

	As at 31 March 2010	As at 31 March 2009
SCHEDULE 14		
GENERAL AND ADMINISTRATION EXPENSES		
Salaries and allowances	75,444,023	92,634,600
Contribution to provident and other funds	4,405,593	5,893,266
Directors' remuneration	5,116,000	3,105,000
Employee's stock compensation expenses (net)	–	302,711
Staff welfare	1,850,347	2,472,713
Conveyance	1,974,378	2,189,302
Communication	2,082,071	2,042,499
Rent	245,200	228,199
Rates and taxes	2,441,831	2,388,574
Legal and professional	6,465,385	18,743,171
Repair and maintenance		
– Buildings	547,081	145,045
– Others	2,926,608	2,931,883
Training and recruitment	1,061,934	1,783,081
Printing and stationery	583,029	1,089,036
Insurance	415,587	307,902
Bank charges	2,741,717	1,767,758
Travelling	2,309,164	15,718,451
Advertisement and business promotion	552,261	1,381,390
Power and fuel	1,892,972	2,189,656
Conference, exhibition and seminar	339,714	34,510
Information technology expenses	1,215,239	896,415
Advances and other current assets written off	245,787	4,846,684
Provision for doubtful debts /advances / other current assets*	12,138,934	30,679,934
Provision for dimunition in the value of investments	16,293,150	5,515,363
Miscellaneous expenses	6,244,759	18,452,603
	149,532,764	**217,739,746**

* Includes bad debts written off Rs.7,995,923 (Rs.12,790,985)

SCHEDULE 15		
OTHER INCOME		
Dividend received from non-trade investments	15,466,174	13,916,401
Dividend received from subsidiary	70,000,000	42,500,000
Interest on fixed deposits [gross of tax deducted at source Rs.5,872,682 (Rs.1,532,671)]	51,328,624	34,769,928
Profit on sale of fixed assets (net)	2,485,655	–
Profit on sale of investments		
– Long term trade investment	–	21,849,760
– Current non trade investments	9,264	45,139,108
Provisions written back	10,777,495	5,511,808
Reversal of employee's stock compensation expense (net)	4,160,326	15,745
Miscellaneous income	2,078,821	1,942,047
	156,306,359	**165,644,797**

SCHEDULE 16
Significant accounting policies and notes to the accounts

1. Company Overview

Nucleus Software Exports Ltd. ('Nucleus' or 'the Company') was incorporated on 9 January 1989 in India as a private limited company. It was subsequently converted into a public limited company on 10 October 1994. The Company made an initial public offer in August 1995. As at 31 March 2010, the Company is listed on three stock exchanges in India namely National Stock Exchange, Bombay Stock Exchange and Madras Stock Exchange. The Company has wholly owned subsidiaries in Singapore, USA, Japan, Australia, Hong-Kong, Netherlands and India.The Company's business consists of software product development and marketing and providing support services mainly for corporate business entities in the banking and financial services sector.

2. Significant accounting policies

(i) Basis of preparation

The financial statements are prepared under the historical cost convention on the accrual basis, in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") and mandatory accounting standards as prescribed in the Companies (Accounting Standard) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India ("SEBI"). Accounting policies have been consistently applied except where a newly issued accounting standard, if 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.

(ii) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such estimates include estimates of expected contract costs to be incurred to complete contracts, provision for doubtful debts, future obligations under employee retirement benefit plans and estimated useful life of fixed assets. Actual results could differ from these estimates. Any changes in estimates are adjusted prospectively.

(iii) Revenue recognition

Revenue from software development services comprises income from time and material and fixed price contracts. Revenue from time and material contracts is recognised as the services are rendered. Revenue from fixed price contracts and sale of license and related customisation and implementation is recognised in accordance with the percentage completion method calculated based on output method. Provision for estimated losses, if any, on uncompleted contracts are recorded in the year in which such losses become certain based on the current estimates.

Revenue from annual technical service contracts is recognised on a pro rata basis over the period in which such services are rendered.

Service income accrued but not due represents revenue recognised on contracts to be billed in the subsequent period, in accordance with terms of the contract.

Profit on sale of investments is recorded on transfer of title from the Company and is determined as the difference between the sales price and the then carrying value of the investment. Interest on deployment of surplus funds is recognised using the time-proportion method, based on interest rates implicit in the transaction. Dividend income is recognised when the right to receive the same is established.

(iv) Expenditure

The cost of software purchased for use in software development and services is charged to cost of revenues in the year of acquisition. Expenses are accounted for on accrual basis and provisions are made for all known losses and liabilities.

(v) Fixed assets and capital work in progress

Fixed assets are stated at the cost of acquisition including incidental costs related to acquisition and installation. Fixed assets under construction, advances paid towards acquisition of fixed assets and cost of assets not put to use before the year end, are disclosed as capital work-in-progress.

(vi) Depreciation

Depreciation on fixed assets, except leasehold land and leasehold improvements, is provided on the straight-line method based on useful lives of respective assets as estimated by the management. Leasehold land is amortised over the period of lease. The leasehold improvements are amortised over the remaining period of lease or the useful lives of assets, whichever is shorter. Depreciation is charged on a pro-rata basis for assets purchased / sold during the year. Assets costing less than Rs.5,000 are fully depreciated in the year of purchase.

The management's estimates of the useful lives of the various fixed assets are as follows:

Asset category	Useful life (in years)
Building	30
Plant and machinery (including office equipment)	5
Computers	4
Vehicles	5
Furniture and fixtures	5
Software	3
Temporary wooden structures (included in furniture and fixtures)	1

Such rates are higher than the rates specified in Schedule XIV of the Companies Act, 1956.

(vii) Investments

Investments are classified into long term and current investments based on the intent of management at the time of acquisition. Long-term investments including investment in subsidiaries are stated at cost and provision is made to recognise any decline, other than temporary, in the value of such investments. Current investments are stated at the lower of cost and the fair value.

(viii) Research and development

Revenue expenditure incurred on research and development is expensed as incurred. Capital expenditure incurred on research and development is capitalised as fixed assets and depreciated in accordance with the depreciation policy of the Company.

(ix) Foreign exchange transactions

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Realised gains and losses on foreign exchange transactions during the year are recognised in the Profit and Loss Account. Monetary assets and monetary liabilities that are determined in foreign currency are translated at the exchange rate prevalent at the date of balance sheet. The resulting difference is recorded in the Profit and Loss Account.

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

The Company follows Accounting Standard (AS) 30 - "Financial Instruments: Recognition and Measurement" to the extent that the adoption does not conflict with existing mandatory accounting standards and other authoritative pronouncements, Company law and other regulatory requirements.

The Company follows hedge accounting in accordance with principles set out in AS 30. The Company records the gain or loss on effective hedges in the hedging reserve until the transactions are complete. On completion, the gain or loss is transferred to the Profit and Loss Account of that period. To designate a forward contract or option as an effective hedge, management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. In the absence of a designation as effective hedge, a gain or loss is recognized in the Profit and Loss Account.

(x) Employee stock option based compensation

The excess of market price of underlying equity shares as of the date of the grant of options over the exercise price of the options given to employees under the employee stock option plan is recognised as deferred stock compensation cost and is amortised on graded vesting basis over the vesting period of the options.

(xi) Employee benefits

Short-term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages, and bonus etc. are recognised in the Profit and Loss Account in the period in which the employee renders the related service.

Defined contribution plans

The Company deposits the contributions for provident fund to the appropriate government authorities and these contributions are recognised in the Profit and Loss Account in the financial year to which they relate.

Defined benefit plans

Gratuity

The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plan is determined based on an actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rate used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government securities as at the valuation date having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

Other long term employee benefits

Benefits under the Company's leave encashment scheme constitute other employee benefits. The liability in respect of leave encashment is provided on the basis of an actuarial valuation done by an independent actuary at the year end. Actuarial gains and losses are recognized immediately in the Profit and Loss Account.

(xii) Operating leases

Lease payments under operating lease are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

(xiii) Earnings per share

Basic earning per share is computed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year-end, except where the results would be anti-dilutive.

(xiv) Taxation

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax annually based on the tax liability computed after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowance or other matters is probable. Minimum Alternate 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 Company will pay normal tax after the tax holiday period. Accordingly, it 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 Company and the asset can be measured reliably.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantially enacted regulations. Where there are unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only to the extent there is virtual certainty of realisation of such assets. In other situations, deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Such assets are reviewed at each Balance Sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized. Deferred tax assets or liabilities arising due to timing differences, originating during the tax holiday period and reversing after the tax holiday period are recognised in the period in which the timing difference originate.

(xv) Impairment

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss had been recognized.

(xvi) Contingencies

The Company recognises a provision when there is a present obligation as a result of a past event and it is probable that it would involve an outflow of resources and a reliable estimate can be made of the amount of such obligation. Such provisions are not discounted to their present value and are determined based on the management's estimation of the obligation required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect management's current estimates.

A disclosure for a contingent liability is made where it is more likely than not that a present obligation or possible obligation may result in or involve an outflow of resources. When no present or possible obligation exists and the possibility of an outflow of resources is remote, no disclosure is made.

3. Deferred tax asset/(liability)

Components of net deferred tax asset/(liability):

Amount in Rupees

	As at 31 March 2010	As at 31 March 2009
Deferred tax asset		
Provision for doubtful debts and income accrued	7,562,429	3,260,917
Provision for retirement benefits	32,298,977	28,293,037
	39,861,406	31,553,954
Deferred tax liability		
Difference of depreciation as per Income-tax laws and books of accounts	(12,013,897)	(16,832,062)
Net deferred tax asset	27,847,509	14,721,892

4. Forward contracts and options in foreign currency

	As at 31 March 2010	As at 31 March 2009
Forward contract outstanding		
In USD	7,500,000	4,750,000
Equivalent amount in Rupees	338,175,000	241,015,000
Options contract outstanding		
In USD	400,000	3,400,000
Equivalent amount in Rupees	18,036,000	172,516,000

As at 31 March 2010, the Company has recorded marked to market gain of Rs.11,064,760 relating to forward contracts that are designated as effective cash flow hedges with a corresponding credit to hedging reserves. Further as at 31 March 2010, the Company has recorded marked to market loss of Rs.862,227 relating to foreign currency options which does not qualify for hedging and accordingly the loss has been recognized in the Profit and Loss Account.

The Company's exposure in respect of foreign currency denominated assets not hedged as on 31 March 2009 by derivative instruments or otherwise is as follows:

Current Assets					
As at 31 March 2010			As at 31 March 2009		
Amount in foreign currency		Amount in rupees	Amount in foreign currency		Amount in rupees
USD	13,430,762	614,923,543	USD	12,464,731	616,920,280
EURO	14,432	872,270	EURO	12,206	792,382
SGD	714,796	23,016,437	SGD	1,166,923	39,195,408
AED	160,654	2,012,258	AED	468,056	6,379,597
RM	1,474,907	20,352,630	RM	1,211,277	16,957,876
Creditors					
As at 31 March 2010			As at 31 March 2009		
Amount in foreign currency		Amount in rupees	Amount in foreign currency		Amount in rupees
USD	4,349,375	196,728,590	USD	2,704,414	124,706,872
SGD	89,815	2,892,049	AUD	16,211	567,385
GBP	9,000	576,090	SGD	200,169	6,663,637
AED	88,145	1,078,895	AED	4,081	55,623

5. Employees Stock Option Plan ("ESOP")

The Securities and Exchange Board of India ('SEBI') has issued the (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, which is effective for all stock option schemes established after 19 June 1999. In accordance with these Guidelines, the excess of the market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option, including up-front payments, if any, is to be recognised and amortised on graded vesting basis over the vesting period of the options.

The Company currently has three ESOP schemes, ESOP scheme- 2002 (instituted in 2002), ESOP scheme-2005 (instituted in 2005) and ESOP scheme-2006 (instituted in 2006). These schemes were duly approved by the Board of Directors and Shareholders in their respective meetings. The 2002 scheme provides for the issue of 225,000 options, 2005 scheme for 600,000 options and 2006 scheme for 1,000,000 options to eligible employees. These schemes are administered by the Compensation Committee comprising four members, the majority of whom are independent directors.

Details of options granted/ exercised and forfeited are as follows:

2002 Stock Option Scheme

	Year ended 31 March 2010	Year ended 31 March 2009
Options outstanding at the beginning of the year	126,050	141,550
Options granted	–	–
Options forfeited	(52,750)	(14,000)
Options exercised	–	(1,500)
	73,300	**126,050**

2005 Stock Option Scheme

	Year ended 31 March 2010	Year ended 31 March 2009
Options outstanding at the beginning of the year	142,000	142,000
Options granted	–	–
Options forfeited	(56,600)	–
Options exercised	–	–
	85,400	**142,000**

2006 Stock Option Scheme

	Year ended 31 March 2010	Year ended 31 March 2009
Options outstanding at the beginning of the year	189,860	249,860
Options granted	40,000	–
Options forfeited	(128,786)	(60,000)
Options exercised	–	–
	101,074	**189,860**

The movement in deferred stock compensation expense during the year is as follows:

Amount in Rupees

	Year ended 31 March 2010	Year ended 31 March 2009
Balance brought forward	1,976,054	5,980,726
Add: Recognised during the year	–	–
Less: Amortisation expense*	1,893,895	4,004,672
Less: Reversal due to forfeiture	82,159	–
Balance carried forward	**–**	**1,976,054**

* excluding write back of stock compensation expense in respect of forfeited/ lapsed options of Rs.6,136,380; (Rs.784,000).

6.(a) Managerial remuneration

Amount in Rupees

	Year ended 31 March 2010	Year ended 31 March 2009
A. Managing Director		
Salary	6,000,000	6,000,000
Contribution to provident and other funds	360,000	360,000
Commission	12,949,000	5,525,000
Perquisites	551,000	–
	19,860,000	**11,885,000**

Amount in Rupees

	Year ended 31 March 2010	Year ended 31 March 2009
B. Non Executive Directors		
Commission	4,000,000	2,375,000
Sitting fees	2,080,000	1,625,000
	6,080,000	**4,000,000**

Note:

The above remuneration does not include expense towards retirement benefits since the same is based on actuarial valuations carried out for the Company as a whole.

6. (b) Computation of managerial remuneration under section 198 of the Companies Act, 1956 and commission payable to non-executive directors

Amount in Rupees

	Year ended 31 March 2010	Year ended 31 March 2009
Profit after taxation	337,362,562	261,488,679
Add: (i) Remuneration paid to the directors	23,860,000	14,260,000
(ii) Depreciation as per accounts	98,034,005	101,177,086
(iii) Provision for doubtful debts/advances/other current assets (net)	3,914,033	17,888,949
(iv) Tax for the year	55,542,813	24,250,520
(v) Directors' sitting fees	2,080,000	1,625,000
(vi) Provision for diminution in value of investment	16,293,150	5,515,363
Less: (i) Profit on sale of investments	–	66,988,868
(ii) Profit on sale / discard of fixed assets	2,250,000	–
(iii) Depreciation as per section 350	98,034,005	101,177,086
Net profit for the purpose of managerial remuneration	436,802,558	258,039,643
Commission paid / payable to Managing Director [maximum 5% being Rs. 20,604,000 (Rs.12,172,000)]	19,860,000	11,885,000
Commission payable to non-wholetime directors [maximum 1% being Rs. 4,121,000 (Rs. 2,434,000)]	4,000,000	2,375,000

7. Bank Balances

Details of balances as on balance sheet dates with scheduled banks in current accounts:-

Amount in Rupees

Name of Bank	As at 31 March 2010	As at 31 March 2009
Canara Bank	1,911	86,026
Citi Bank	2,048,397	6,922,063
Citi Bank - EEFC accounts in US dollar	33,599,366	57,259,931
DBS Bank	43,594	247,809
HDFC Bank - EEFC accounts in US dollar	235,362	2,320,022
HDFC Bank	2,517,594	4,637,947
HDFC Bank - Unclaimed dividend accounts	1,082,364	802,973
HSBC Bank - Unclaimed dividend accounts	389,917	394,042
ICICI Bank	1,076,930	1,710,969
State Bank of India	1,101,951	233,332
Vijaya Bank	–	61,376
Total	**42,097,386**	**74,676,490**

Details of fixed deposit as on balance sheet dates with scheduled banks :-

Amount in Rupees

Name of Bank	As at 31 March 2010	As at 31 March 2009
HDFC Bank	9,446,013	222,234,512
Canara Bank	26,900,000	181,007,037
Citi Bank	4,724,000	35,000,665
DBS Bank	–	22,500,000
Punjab National Bank	43,900,000	66,000,000
ICICI Bank	29,700,000	127,300,000
State Bank of India	49,800,000	7,500,000
Corporation Bank	73,500,000	37,400,000
Bank of India	59,400,000	20,000,000
State Bank of Hyderabad	89,100,000	–
Total	**386,470,013**	**718,942,214**

Details of balances as on balance sheet dates with non-scheduled banks in current accounts:-

Amount in Rupees

Name of Bank	As at 31 March 2010	As at 31 March 2009
Citi Bank, U.A.E	926,456	476,810
Citi Bank, United Kingdom	79,827	1,019,739
Total	**1,006,283**	**1,496,549**

None of the directors or their relatives are interested in any of the non-scheduled banks mentioned above.

8. Details of investments purchased and sold during the year ended 31 March 2010

Name of the investment	Face value Amount (Rupees)	Purchased during the year Quantity	Purchased during the year Amount (Rupees)	Sold during the year Quantity	Sold during the year Amount (Rupees)
SBNPP Money Fund Inst.- Daily Divident Reinvesment	10	4,457,851	45,003,343	4,457,851	45,003,343
TATA Liquid Super High Investment Fund-Daily Dividend	1,000	9,870	11,000,866	9,870	11,000,866
Fortis Overnight Fund-Institutional Daily Dividend	10	8,348,059	83,505,638	8,348,059	83,505,638
Kotak Flexi Debt Scheme Institutional- Daily Dividend	10	99,527	1,000,000	99,527	1,000,000
Kotak Liquid (Institutional)-Daily Dividend	10	6,461,219	79,008,430	6,461,219	79,008,430
Birla Sun Life Savings Fund-Institutional-Daily Dividend-Reinvestment	10	1,498,981	15,000,000	1,498,981	15,000,000
HDFC Cash Management Fund-Savings Plan-Dividend	10	2,921,152	31,070,542	2,921,152	31,070,542
Reliance Liquid Fund -Treasury Plan Institutional Option-Dividend	10	9,004,771	137,657,728	9,004,771	137,657,728
JPPDI-JP Morgan India Treasury Fund-Super Institutional Daily Dividend Plan-Reinvest	10	1,298,844	13,000,000	1,298,844	13,000,000
JM High Liquidity Fund Institutional Plan- Daily Dividend Plan	10	5,292,019	53,004,334	5,292,019	53,004,334
Birla Sun Life Cash Plus Fund-Institutional Premium Plan-(D)	10	16,173,090	162,046,272	16,173,090	162,046,272
ICICI Prudential Flexible Income Plan Premium Daily Dividend	100	472,880	50,000,000	472,880	50,000,000
LICMF Savings Plus Fund-Daily Dividend Plan	10	100,920	1,009,196	100,920	1,009,196
UTI Treasury Advanatage Fund-Institutional Plan (Daily Dividend Option)-Re-investment	1,000	9,998	10,000,000	9,998	10,000,000
Fortis Money Plus Institutional Plan Daily Dividend	10	699,783	7,000,000	699,783	7,000,000
HDFC Liquid Fund Premium Plan-Dividend-Daily Reinvest	10	10,502,758	128,761,711	10,502,758	128,761,711
JP Morgan India Liquid Plus Fund-Super Inst-Dividend	10	6,895,225	69,006,725	6,895,225	69,006,725
Reliance Medium Term Fund- Daily Dividend Plan	10	2,749,262	47,000,000	2,749,262	47,000,000
Canara Robeco Liquid Fund- Institutional Dividend	10	2,390,423	24,002,235	2,390,423	24,002,235
Canara Robeco Treasury Advantage Institutional Daily Dividend Fund	10	2,734,439	33,926,459	2,734,439	33,926,459
ICICI Prudential Institutional Liquid Plan-Super Institutional-Dividend	10	4,959,997	91,913,525	4,959,997	91,922,790
UTI Liquid Cash Plan Institutional-Daily Income Option-Re-investment	1,000	75,728	77,200,992	75,728	77,200,992
LICMF Liquid Fund-Dividend Plan	10	12,328,384	135,366,891	12,328,384	135,366,891

Details of investments purchased and sold during the year ended 31 March 2009

Name of the investment	Face value Amount (Rupees)	Purchased during the year Quantity	Purchased during the year Amount (Rupees)	Sold during the year Quantity	Sold during the year Amount (Rupees)
ICICI Prudential Flexible Income Plan-Dividend	10	10,256,033	108,442,165	10,256,033	108,442,165
HDFC Cash Management Fund-Savings Plus Plan-Wholesale-Dividend	10	5,035,685	50,515,476	5,035,685	50,515,476
Mirae Asset Liquid Plus Fund-IP-Dividend	1,000	21,089	21,118,683	21,089	20,741,296
ABN AMRO Money Plus Fund-IP-Dividend	10	840,402	8,404,123	840,402	8,406,624
DWS Fixed Term Fund- Series 57-Dividend	10	5,000,000	50,000,000	5,000,000	50,000,000
Lotus India FMP- 3 Months-Series XXXV-Dividend	10	2,040,077	20,400,850	2,040,077	20,410,558
Canara Robeco Monthly Interval Fund-Dividend	10	2,044,490	20,450,302	2,044,490	20,444,903
SBI Debt Fund Series -90 Days -26-Dividend	10	5,104,510	51,045,100	5,104,510	51,045,100
SBI Debt Fund Series -90 Days -29-Dividend	10	3,000,000	30,000,000	3,000,000	30,000,000

Name of the investment	Face value Amount (Rupees)	Purchased during the year Quantity	Purchased during the year Amount (Rupees)	Sold during the year Quantity	Sold during the year Amount (Rupees)
JM Interval Fund-Quarterly Plan 5 -Institutional Dividend Plan-Dividend	10	3,506,723	35,067,233	3,506,723	35,067,233
JM Fixed Maturity Fund-Series XII Quarterly Plan 3-Institutional-Dividend	10	3,478,772	34,787,722	3,478,772	34,787,722
DSPML FMP 3M Series 12-Institutional Dividend-Dividend	10	2,500,000	25,000,000	2,500,000	25,359,000
Reliance Fixed Horizon Fund-X -Series 13-Super Institutional Dividend Plan	10	1,017,815	10,178,146	1,017,815	10,325,220
Reliance Liquid Plus Fund-Institutional-Dividend	1,000	41,169	41,215,471	41,169	41,215,471
DWS Liquid Plus Fund-Regular-Dividend	10	549,548	5,503,559	549,548	5,503,559
Canara Robeco Liquid Plus -Institutional Plan-Dividend	10	5,917,090	73,413,925	5,917,090	73,413,925
JP Morgan India Liquid Plus Fund-Super Inst-Dividend	10	15,133,945	151,474,142	15,133,945	151,474,142
LIC MF Liquid Plus Fund-Dividend	10	30,245,862	302,458,623	30,245,862	302,458,623
JP Morgan India Liquid Fund-Super Inst-Dividend	10	11,320,238	113,294,838	11,320,238	113,294,838
LIC MF Liquid Fund-Dividend	10	1,366,389	15,003,087	1,366,389	15,003,087
ICICI Prudential Institutional Liquid Plan-Super Institutional-Dividend	10	7,001,001	70,013,508	7,001,001	70,013,508
Canara Robeco Liquid Fund -Institutional Plan-Dividend	10	4,303,209	43,208,526	4,303,209	43,208,526
Sundaram BNP Paribas Liquid Plus -Super IP-Dividend	10	5,021,563	50,341,170	5,021,563	50,341,170
JM Money Manager Fund Super Plus Plan-Daily Dividend-Dividend	10	3,369,827	33,712,084	3,369,827	33,712,084
SBI SHF Liquid Plus Plus-IP-Dividend	10	1,003,064	10,035,659	1,003,064	10,035,659
Reliance Fixed Horizon Fund-VIII- Series 10-Institutional-Dividend	10	2,000,000	20,000,000	2,000,000	20,000,200
Sundaram BNP Paribas Interval Fund-Qly-Plan-C-Inst-Dividend	10	1,017,552	10,177,525	1,017,552	10,175,525
HDFC FMP 90D May 2008 (VIII) (2)-Wholesale Plan-Dividend	10	5,000,000	50,000,000	5,000,000	50,000,000
Reliance Fixed Horizon Fund-VIII-Series 11-Inst-Dividend	10	1,000,000	10,000,000	1,000,000	10,000,000
IDFC Fixed Maturity Plan- Quarterly Series 34-Dividend	10	1,017,690	10,176,900	1,017,690	10,176,900
HDFC Liquid Fund Premium Plan-Dividend	10	2,854,859	35,000,000	2,854,859	35,000,000
Reliance Medium Term Fund-Dividend	10	1,465,628	25,055,638	1,465,628	25,055,638
Reliance Liquid Fund-Treasury Plan-IP-(D)	10	981,408	15,002,982	981,408	15,002,982

9. Most of the operations of the company are conducted through Software Technology Park ('STP'). Income from STP are tax exempt for the earlier of 10 years commencing from the fiscal year in which the unit commences software development or 31 March 2011, whether is earlier.

Pursuant to the change in the Indian Income-tax Act, 1961, the company has calculated its tax liability after considering Minimum Alternative Tax (MAT). The MAT credit entitlement can be carried forward and set off against the future tax liability. Accordingly a sum of Rs.45,300,000 (Rs.57,300,000) was carried forward and shown under "Loans and advances" in the balance sheet as at 31 March 2010.

10. Employee Benefit Obligations

Defined contribution plans

An amount of Rs.51,493,973 (Rs.56,896,091) for the year ended, have been recognized as an expense in respect of Company's contribution for Provident Fund and Employee State Insurance Fund deposited with the government authorities and has been shown under personnel expenses in the Profit and Loss Account.

Defined benefit plans

The Company operates gratuity plan wherein every employee is entitled to the benefit equivalent to 15 days of total basic salary last drawn for each completed year of service. Gratuity is payable to all eligible employees of the Company on retirement, separation, death or permanent disablement, in terms of the provisions of the Payment of Gratuity Act, 1972.

The following table set out the status of the gratuity plan as required under the aforesaid standard:

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

Amount in Rupees

Particulars	**As at 31 March 2010**	**As at 31 March 2009**
Obligation at year beginning	51,341,655	35,529,286
Current service cost	12,126,641	9,511,710
Interest cost	3,946,806	3,166,637
Actuarial losses/(gains)	(5,288,975)	4,839,397
Benefits paid	(3,362,327)	(1,705,375)
Obligation at year end	**58,763,800**	**51,341,655**
Change in plan assets		
Plan Assets at year beginning, at fair value	–	–
Contributions	3,362,327	1,705,375
Benefits paid	(3,362,327)	(1,705,375)
Plan assets at year end, at fair value	–	–

The Scheme does not have any assets as at the valuation date to meet the gratuity liability.

Gratuity cost for the year:

Amount in Rupees

Particulars	**Year ended 31 March 2010**	**Year ended 31 March 2009**
Current service cost	12,126,641	9,511,710
Interest cost	3,946,806	3,166,637
Actuarial losses/(gains)	(5,288,975)	4,839,397
Net gratuity cost	**10,784,472**	**17,517,744**

Assumptions	**As at 31 March 2010**	**As at 31 March 2009**
Discount rate	7.30% p.a	6.65%
Salary escalation rate	10% p.a for first 3 years & 7% p.a thereafter	10% p.a for first 4 years & 7% p.a thereafter

a) Discount rate:

The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

b) Salary escalation rate:

The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

Demographic assumptions	**As at 31 March 2010**	**As at 31 March 2009**
Retirement age	58 years	58 years
Mortality table	LIC (1994-96) duly modified	LIC (1994-96) duly modified
Withdrawal rates	Ages - Withdrawal Rate (%) 21-50 years - 20% 51-54 years - 2% 55-57 years - 1%	Ages - Withdrawal Rate (%) 21-50 years - 20% 51-54 years - 2% 55-57 years - 1%

11. Segment reporting - Basis of preparation

(i) Segment accounting policies

The Segment reporting policy complies with the accounting policies adopted for preparation and presentation of financial statements of the Company and is in conformity with Accounting Standard-17 on "Segment Reporting", as specified in the Companies (Accounting Standard) Rules, 2006. The segmentation is based on the Geographies (reportable primary segment) in which the Company operates and internal reporting systems. The secondary segmentation is based on the nature and type of services rendered.

(ii) Composition of reportable segments

The Company operates in five main geographical segments: India, Far East, Singapore, Europe and Middle East.

Income and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while the remainder of the costs are categorised in relation to the associated turnover and/or man months. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying services are used interchangeably across geographies. The Company believes that it is not practicable to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and directly charged against total income.

Segment assets and liabilities represent the net assets put up and liabilities of that segment. All the fixed assets of the Company are located in India. These have not been identified to any of the reportable segments, as these are used interchangeably between segments and across geographies. Other items which are not directly attributable to any particular segment and which cannot be reasonably allocated to various segments are consolidated under "Unallocated" head.

a) Information in respect of primary segment

The profit and loss for reportable primary segment is set out below:

For the year ended 31 March 2010 Amount in Rupees

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Revenue from external customers	383,007,216	606,326,481	152,923,551	169,024,262	378,946,954	251,245,878	1,941,474,342
Expenses	382,972,590	406,289,514	120,629,753	91,873,461	275,103,853	174,249,350	1,451,118,521
Segment result	34,626	200,036,967	32,293,798	77,150,801	103,843,101	76,996,528	490,355,821
Unallocated corporate expenditure							196,655,065
Operating profit before taxation							293,700,756
Other income							156,306,360
Foreign Exchange gain /(loss)							(57,101,741)
Profit before tax							392,905,375
Provision for taxation							
– current income tax							68,274,561
– MAT credit entitlement							-
– fringe benefit tax							332,155
– deferred tax							(13,125,617)
– income tax for earlier years							-
Provision for wealth tax							61,714
Net profit after taxation							**337,362,562**

For the year ended 31 March 2009 Amount in Rupees

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Revenue from external customers	382,272,032	781,338,765	148,892,095	216,114,713	320,227,865	245,500,917	2,094,346,387
Expenses	328,827,617	687,717,666	120,245,004	113,238,695	242,272,383	200,528,189	1,692,829,554
Segment result	53,444,415	93,621,099	28,647,091	102,876,018	77,955,482	44,972,728	401,516,833
Unallocated corporate expenditure							193,325,740
Operating profit before taxation							208,191,093
Other income							165,644,797
Foreign Exchange gain /(loss)							(88,096,691)
Profit before tax							285,739,199

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Provision for taxation							
– current income tax							33,500,000
– MAT credit entitlement							(5,200,000)
– fringe benefit tax							7,020,686
– deferred tax charge / (credit)							(13,101,386)
– income tax for earlier years							1,943,173
Provision for wealth tax							88,047
Net profit after taxation							**261,488,679**

Assets and liabilities of reportable primary segment are as follows:

As at 31 March 2010 Amount in Rupees

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Segment assets	88,518,047	344,648,155	25,539,382	42,331,244	125,171,231	102,540,411	728,748,470
Unallocated corporate assets							2,108,464,594
Total assets							**2,837,213,064**
Segment liabilities	80,777,401	147,057,078	15,346,828	13,924,247	66,419,325	43,898,181	367,423,060
Unallocated corporate liabilities							140,177,189
Total liabilities							**507,600,249**
Capital employed							**2,329,612,815**

As at 31 March 2009 Amount in Rupees

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Segment assets	120,246,029	258,594,953	58,198,463	40,592,828	176,480,847	133,957,130	788,070,250
Unallocated corporate assets							1,824,708,437
Total assets							**2,612,778,687**
Segment liabilities	58,186,070	161,976,114	17,879,252	15,302,725	56,146,660	51,742,862	361,233,683
Unallocated corporate liabilities							194,540,639
Total liabilities							**555,774,322**
Capital employed							**2,057,004,365**

A listing of capital expenditure, depreciation and other non-cash expenditure of the reportable primary segment are set out below:

For the year ended 31 March 2010 Amount in Rupees

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Capital expenditure (unallocated)							12,195,690
Total capital expenditure							**12,195,690**
Depreciation expenditure (unallocated)							98,034,005
Total depreciation							**98,034,005**
Segment non-cash expense other than depreciation	816,443	(1,143,954)	(349,457)	(329,829)	(2,132,873)	11,135,087	7,995,416
Total non cash expenditure other than depreciation	**816,443**	**(1,143,954)**	**(349,457)**	**(329,829)**	**(2,132,873)**	**11,135,087**	**7,995,416**

For the year ended 31 March 2009 Amount in Rupees

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Capital expenditure (unallocated)							77,512,852
Total capital expenditure							**77,512,852**
Depreciation expenditure (unallocated)							101,177,086
Total depreciation							**101,177,086**
Segment non-cash expense other than depreciation	10,970,127	1,226,577	1,299,248	131,826	9,352,897	15,768,819	38,749,494
Total non cash expenditure other than depreciation	**10,970,127**	**1,226,577**	**1,299,248**	**131,826**	**9,352,897**	**15,768,819**	**38,749,494**

b) **Information in respect of secondary segment**

i) Information for business segments

For the year ended 31 March 2010 Amount in Rupees

Description	**Products**	**Software projects and services**	**Total**
Revenue	1,558,253,477	383,220,865	1,941,474,342
Carrying amount of segment assets	626,835,436	101,913,034	728,748,470

For the year ended 31 March 2009 Amount in Rupees

Description	**Products**	**Software projects and services**	**Total**
Revenue	1,793,005,266	301,341,121	2,094,346,387
Carrying amount of segment assets	626,783,399	161,286,851	788,070,250

As mentioned earlier, all the fixed assets of the Company are located in India. These have not been identified to any of the reportable segments, as these are used interchangeably between segments. Further, information related to carrying amount of assets by location of assets, to the extent possible, has been provided in primary segmentation.

12. Related party transactions

a) **List of related parties - where control exists**

Wholly owned subsidiary companies

– Nucleus Software Solutions Pte Ltd, Singapore

– Nucleus Software Japan Kabushiki Kaiga, Japan

– Nucleus Software Inc., USA

– Nucleus Software (H.K) Ltd., Hong Kong (de-registered w.e.f. 8 January 2010)

– Nucleus Software (Australia) Pty Ltd., Australia

– VirStra i -Technology Services Limited, India

– Nucleus Software Netherlands B.V, Netherlands

– Nucleus Software Limited, India (incorporated on 21 April 2008)

Other subsidiary company (wholly owned subsidiary of Virstra i Technology Services Limited)

– Virstra i -Technology (Singapore) Pte. Ltd., Singapore

Other related parties:

Key managerial personnel:

– Vishnu R Dusad (Managing Director)

b) **Transactions with related parties** Amount in Rupees

		Year ended 31 March 2010	**Year ended 31 March 2009**
i	**Software development, services and products**		
	– Nucleus Software Japan Kabushiki Kaiga.	111,600,927	417,357,972
	– Nucleus Software Solutions Pte Ltd.	110,397,567	80,976,770
	– Others	15,000,000	16,670,012
ii	**Other income**		
	Dividend income		
	– VirStra i-Technology Services Limited	70,000,000	42,500,000
	Others		
	– VirStra i -Technology Services Limited	595,793	2,202,220

Amount in Rupees

		Year ended 31 March 2010	Year ended 31 March 2009
iii	**Managerial remuneration**		
	– Vishnu R Dusad (Managing Director)	19,860,000	11,885,000
iv	**Reimbursement of expenses**		
	From wholly owned subsidiary companies :		
	– VirStra i-Technology Services Limited	801,017	1,898,735
	– Nucleus Software Solutions Pte Ltd	14,108,123	9,385,249
	– Nucleus Software Japan Kabushiki Kaiga.	550,251	3,597,274
	– Nucleus Software Netherlands B.V	386,232	–
	– Nucleus Software Inc.	34,400	110,033
	To wholly owned subsidiary companies:		
	– Nucleus Software Solutions Pte Ltd.	2,442,865	5,097,361
	– Nucleus Software Japan Kabushiki Kaiga.	2,333,221	4,896,652
v	**Cost of services hired**		
	To wholly owned subsidiary company:		
	– Nucleus Software Solutions Pte Ltd.	11,314,212	3,030,384
vi	**Software and Other Development Charges**		
	To wholly owned subsidiary company:		
	– Nucleus Software Japan Kabushiki Kaiga.	–	28,104,350
	– Nucleus Software Solutions Pte Ltd.	7,709,952	–
vii	**Commission paid**		
	To wholly owned subsidiary companies:		
	– Nucleus Software Inc.	1,335,280	1,116,280
viii	**Loans and advances**		
	Given to wholly owned subsidiary company		
	– Nucleus Software Limited	4,200,000	27,114,849
	Repaid by wholly owned subsidiary company		
	– Nucleus Software Limited	–	2,000,000
ix	**Investments**		
	– Nucleus Software Limited	–	100,000,000
	– Nucleus Software Netherlands B.V	6,823,000	6,391,000

c) **Outstanding balances as at year end**

Amount in Rupees

	As at 31 March 2010	As at 31 March 2009
Loans and advances		
To wholly owned subsidiaries		
– Nucleus Software Limited	29,314,849	25,114,849
Debtors		
Wholly owned subsidiaries		
– Nucleus Software Japan Kabushiki Kaiga.	63,968,946	7,696,718
– Nucleus Software Solutions Pte Ltd.	23,016,437	16,029,068
– VirStra i -Technology Services Limited	4,031,694	2,704,526
– Nucleus Software Inc.	8,399,626	10,615,001
– Nucleus Software Netherlands B.V	872,270	610,246
Service income accrued but not due		
Wholly owned subsidiary Company		
– Nucleus Software Japan Kabushiki Kaiga.	–	52,292,340
Sundry creditors		
Due to wholly owned subsidiaries		
– Nucleus Software Solutions Pte Ltd.	2,892,049	6,324,487
– Nucleus Software (Australia) Pty Ltd.	–	567,385

Amount in Rupees

	Year ended 31 March 2010	Year ended 31 March 2009
13. Legal and professional (includes payment to auditors)*		
Audit fees	1,500,000	1,535,000
Other services	408,561	1,465,000
Out of pocket expenses	135,000	155,110
Total	**2,043,561**	**3,155,110**
*excluding service tax		
14. CIF value of imports		
Capital goods	3,481,581	67,646,097
Total	**3,481,581**	**67,646,097**
15. Expenditure in foreign currency		
Travelling expenses	123,821,681	132,274,994
Professional charges	4,470,526	17,024,177
Cost of software purchased for delivery to clients	57,584,692	36,419,156
Conference, exhibition and seminar	7,174,727	10,880,495
Salary	30,390,948	32,470,142
Software and other development charges	39,273,593	59,514,224
Others	22,209,693	28,039,554
Total	**284,925,860**	**316,622,742**

Amount in Rupees

	Year ended 31 March 2010	Year ended 31 March 2009
16. Earnings in foreign currency		
Income from software development services and products	1,558,467,126	1,712,074,355
Interest	579	2,458
Total	**1,558,467,705**	**1,712,076,813**
17. Earnings per share		
Profit after taxation available to equity shareholders (Rupees)	337,362,562	261,488,679
Weighted average number of equity shares used in calculating basic earnings per share	32,370,024	32,369,568
Add: Effect of dilutive issue of shares	4,189	8,052
Weighted average number of equity shares used in calculating diluted earnings per share	32,374,213	32,377,620
Basic earnings per share (Rupees)	10.42	8.08
Diluted earnings per share (Rupees)	10.42	8.07

18. Capital commitments and contingent liabilities

a. Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances) Rs.1,775,062 (Rs.1,309,533).

b. Claim against the Company not acknowledged as debt Rs.324,000 (Rs.324,000).

19. Operating lease

The Company has acquired office premises under cancellable and non-cancellable operating lease. Operating lease rentals paid during the year ended 31 March 2010 is Rs.19,649,623 (Rs.14,104,570). The future minimum lease expense in respect of such leases is as follows:

Amount in Rupees

	As at 31 March 2010	As at 31 March 2009
Not later than 1 year	4,641,447	4,641,447
Later than 1 year but not later than 5 years	2,900,900	7,542,352
Total	**7,542,347**	**12,183,799**

20. The following are the aggregate amounts incurred on certain specific expenses that are required to be disclosed under Schedule VI to the Companies Act, 1956

Amount in Rupees

	Year ended 31 March 2010	Year ended 31 March 2009
Salaries and allowances	910,300,199	1,026,556,722
Contribution to provident and other funds	51,493,973	56,896,091
Directors' remuneration	25,580,000	15,525,000
Employee's stock compensation expenses	–	3,236,418
Staff welfare	16,249,879	20,162,982

Amount in Rupees

	Year ended 31 March 2010	Year ended 31 March 2009
Training and Recruitment	4,751,852	13,727,632
Software and other development charges	76,265,562	79,306,710
Cost of software purchased for delivery to clients	71,787,541	53,811,355
Travelling	160,561,636	176,132,128
Conveyance	14,510,462	16,048,937
Communication	17,280,454	18,454,053
Rent	19,649,623	14,104,570
Rates and Taxes	2,441,831	2,388,574
Legal and professional	42,909,519	50,686,572
Power and fuel	25,391,367	28,679,874
Repair and maintenance		
– Buildings	2,764,961	733,063
– Others	14,791,150	14,817,798
Advertisement and business promotion	4,655,418	10,278,996
Conference, exhibition and seminar	7,878,697	12,875,249
Information technology expenses	14,720,649	10,459,290
Advances and other current assets written off	245,787	4,846,684
Commission to channel partner	7,419,381	5,658,663
Provision for doubtful debts / advances / other current assets	12,138,934	30,679,934
Provision for diminution in the value of investment	16,293,150	5,515,363
Printing and stationery	2,165,770	3,739,902
Insurance	4,788,157	3,649,719
Bank charges	2,741,717	1,767,758
Miscellaneous expenses	15,705,831	31,613,489
Total	**1,545,483,500**	**1,712,353,526**

21. The company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the international transactions entered into with associated enterprises during the financial year and expects such records to be in existence latest by the due date of filing of the return of income, as required under law. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

22. During the current year, as per provision of Income-tax Act, 1961, the Company has taken credit of corporate dividend tax aggregating Rs.11,896,274 on account of dividend received from one of its subsidiaries.

23. Revenue recognised upto the reporting date in respect of contracts in progress at the reporting date aggregates Rs.754,921,708 (Rs.1,457,086,628).

24. During the current year, Nucleus Software (HK) Ltd, one of the wholly owned subsidiaries of the Company, has been wound up with effect from 8 January 2010.

25. During the current year, Nucleus Software (Australia) Pty Ltd., one of the wholly owned subsidiaries of the Company, has filed for voluntary winding up. Subsequent to the year end, the subsidiary has been wound up with effect from 5 April 2010.

26. One of the subsidiaries of the Company has been granted a Letter of Approval (LOA) from Office of Development Commissioner, Special Economic Zone, the Government of India on 25 June 2008 with a further extension of one year granted vide letter dated 30 June 2009. According to this, the Company has to commence operations by 24 June 2010. As per the management, the subsidiary is yet to commence its operations and is in the process of filing an application for further extension of LOA. Based on the assessment of the management, extension will be granted and would undertake requisite steps to comply with the conditions stipulated in the LOA.

27. As reported in earlier quarters of the year, one of the major customers of an overseas subsidiary of the Company, had on July 25, 2009 given a notice to this subsidiary of partial cancellation of the contracts. During the current quarter, the subsidiary and the customer have fully closed a settlement without any liability on the subsidiary or on the parent Company.

28. Previous year figures have been regrouped/ reclassified wherever necessary to make them comparable with the current year figures.

For and on behalf of the Board of Directors

	Janki Ballabh *Chairman*	**Vishnu R Dusad** *Managing Director*
Noida (U.P.) **April 25, 2010**	**P K Sanghi** *Chief Financial Officer*	**Poonam Bhasin** *Company Secretary*

Balance Sheet Abstract and Company's General Business Profile

I.	**Registration details**	
	Registration No.	55-034594
	State Code	55
	Balance Sheet Date	31 March 2010
II.	**Capital raised during the year (Rupees in thousands)**	
	Public issue	Nil
	Rights issue	Nil
	Bonus issue	Nil
	Private placement	Nil
III.	**Position of mobilisation and deployment of funds (Rupees in thousands)**	
	Total liabilities	2,837,213
	Total assets	2,837,213
	Sources of funds	
	Paid-up capital*	323,715
	Reserves and surplus**	2,005,898
	Secured loans	Nil
	Unsecured loan	Nil
	Deferred tax liability	Nil
	Application of funds	
	Net fixed assets***	405,957
	Investments	1003,520
	Net current assets	892,288
	Deferred tax asset	27,848
	Accumulated losses	Nil
	Miscellaneous expenditure	Nil
IV.	**Performance of company (Rupees in thousands except earnings per share)**	
	Turnover (including other income)	2,097,781
	Total expenditure	1,590,672
	Profit before tax	392,905
	Profit after tax	337,363
	Earnings per share (in Rupees)	10.42 (Basic)
		10.42 (Diluted)
	Dividend rate %	25
V.	**Generic names of Principal Products/Services of Company (as per monetary terms)**	
	Product description:	Software services
	Item code (ITC code):	Not applicable
	Product description:	Software products
	Item code (ITC code):	Not applicable
	Product description:	Software solutions and systems integration
	Item code (ITC code):	Not applicable

* includes forfeited equity shares pending for reissue of Rs. 15 thousands

** includes advance pursuant to stock option of Rs. 3,452 thousands

*** includes capital work in progress of Rs. Nil

For and on behalf of the Board of Directors

Janki Ballabh
Chairman

Vishnu R Dusad
Managing Director

Noida (U.P.)
April 25, 2010

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

Statement pursuant to Section 212 of the Companies Act 1956 relating to Subsidiary Companies

Subsidiary	Nucleus Software Solutions Pte Ltd	Nucleus Software Inc	Nucleus Software Japan Kabushiki Kaiga	Nucleus Software (Australia) Pty Ltd	Nucleus Software (HK) Ltd*	Nucleus Software Netherlands B.V.	VirStra I-Technology Services Ltd	Nucleus Software Limited	VirStra I-Technology (Singapore) Pte Ltd (Step down subsidiary Company)
Financial Year of the Subsidiary Company ended on	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	January 8, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010
No. of shares of the Subsidiary Company	625,000 shares of SG$1 each fully paid up	100,000 shares of US$0.35 each fully paid up	200 shares of 50,000 Yen each fully paid up	316,000 shares of AUS$1 each fully paid up	100,000 Shares of HK$ 1 each fully paid up	3,000 Shares of Euro100 each fully paid up	1,000,000 Shares of Rs.10 each fully paid up	10,000,000 Shares of Rs.10/- each fully paid up	200,000 Shares of SG$1 each fully paid up
Percentage of holding (Equity)	100%	100%	100%	100%	100%	100%	100%	100%	100%
Percentage of holding (Preference)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
The net aggregate of profit/losses of the Subsidiary Company for its financial year so far as they concern the members of the Holding Company									
a) Dealt with in the Accounts for the period ended 31.03.2010	Nil	US$(135,284) (Equivalent to Rs.6,099,956)	Nil	AUS$(8,838) (Equivalent to Rs.364,833)	Nil	Nil	Nil	Nil	SG$(6,586) (Equivalent to Rs.212,069)
b) Not dealt with in the Accounts for the period ended 31.03.2010	SG$(182,327) (Equivalent to Rs.5,870,929)	Nil	Yen(9,821,198) (Equivalent to Rs.4,748,549)	Nil	Nil	Euro(167,044) (Equivalent to Rs.10,096,139)	Rs.123,678,653	(Rs.2,943,020)	Nil
The net aggregate of profit/losses of the Subsidiary Company for its previous financials years since it became a subsidiary so far as they concern the members of the Holding Company									
a) Dealt with in the Accounts for the period ended 31.03.2010	Nil	US$214,716 (Equivalent to Rs.9,681,544)	Nil	AUS$(307,162) (Equivalent to Rs.12,679,647)	Nil	Nil	Nil	Nil	SG$193,412 (Equivalent to Rs.6,227,866)
b) Not dealt with in the Accounts for the period ended 31.03.2010	SG$6,119,651 (Equivalent to Rs.197,052,762)	US$(212,694) (Equivalent to Rs.9,590,372)	Yen(12,888,144) (Equivalent to Rs.6,231,418)	Nil	Nil	Euro(120,051) (Equivalent to Rs.7,255,882)	Rs.126,913,937	(Rs.2,367,277)	SG$570,447 (Equivalent to Rs.18,368,393)

Note*- Nucleus Software (HK) Ltd. has been closed and deregistered, w.e.f., January 8, 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF CONSOLIDATED OPERATIONS OF NUCLEUS SOFTWARE EXPORTS LTD. AND SUBSIDIARY COMPANIES

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

Management's Discussion and Analysis of Financial Condition and Results of Consolidated Operations of Nucleus Software Exports Ltd. and Subsidiary Companies

The financial statements have been prepared under the historical cost convention in compliance with the requirements of the Companies Act, 1956, the Generally Accepted Accounting Principles (GAAP) in India and mandatory accounting standards issued by the Institute of Chartered Accountants of India ("ICAI"). All income and expenditure having a material bearing on the financial statements are recognized on accrual basis. The consolidated financial statements have been prepared in accordance with the principles and procedures for the preparation and presentation as laid under Accounting Standard 21 on "Consolidated Financial Statements" issued by the ICAI.

Management discussion and analysis of financial condition and results of operations include forward-looking statements based on certain assumptions and expectations of future events. The Company cannot assure that these assumptions and expectations are accurate. Although the management has considered future risks as part of the discussions, future uncertainties are not limited to the management perceptions.

Overview

The Company was incorporated on January 9, 1989 as **Nucleus Software Exports Private Limited** with its registered office at 33-35 Thyagraj Nagar Market, New Delhi-110003.

In August 1995, Nucleus made an Initial Public Offer and is currently listed at National Stock Exchange of India Ltd., Bombay Stock Exchange Ltd. and Madras Stock Exchange Ltd.

Nucleus provides software solutions to the Banking and Financial Services Industry. For over 20 years, we have developed solutions spanning from Retail Banking to Corporate Banking, Cash Management, Internet Banking and Credit Cards. FinnOne™, the Flagship product of Nucleus Software is a comprehensive suite for Retail Banking applications comprising of modules like Customer Acquisition System, Loan Management, Delinquency and Recovery Management, Deposits and Finance Against Securities. Cash@Will™ and BankONet™ are the offerings from Nucleus Software in the area of Cash Management and Internet Banking respectively. Over the years, our committed professionals have provided solutions par excellence and with the experience and skills, we have been able to create a global footprint of clients and partners across multiple continents with multi-product, multi-service, multi-currency and multi-lingual implementations, leading to worldwide acceptability and customer satisfaction. Nucleus operates through integrated and well-networked subsidiaries in India, Japan, Netherlands, Singapore and USA and subsidiary branch offices in India, Korea, Philippines, UAE and UK. Since 1995, product development has been our forte and the Company has chosen to exclusively develop products and further add value through dedicated research and development initiatives.

Company Strengths

The Company's business broadly consists of Development and Marketing of Software Products and Software Services for business entities in the Banking and Financial Services (BFS) vertical. From a modest beginning with product development for a leading bank, Nucleus is today a major player in the "Banking Products" industry and is one of the few Indian Companies whose products are installed at multiple locations internationally.

Our every move is guided by a single-minded focus on becoming a leading IT solutions provider in the Banking and Financial Services Industry. It is this dream that steered our organization towards creating products that redefine quality and efficiency, highly appreciating the value of a delighted customer. Today a comprehensive suite of products provides solutions to the banking business.

Deep functionality combined with latest technology and our domain expertise enables us to position the Company globally as a "Product Company".

Nucleus' success is based on a simple foundation of delivering quality services, reliable solutions, long-term partnerships, and a price / value structure. The Company, in its pursuit of excellence, has been felicitated for being a pioneer in the BFS vertical.

Some of the notable accolades won by Nucleus are:

- Nucleus Software's FinnOne™ has been ranked '**World's No 1 Selling Lending Software product**' by IBS Publishing for the second consecutive year in 2009.
- Annual Report of Nucleus Software for year ended March 31, 2009 has been adjudged as the **BEST** under the category 'Information Technology, Communication and Entertainment enterprises' of the **'ICAI Awards for Excellence in Financial Reporting'** by the Institute of Chartered Accountants of India (ICAI). **A GOLD SHIELD was awarded to the Company.** Nucleus has received the Gold Shield for the 2nd consecutive year.
- Nucleus Software has been ranked among the **Top 25 companies adopting "Good Corporate Governance Practices"** by ICSI for fourth consecutive year in 2009
- South Asian Federation of Accountants (SAFA) has adjudged Nucleus' Annual Report as the recipient of the Merit Position for the **Best Presented Accounts and Corporate Governance Disclosures Award 2008** under the category of Corporate Governance Disclosure.
- Forrester Research, a leading independent analyst firm, has recognized Nucleus Software **as an industry vertical specialist** in their recent report "Working With Tier Two Offshore Providers".
- Nucleus Software's FinnOne™ has been ranked '**World's No 1 Selling Lending Software product ' (for year 2008) by IBS Publishing of U.K.**

- Annual Report and Accounts of Nucleus Software for year ended March 31, 2008 have been adjudged as **the BEST** under the category 'Information Technology, Communication and Entertainment enterprises' of the '**ICAI Awards for Excellence in Financial Reporting**' by the Institute of Chartered Accountants of India (ICAI). This award signifies that the accounting policies followed by Nucleus Software are the Best amongst the category.

- Nucleus Software has been **ranked among the Top 25 Companies adopting "Good Corporate Governance Practices in India"** for the year 2008.

- Nucleus Software has been Ranked Amongst **India's Top 15 Exciting Emerging Companies to Work For** by Nasscom**.**

- Nucleus Software has been recognized under "**Best Practices" for Performance Management System** by NASSCOM, 2008.

- Nucleus is selected as one of **Forbes ASIA's 200 Best Under A Billion companies**, for the second consecutive year, list released in September 2008.

- Nucleus Software has been conferred the **Best Independent Software Vendor (ISV) Partner (North India for 2008)** award by IBM.

- Nucleus Software was awarded the **"D&B - ECGC Indian Exporters' Excellence Award"** by Dun & Bradstreet India (D&B India) and Export Credit Guarantee Corporation of India Ltd (ECGC) for the year 2007.

- Nucleus Software was adjudged as **one of the fastest growing companies in Asia Pacific** under Deloitte Technology Fast 500 - 2007.

- Nucleus Software was conferred with **Oracle Partner of the Year Award in Fusion Middleware category** at an APAC level.

- Nucleus Software was awarded for being the **Fastest Growing ISV in 2007** by Oracle Corporation.

- Nucleus Software was ranked **13th in Dataquest Top 20 Best Employers Survey 2006**. Survey was conducted by IDC-Dataquest amongst 200 IT employers across India.

- Received the award for **"Excellence in Financial Reporting" by the Institute of Chartered Accountants of India (ICAI) for financial year 2005**. Our Annual Report was adjudged No.2 in the category of 'Information Technology, Communication and Entertainment Enterprises' companies.

- Annual Report for financial year 2005 received the **'Merit Award' for "Best Presented Accounts Award" by the South Asian Federation of Accountants in January 2007** in the category of 'Communication and Information Technology Sector".

A brief on the functionality of our products is given below:

FinnOne™, the flagship product of Nucleus, is an integrated suite of applications designed to support the business offerings of Banks and Financial Services companies. **FinnOne™** provides solutions for both the asset as well as the liability side of the business, core financial accounting and customer service. **FinnOne™** caters to the business needs of banks, financial institutions, captive auto finance companies and retail businesses.

The FinnOne™ suite offers the following line of products for banks and financial institutions to streamline their processes:

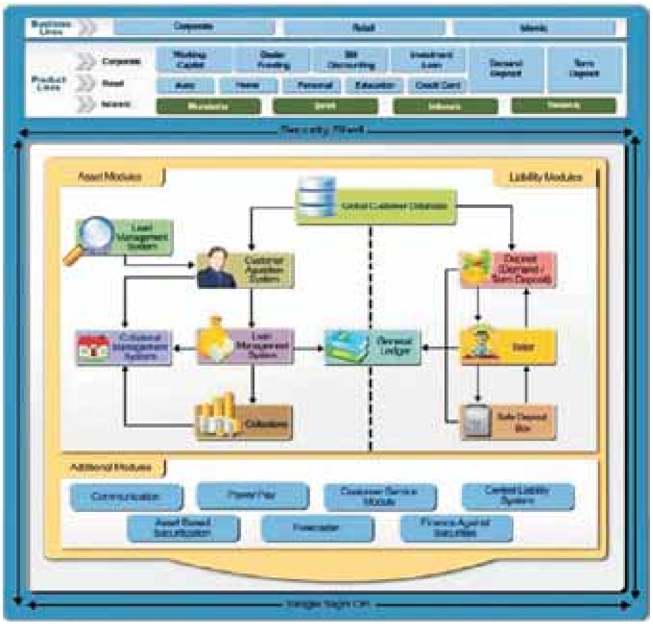
- **Customer Acquisition System (CAS)** automates and manages the complete application processing flow of retail loans, corporate loans and credit card applications. It allows online credit evaluation, and if desired, automatic credit evaluation of the application and processing till disbursement initiation. User can define the various parameters as per the policies of the banking or financial services Company, thereby reducing the time and manpower involved in the scrutiny of applications. A variety of tools such as online calculators, activity schedulers, mailers, and contact activity planners help in improving the efficiency of the acquisition process. In addition to a strong Deduplication module, CAS can also take data feeds from external agencies, such as credit bureaus and Central Banks. CAS has a robust scoring module wherein the parameters and rules, which are used by the system to generate credit scores, are maintained. With the centralized and controlled master set-up, the organizations can effectively introduce quick-to-market products and schemes to hone their competitive edge of being change leaders.

- **Loan Management System (LMS)** focuses on the loan servicing aspects of a retail and corporate loans business. The system supports the financial institution in billing, accrual, rescheduling or restructuring, prepayments, termination, interest and overdue calculation, classification of non-performing assets and its relevant provisioning, repossession of asset. LMS is the backbone of all customer servicing activities with respect to the loans with the objective of providing operational control. LMS has robust features pertaining to repayment from customer through various modes like cheque, auto debit or ECS. LMS also has integrated cheque printing system for printing payment of cheque's or draft. The system supports accounting as defined by the user at various stages of loan life cycle.

- **Collections Management System** focuses on the tracking and management of delinquent customers. The system helps to queue up delinquent agreements cases based on severity of client risk profiles. The system then automatically allocates the cases to collectors based on user-defined logic or hierarchy. Manual allocation and reallocation of agreements is also feasible in the system. It builds customer delinquency history and also aids in the building of the defaulters' databases. Collectors are provided with periodical work-list and contact recording facilities. The system also facilitates escalation of agreement to effectively monitor and administer the agreements.

- **Islamic Financing** is a an offering comprising of CAS ad LMS modules designed as per Islamic/Shariah rules. It is designed with function specific modules, managing the complete finance cycle starting from the origination till after sales transactions. Islamic Financing has integrated process flow as per Islamic rules of transaction by providing dynamic user defined workflows. Islamic Financing caters to the originating and servicing requirements of finance. It supports the requirements of the Vehicle/Goods Finance (Murabaha, Ijarah), Service Ijarah (Rent, Education, Medical, Travel and Wedding), Home Finance (Murabaha, Ijarah and Istisna'a) and Tawaruq business. The product covers the entire life cycle of a finance transaction right from product definition, application processing and documentation tracking, billing and accruals to rescheduling, foreclosures and terminations.

- **Customer Service Module (CSM)** delivers business solutions by integrating the front and back office of banks to enable execution of a customer-centric business strategy. CSM will help its users to record all customer interactions and help provide standard services within defined timelines. The system helps its users monitor service level agreements, take care of user inaction through escalations, and instances of errors can be analyzed using root cause analysis for future remedial and preventive actions. The system also supports features such as workflow based request assignment, root cause analysis, escalations and graphical representation of data in form of dashboards.



- **Collateral Management System (CMS)** is pluggable component that can be integrated with any credit origination system, servicing system or any other system where collateral details are captured and various activities are performed on the captured information. CMS offers end-to-end collateral management services relevant in the lending scenario. This includes collateral acceptance, collateral maintenance, verification, valuation, lien marking, full or partial release of collateral and liquidation. The system also supports features such as multi currency handling, rule based collateral rating and collateral dedupe.

- **Central Liability System (CLS)** is an integrated system that collates limits and exposures from disparate source systems and provides a consolidated view of exposure limits for tracking and monitoring. These help risk manager, business managers and top management to take decisions on the level of exposures that the lending organization can take at obligor level or obligor group level and manage the product portfolio effectively. With the help of CLS, business managers and risk managers can segregate the business areas where the bank has taken more exposure which needs to be tracked or curtailed and also the areas where the bank can concentrate for increasing exposures. The system supports features such as consolidated information on credit risk & exposure for monitoring, earmarking and sub-allocation.

- **Finance Against Securities (FAS)** is a comprehensive solution that establishes credit lines to individuals and corporate against the pledging of financial securities like shares, mutual funds and bonds. The objective of the product is to value the collateral security provided by the customer and determine the credit limits that may be granted to a customer. The credit limits are computed based on a number of risk and exposure parameters. As the market value of the security offered is volatile in nature, the system conducts valuation at regular intervals.

- **Deposits** system caters to the requirements of the liability business of a financial institution. The system enables the banks to launch and setup term and demand deposit schemes. The system is capable of handling the lifecycle of the deposit business like account opening, financial transactions on these accounts like cash withdrawal/deposit, funds transfer, FD booking, revision, premature closure, standing instructions, tax deduction, interest accrual and account closure. The system has predefined reports to monitor the performance of the business, prepare MIS for statutory reporting to Central Bank.

- **General Ledger (GL)** is a double entry accounting system that comprehensively manages accounting procedures including those specific to the financial services industry. Besides chart of account maintenance, and balance sheet and P& L statement generation, it has a number of innovative features like soft closing of periods, allocation of cost centers over profit centers, budgets, profitability analysis and bank reconciliation. GL also has a strong sub module on bank reconciliation.

- **Bank Reconciliation System** is a tool to reconcile Bank accounts maintained by business units with its bankers. The system helps in identification of differences in transaction between bank statement and books. It reduces risk of fraud, enables credit to vendor/customers on time, shows the true and fair position of books of accounts at any given point of time.

- **Forecaster system** is a web-based data-mining tool that involves access to and manipulation of business data available with the organization. It is used to identify patterns and relationships in data and do a case-based reasoning. Based on this reasoning, it creates models that can be used to visualize the situation and hence make informed decisions and do predictive analysis. It uses advanced statistics and data mining algorithms such as decision tree, logistic and multiple linear regressions. The system provides an end to end solution to implement data mining projects by using Cross Industry Standard process (CRISP) for data mining.

- **PowerPay** is an effective tool to enable bank and finance companies to calculate the commissions and other payouts payable to various service providers. The system takes data from various source systems and calculates the payouts based on various parameters defined. Before calculating the payout, it provides facility to get the data validated from respective business partners. It provides facility of handling disputes raised by any business partner. It also facilitates claw back of payouts already given.
- **Lead Management System** is an effective tool for sales and marketing management. The Lead Management System is an independent module providing tools for effective and systematic customer acquisition process by handling the lead throughout its lifecycle. The system will automate the process of lead capture, tracking, follow up, and closure. The system supports dedupe functionality, prospect/lead curing, and reference management. The system provides a flexible rule based lead classification and allocation process.
- **Asset Based Securitization** is a module which helps the NBFC / Bank to securitize or selloff their lending portfolio. It is aimed at providing the users with a simple and comprehensive module which helps in bringing operational and system control in the securitization process of the NBFC / Bank. The system helps in pool generation on the basis of filter criteria, pool upload and download, partial or full release of pool, buyback of securitized pool etc. The system also takes care of the accounting for securitized pool.

Cash@Will™ is a comprehensive cash management solution that caters to Collections, Payments and Liquidity Management aspects of cash management business. It is a web-enabled solution that provides a competitive edge to banks and financial institutions through flexible, speedy and efficient execution of cash management processes. The seamlessly integrated modules and components of Cash@Will™ act as powerhouse for the bank to provide operational services support to the customer's asset and liability business lines. The collection and payment modules empower the bank in managing the inflows and outflows for the corporate. Using the liquidity management module the bank can assist the corporate in re-aligning funds and managing the overall cash position. A new Java version of Cash@Will was released during the year.

BankONet™ is an Internet banking solution which offers the bank's customers one more delivery channel, that will help the customers to make banking transactions from office, home and in today's wireless technology even when on the road. BankONet™ is the powerful Internet banking platform that fully exploits the Internet to boost bank's relationship with customers. BankONet™, the Internet banking front end will be interfaced with the bank backend processors to provide a wide range of services for which the customer is eligible and has subscribed. BankONet™ empowers a bank with an integrated online financial service to its customers using the Internet. BankONet™ provides the bank with the framework to provide various online banking services. It serves as a front end for the bank thus enabling the bank to offer single point access to various value added products and services to its customers. The services can be accessed by establishing secured connections with the bank's website using Internet browser software.

Group Structure

Nucleus' operations are managed through Parent Company based in India and well-networked subsidiaries in India, Japan, Netherlands, Singapore and USA. All major software development takes place in development centres in India and Singapore and the subsidiaries and branch offices in India, Korea, Philippines, UAE and UK provide an effective front-end of customer acquisition and servicing.

At the Parent Company level, global responsibilities for Software Delivery, Quality Assurance, Product and Account Management, Sales and Marketing, Finance and Human Resources have been defined to achieve the objectives.

Strategic Business Units "SBU", based organization structure, introduced during the year 2008-09, was further strengthened and gained momentum across the organization. Under this structure, Strategic Business Units have been set up based on geographies or key customers for serving the following objectives:

- Meet business scalability requirements
- Integration between Sales and Delivery
- Searching newer geographies
- Improve Company visibility
- Better resource utilization
- Growth opportunities for employees
- Creation of specific geography/customer focus
- Better organizational efficiency

At the corporate level, strategic areas/tasks have been defined to guide the new structure and ensure corporate continuity, strategic planning and other corporate tasks. At the SBU level, the structure ensures conversion of Strategic Plans into Regional Business Strategy, customer satisfaction, process compliance, resource allocation and retention and overall administration. At the Project level, the structure develops project approach to implement strategies related to planning, initiation, execution and control.

A Resource Management Group was formed for just in time resource allocation to projects and monitoring idle time and productivity.

FINANCIAL CONDITION

Results of Operations

The consolidated financial results are as below: *(Rs. in crore)*

For the Year Ended March 31,	2010	*% of Revenue*	2009	*% of Revenue*	*Growth %*
Revenue from Operations	**291.78**	***100.00***	**328.40**	***100.00***	***(11.15)***
Software Development Expenses	196.17	*67.23*	222.55	*67.77*	*(11.85)*
Gross Profit	**95.61**	***32.77***	**105.85**	***32.23***	***(9.67)***
Selling and Marketing Expenses	22.66	*7.77*	27.80	*8.47*	*(18.49)*
General and Administration Expenses	18.87	*6.47*	28.45	*8.66*	*(33.67)*
Operating Profit (EBITDA)	**54.08**	***18.53***	**49.60**	***15.10***	***9.03***
Depreciation	11.33	*3.88*	13.28	*4.04*	*(14.68)*
Withholding Taxes Charged off	0.43	*0.15*	7.26	*2.21*	*NA*
Operating Profit after Interest, Depreciation and Withholding Taxes	**42.32**	***14.50***	**29.06**	***8.85***	***45.63***
Foreign Exchange Gain/ (Loss)	(8.03)	*(2.75)*	(7.92)	*(2.41)*	*1.39*
Other Income	9.62	*3.30*	13.71	*4.17*	*(29.83)*
Profit Before Tax	**43.91**	***15.05***	**34.85**	***10.61***	***26.00***
Provision for Taxation					
– Current	8.99	*3.08*	5.38	*1.64*	*NA*
– MAT credit entitlement	(2.15)	*(0.74)*	(2.02)	*(0.62)*	*6.44*
– Fringe Benefit	0.03	*0.01*	0.70	*0.21*	*NA*
– Deferred	(1.36)	*(0.47)*	(1.49)	*(0.45)*	*(8.72)*
– Earlier year tax	–	–	0.02	*0.01*	*NA*
Profit After Tax	**38.40**	***13.16***	**32.26**	***9.82***	***19.03***

REVENUE

We derive our revenue from the following business segments:

- Products
- Projects and Services

During the year the total revenue was Rs.291.78 crore against Rs.328.40 crore for the previous year representing a fall of 11.15%.

Products

Product revenue arises from Products and related services comprises of license fees, revenue from customization and implementation of products and postproduction technical support.

Product revenue was Rs.173.95 crore during the year, constituting 59.62% of the total revenue against Rs.219.96 crore, 66.98% of total revenue, in the previous year.

Projects and Services

Software services rendered by the Company, classified under this segment, typically consist of development of software to meet specific customer requirements, data migration services, consultancy services, and production support. We execute Projects for large Banks on an Application Development and Maintenance (ADM) model with IPR held by client.

Revenue from software projects and services segment during the year was Rs.117.83 crore constituting 40.38% of the total revenue against Rs.108.44 crore, constituting 33.02% of total revenue in the previous year.

EXPENDITURE

Software Development Expenses

Software development expenses primarily consist of compensation to our software professionals, expenses on travel to execute work at client site, direct consultancy charges, cost of software purchased for delivery to clients, bandwidth and communication expense and proportionate infrastructure charges.

During the year, our software development expenses were Rs.196.17 crore, 67.23% of revenue against Rs.222.55 crore, 67.77% of revenue in the previous financial year.

(Rs. in crore)

For the Year Ended March 31,	2010	*% of Revenue*	2009	*% of Revenue*	*Growth %*
Employee Costs	125.46	*43.00*	137.38	*41.83*	*(8.68)*
Travel Expenses	16.02	*5.49*	16.43	*5.00*	*(2.49)*
Cost of Software Purchased for Delivery to Clients	11.46	*3.93*	15.06	*4.59*	*(23.93)*
Communication	1.91	*0.66*	2.11	*0.64*	*(9.21)*
Power and Fuel	2.28	*0.78*	2.65	*0.81*	*(13.96)*
Rent, Rates and Taxes	10.34	*3.55*	13.82	*4.21*	*(25.16)*
Software and Other Development Charges	7.63	*2.61*	7.93	*2.41*	*(3.83)*
Legal and Professional	3.27	*1.12*	1.87	*0.57*	*75.30*
Conveyance	1.36	*0.47*	1.31	*0.40*	*4.10*
IT Expenses	1.36	*0.47*	0.97	*0.30*	*40.60*
Repairs and Maintenance	1.49	*0.51*	1.35	*0.41*	*10.11*
Training and Recruitment	0.53	*0.18*	1.27	*0.39*	*(58.08)*
Insurance	0.66	*0.23*	0.61	*0.19*	*7.12*
Consultancy Charges	11.63	*3.99*	19.12	*5.82*	*(39.18)*
Others	0.76	*0.26*	0.67	*0.20*	*14.39*
Total Software Development Expenses	**196.17**	***67.23***	**222.55**	***67.77***	***(11.85)***
Revenue	***291.78***	***100.00***	***328.40***	***100.00***	***(11.15)***

Overall these expenses have decreased by 11.85% over the previous year. The employee costs have decreased by 8.68% over the previous year.

Costs on direct employees, contract staff and consultants appearing in different accounting heads above were at Rs.125.46 crore, 63.95% of total development expense, against Rs.137.38 crore, 61.73% of total development expense of the previous year.

Rent has decreased to Rs.10.34 crore against Rs.13.82 crore in the previous year.

Consultancy charges have reduced to Rs.11.63 crore against Rs.19.12 crore in the previous year due to lesser no. of consultants hired at overseas locations.

Selling and Marketing Expenses

Our selling and marketing expenses comprise of compensation to sales and marketing personnel, travel, brand building (advertisement, conference, seminar, etc), communication, training and recruitment and other allocated infrastructure costs. The Company has ambitious plans to increase geographical reach with a mix of direct sales effort and channel partner effort along with building a global brand for its products.

(Rs. in crore)

For the Year Ended March 31,	2010	*% of Revenue*	2009	*% of Revenue*	*Growth %*
Employee Costs	12.46	*4.27*	15.60	*4.75*	*(20.13)*
Travel Expenses	3.59	*1.23*	3.34	*1.02*	*7.63*
Rent, Rates and Taxes	1.34	*0.46*	1.62	*0.49*	*(17.28)*
Advertisement and Business Promotion	0.53	*0.18*	1.27	*0.39*	*(58.18)*
Communication	0.85	*0.29*	0.62	*0.19*	*35.41*
Conference, Exhibition and Seminar	0.89	*0.31*	1.28	*0.39*	*NA*
Commission on Sales	0.61	*0.21*	0.45	*0.14*	*33.94*
Legal and professional charges	1.09	*0.37*	1.40	*0.43*	*(22.24)*
Printing and stationary	0.05	*0.02*	0.18	*0.06*	*NA*
Others	1.26	*0.43*	2.04	*0.62*	*(38.08)*
Total Selling and Marketing Expenses	**22.66**	***7.77***	**27.80**	***8.47***	***(18.49)***
Revenue	***291.78***	***100.00***	***328.40***	***100.00***	***(11.15)***

During the year selling and marketing expenses were Rs.22.66 crore at 7.77% of revenue, against Rs.27.80 crore at 8.47% of revenue in the previous year representing a decrease of 18.49%.

Employee costs have decreased by 20.13% over the previous year.

General and Administrative Expenses

Our general and administrative expenses include compensation to our employees in Corporate Office, Finance, HR, Administration and other general functions; related travel & communication costs, legal and professional charges, repairs and maintenance, insurance, provision for doubtful debts, bad debts and other allocated infrastructure expenses.

During the year our general and administrative expenses were Rs. 18.87 crore at 6.47% of revenue, against Rs. 28.45 crore at 8.66% of revenue in the previous year, representing a decrease of 33.67%.

(Rs. in crore)

For the Year Ended March 31,	2010	% of Revenue	2009	% of Revenue	Growth %
Employee Costs	10.67	*3.66*	12.81	*3.90*	*(16.68)*
Travel Expenses	0.29	*0.10*	1.61	*0.49*	*NA*
Legal and Professional Charges	2.90	*1.00*	2.89	*0.88*	*0.55*
Communication	0.33	*0.11*	0.31	*0.09*	*6.22*
Provision for Doubtful Debts	1.52	*0.52*	4.83	*1.47*	*(68.50)*
Rent, Rates and Taxes	0.50	*0.17*	0.62	*0.19*	*(19.61)*
Conveyance	0.23	*0.08*	0.25	*0.08*	*(10.03)*
Printing and Stationery	0.15	*0.05*	0.23	*0.07*	*(32.70)*
Power and Fuel	0.20	*0.07*	0.23	*0.07*	*(14.24)*
Advertisement	0.06	0.02	0.14	*0.04*	*(60.03)*
Advances and current assets written off	0.02	0.01	0.48	*0.15*	*NA*
Miscellaneous expenses	2.00	*0.68*	4.05	*1.23*	*(50.70)*
Total General and Administrative Expenses	**18.87**	***6.47***	**28.45**	***8.66***	***(33.67)***
Revenue	***291.78***	***100.00***	***328.40***	***100.00***	***(11.15)***

In accordance with our goal of 'Cost Reduction', there has been a reduction in all major expense heads under General & Administration expenses, during the year. Provisioning for bad debts is substantially lower than the previous year.

Operating Profit

During the year our operating income was Rs.54.08 crore, 18.53% of revenue against Rs.49.60 crore, 15.10% of revenue in the previous year.

Depreciation

Depreciation on fixed assets was Rs.11.33 crore, 3.88% of revenue for the year against Rs.13.28 crore, 4.04% of revenue in the previous year.

Withholding Taxes

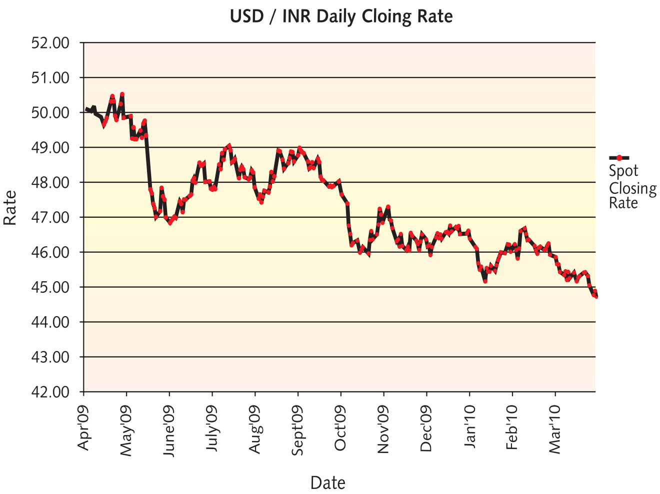
Withholding taxes charged off represent withholding taxes charged to Profit and Loss Account. During the year, withholding taxed net of credits available were at, Rs. 0.43 crore, against Rs.7.26 crore in the previous year. These relate to taxes withheld by customers/subsidiaries on overseas transactions.

Taxes withheld by customer are available to be adjusted with tax liability as per applicable law and thus are not charged to expenses.

Foreign Exchange Gain (Loss)

Foreign Exchange Gain (Loss) includes gain (loss) from cancellation of options and forward contracts, translation of current assets and liabilities at quarter end rates and those arising from realization

/payments of receivables/payables respectively. During the year, the Company had a foreign exchange loss of Rs. 8.03 crore against Rs. 7.92 crore for the previous year.



Other Income

Other Income primarily consists of interest and dividend income, capital gains on sale of current investments, profit on sale of fixed assets and foreign exchange gains.

(Rs. in crore)

For the Year Ended March 31,	2010	2009
On Investments		
Capital Gain	–	6.70
Dividend	1.71	1.49
Interest Income	5.18	3.56
Profit on sale of Fixed Assets	0.22	–
Others	2.25	1.96
Foreign Exchange Gain/(Loss)	0.26	–
Total	**9.62**	**13.71**

Other income for the year was Rs.9.62 crore, against Rs.13.71 crore in the previous year

The Company maintained a proper investment mix by investing funds into both Mutual Funds and Fixed Deposits. The Company had an investment of Rs.95.66 crore in Mutual Funds and Rs.38.68 crore in Fixed Deposits as on March 31, 2010, against Rs.16.04 crore in Mutual Funds and Rs.73.28 crore in Fixed Deposits as on March 31, 2009. The Company made a shift from growth schemes in Mutual Funds to Dividend schemes.

Provision for Income Tax

Income taxes represent the provision for corporate & income taxes in various countries where the Company and subsidiaries operate. In estimating these taxes, adjustments are made for deferred tax assets and liabilities.

(Rs. in crore)

For the Year Ended March 31,	2010	2009
Provision for Taxation		
– Current Tax	8.99	5.38
– Fringe Benefit Tax	0.03	0.70
– MAT Credit Entitlement	(2.15)	(2.02)
– Deferred Tax Expense	(1.36)	(1.49)
– Earlier Year Tax	–	0.02
Total	**5.51**	**2.59**

Total effective tax for the year is 13.39% of Profit Before Tax, in comparison to 23.41% of Profit Before Tax for the previous year.

Your Company has some units registered under "Software Technology Parks" in India and was entitled to an income tax exemption as per applicable laws and thus had lower tax implication till March 31, 2009. As per the Union Budget 2010-11, there has been no extension of tax holiday enjoyed by units in STP/ FTZ under Section 10A of the IT Act beyond 31 March 2011 and also there has been an increase in the rate of MAT from existing 15% to 18% (plus applicable surcharge and education cess).

Consequently, three of our STPI units at Noida, Chennai and Pune will continue to enjoy the income tax exemption upto March 31, 2011. One of the units at the Noida campus, which had already completed 10 years became fully taxable from April 1, 2009. The tax implication for all these units will be higher w.e.f the financial year 2011-12.

Net Income

Our net income for the year was Rs. 38.40 crore, 13.16% of revenue, against Rs.32.26 crore, 9.82% of revenue, during the previous year.

FINANCIALS

Share Capital

The Share Capital of the Company consists of Equity Share Capital. There has been no increase in the paid-up share capital of the Company during the year. The paid-up Share Capital as on March 31, 2010 was 32,370,024 equity shares of Rs.10 each.

Subsidiaries

Paid-up Share Capital of the Subsidiaries as on March 31, 2010 is given below. As 100% of the Share Capital of the Subsidiaries is held by Nucleus Software Exports Limited and nominees; on consolidation of accounts, these amounts are contra with investments in Subsidiaries amounts in the accounts of the Parent Company.

Name of Subsidiary Company, Location No. of Equity Shares	Currency	As at March 31, 2010		As at March 31, 2009	
		In Foreign Currency	Eqv. Rupees (in crore)	In Foreign Currency	Eqv. Rupees (in crore)
Nucleus Software Solutions Pte. Ltd. Singapore. 625,000 equity shares of S$ 1 each.	**SGD**	625,000	1.63	625,000	1.63
Nucleus Software Inc., USA. 1,000,000 shares of US$ 0.35 cents each	**USD**	350,000	1.63	350,000	1.63
Nucleus Software Japan Kabushiki Kaiga, Japan. 200 equity shares of JPY 50,000 each	**JPY**	10,000,000	0.41	10,000,000	0.41
Nucleus Software (Australia) Pty Ltd., Australia. 316,000 equity shares of Aus $ 1 each	**AUS $**	316,000	0.98	316,000	0.98
Virstra I-Technology Services Ltd., India. 1,000,000 equity shares of Rs. 10 each	**INR**	–	1.00	–	1.00
Nucleus Software Netherlands B.V., Netherlands. 3,000 equity shares of Euro 100 each	**EURO**	300,000	1.86	200,000	1.18
Nucleus Software Limited, India 10,000,000 equity shares of Rs.10/- each	**INR**	–	10.00	–	10.00
Step down Subsidiary of Nucleus Software Exports Ltd.					
Virstra (Singapore) Pte. Ltd., Singapore. 200,000 equity shares of S$ 1 each	**SGD**	200,000	0.56	200,000	0.56

The share capital of Nucleus Software Netherlands B. V., increased due to additional investment of € 100,000 by the Company, by way of subscribing to the Equity Share capital of the subsidiary.

In order to rationalize operations, the Board of Directors of your Company, in the previous financial year, approved closure of two wholly owned subsidiaries viz. Nucleus Software (Australia) Pty Ltd., Australia and Nucleus Software (HK) Ltd., Hong Kong subject to necessary regulatory approvals. During the year, Nucleus Software (HK) Ltd., Hongkong, was de-registered as per the applicable laws of Hong Kong and Nucleus Software (Australia) Pty Ltd., Australia was de-registered on April 5, 2010 as per the applicable laws of Australia.

The profits/losses of the Subsidiary Companies are fully reflected in consolidated accounts of the Company and Subsidiaries.

Reserves and Surplus

The movement in the components of reserves and surplus is as below:

(Rs. in crore)

	Opening Balance as on April 1, 2009	Additions/ (Deletions) during the year	Closing Balance as on March 31, 2010
General Reserve	65.43	4.60	70.03
Securities Premium	2.09	–	2.09
Capital Reserve	0.25	0.30	0.55
Employee Stock Options (net of deferred employee compensation)	1.24	(0.42)	0.82
Foreign Currency Translation Reserve	4.22	(0.68)	3.54
Hedging Reserve	(1.23)	2.60	1.37
Profit and Loss Account Balance	135.93	24.36	160.29
Total	**207.93**	**30.76**	**238.69**

Fixed Assets

(Rs. in crore)

As at March 31,	2010	2009	Inc/Dec %
Gross Block			
Freehold land	0.34	0.34	–
Leasehold land	18.78	18.78	–
Building	24.23	24.30	(0.29)
Office and other equipment	16.94	16.70	1.44
Computers	29.05	29.09	(0.14)
Vehicles	1.72	1.81	(4.97)
Furniture and fixtures	5.40	5.38	0.37
Software	14.93	14.37	3.90
Leasehold improvement	1.25	1.25	–
Total	**112.64**	**112.02**	**0.55**
Less: accumulated depreciation	58.41	48.12	21.38
Net Block	**54.23**	**63.90**	**(15.13)**
Add: Capital Work in Progress	0.52	0.31	67.74
Net Fixed Assets	**54.75**	**64.21**	**(14.73)**

As at March 31, 2010, gross block of fixed assets including investment in technology assets was Rs. 112.64 crore (Rs. 112.02 crore as on March 31, 2009).

The net fixed assets after depreciation are Rs. 54.75 crore as on March 31, 2010 against Rs. 64.21 crore as on March 31, 2009.

Other Long-Term Investments

Other long term investments comprise of investment in 25,000 Equity Shares of face value of Rs.100/- each in Ujjivan Financial Services Private Ltd. Ujjivan Financial Services Private Ltd., has been promoted in the area of micro finance by a group of experienced professionals with banking and technology background.

Current Investments and Bank Balances

Our capital requirements are completely financed by internal accruals. Your Company continues to remain debt-free and we believe that cash generated from operations and reserves and surplus are sufficient to meet our obligations and requirements towards capital expenditure and working capital requirements

As of March 31, 2010 the cash and bank balances stood at Rs.66.75 crore (Rs.106.14 crore on March 31, 2009) and current investments in liquid schemes and Fixed Maturity Plans of mutual funds were Rs.95.66 crore (Rs.16.04 crore on March 31, 2009).

(Rs. in crore)

As at March 31,	2010	2009
Cash and cheque in hand	0.83	0.19
Balances with Bank		
In Current Accounts	27.24	29.89
In Fixed Deposit Account	38.68	73.28
Remittance in transit	–	2.78
Investments in Mutual Funds	95.66	16.04
Total	**162.41**	**122.18**

As a part of the financial policies, the Company believes in maintaining high level of liquidity as it provides immense support against contingencies and uncertainties.

Complete details of Bank Balances and Fixed Deposits which are fully verified by the Statutory Auditors of the Company are given below:

(Rs. in crore)

As at March 31,	2010	2009
Balances with Banks		
In Current Accounts in INDIA		
Canara Bank	–	0.01
Citi Bank	0.39	1.01
Citi Bank - EEFC accounts in US dollar	8.88	10.58
DBS Bank	–	0.03
HDFC Bank - EEFC accounts in US dollar	0.02	0.24
HDFC Bank	0.50	0.64
HDFC Bank - Unclaimed dividend accounts	0.11	0.08
HSBC Bank - Unclaimed dividend accounts	0.04	0.04
ICICI Bank	0.11	0.17
State Bank of India	0.11	0.02
Vijaya Bank	–	0.01
In Current Accounts in OVERSEAS location		
Citi Bank, U.A.E	0.09	0.05
Citi Bank, UK	0.01	0.10
Citi Bank, Singapore	4.28	6.94
Citi Bank, Korea	1.34	1.55
Citi Bank, Philippines	0.13	0.15
PNC Bank, USA	0.67	0.75
Bankof Tokyo Mitshubishi-Japan	0.59	4.72
Shinsei Bank, Japan	0.44	2.23
Citi Bank, Japan	9.36	–
Citi Bank, HongKong	–	–
ANZ Bank, Australia	–	0.05
Citi Bank, Singapore	0.08	0.08
Citi Bank, Netherlands	0.09	0.44
Total Balances in Current Accounts	**27.24**	**29.89**
In Fixed Deposit Accounts		
HDFC Bank	0.94	22.22
Canara Bank	2.69	18.10
Citi Bank	0.50	4.89
DBS Bank	–	2.25
Punjab National Bank	4.39	6.60
ICICI Bank	2.97	12.73
State Bank of India	4.98	0.75
Corporation Bank	7.35	3.74
Bank of India	5.94	2.00
State Bank of Hyderabad	8.91	–
Total Balances in Fixed Deposits	**38.68**	**73.28**
Remitance in Transit	–	2.78
Cash in Hand	0.83	0.19
Total Bank Balance & Fixed Deposits	**66.75**	**106.14**

Our net cash flow from operating activities before working capital changes was Rs.50.70 crore for the financial year against Rs.46.76 crore in the previous year. After considering working capital changes, operating cash flow is Rs.45.45 crore against Rs.37.52 crore.

Operating cash flow is today considered a better measure of operations of the Company than the net profits, as it measures the cash generated by the operations and our performance on this criteria is satisfactory.

To summarise the Company's liquidity position, given below are few ratios based on consolidated figures:

As at March 31,	2010	2009
Operating cash flow as % of revenue	17.38	11.43
Days of sale receivables	72	89
Cash and bank balances as % of assets	24.58	44.01
Cash and bank balances as % of revenue	22.88	32.32
Current investments as % of assets	35.22	6.65
Current investments as % of revenue	32.78	4.88

Trade Receivables

Our trade receivables (net of provision) as on March 31, 2010 were Rs. 57.68 crore, against Rs. 80.10 crore as on March 31, 2009. In the opinion of management, all the trade receivables are recoverable.

The age profile of the debtors (net of provision) is given below:

As at March 31,	2010	2009
Less than 6 months	78.78%	88.37%
More than 6 months	21.22%	11.63%
Days of sales receivables (DSR)	72	89

Loans and Advances

Loans and Advances as on March 31, 2010 were Rs. 29.34 crore against Rs. 22.77 crore as on March 31,2009.

(Rs. in crore)

As at March 31,	2010	2009
Advances recoverable in cash on in kind	5.65	4.55
Security deposits	2.86	2.77
Advance income tax	8.50	4.78
Prepaid expenses	3.32	2.62
Advance fringe benefit tax	0.27	0.26
MAT credit entitlement	8.74	7.79
Total	**29.34**	**22.77**

Advances recoverable in cash or in kind or for value to be received are primarily towards amounts paid in advance for value and services to be received in future, and staff advances. The amount is Rs. 5.65 crore as on March 31,2010 (Rs. 4.55 crore as on March 31, 2009).

Security Deposits are primarily for hiring of office premises and staff accommodation. The amount is Rs. 2.86 crore as on March 31,2010 (Rs. 2.77 crore as on March 31, 2009).

A sum of Rs. 8.74 crore against MAT Credit Entitlement is carried forward and shown under Loans and Advances as at March 31, 2010 to be set off against future tax liabilities (Rs.7.79 crore as on March 31, 2009).

Current Liabilities

(Rs. in crore)

As at March 31,	2010	2009
Sundry Creditors	31.81	38.07
Witholding tax	–	2.58
Advances from customers	11.47	10.37
Mark to Market on Options/		
Forward Contracts	–	4.23
Unclaimed dividend	0.15	0.12
Other liabilities	3.17	4.70
Total	**46.60**	**60.07**

Sundry Creditors represent amounts payable for the supply of goods and services other expenses payable, and has decreased by Rs.6.26 crore. The total amount of Sundry Creditors as on March 31, 2010 is Rs.31.81 crore (Rs.38.07 crore as on March 31, 2009)

Advances from customers as on March 31, 2010 is Rs.11.47 crore (Rs.10.37 crore as on March 31, 2009). These consist of advance payments received from customers and "Unearned Revenue"; Unearned Revenue is defined as client billing for which related costs have not been incurred or product license delivery is at a later date.

The amount of Unclaimed Dividend as on March 31, 2010 is Rs.0.15 crore (Rs.0.12 crore as on March 31, 2009).

Other liabilities represent amounts accrued for statutory dues related to taxes and staff benefits etc. The total amount of other liabilities as on March 31, 2010 is Rs. 3.17 crore (Rs. 4.70 crore as on March 31, 2009).

Provisions

Provisions as on March 31,2010 are Rs.20.37 crore (Rs.19.48 crore as on March 31,2009) . The break up of provisions at the year end is given below.

(Rs. in crore)

As at March 31,	2010	2009
Gratuity	6.26	5.45
Leave encashment	4.68	4.34
Net of Advance Tax	–	0.23
Dividend	8.09	8.09
Corporate dividend tax	1.34	1.37
Total	**20.37**	**19.48**

Provision for Dividend as on March 31, 2010 is Rs.8.09 crore (similar to the previous year), with a provision for corporate dividend tax of Rs.1.34 crore (Rs.1.37 crore as on March 31, 2009).

Risk Management Report

Risk comes from not knowing what you are doing" *Warren Buffett.*

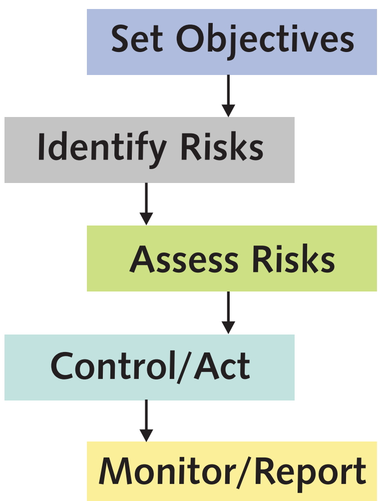
Risk is a condition in which there exists an exposure to adversity, or a possibility of deviation from the expected outcome.

Risk Management is the name given to a logical and systematic method of identifying, analysing, treating and monitoring the risks involved in any activity or process. It is a methodology that helps managers make best use of their available resources

Risk Management provides a disciplined environment for proactive decision making, to:

- Assess continuously what could go wrong (risks)
- Determine which risks are important to deal with and
- Implement strategies to deal with those risks.

It deals with the possibility that some future event will cause damage. It provides strategies, techniques, and an approach to recognizing and confronting any threat faced by an organization in fulfilling the mission. In order to ensure continuous success of the organization, it is very critical that these risks are identified and appropriate measures to control them are taken.



Your Company follows a structured approach to business decisions, which does more than identifying the risk and allow risk management. It also increases the chances that good decisions will be made with regard to other factors such as profitability and quality. A structured approach involves taking decisions apart and looking at the components individually, understanding completely what is being decided and what are the implications.

Your Company operates in an environment, which has risks particular to the industry and certain generic risks. The risks encountered by your Company can be classified under following heads:

- Concentration (Client, Industry, Geographical and Political)
- Economic Risk
- Exchange Rate Fluctuation Risk
- Programming Risks
  - Inherent schedule flaws
  - Requirements inflation
  - Key employee turnover
- Product Related
- Intellectual Property
- Customer Relationship Management
- Compliance with New and Changing Financial Reporting and Corporate Governance requirements
- Competitive Pressures
- Credit Risk
- Internal Processes
- Attraction and Retention of Resources
- Investment Mix
- Legal and Statutory Compliances
- Security and Business Continuity
- Insider Trading
- Acquisitions/Investments/Strategic Partnerships/Joint Ventures
- Senior Management team and retention issues

1. **Concentration:**

   a) **Client Concentration:** - Your Company offers products and services to large international clients in the Banking and Financial Services (BFSI) space and enjoys enduring long-term relationships with large customers, strengthened by status of preferred supplier of Software products for Retail Loan management solutions. During the year, your Company derived 67% of revenues from top 5 clients against 69% of revenues from the top 5 clients in the previous year.

   The risks of client concentration include:

   - loss of major clients
   - significant reduction in the volume of business

- cancellation or deferral of significant projects
- movement of work
- loss of business to competitors

For the Year ended March 31,	2010	2009
Revenue from the top-five clients	67%	69%
Clients accounting for > 10% of revenues	3	3

While increased exposure to a few large clients can impact our profitability, increase credit risk and make us highly vulnerable for client manipulation at the time of contract renewal, large clients also help scale up revenues quickly and repeat-business contribute to higher margins through lower marketing costs.

These advantages and risks have to be balanced and we believe the solution is to increase the number of large clients, as business with existing clients is the backbone of our platform for providing complete product and services solutions.

b) **Industry Concentration:** The Company operates in the BFSI space and offers Products and Services to large Banks and Financial Institutions. The prime focus on this domain exposes us to the risk of Industry concentration with attendant risk of our performance being linked to the health of the financial system and the banking sector worldwide.

During the Global financial crisis of 2008 and 2009 many financial institutions reported large losses and had to be rescued by sovereign Governments. In fact the crisis began at banks and investment banks and ultimately affected GDP worldwide The BFSI segment wa the hardest hit sector in the economic downturn. There have been some signs of recovery in the last twelve months and banks have reduced their Loan portfolios and raised additional capital to meet regulatory and otherwise prudent financial norms. However, Retail loans business is still to gain pace, post-recession with delays in decision making. At the same time there is opportunity to provide scalable solutions with lower TCO (Total cost of Ownership).

While acknowledging this risk, we continue to focus on this sector and are confident that our "Value" based solutions will find greater market success. Our market penetration in the Americas is nil and miniscule in Europe and therefore at current size, there are more opportunities than risks. Our focus now is on improving efficiency by maintaining the existing operations at a lower cost. The present situation emphasises the need for a strong risk management strategy to sense and avert systemic failures.

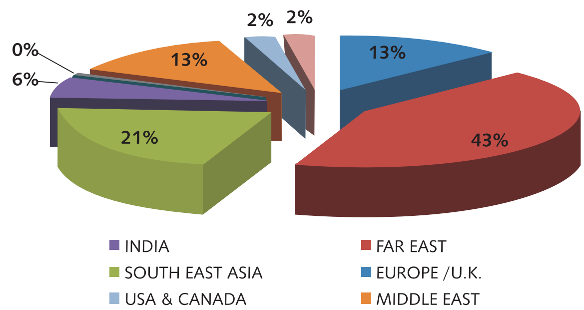
c) **Geographic Concentration:** Geographical risk is attributable to all the factors, which are peculiar or sensitive to a region. Concentration of revenue from any country exposes us to the risks specific to its economic condition, global trade policies, local laws, and political environment.

Large portion of our revenue (%) is derived from Asia, with 43% from the Far East region. This concentration of revenue from a single region increases the susceptibility of revenue to events that take place in these geographies. Besides political risk, there are other risks of changes in taxation policy, regulations regarding deputation of skilled manpower, civil unrest, epidemics and wars.

The geographical segmentation of revenue is given below: (based on Indian GAAP)

	For the Year ended March 31,	
Geography	**2010**	**2009**
India	12.61%	11.19%
Far East	42.63%	48.89%
South East Asia	20.95%	16.23%
Europe/UK	5.79%	6.58%
USA & Canada	0.36%	0.24%
Middle East	12.99%	9.75%
Africa	2.34%	4.01%
Rest of the World	2.32%	3.11%

Geographic Segment of Revenue for March 31, 2010



Our success in different geographies is a function of:

- Maturity of the Banking and Financial Industry
- GDP of the country / region
- Marketing and sales effort
- Adaptability of our Product Offerings
- Growth of retail assets
- The pace of change in "Replacement" of expensive legacy systems.

In the BFSI segment, and more pertinently in the Product space, geographic concentration arises during the initial years as the reference base grows and gives confidence to new customers in our Product offerings.

We mitigate this risk by investing in new markets. We are concentrating on opportunities in developed countries arising from the turmoil in consumer finance and also through replacement of legacy system. We have signed twelve channel partners during the year, in different parts of the world, to increase share of business across geographies.

d) **Political Concentration:** Broadly, political risk refers to the complications businesses and governments may face as a result of what are commonly referred to as political decisions or "any political change that alters the expected outcome and value of a given economic action by changing the probability of achieving business objectives". Any political instability in the Company's key consumer markets could impact business revenues. Our subsidiaries are located in India, Japan, Netherlands, Singapore and USA. Political climate in these countries also effects our operations and revenues. At the same time, such diversification strategy is also a de-risking mechanism to protect the Company from the political climate of any country.

In order to mitigate this risk, we perform a due-diligence and carefully word and structure contracts before commencing business relations with any customer/ partner in a new geography. We also remain abreast of political happening in the country as well as other geographies and take corrective measures at the onset of any trouble.

Our major operations are in India. Political environment in India has the greatest impact on our revenues. Political instability within the country could adversely impact flow of operations as well as customer confidence. All parties have recognized that India's world-class education system and low cost structure has given it a competitive advantage in software exports. We believe that all Indian Governments will continue to create a conducive environment for growth of high technology focused Companies, which includes the Software sector.

2. Economic Risk

The possibility that an economic downturn will negatively impact an investment, could be termed as an Economic risk. In a nutshell, it is the risk that an endeavor will be economically unsustainable, for a variety of reasons ranging from a change in economic trends to deceitful activities. Before starting projects, economic risk has to be considered to determine whether, the potential risks are outweighed by the benefits, or not.

Before the current global downturn, it was often claimed that emerging markets had decoupled from advanced economies. It is clear, however, that with respect to cyclical changes, emerging and advanced economies continue to be closely correlated; a fact that may have been masked by years without sharp recessions. Developing and emerging market countries are tightly clustered with respect to economic and asset bubble risks but to different degrees.

The knock-on effects of the financial crisis and the deepest global recession in decades continue to be felt across the world. Increasing risk of non-payment of sovereign debt, exchange transfer restrictions and rising political interference may be a result of the growing fallout from the economic crisis.

Your Company also felt the impact of the same and various decisions were delayed during the year due to the economic crisis still felt along various parts of the world. There have been, temporary holding of decisions, and now we expect these decisions to start happening.

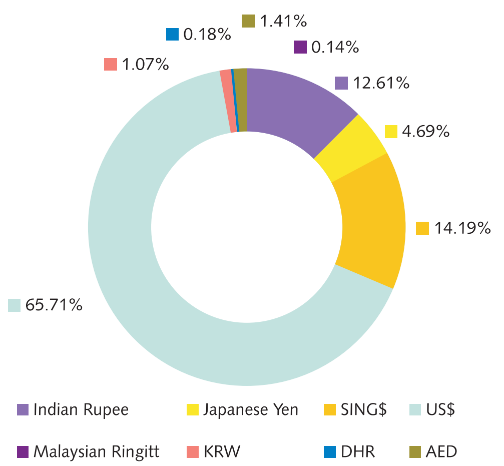
3. Exchange Rate Fluctuation

The operating currency of the Parent Company is Indian Rupees. While our revenues are derived in major currencies of the world, a majority of Company's expense (excluding expenses by Nucleus Software Solutions Pte Ltd., Singapore and our Japan and USA Subsidiaries) are incurred in Indian Rupees. With 87% of revenues being earned in foreign currency and costs being in Indian Rupees, adverse fluctuations of exchange rate could impact the profitability of the business.

Appreciation of the Indian Rupee against the major currencies of the world can adversely affect our revenues and competitive positioning, and can adversely impact our gross margins. We enter into forward exchange contracts to minimize the impact of currency fluctuations on our revenues. However, volatility in exchange rate movement and/or sustained rupee appreciation will negatively impact our revenue and operating results.

The following chart exhibits our exposure in different currencies for the year ended March 31, 2010.

Currency wise reveneue for the year ended March 31, 2010



The Rupee strengthened against all major currencies during the fiscal year 2009-10 because of continued foreign capital inflows seeking higher yields, and high economic growth. In India on a point-to-point basis, Rupee appreciated by 5.5 percent against the Pound Sterling, 9.44 percent against the Euro and 7.35 percent against the Japanese Yen.

This firming Rupee on the back of rising foreign investments in India's fast growing economy, poses a challenge to the industry.

While the Company can not directly influence exchange rates, it is incumbent upon Management to follow a well thought policy to hedge foreign currency without taking speculative positions. We use derivative financial instruments such as foreign exchange forwards to mitigate the risk of changes in foreign exchange rates on accounts receivable. We may not purchase derivative instruments adequate to insulate ourselves from foreign currency exchange risks, and over the past year, we have incurred losses as a result of exchange rate fluctuations that have not been offset in full by our hedging strategy. Additionally, hedging activities can contribute to increased losses in recent times given the recent volatility in foreign currency markets. Also, the volatility in the foreign currency markets may make it difficult to hedge our foreign currency exposures effectively.

Meanwhile, we continue to examine an economic global product development and delivery model and look for competitive advantage wherever available including in overseas geographies.

4. Programming Risks

a. **Inherent Schedule Flaws** - Your Company is a Software Products Company operating in the Banking and Financial Services domain. Given the intangible nature and uniqueness of software, software development is inherently difficult to estimate and schedule, hence there can be schedule flaws, which may attract penalty and risks of various nature.

b. **Requirements Inflation** - As the project progresses, many of the features that were not identified at the beginning of the project, emerge at a later stage and threaten estimates and timelines. Such requirement inflation causes various problems in project delivery and accuracy.

c. **Key Employee Turnover** - Key personnel leave the project, taking critical information with them that significantly delays or derails the project. Increased collaboration and information sharing with the team may inculcate a sense of belonging to the organization and help retain employees. Working in an engaging, rewarding, empowered, collaborative environment such as agile projects, would create lesser chances of people wanting to move elsewhere, so the risk is often avoided as well as reduced.

We may face difficulties in providing the desired business solutions to clients in time, which may even lead to clients discontinuing their work with us/cancellation of contracts, which could harm our business.

5. Product Related

a) Product Obsolescence Risk

Your Company is driven by technology and develops products, which carry the risk of obsolescence; thereby losing competitiveness, if not upgraded with the latest technology and platforms.

This risk is one of the most significant risks encountered by your Company and can significantly alter the Company's growth prospects and earning potential. Inadequate investments to enhance technology used in existing products and the performance of the products as well as the functionalities provided, could lead to product obsolescence and impact the competitive position of the Company.

To mitigate this risk and maintain our competitive edge in the market place, we are following a dual benefit approach:

- We are upgrading our products to new technology and
- Adding new functionality to meet projected customer needs.

b) Product Pricing

In the initial days of set up, Indian product Companies have struggled to convert superior products to sales. Very few companies have crossed the chasm, and their accomplishments are laudable in light of the challenges. Product Pricing is more than a trade-off between volume and margin. The knee jerk reaction of most Indian software companies is to price low. However, pricing too cheaply may risk a Company's positioning, in the prospect's mind.

Pricing is much more than an economic decision. Optimal price is an optimal balance between volume and margins. According to economic theories, prospects evaluate value relative to price, and therefore, lower price implies higher relative value. However, standard economic theory misses out on the information value of pricing - prospects and use price as a surrogate for value or quality of a product.

Inability to right-price the product /service could lead to a consequent loss of profit. In such difficult times, there is a grave risk of the current and prospective clients seeking a price cut, which acts as one of the major risk in today's' environment. In the light of the global financial crisis, the world is today witnessing challenges unprecedented in nature, and customers are forced to make every dollar count and are looking for much higher value for money. To the Company, it means offering troubled customer's a lower price point, by increasing efficiency. The spending scenario is clearly tough and customers want to play safe and generally want to negotiate.

The Company has adopted a competitive pricing strategy, in order to get a competitive edge in various geographies. We are developing innovative pricing models to satisfy customers and maintain our margins.

6. Intellectual Property (IP)

Your Company has an IP led business model and globally licenses Intellectual Property in the form of products for the Banking and Financial Services Industry. Though every country has enacted laws to protect Intellectual Property, many infringements take place and a majority of them end up in courts of law. In such a scenario, Intellectual property protection is key for continued business success of the Company.

To ensure license compliance, the Company needs clear visibility into the origin, ownership, and license requirements of each component used in the software. However, with so much reuse occurring, traditional procurement methods and controls may be inadequate. According to a study, developing countries are more motivated and spend more on protecting intellectual property than their Western counterparts. India, Brazil and China spent more money on security than Germany, UK, US and Japan. Seventy four percent of Chinese and sixty eight percent of Indian respondents invested in securing their intellectual property for competitive advantage.

Customers may also subject us to litigation and seek damages for violating or misusing intellectual property rights. Our inability to provide services at the contractually agreed service levels or inability to prevent violation or misuse of intellectual property of the customer could cause significant damage to our reputation and adversely affect our results of operations.

Your Company has always been committed to safeguarding the Intellectual Property assets of the Company. Continued efforts on information security have built a high level of confidence among the customers. The Company is using a combination of trademarks, confidentiality procedures and contractual provisions to protect our Intellectual Property. As a policy, the Company develops own IP at its own cost using own resources.

The Company is actively engaged in seeking maximum legal protection for the Intellectual Property.

7. Customer Relationship Management (CRM)

Customer relationship management is a process or methodology used to learn more about customers' needs and behaviors in order to develop stronger relationships with them. Customer satisfaction is very crucial for the success of any organization. An unsatisfied customer, due to any reason, may lead to termination of contracts or any other outcome which may affect the revenues and margins of the Company.

With a devised process of managing customer relationship, an organisation can better understand and anticipate the needs of existing customers, thus increasing their satisfaction and loyalty. Five main strategies of CRM that companies can employ to survive and thrive during uncertain economic conditions are:

1. Focus on existing customers
2. Maximize revenue opportunities
3. Do more with less
4. Reduce operational costs
5. Optimize existing IT assets

Your Company always believes in serving the customer by delivering the Best. Customers are important to us hence it is even more important to have high customer satisfaction index. Review of engagements is done both on qualitative and quantitative basis. In these challenging times, your Company has identified the goal of "Pure Customer Satisfaction" as an absolute imperative.

8. Compliance with New and Changing Financial Reporting and Corporate Governance Requirements

Turbulent times facing world economies, rapidly changing business environment and increasing incidents of corporate wrongdoings, has brought quality of financial reporting and Corporate Governance into focus as never before. A few recent scandals have jolted the global business community in a big way and have further underscored the role of governance in preventing distressing corporate incidents and calls for the function of internal audit to evolve in order to meet today's dynamic assurance needs. Corporate leaders are yet again reviewing their Board and Company-level policies and practices to assess "what could go wrong" within their own organizations.

We are committed to maintaining high standards of Corporate Governance and financial reporting and disclosures, and our efforts to comply with evolving laws, regulations and standards. Further, our Board members, Chief Executive Officer and Chief Financial Officer could face an increased risk of personal liability in connection with their performance of duties. As a result, we may face difficulties in attracting and retaining qualified Board members and executive officers, which could harm our business. If we fail to comply with new or changed laws or regulations and standards differ, our business and reputation may be harmed.

Here we are pleased to share that Annual Report and Accounts of the Company for the year ended March 31, 2009, were adjudged as the BEST under the category 'Information Technology, Communication and Entertainment enterprises' of the 'ICAI Awards for Excellence in Financial Reporting', by the Institute of Chartered Accountants of India (ICAI), for the second consecutive year. For the fourth consecutive year, your Company was ranked in the Top 25 Companies following Best practices of Corporate Governance by the Institute of Company Secretaries of India.

9. Competitive Pressures

Technology market is a highly competitive one and the Information Technology industry is currently experiencing rapid changes that are affecting the competitive landscape, including recent divestitures and acquisitions that have resulted in consolidation within the industry. A Company can easily lose its market share because of failure to properly consider changes in the market and the actions of competitors. In the current scenario, the products offered by competitors are a full suite of services and tend to focus on providing end to end solutions to the customers. Due to the wide focus of these products, the functionalities offered in specific areas are limited vis-à-vis the products offered by your Company. Therefore, products offered by the Company tend to compliment other products being used by the customer.

An intense pricing war has broken out among vendors, with each undercutting the other in an effort to bag a limited pool of projects. However, an increased focus by competition on building greater functionalities in their products could lead to a loss of competitive advantage currently enjoyed by your Company, thereby leading to a loss of sales.

Many of the competitors are also substantially larger than us and have significant experience with international operations. Many of them have significantly greater financial, technical and marketing resources, generate greater revenues, have more extensive existing client relationships and partners and have greater brand recognition than we do. We face the risk of being unable to compete successfully against these competitors, or may lose clients to these competitors. We also face competition in countries where we currently operate, as well as in countries in which we expect to expand our operations.

Your Company has kept constant focus on product development and differentiation to maintain the competitive edge over others and enhance the competitive advantage of being a Leader in the retail loan solutions provider.

10. Credit Risk

The Company enters into different credit terms with the customers depending upon the contract between the Company and the customer. Recovery of payments from the customer also depends upon the credit terms agreed upon. Definite processes and checks and controls have to be in place to avoid any bad debts position.

The Management regularly monitors the position of debtors and weekly reports with ageing of receivables are being circulated to respective account heads. The receivable reports are discussed at Management Team meetings on a monthly basis and a quarterly report is placed for Audit Committee's review at each quarter end.

11. Internal Processes

Absence of well-defined, scalable processes and procedures can have a serious impact on execution of projects and smooth flow of work. The Company is fully aware, that any gap in execution of project not only leads to delays but also adversely affects our long-term relations with the customers. The Company is committed to instill quality at all levels of implementation of projects. Moreover, adequacy of internal controls across various processes is continuously monitored to rectify any deficiencies identified from time to time.

Various initiatives were taken during the year, to improvise processes:

- A number of project management related process enhancements were made and rolled out in a new PMP tool. CMMI related audits were done and level three related process gaps addressed in process enhancements.
- During the year, the Company initiated the process of Theme based management. Improved focus was devoted towards strengthening the internal process compliances in the Company by building a robust and focused team to pay attention on Process Compliances.
- New processes were identified and extensive plans drawn to improve the existing processes. Responsibilities were assigned and continuous monitoring of the gaps was done by the core team to strengthen the existing processes.

12. Attraction and retention of resources

Our ability to execute projects, maintain our client relationships and obtain new clients depends largely on our ability to attract, train, motivate and retain highly skilled technology professionals, particularly project managers and other mid-level professionals. If we cannot hire, motivate and retain personnel, our ability to bid for, obtain new projects and expand our business will be impaired and our revenues could decline. We may not be able to hire and retain enough skilled and experienced employees to replace those who leave. Additionally, we may not be able to re-deploy and retain our employees to keep pace with continuing changes in technology, evolving standards and changing client preferences

We believe that there is significant worldwide competition for skilled technology professionals. Your Company also faced challenges as technology companies, particularly in India, increased their hiring efforts, in the latter half of the year.

To attract, retain and motivate the right talent, your Company offers a distinct value proposition. We are constantly focusing on the HR function to empower our people to scale new heights of productivity while enjoying world-class facilities. Optimum utilization of distinct manpower by relocation of the resources to various development centers within and outside India, internal transfers in business units, skill up gradation, technology up gradation, multiskillng programmes were implemented during the year and have become a way of life in Nucleus.

13. Investment Mix

Shareholder value is created when the Company invests shareholder funds in a manner that its investments earn a rate of return, which is higher than the Cost of Capital. Conversely, any investment that earns a rate of return lower than the Cost of Capital, leads to shareholder value destruction.

For ensuring continuity of business operations and to have liquidity in business, a mix of investments with some low earning assets has also to be maintained by the Company. Inadequate management of the investment mix of the Company could lead to either Shareholder Value destruction or a high exposure to the risk of liquidity crunch.

Your Company has invested substantially on construction or expansion of new software development facilities and physical infrastructure in anticipation of growth in our business. We may encounter cost overruns or project delays in connection with new facilities. These expansions may increase our fixed costs. If we are unable to grow our business and revenues proportionately, our profitability will be reduced.

The Company has been consistently following a conservative investment policy maintaining a reasonably high level of cash and cash equivalents which enable the Company to not only eliminate short and medium term liquidity risks but also scale up operations at a short notice.

Such Policies provide larger shareholder value in long term, though short-term returns may be low.

14. Legal And Statutory Compliances

In today's world, managing legal risks is vital, not just for success, but also for business survival. In a fast-changing legal environment, a Company must be able to anticipate changing trends; be cognizant of market 'best practices' and; understand how to balance competitive and business pressures against legal and reputation risk.

Our Company has some units registered under "Software Technology Parks" in India and was entitled to an income tax exemption as per applicable laws and thus has lower tax implication till March 31, 2009. As per the Union Budget 2010-11, there has been no extension of tax holiday enjoyed by units in STP/ FTZ under Section 10A of the IT Act beyond 31 March 2011 and also there has been an increase in the rate of MAT from existing 15% to 18% (plus applicable surcharge and education cess). Consequently, three of our STPI units at Noida, Chennai and Pune will continue to enjoy the income tax exemption upto March 31, 2011, while one of our units at the Noida campus, which has already completed 10 years became fully taxable from April 1, 2009. The tax implication for all these units will be higher w.e.f the financial year 2011-12. There has been an increase in MAT from existing 15 % to 18%.

Your Company is incorporated in India and has overseas subsidiaries in India, Japan, Netherlands, Singapore and USA and caters to customers operating in numerous countries. Hence, we are subject to numerous, and sometimes conflicting, legal rules on matters as diverse as import/export controls, content requirements, trade restrictions, tariffs, taxation, sanctions, government affairs, internal and disclosure control obligations, data privacy and labor relations. Violations of these regulations in the conduct of our business could result in fines, criminal sanctions against us or our officers, prohibitions on doing business and damage to our reputation. Violations of any of these rules or regulations could also result in liability for monetary damages, fines and/or criminal prosecution.

In order to mitigate contract risks, a proactive team of legal experts positioned at the head-office of your Company reviews all legal contracts. They also take aid of external opinion, as per requirement, for ensuring compliance of local laws of jurisdictions. An internal management tool monitors Global Compliances. At places where we have operations, we engage consultants. Before a product is launched in a new country/location, we carry out a detailed market study which includes acquiring knowledge of local laws, practices and prevalent customs. A well- designed frame work consisting of checklists and proper reporting mechanisms take care of the Statutory and Regulatory compliances. Adequate insurance cover has been taken to cover risks associated with non-performance of contracts.

Inefficient or inadequate processes to monitor/detect use of unlicensed software could also expose the business to risk of litigation and also lead to loss of reputation.

This risk can be mitigated by developing efficient processes/ policies to monitor/detect use of un-licensed software and ensuring:

- That employees work on licensed software (external)
- They do not use illegal software in the course of their work.

15. Security and Business Continuity

As a going concern, business continuity and security are essential to continued operations As operating disruptions can occur with or without warning. Business Continuity Plan is required to ensure the maintenance or recovery of operations, including service delivery to the customers, when confronted with adverse events such as natural disasters, technological failures, human error and to avoid any financial losses and/or adverse impact on the strategic plans and reputation.

Inability to put in place a Business Continuity Plan (BCP) to ensure the maintenance or recovery of operations, including service delivery to the consumers, when confronted with adverse events such as natural disasters, technological failures, human error, or terrorism may lead to financial losses in addition to adversely impacting the strategic plans and reputation.

Continuity plans are an integral part of our business strategy and are built in to all our service offerings. Nucleus Business Continuity Plan has been put into place taking into consideration several planned and unplanned scenarios and the Company has set up/ is in the process of setting up Disaster Recovery Sites.

The Company is continuously investing in operational security of its operations. Strict procedures are in place to control the level of access to server rooms and other sensitive areas. Access to the premises is controlled through Biometric access control systems and proximity cards. The Company has invested significantly in a state of the art network infrastructure for managing its operations and for establishing high-speed links to overseas destinations.

Our security architecture is in line with client processes and has been tailor-made specifically towards our business compliance requirements. Our data, applications, network and workflow are comprehensively secured.

16. Insider Trading

Your Company is a public limited Company with its shares listed on National Stock Exchange of India Ltd., Bombay Stock Exchange Ltd. and Madras Stock Exchange Ltd. There is always an inherent risk of Insider Trading that may happen in the shares of the Company. Trading in Nucleus shares by the designated employees of the Company on the basis of price sensitive information or communication counseling or procuring any unpublished price sensitive information to or from any person may be termed as insider trading.

Insider trading is a matter of concern for the Management of the Company and to mitigate this risk, Code for Prevention of Insider trading is implemented t in the Company, and is reviewed by the Audit Committee time and again to ensure compliance and updation with the regulatory amendments.

Secretarial audit includes a review of our policies and processed governing any trading in the company's shares by various stakeholders

17. Acquisitions/Investments/Strategic Partnerships/Joint Ventures

In future we may engage in acquisitions, investments, strategic partnerships joint ventures and they may affect our performance, dilute our shareholders' ownership and cause us to incur debt or assume contingent liabilities.

While your Company has not entered into any such kind of transaction until now, the possibility in the near future is not ruled out. We could have difficulty in assimilating the personnel, operations, technology and software of any Company/Companies that we may acquire in future. In addition, the key personnel of an acquired company may decide not to work for us. If we make other types of acquisitions, we could have difficulty in integrating the acquired products, services or technologies into our operations. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses. Changes in competition laws in India and abroad could also impact our acquisition plans.

18. Senior Management Team and Retention Issues

The Company is highly dependent on the senior members of Executive Committee, and other executive members of the Management Council of the Company. Our future performance will be affected by any disruptions in the continued service of our executives and other officers. While attrition at such senior levels in your Company is at very low levels, still intense competition for senior management in our industry is being witnessed, and we may not be able to retain such senior management personnel or attract and retain new senior management personnel in the future. The loss of any member of our senior management or other key personnel may have a material adverse effect on our business, results of operations and financial condition.

AUDITORS' REPORT

For the Consolidated Financial Statements for the year ended March 31, 2010

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF NUCLEUS SOFTWARE EXPORTS LTD. ON THE CONSOLIDATED FINANCIAL STATEMENTS OF NUCLEUS SOFTWARE EXPORTS LTD. AND ITS SUBSIDIARIES

We have audited the attached consolidated Balance Sheet of Nucleus Software Exports Ltd. ('the Company') and its subsidiaries, as described in summary of significant accounting policies to the consolidated financial statements as at 31 March 2010, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated 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.

The financial statements of Nucleus Software Inc., United States of America, Nucleus Software (Australia) Pty. Ltd., Australia, Nucleus Software (HK) Ltd., Hong-Kong, Nucleus Software Solutions Pte. Ltd., Singapore and Virstra i-Technology (Singapore) Pte Ltd., Singapore whose financial statements reflect total assets of Rs.222,644,918 as at 31 March 2010, total revenues of Rs.736,925,635 and total cash flows amounting to Rs.30,272,804 as shown in these consolidated financial statements for the year then ended have been audited by other auditors. In respect of Singapore subsidiaries which are audited as per local generally accepted accounting principles (GAAP), conversion to Indian GAAP has been prepared by the management and reviewed by us.

We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, prescribed by Companies (Accounting Standards) Rules, 2006 and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanation given to us, and on consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiaries, in our opinion, the consolidated financial statements give a true and fair view in conformity with accounting principles generally accepted in India:

(i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 31 March 2010;

(ii) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year ended on that date; and

(iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year ended on that date.

***for* B S R & Co.**
Chartered Accountants
Firm Registration No.: 101248W

Sd/-
Jiten Chopra
Partner
Membership No.: 092894

Gurgaon
April 25, 2010

Consolidated Balance Sheet as at 31 March 2010

Amount in Rupees

	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	323,715,240	323,715,240
Advance pursuant to Stock Option Schemes		3,451,740	5,999,100
Reserves and Surplus	2	2,386,980,001	2,079,345,937
		2,714,146,981	2,409,060,277
Deferred Tax Liability (refer note 2, schedule 16)		1,111,447	2,541,492
		2,715,258,428	2,411,601,769
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	1,126,414,695	1,120,218,666
Less: Accumulated Depreciation		(584,096,885)	(481,171,475)
Net Block		542,317,810	639,047,191
Add: Capital Work in Progress (including capital advances)		5,199,458	3,100,736
		547,517,268	642,147,927
Investments	4	958,980,145	162,902,975
Deferred Tax Asset (refer note 2, schedule 16)		31,241,899	17,623,147
Current Assets, Loans and Advances			
Sundry Debtors	5	576,829,926	801,005,914
Cash and Bank Balances	6	667,453,589	1,061,360,508
Loans and Advances	7	293,467,588	227,679,275
Other Current Assets	8	309,511,774	294,329,402
		1,847,262,877	2,384,375,099
Less: Current Liabilities and Provisions			
Current Liabilities	9	(465,989,117)	(600,625,716)
Provisions	10	(203,754,644)	(194,821,663)
		(669,743,761)	(795,447,379)
Net Current Assets		1,177,519,116	1,588,927,720
		2,715,258,428	2,411,601,769
Significant accounting policies and notes to the accounts	16		

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

As per our report of even date attached

For B S R & Co.
Chartered Accountants
Firm Registration No.: 101248W

For and on behalf of the Board of Directors

Jiten Chopra
Partner
Membership No.: 092894

Janki Ballabh
Chairman

Vishnu R Dusad
Managing Director

Gurgaon
April 25, 2010

NOIDA (U.P.)
April 25, 2010

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

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

Amount in Rupees

	Schedule	For the Year ended 31 March 2010	For the Year ended 31 March 2009
Sales and Services	11	2,917,826,623	3,284,028,256
Software Development Expenses	12	1,961,659,740	2,225,452,271
Gross Profit		956,166,883	1,058,575,985
Selling and Marketing Expenses	13	226,660,258	277,984,917
General and Administration Expenses	14	188,721,272	284,540,362
Operating Profit Before Depreciation and Withholding Tax		540,785,353	496,050,706
Depreciation	3	113,346,204	132,770,459
Withholding Taxes Charged off		4,256,080	72,624,682
Operating Profit After Depreciation and Withholding Tax		423,183,069	290,655,565
Other Income	15	96,202,601	137,083,763
Loss on Foreign Exchange Fluctuation (net)		(80,260,054)	(79,196,089)
Profit Before Taxation		439,125,616	348,543,239
Provision for Tax - current income tax		89,830,448	53,734,308
- MAT credit entitlement (refer note 8, schedule 16)		(21,487,450)	(20,215,904)
- fringe benefit tax		332,155	7,020,686
- deferred tax credit (refer note 2, schedule 16)		(13,618,752)	(14,876,749)
- income tax for earlier year		–	210,273
Provision for Wealth Tax		61,714	88,047
Profit After Taxation		384,007,501	322,582,578
Profit Available for Appropriation			
Profit for the year		384,007,501	322,582,578
Add: Balance Brought Forward		1,359,320,935	1,171,206,712
Total Amount Available for Appropriation		1,743,328,436	1,493,789,290
Proposed Dividend		80,925,060	80,925,060
Corporate Dividend Tax		13,441,069	13,753,214
Transferred to General Reserve		46,104,121	39,790,081
Balance Carried Forward to the Balance Sheet		1,602,858,186	1,359,320,935
Earnings Per Share (par value Rs. 10 each) (refer note 13, schedule 16)			
Basic		11.86	9.97
Diluted		11.86	9.96
Number of Shares used in Computing Earnings Per Equity Share			
Basic		32,370,024	32,369,568
Diluted		32,374,213	32,377,620
Significant accounting policies and notes to the accounts	16		

The schedules referred to above form an integral part of the Consolidated Profit and Loss Account

As per our report of even date attached

For B S R & Co.
Chartered Accountants
Firm Registration No.: 101248W

For and on behalf of the Board of Directors

Jiten Chopra
Partner
Membership No.: 092894

Janki Ballabh
Chairman

Vishnu R Dusad
Managing Director

Gurgaon
April 25, 2010

NOIDA (U.P.)
April 25, 2010

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

Consolidated Cash Flow for the year ended 31 March 2010

Amount in Rupees

	For the Year ended 31 March 2010	For the Year ended 31 March 2009
A. Cash Flow from Operating Activities		
Net profit before tax	439,125,616	348,543,239
Adjustment for:		
Depreciation	113,346,204	132,770,459
Exchange difference on translation of foreign currency accounts	14,401,934	39,862,501
Dividend received from non trade investments	(17,139,311)	(14,906,748)
Interest on fixed deposits	(51,763,376)	(35,617,650)
Profit on sale of investments	(9,264)	(66,988,868)
Amortisation of employees compensation expenses	(4,160,326)	3,220,672
Profit on sale of fixed assets (net)	(2,233,965)	7,614,637
Advances and other current assets written off	245,787	4,846,684
Provision for doubtful debts / advances	15,202,481	48,260,777
Operating profit before working capital changes	507,015,780	467,605,703
Decrease / (increase) in debtors	196,408,465	(147,080,667)
Increase in loans and advances	(18,736,668)	(3,805,308)
Decrease / (increase) in other current assets	(37,923,417)	71,359,468
(Decrease) / increase in current liabilities	(91,845,069)	78,684,156
	554,919,091	466,763,352
Direct taxes paid	(99,948,119)	(84,710,563)
Fringe benefit tax paid	(472,156)	(6,880,686)
Net cash from operating activities (A)	**454,498,816**	**375,172,103**
B. Cash Flow from Investing Activities		
Purchase of fixed assets/capital work in progress	(23,792,815)	(214,959,374)
Sale of fixed assets	4,145,634	20,305,092
Purchase of current investments	(2,532,727,268)	(1,858,919,660)
Proceeds on sale of current investments	1,736,659,362	2,509,956,771
Proceeds on sale of non trade investments	–	158,732,400
Interest on fixed deposits	64,111,149	10,036,440
Tax paid on interest income	(17,449,748)	(15,415,620)
Dividend received from non trade investments	17,139,311	14,906,748
Net cash from/ (used in) investing activities (B)	**(751,914,375)**	**624,642,797**
C. Cash Flow from Financing Activities		
Dividend paid (including corporate dividend tax thereon)	(94,678,500)	(113,603,399)
Advance pursuant to employee stock option scheme	400,000	360,000
Net cash used in financing activities (C)	(94,278,500)	(113,243,399)
Net (decrease) / increase in cash and cash equivalents	(391,694,059)	886,571,501
Opening cash and cash equivalents	1,061,360,508	175,019,463
Effect of exchange rate change	(2,212,860)	(230,456)
Closing cash and cash equivalents*	**667,453,589**	**1,061,360,508**

* include fixed deposits amounting to Rs.5,870,013 (Rs.5,665,165) under lien with bank on account of guarantees issued on behalf of the Company and other fixed deposits amounting to Rs.380,900,000 (Rs.727,177,049)

Notes:

1. The above cash flow statement has been prepared in accordance with the 'Indirect method' as set out in the Accounting Standard - 3 on 'Cash Flow Statements' prescribed under Companies (Accounting Standards) Rules, 2006.
2. Cash and cash equivalents consist of cash in hand, remttance in transit, balances in current accounts and fixed deposits with scheduled banks / non scheduled banks.

As per our report of even date attached

For B S R & Co.
Chartered Accountants
Firm Registration No.: 101248W

For and on behalf of the Board of Directors

Jiten Chopra
Partner
Membership No.: 092894

Janki Ballabh
Chairman

Vishnu R Dusad
Managing Director

Gurgaon
April 25, 2010

NOIDA (U.P.)
April 25, 2010

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

Amount in Rupees

	As at 31 March 2010	As at 31 March 2009
SCHEDULE 1		
SHARE CAPITAL		
Authorised capital		
40,000,000 (40,000,000) equity shares of Rs.10 each	400,000,000	400,000,000
Issued, subscribed and paid up		
Issued		
32,372,824 (32,372,824) equity shares of Rs.10 each	323,728,240	323,728,240
Subscribed and paid up		
32,370,024 (32,370,024) equity shares of Rs.10 each, fully paid up	323,700,240	323,700,240
Of the above:		
16,185,012 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of securities premium account during the year ended 31 March 2008		
8,045,406 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of securities premium account during the year ended 31 March 2005		
2,637,050 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of general reserve and securities premium account during the year ended 31 March 2002		
1,452,270 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of general reserve during the year ended 31 March 1995		
Add: 2,800 (2,800) forfeited equity shares pending for reissue	15,000	15,000
	323,715,240	**323,715,240**
SCHEDULE 2		
RESERVES AND SURPLUS		
General reserve		
Balance as at 1 April	654,264,361	614,474,280
Add: Transferred from Profit and Loss Account	46,104,121	39,790,081
	700,368,482	654,264,361
Securities premium account		
Balance as at 1 April	20,953,189	20,484,589
Add: Share premium received	–	360,000
Add : On conversion of stock options issued to employees	–	123,600
Less: Amount utilised for issuance of bonus shares	–	15,000
	20,953,189	20,953,189
Capital reserve account		
Balance as at 1 April	2,540,030	1,800,030
Add: Amount forfeited against employees stock option plan	2,947,360	740,000
	5,487,390	2,540,030
Employee stock options		
Balance as at 1 April	14,340,608	15,248,208
Less: Reversal on forfeiture of stock options granted	6,136,380	784,000
Less: Transferred to securities premium account on exercise of stock options	–	123,600
	8,204,228	14,340,608
Less: Deferred employee compensation	–	(1,976,054)
	8,204,228	12,364,554
Foreign currency translation reserve		
Balance as at 1 April	42,171,611	12,273,940
Add: Movement during the year	(6,786,660)	29,897,671
	35,384,951	42,171,611
Hedging reserve (refer note 3, schedule16)		
Balance as at 1 April	(12,268,744)	(12,268,744)
Add: Movement during the year	25,992,318	–
	13,723,574	(12,268,744)
Profit and Loss Account		
Balance as at 1 April	1,359,320,936	1,171,206,713
Add: Profit for the year	384,007,501	322,582,578
Less: Transferred to general reserve	46,104,121	39,790,081
Less: Proposed dividend	80,925,060	80,925,060
Less: Corporate dividend tax	13,441,069	13,753,214
	1,602,858,187	1,359,320,936
	2,386,980,001	**2,079,345,937**

Schedules forming part of the financial statements

SCHEDULE 3
FIXED ASSETS

Amount in Rupees

	Gross block				Accumulated depreciation				Net block	
	As at 1 April 2009	Additions	Deductions / adjustments	As at 31 March 2010	As at 1 April 2009	Depreciation for the year	Deductions / adjustments	As at 31 March 2010	As at 31 March 2010	As at 31 March 2009
Tangible assets										
Freehold land	3,360,720	–	–	3,360,720	–	–	–	–	3,360,720	3,360,720
Leasehold land	187,842,361	–	–	187,842,361	6,066,555	2,001,440	–	8,067,995	179,774,366	181,775,806
Leasehold improvement	12,539,955	–	–	12,539,955	4,929,850	4,177,188	(2)	9,107,036	3,432,919	7,610,105
Buildings	243,025,991	–	(750,000)	242,275,991	27,538,556	7,995,149	(137,192)	35,396,513	206,879,478	215,487,435
Plant and machinery (including Office equipment)	166,956,036	2,962,860	(520,077)	169,398,819	91,826,382	26,108,586	(415,027)	117,519,941	51,878,878	75,129,654
Computers	290,879,316	7,283,536	(7,647,228)	290,515,624	193,484,451	45,402,284	(7,358,966)	231,527,769	58,987,855	97,394,865
Vehicles	18,124,280	1,958,429	(2,902,068)	17,180,641	10,158,988	2,936,449	(2,018,627)	11,076,810	6,103,831	7,965,292
Furniture and fixtures	53,833,067	608,702	(485,999)	53,955,770	39,081,386	5,809,407	(480,078)	44,410,715	9,545,055	14,751,681
Intangible assets										
Software	143,656,940	5,714,965	(27,091)	149,344,814	108,085,307	18,915,701	(10,902)	126,990,106	22,354,708	35,571,633
Current year	**1,120,218,666**	**18,528,492**	**(12,332,463)**	**1,126,414,695**	**481,171,475**	**113,346,204**	**(10,420,794)**	**584,096,885**	**542,317,810**	**639,047,191**
Previous year	950,342,530	228,670,906	(58,794,770)	1,120,218,666	379,276,057	132,770,459	(30,875,041)	481,171,475	639,047,191	

* includes the effect of translation in respect of assets held by foreign subsidiaries which are considered as non-integral to the operations of the company in terms of Accounting Standard 11 as specified in the Companies (Accounting Standard) Rules, 2006

	As at 31 March 2010	As at 31 March 2009
		Amount in Rupees
SCHEDULE 4		
INVESTMENTS		
Long term investments		
Equity shares - Trade and unquoted		
25,000 (25,000) equity shares of Rs 10 each, fully paid up, in Ujjivan Financial Services Private Limited	2,500,000	2,500,000
	2,500,000	2,500,000
Current investments		
Investments in bonds and mutual funds - Non trade and unquoted		
843,889 (Nil) units of face value of Rs. 100 each of ICICI Prudential Flexible Income Plan - Premium - (D)	89,228,309	–
Nil (5,255,930) units of face value of Rs. 10 each of ICICI Prudential Institutional Liquid Plan-Super Inst-(D)	–	52,561,930
6,446,666 (Nil) units of face value of Rs. 10 each of Birla Sun Life Savings Fund-Inst-(D)	64,510,501	–
7,718,375 (Nil) units of face value of Rs. 10 each of Fortis Money Plus Plan-Inst-(D)	77,207,676	–
Nil (2,828,469) units of face value of Rs. 10 each of HDFC Cash Management Fund-Savings Plan-(D)	–	30,084,727
Nil (1,231,736) units of face value of Rs. 10 each of HDFC Liquid Fund Premium Plan-(D)	–	15,100,840
5,958,385 (Nil) units of face value of Rs. 10 each of HDFC Cash Management Fund-Treasury Advantage Plan-Wholesale-(D)	59,771,541	–
7,898,841 (Nil) units of face value of Rs. 10 each of JP Morgan India Treasury Fund-Super Inst-(D)	79,058,710	–
Nil (1,966,813) units of face value of Rs. 10 each of Reliance Liquid Fund -Treasury Plan Institutional Option-(D)	–	30,067,057
4,475,934 (Nil) units of face value of Rs. 10 each of Reliance Medium Term Fund - (D)	76,518,328	–
20,231 (Nil) units of face value of Rs. 1000 each of Reliance Money Manager Fund-Inst-(D)	20,253,632	–
9,954,857 (Nil) units of face value of Rs. 10 each of LICMF Savings Plus Fund-(D)	99,548,567	–
Nil (684,631) units of face value of Rs. 10 each of LICMF Liquid Fund-(D)	–	7,517,318
9,899,960 (Nil) units of face value of Rs. 10 each of Kotak Flexi Debt Scheme - Inst. (D)	99,469,852	–
7,335,658 (Nil) units of face value of Rs. 10 each of JM Money Manager Fund Super Plus Plan-(D)	73,395,456	–
47,849 (Nil) units of face value of Rs 1000 each of UTI Treasury Advantage Fund-Inst-(D)	47,859,307	–

Amount in Rupees

	As at 31 March 2010	As at 31 March 2009
4,497,335 (Nil) units of face value of Rs 10 each of S252 SBNPP Ultra ST Fund Super-Inst-(D)	45,139,750	–
1,999,606 (Nil) units of face value of Rs 10 each of TFLD TATA Floater Fund (D)	20,067,250	–
Nil (1,640,006) units of face value of Rs. 10 each of Reliance Liquid Fund - Treasury Plan-Inst-(D)	–	25,071,103
47,295(Nil) units of face value of Rs. 100 each of ICICI Flexible Income Plan Premium -(D)	5,000,765	–
5,397,483(Nil) units of face value of Rs. 10 each of LICMF Income Plus Fund- (D)	53,974,829	–
4,545,267(Nil) units of face value of Rs. 10 each of LICMF Savings Plus Fund- (D)	45,452,672	–
	956,457,145	160,402,975
Investments in Government Securities (refer note 3 below)		
- National savings certificates	23,000	–
	23,000	–
	958,980,145	**162,902,975**

Notes:

1. Net asset value (NAV) of current investments Rs.956,457,145 (Rs.160,402,975) as at 31 March 2010
2. Refer note 7, schedule 16 for details of investments purchased and sold during the year ended 31 March 2010
3. Provided as security to government authorities

SCHEDULE 5
SUNDRY DEBTORS

(Unsecured)

Debts outstanding for a period exceeding six months		
- Considered good	122,392,969	93,145,175
- Considered doubtful	16,946,831	17,468,880
	139,339,800	110,614,055
Less: Provision for doubtful debts	(16,946,831)	(17,468,880)
	122,392,969	93,145,175
Other debts (considered good)	454,436,957	707,860,739
	576,829,926	**801,005,914**

Amount in Rupees

	As at 31 March 2010	As at 31 March 2009
SCHEDULE 6		
CASH AND BANK BALANCES (refer note 6, schedule 16)		
Cash in hand	162,242	555,575
Cheques in hand	8,121,930	1,366,929
Balances with scheduled banks:		
– in current accounts	101,665,923	128,049,285
– in fixed deposit accounts**	386,770,013	732,842,214
Balance with non scheduled bank: *		
– in current account		
Citibank-U.K.	79,827	1,019,739
Citibank-UAE	926,456	476,810
Citibank-Singapore	42,826,097	69,446,702
Citibank-Korea	13,402,091	15,533,513
Citibank-Philippines	1,280,369	1,515,627
PNC Bank-USA	6,700,374	7,517,994
Bank of Tokyo Mitsubishi -Japan	5,860,080	47,189,175
Shinsei Bank - Japan	4,368,051	22,326,932
Citibank -Japan	93,574,154	–
Citibank -Hong Kong	–	15,012
ANZ Bank - Australia	–	451,325
Citibank -Singapore	810,893	827,789
Citibank -Netherlands	905,089	4,365,472
– in fixed deposit accounts		
ANZ Bank - Australia	–	17,500
Remittance in transit	–	27,842,915
	667,453,589	**1,061,360,508**
* Maximum amount oustanding during the year		
– in current accounts		
Citibank-U.K	2,148,871	2,307,184
Citibank-UAE	4,508,639	3,212,886
Citibank-Singapore	175,082,127	147,448,221
Citibank-Korea	23,863,462	38,156,749
Citibank-Philippines	1,513,351	1,488,714
PNC Bank-USA	11,971,661	37,658,824
Bank of Tokyo Mitsubishi -Japan	155,838,223	124,095,400
Shinsei Bank - Japan	49,552,493	32,653,113
Citibank -Japan	99,264,082	–
Citibank -Hong Kong	14,024	44,937
ANZ Bank - Australia	517,800	470,232
Citibank -Singapore	826,546	24,077,058
Citibank -Netherlands	6,877,379	6,607,348
– in fixed deposit accounts		
ANZ Bank - Australia	–	18,065

** include fixed deposits amounting to Rs.5,870,013 (Rs.5,665,165) under lien with bank on account of guarantees issued on behalf of the Company

	As at 31 March 2010	As at 31 March 2009
SCHEDULE 7		
LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	43,646,953	45,468,410
Security deposits	28,644,688	27,749,006
Mark to Market on Options/Forward contracts (refer note 3, schedule16)	12,861,347	–
Advance income tax [net of provision Rs. 153,651,259 (Rs. 76,716,282)]	85,017,325	47,822,108
Advance fringe benefit tax [net of provision Rs. 24,915,859 (Rs. 24,583,704)]	2,732,275	2,592,274
MAT credit entitlement (refer note 8, schedule16)	87,353,354	77,865,904
Prepaid expenses	33,211,646	26,181,573
	293,467,588	**227,679,275**

Amount in Rupees

	As at 31 March 2010	As at 31 March 2009
SCHEDULE 8		
OTHER CURRENT ASSETS		
Service income accrued but not due [net of provision of Rs.18,763,212 (Rs.12,010,692)]	295,156,911	267,626,766
Interest accrued but not due	14,354,863	26,702,636
	309,511,774	**294,329,402**
SCHEDULE 9		
CURRENT LIABILITIES		
Sundry creditors	318,112,186	380,723,410
Withholding tax	–	25,770,224
Advances from customers	114,705,126	103,709,986
Mark to Market on Options / Forward contracts (refer note 3, schedule16)	–	42,275,541
Unclaimed dividend	1,467,148	1,194,215
Other liabilities	27,802,380	46,952,340
Book overdraft	3,902,277	–
	465,989,117	**600,625,716**
SCHEDULE 10		
PROVISIONS		
Gratuity	62,565,402	54,471,069
Leave encashment	46,823,339	43,361,832
Taxation [Net of advance tax Rs.Nil (Rs.6,281,491)]	–	2,310,488
Proposed dividend	80,925,060	80,925,060
Corporate dividend tax	13,440,843	13,753,214
	203,754,644	**194,821,663**

Amount in Rupees

	For the year ended 31 March 2010	For the year ended 31 March 2009
SCHEDULE 11		
SALES AND SERVICES		
Software development services and products	2,917,826,623	3,284,028,256
	2,917,826,623	**3,284,028,256**
SCHEDULE 12		
SOFTWARE DEVELOPMENT EXPENSES#		
Salaries and allowances	1,166,718,863	1,283,797,486
Contribution to provident and other funds	61,759,749	61,935,265
Directors' remuneration	10,232,000	6,210,000
Employee's stock compensation expenses (net)	–	2,737,583
Staff welfare	15,843,373	19,097,661
Conveyance	13,595,886	13,060,065
Communication	19,119,233	21,058,197
Rent	103,444,017	138,225,327
Legal and professional	32,727,100	18,668,973
Repair and maintenance		
– Building	2,107,256	558,689
– Others	12,784,268	12,965,943
Training and recruitment	5,303,982	12,653,347
Printing and stationery	1,310,989	946,789
Insurance	6,570,942	6,134,465
Software and other development charges	76,265,562	79,306,710
Cost of software purchased for delivery to clients	114,579,188	150,623,613
Travelling	160,192,442	164,275,746
Advertisement	367,990	191,868
Consultancy charges	116,309,154	191,235,860
Power and fuel	22,820,835	26,523,199
Conference, exhibition and seminar	3,147	52,490
Information technology expenses	13,647,435	9,706,649
Miscellaneous expenses	5,956,329	5,486,346
	1,961,659,740	**2,225,452,271**
# refer note 17, schedule 16		
SCHEDULE 13		
SELLING AND MARKETING EXPENSES		
Salaries and allowances	107,255,227	141,829,038
Contribution to provident and other funds	2,773,680	3,620,591
Directors' remuneration	10,232,000	6,210,000
Employee's stock compensation expenses (net)	–	196,123
Staff welfare	4,351,488	4,156,763
Conveyance	2,969,405	4,575,647
Communication	8,459,180	6,247,103
Rent	13,372,633	16,166,642
Legal and professional	10,854,048	13,958,213
Repair and maintenance		
– Building	110,624	29,329
– Others	667,139	666,704
Training and recruitment	474,896	835,828
Printing and stationery	454,606	1,846,759
Insurance	443,064	371,547
Travelling	35,901,953	33,357,137
Advertisement and business promotion	5,291,412	12,652,941
Power and fuel	2,120,834	2,068,981
Conference, exhibition and seminar	8,927,827	12,849,992
Information technology expenses	699,152	399,418
Commission to channel partners	6,084,101	4,542,383
Miscellaneous expenses	5,216,989	11,403,778
	226,660,258	**277,984,917**

Amount in Rupees

	For the year ended 31 March 2010	For the year ended 31 March 2009
SCHEDULE 14		
GENERAL AND ADMINISTRATION EXPENSES #		
Salaries and allowances	91,855,189	112,970,052
Contribution to provident and other funds	4,893,107	6,543,515
Directors' remuneration	7,150,960	5,085,960
Employee's stock compensation expenses (net)	–	286,966
Staff welfare	2,817,231	3,196,609
Conveyance	2,290,177	2,545,490
Communication	3,280,479	3,088,520
Rent	2,360,063	2,161,714
Rates and Taxes	2,628,885	4,043,879
Legal and professional	29,049,702	28,891,092
Repair and maintenance		
– Building	991,680	145,045
– Others	3,971,822	3,128,538
Training and recruitment	1,454,764	2,351,375
Printing and stationery	1,539,899	2,287,984
Loss on sale of fixed assets (net)	–	7,614,637
Insurance	624,438	699,777
Bank charges	3,684,307	3,015,002
Travelling	2,915,266	16,140,107
Advertisement	555,269	1,389,160
Power and fuel	1,961,279	2,286,988
Conference, exhibition and seminar	346,794	55,853
Information technology expenses	1,366,960	983,550
Advances and other current assets written off	245,787	4,846,684
Provision for doubtful debts /advances / other current assets *	15,202,481	48,260,777
Loss on foreign exchange fluctuation on consolidation (net)	–	3,434,560
Miscellaneous expenses	7,534,733	19,086,528
	188,721,272	**284,540,362**

refer note 17, schedule 16

* includes bad debts written off Rs.11,267,818 (Rs.27,502,702)

SCHEDULE 15		
OTHER INCOME		
Dividend received from non-trade investments	17,139,311	14,906,748
Interest on fixed deposits [gross of tax deducted at source Rs.5,976,985 (Rs.5,985,510)]	51,763,376	35,617,650
Profit on sale of investments		
– Long term trade investment	–	21,849,760
– Current non trade investments	9,264	45,139,108
Profit on sale of fixed assets (net)	2,233,965	–
Reversal of employee's stock compensation expense (net)	4,160,326	–
Miscellaneous income	18,261,928	19,570,497
Gain on foreign exchange fluctuation on consolidation (net)	2,634,431	–
	96,202,601	**137,083,763**

SCHEDULE 16
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1. Significant accounting policies

(i) Basis of preparation

The consolidated financial statements are prepared under the historical cost convention on the accrual basis, in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") and mandatory accounting standards as prescribed in the Companies (Accounting Standard) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India ("SEBI"). Accounting policies have been consistently applied except where a newly issued accounting standard, if 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.

(ii) Principles of consolidation

These consolidated financial statements relate to Nucleus Software Exports Ltd., the parent company and its subsidiaries (hereinafter collectively referred as "the Group"), which are as follows:

Name of the Company	% Shareholding	Country of incorporation
Nucleus Software Solutions Pte. Ltd.	100	Singapore
Nucleus Software Inc.	100	United States of America
Nucleus Software Japan Kabushiki Kaiga	100	Japan
Nucleus Software (Australia) Pty. Ltd.	100	Australia
Nucleus Software (HK) Ltd.	100	Hong Kong (de registered on January 8, 2010)
VirStra *i* – Technology Services Limited	100	India
VirStra *i* – Technology (Singapore) Pte. Ltd.	100	Singapore
Nucleus Software Netherlands B.V.	100	Netherlands
Nucleus Software Limited	100	India

The consolidated financial statements have been prepared in accordance with the principles and procedures for the preparation and presentation as laid down under Accounting Standard 21 on "Consolidated Financial Statements" as specified in the Companies (Accounting Standard) Rules, 2006.

The financial statements of the parent company and its subsidiaries have been combined on a line by line basis by adding together the book values of all items of assets, liabilities, incomes and expenses after eliminating inter company balances/transactions and resulting unrealised profits in full. Unrealised losses resulting from inter company transactions have also been eliminated except to the extent that the recoverable value of related assets is lower than their cost to the Group. The amount shown in respect of reserves comprise the amount of relevant reserves as per the balance sheet of the parent company and its share in the post acquisition increase in the relevant reserves of the subsidiaries.

The consolidated financial statements are prepared, to the extent possible, in the same format as that adopted by the parent company for its separate financial statements.

The consolidated financial statements are prepared using uniform accounting policies for the transaction and other events in similar circumstances, except as disclosed otherwise.

(iii) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such estimates include estimates of expected contract costs to be incurred to complete contracts, provision for doubtful debts, future obligations under employee retirement benefit plans and estimated useful life of fixed assets. Actual results could differ from these estimates. Any changes in estimates are adjusted prospectively.

(iv) Foreign exchange transactions and translation of financial statements of foreign subsidiaries

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Realised gains and losses on foreign exchange transactions during the period are recognised in the Profit and Loss Account. Monetary current assets and monetary current liabilities that are determined in foreign currency are translated at the exchange rate prevalent at the date of balance sheet. The resulting difference is recorded in the Profit and Loss Account.

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

The Company follows Accounting Standard (AS) 30 - "Financial Instruments: Recognition and Measurement" to the extent that the adoption does not conflict with existing mandatory accounting standards and other authoritative pronouncements, Company law and other regulatory requirements.

The Company follows hedge accounting in accordance with principles set out in (AS) 30. The Company records the gain or loss on effective hedges in the hedging reserve until the transactions are complete. On completion, the gain or loss is transferred to the Profit and Loss Account of that period. To designate a forward contract or option as an effective hedge, management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. In the absence of a designation as effective hedge, a gain or loss is recognized in the Profit and Loss Account.

The financial statements of the foreign subsidiaries being integral operations are translated into Indian rupees as follows:

a) Income and expense items are translated at the weighted average exchange rates.

b) Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the exchange rates on that date.

c) Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of transaction.

d) All resulting exchange differences are recognised in the Profit and Loss Account of the reporting period.

e) Amounts disclosed as contingent liabilities are translated at the closing rate.

The financial statements of the foreign subsidiaries being non-integral operations are translated into Indian rupees as follows:

a) Income and expense items are translated at the weighted average exchange rates.

b) Assets and liabilities, both monetary and non-monetary are translated at the closing rate.

c) All resulting exchange differences are accumulated in a foreign currency translation reserve which is reflected under reserves and surplus.

d) Amounts disclosed as contingent liabilities are translated at the closing rate.

(v) Revenue recognition

Revenue from software development services comprises income from time and material and fixed price contracts. Revenue from time and material contracts is recognised as the services are rendered. Revenue from fixed price contracts in respect of sale of license and related customisation and implementation is recognised in accordance with the percentage completion method calculated based on output method. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become certain based on the current estimates.

Revenue from annual technical service contracts is recognised on a pro rata basis over the period in which such services are rendered.

Service income accrued but not due represents revenue recognised on contracts to be billed in the subsequent period, in accordance with terms of the contract.

Profit on sale of investments is recorded on transfer of title from the Company and is determined as the difference between the sales price and the carrying value of the investment. Interest on deployment of surplus funds is recognised using the time-proportion method, based on interest rates implicit in the transaction. Dividend income is recognised when the right to receive the same is established.

(vi) Expenditure

The cost of software purchased for use in software development and services is charged to cost of revenues in the year of acquisition. Expenses are accounted for on accrual basis and provisions are made for all known losses and liabilities.

(vii) Fixed assets and capital work in progress

Fixed assets are stated at the cost of acquisition including incidental costs related to acquisition and installation. Fixed assets under construction, advances paid towards acquisition of fixed assets and cost of assets not put to use before the year end, are disclosed as capital work-in-progress.

(viii) Depreciation

Depreciation on fixed assets, except leasehold land and leasehold improvements, is provided on the straight-line method based on useful lives of respective assets as estimated by the management. Leasehold land is amortised over the period of lease. The leasehold improvements are amortised over the remaining period of lease or the useful lives of assets, whichever is shorter. Depreciation is charged on a pro-rata basis for assets purchased / sold during the year. Assets costing less than Rs.5,000 are fully depreciated in the year of purchase.

The management's estimates of the useful lives of the various fixed assets are as follows:

Tangible assets	Useful life (in years)
Building	30
Plant and machinery (including office equipment)	5
Computers	3-5
Vehicles	5
Furniture and fixtures	5-7
Temporary wooden structures (included in furniture and fixtures)	1
Intangible assets	
Software	3

Such rates are higher than the rates specified in Schedule XIV of the Companies Act, 1956.

(ix) Investments

Investments are classified into long term and current investments based on the intent of management at the time of acquisition. Long-term investments are stated at cost and provision is made to recognise any decline, other than temporary, in the value of such investments. Current investments are stated at the lower of cost and the fair value.

(x) Research and development

Revenue expenditure incurred on research and development is expensed as incurred. Capital expenditure incurred on research and development is capitalised as fixed assets and depreciated in accordance with the depreciation policy of the Company.

(xi) Employee benefits

India

Short-term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages, and bonus etc. are recognised in the Profit and Loss Account in the period in which the employee renders the related service.

Defined contribution plans

The Company deposits the contributions for provident fund to the appropriate government authorities and these contributions are recognised in the Profit and Loss Account in the financial year to which they relate.

Defined benefit plans

Gratuity

The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plan is determined based on an actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rate used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government securities as at the valuation date having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

Other long term employee benefits

Benefits under the Company's leave encashment scheme constitute other employee benefits. The liability in respect of leave encashment is provided on the basis of an actuarial valuation done by an independent actuary at the year end. Actuarial gains and losses are recognized immediately in the Profit and Loss Account.

Singapore

The Company's contribution to central provident fund is deposited with the appropriate authorities and charged to the Profit and Loss Account.

United States of America

The Company's social security contributions are charged to the Profit and Loss Account.

Australia

The Company's contributions to superannuation are charged to the Profit and Loss Account.

(xii) Employee stock option based compensation

The excess of market price of underlying equity shares as of the date of the grant of options over the exercise price of the options given to employees under the employee stock option plan is recognised as deferred stock compensation cost and is amortised on graded vesting basis over the vesting period of the options.

(xiii) Earnings per share

Basic earning per share is computed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year end, except where the results would be anti-dilutive.

(xiv) Operating leases

Lease payments under operating lease are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term.

(xv) Taxation

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax annually based on the tax liability computed after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowance or other matters is probable. Minimum Alternate 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 Company will pay normal tax after the tax holiday period. Accordingly, it 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 Company and the asset can be measured reliably.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantially enacted regulations. Where there are unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only to the extent there is virtual certainty of realisation of such assets. In other situations, deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Such assets are reviewed at each Balance Sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized. Deferred tax assets or liabilities arising due to timing differences, originating during the tax holiday period and reversing after the tax holiday period are recognised in the period in which the timing difference originate.

(xvi) Impairment

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss had been recognized.

(xvii) Contingencies

The Company recognises a provision when there is a present obligation as a result of a past event and it is probable that it would involve an outflow of resources and a reliable estimate can be made of the amount of such obligation. Such provisions are not discounted to their present value and are determined based on the management's estimation of the obligation required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect management's current estimates.

A disclosure for a contingent liability is made where it is more likely than not that a present obligation or possible obligation may result in or involve an outflow of resources. When no present or possible obligation exists and the possibility of an outflow of resources is remote, no disclosure is made.

2. Deferred tax asset/(liability)

Components of net deferred tax asset:

Amount in Rupees

	As at 31 March 2010	As at 31 March 2009
Deferred tax asset		
Provision for doubtful debts and income accrued	7,562,429	5,564,048
Provision for retirement benefits	34,697,723	28,891,161
	42,260,152	**34,455,209**
Deferred tax liability		
Difference of depreciation as per Income-tax laws and books of accounts	(11,018,253)	(16,832,062)
Net deferred tax asset	**31,241,899**	**17,623,147**

Components of net deferred tax liability:

Amount in Rupees

	As at 31 March 2010	As at 31 March 2009
Deferred tax asset		
Provision for retirement benefits	40,121	73,205
	40,121	**73,205**
Deferred tax liability		
Difference of depreciation as per Income-tax laws and books of accounts	(1,151,568)	(2,614,697)
Net deferred tax liability	**(1,111,447)**	**(2,541,492)**

3. Forward contracts

	As at 31 March 2010	As at 31 March 2009
Forward contract outstanding		
In USD	10,000,000	5,750,000
Equivalent amount in Rupees	450,900,000	291,755,000
Options contract outstanding		
In USD	400,000	3,400,000
Equivalent amount in Rupees	18,036,000	172,516,000

As at 31 March 2010, the Company has recorded marked to market gain of Rs.13,723,574 relating to forward contracts that are designated as effective cash flow hedges with a corresponding credit to hedging reserves. Further as at 31 March 2010, the Company has recorded marked to market loss of Rs.862,227 relating to foreign currency options which does not qualify for hedging and accordingly the loss has been recognized in the Profit and Loss Account.

4. Employees Stock Option Plan ("ESOP")

The Securities and Exchange Board of India ('SEBI') has issued the (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, which is effective for all stock option schemes established after June 19, 1999. In accordance with these Guidelines, the excess of the market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option, including up-front payments, if any, is to be recognised and amortised on a straight-line basis over the vesting period, ranging from twelve to thirty six months.

The Company currently has three ESOP schemes, ESOP scheme- 2002 (instituted in 2002), ESOP scheme-2005 (instituted in 2005) and ESOP scheme-2006 (instituted in 2006). These schemes were duly approved by the Board of Directors and Shareholders in their respective meetings. The 2002 scheme provides for 225,000 options, 2005 scheme for 600,000 options and 2006 scheme for 1,000,000 options to eligible employees. These schemes are administered by the Compensation Committee comprising four members, the majority of whom are independent directors.

Details of options granted/ exercised and forfeited are as follows:

2002 Stock Option Scheme

	Year ended 31 March 2010	Year ended 31 March 2009
Options outstanding at the beginning of the year	126,050	141,550
Options granted	–	–
Options forfeited	(52,750)	(14,000)
Options exercised	–	(1,500)
	73,300	**126,050**

2005 Stock Option Scheme

	Year ended 31 March 2010	Year ended 31 March 2009
Options outstanding at the beginning of the year	142,000	142,000
Options granted	–	–
Options forfeited	(56,600)	–
Options exercised	–	–
	85,400	**142,000**

2006 Stock Option Scheme

	Year ended 31 March 2010	Year ended 31 March 2009
Options outstanding at the beginning of the year	189,860	249,860
Options granted	40,000	–
Options forfeited	(128,786)	(60,000)
Options exercised	–	–
	101,074	**189,860**

The movement in deferred stock compensation expense during the year ended is as follows:

Amount in Rupees

	Year ended 31 March 2010	Year ended 31 March 2009
Balance brought forward	1,976,054	5,980,726
Add: Recognised during the year	–	–
Less: Amortisation expense*	1,893,895	4,004,672
Less: Reversal due to forfeiture	82,159	–
Balance carried forward	**–**	**1,976,054**

**excluding write back of stock compensation expense in respect of forfeited/ lapsed options of Rs.6,136,380 (Rs.784,000).*

5. Managerial Remuneration*

Amount in Rupees

	Year ended 31 March 2010	Year ended 31 March 2009
A. Whole time directors		
Salary	6,000,000	6,000,000
Contribution to provident and other funds	360,000	360,000
Commission	12,949,000	5,525,000
Perquisites	551,000	–
	19,860,000	**11,885,000**
B. Non executive directors		
Commission	5,738,800	4,115,960
Sitting fees	2,320,000	1,865,000
	8,058,800	**5,980,960**

**The above remuneration does not include expense towards retirement benefits since the same is based on actuarial valuations carried out for the group as a whole.*

6. Bank Balances

Details of balances as on balance sheet dates with scheduled banks in current accounts:-

Amount in Rupees

Name of Bank	As at 31 March 2010	As at 31 March 2009
Canara Bank	1,911	86,026
Citi Bank	3,907,644	10,083,596
Citi Bank - EEFC accounts in US dollar	88,834,300	105,739,058
DBS Bank	43,594	247,809
HDFC Bank - EEFC accounts in US dollar	238,428	2,320,123
HDFC Bank	4,988,884	6,369,981
HDFC Bank - Unclaimed dividend accounts	1,082,364	802,973
HSBC Bank - Unclaimed dividend accounts	389,917	394,042
ICICI Bank	1,076,930	1,710,969
State Bank of India	1,101,951	233,332
Vijaya Bank	–	61,376
Total	**101,665,923**	**128,049,285**

Details of fixed deposit as on balance sheet dates with scheduled banks :-

Amount in Rupees

Name of Bank	As at 31 March 2010	As at 31 March 2009
HDFC Bank	9,446,013	222,234,512
Canara Bank	26,900,000	181,007,037
Citi Bank	5,024,000	48,900,665
DBS Bank	–	22,500,000
Punjab National Bank	43,900,000	66,000,000
ICICI Bank	29,700,000	127,300,000
State Bank of India	49,800,000	7,500,000
Corporation Bank	73,500,000	37,400,000
Bank of India	59,400,000	20,000,000
State Bank of Hyderabad	89,100,000	-
Total	**386,770,013**	**732,842,214**

Details of balances as on balance sheet dates with non-scheduled banks in current accounts :-

Amount in Rupees

Name of Bank	As at 31 March 2010	As at 31 March 2009
Citi Bank, U.A.E	926,456	476,810
Citi Bank, United Kingdom	79,827	1,019,739
Citi Bank-Singapore	42,826,097	69,446,702
Citi Bank-Korea	13,402,091	15,533,513
Citi Bank-Philippines	1,280,369	1,515,627
PNC Bank-USA	6,700,374	7,517,994
Bank of Tokyo Mitshubishi-Japan	5,860,080	47,189,175
Shinsei Bank-Japan	4,368,051	22,326,932

Amount in Rupees

Name of Bank	As at 31 March 2010	As at 31 March 2009
Citi Bank- Japan	93,574,154	–
Citi Bank-HongKong	–	15,012
ANZ Bank-Australia	–	451,325
Citi Bank-Singapore	810,893	827,789
Citi Bank-Netherlands	905,089	4,365,472
Total	**170,733,481**	**170,686,090**

Details of fixed deposit as on balance sheet dates with non-scheduled banks :-

ANZ Bank - Australia	–	17,500
Total	–	**17,500**

None of the directors or their relatives are interested in any of the non-scheduled banks mentioned above.

7. Details of Investments Purchased/Sold during the Year ended 31 March 2010

Amount in Rupees

Name of the investment	Face value Amount	Purchased during the year Quantity	Purchased during the year Amount	Sold during the year Quantity	Sold during the year Amount
SBNPP Money Fund Inst.- Daily Dividend Reinvesment	10	4,457,851	45,003,343	4,457,851	45,003,343
TATA Liquid Super High Investment Fund-Daily Dividend	10,000	9,870	11,000,866	9,870	11,000,866
Fortis Overnight Fund-Institutional Daily Dividend	10	8,348,059	83,505,638	8,348,059	83,505,638
Kotak Flexi Debt Scheme Institutional- Daily Dividend	10	99,527	1,000,000	99,527	1,000,000
Kotak Liquid (Institutional)-Daily Dividend	10	6,461,219	79,008,430	6,461,219	79,008,430
Birla Sun Life Savings Fund-Institutional.- Daily Dividend-Reinvestment	10	1,498,981	15,000,000	1,498,981	15,000,000
HDFC Cash Management Fund-Savings Plan-Dividend	10	2,921,152	31,070,542	2,921,152	31,070,542
Reliance Liquid Fund -Treasury Plan Institutional Option- Dividend	10	9,004,771	137,657,728	9,004,771	137,657,728
JPPDI-JP Morgan India Treasury Fund- Super Institutional Daily Dividend Plan-Reinvest	10	1,298,844	13,000,000	1,298,844	13,000,000
JM High Liquidity Fund Institutional Plan- Daily Dividend Plan	10	5,292,019	53,004,334	5,292,019	53,004,334
Birla Sun Life Cash Plus Fund-Institutional Premium Plan-(D)	10	16,173,090	162,046,272	16,173,090	162,046,272
ICICI Prudential Flexible Income Plan Premium Daily Dividend	10	472,880	50,000,000	472,880	50,000,000
LICMF Savings Plus Fund-Daily Dividend Plan	10	100,920	1,009,196	100,920	1,009,196
UTI Treasury Advanatage Fund-Institutional Plan (Daily Dividend Option)-Re-investment	1,000	9,998	10,000,000	9,998	10,000,000
Fortis Money Plus Institutional Plan Daily Dividend	10	699,783	7,000,000	699,783	7,000,000
HDFC Liquid Fund Premium Plan-Dividend-Daily Reinvest	10	10,502,758	128,761,711	10,502,758	128,761,711
JP Morgan India Liquid Plus Fund-Super Inst-Dividend	10	6,895,225	69,006,725	6,895,225	69,006,725
Reliance Medium Term Fund- Daily Dividend Plan	10	2,749,262	47,000,000	2,749,262	47,000,000
Canara Robeco Liquid Fund- Institutional Dividend	10	2,390,423	24,002,235	2,390,423	24,002,235
Canara Robeco Treasury Advantage Institutional Daily Dividend Fund	10	2,734,439	33,926,459	2,734,439	33,926,459

Amount in Rupees

Name of the investment	Face value Amount	Purchased during the year Quantity	Purchased during the year Amount	Sold during the year Quantity	Sold during the year Amount
ICICI Prudential Institutional Liquid Plan-Super Institutional-Dividend	10	4,959,997	91,913,525	4,959,997	91,922,790
UTI Liquid Cash Plan Institutional-Daily Income Option-Re-investment	10	75,728	77,200,992	75,728	77,200,992
LICMF Liquid Fund-Dividend Plan	10	12,328,384	135,366,891	12,328,384	135,366,891
LICMF Liquid Fund-Dividend Plan	10	14,190,257	155,810,446	14,190,257	155,810,446
Reliance Medium Term Fund- Daily Dividend Plan	10	1,413,674	24,167,466	1,413,674	24,167,466
LICMF Income Plus Fund-Daily Dividend Plan	10	1,000,000	10,000,000	1,000,000	10,000,000
Reliance Liquid Fund -Treasury Plan Institutional Option-(D)	10	4,893,411	74,806,559	4,893,411	74,806,559
ICICI Prudential Institutional Liquid Plan-Super Inst-(D)	100	49,997	5,000,765	49,997	5,000,765

Details of Investments Purchased/Sold during the Year ended 31 March 2009

Amount in Rupees

Name of the investment	Face value Amount	Purchased during the year Quantity	Purchased during the year Amount	Sold during the year Quantity	Sold during the year Amount
ICICI Prudential Flexible Income Plan-Dividend	10	10,256,033	108,442,165	10,256,033	108,442,165
HDFC Cash Management Fund-Savings Plus Plan -Wholesale-Dividend	10	5,035,685	50,515,476	5,035,685	50,515,476
Mirae Asset Liquid Plus Fund-IP-Dividend	1,000	21,089	21,118,683	21,089	20,741,296
ABN AMRO Money Plus Fund-IP-Dividend	10	840,402	8,404,123	840,402	8,406,624
DWS Fixed Term Fund- Series 57-Dividend	10	5,000,000	50,000,000	5,000,000	50,000,000
Lotus India FMP- 3 Months-Series XXXV-Dividend	10	2,040,077	20,400,850	2,040,077	20,410,558
Canara Robeco Monthly Interval Fund-Dividend	10	2,044,490	20,450,302	2,044,490	20,444,903
SBI Debt Fund Series -90 Days -26-Dividend	10	5,104,510	51,045,100	5,104,510	51,045,100
SBI Debt Fund Series -90 Days -29-Dividend	10	3,000,000	30,000,000	3,000,000	30,000,000
JM Interval Fund-Quarterly Plan 5 - Institutional Dividend Plan-Dividend	10	3,506,723	35,067,233	3,506,723	35,067,233
JM Fixed Maturity Fund-Series XII Quarterly Plan 3-Institutional-Dividend	10	3,478,772	34,787,722	3,478,772	34,787,722
DSPML FMP 3M Series 12-Institutional Dividend-Dividend	10	2,500,000	25,000,000	2,500,000	25,359,000
Reliance Fixed Horizon Fund-X -Series 13-Super Institutional Dividend Plan	10	1,017,815	10,178,146	1,017,815	10,325,220
Reliance Liquid Plus Fund-Institutional-Dividend	1,000	41,169	41,215,471	41,169	41,215,471
DWS Liquid Plus Fund-Regular-Dividend	10	549,548	5,503,559	549,548	5,503,559
Canara Robeco Liquid Plus -Institutional Plan-Dividend	10	5,917,090	73,413,925	5,917,090	73,413,925
JP Morgan India Liquid Plus Fund-Super Inst-Dividend	10	15,133,945	151,474,142	15,133,945	151,474,142
LIC MF Liquid Plus Fund-Dividend	10	30,245,862	302,458,623	30,245,862	302,458,623
JP Morgan India Liquid Fund-Super Inst-Dividend	10	11,320,238	113,294,838	11,320,238	113,294,838
LIC MF Liquid Fund-Dividend	10	1,366,389	15,003,087	1,366,389	15,003,087
ICICI Prudential Institutional Liquid Plan-Super Institutional-Dividend	10	7,001,001	70,013,508	7,001,001	70,013,508

Amount in Rupees

Name of the investment	Face value	Purchased during the year		Sold during the year	
	Amount	Quantity	Amount	Quantity	Amount
Canara Robeco Liquid Fund -Institutional Plan-Dividend	10	4,303,209	43,208,526	4,303,209	43,208,526
Sundaram BNP Paribas Liquid Plus -Super IP-Dividend	10	5,021,563	50,341,170	5,021,563	50,341,170
JM Money Manager Fund Super Plus Plan-Daily Dividend-Dividend	10	3,369,827	33,712,084	3,369,827	33,712,084
SBI SHF Liquid Plus Plus-IP-Dividend	10	1,003,064	10,035,659	1,003,064	10,035,659
Reliance Fixed Horizon Fund-VIII- Series 10-Institutional-Dividend	10	2,000,000	20,000,000	2,000,000	20,000,200
Sundaram BNP Paribas Interval Fund-Qly-Plan-C-Inst-Dividend	10	1,017,552	10,177,525	1,017,552	10,175,525
HDFC FMP 90D May 2008 (VIII) (2)-Wholesale Plan-Dividend	10	5,000,000	50,000,000	5,000,000	50,000,000
Reliance Fixed Horizon Fund-VIII-Series 11-Inst-Dividend	10	1,000,000	10,000,000	1,000,000	10,000,000
IDFC Fixed Maturity Plan- Quarterly Series 34-Dividend	10	1,017,690	10,176,900	1,017,690	10,176,900
HDFC Liquid Fund Premium Plan-Dividend	10	2,854,859	35,000,000	2,854,859	35,000,000
Reliance Medium Term Fund-Dividend	10	1,465,628	25,055,638	1,465,628	25,055,638
Reliance Liquid Fund-Treasury Plan-IP-(D)	10	981,408	15,002,982	981,408	15,002,982
UTI Fixed Income Interval Fund-Monthly Interval plan-II-IP-Reinvestment	10	2,013,272	20,132,725	2013272	20,132,725
SBI-SHF Liquid Plus-IP-daily dividend	10	2,012,309	20,133,151	2,012,309	20,133,151
J.M.Money Manager Fund Super Plus Plan-Dividend	10	2,862,498	28,636,714	2,862,498	28,636,714
LIC Income Plus Fund-Daily dividend plan	10	6,300,000	63,486,446	6,300,000	63,486,446
Reliance Medium term fund-Daily dividend plan	10	504,824	8,630,212	503,056	8,630,212
Reliance Liquid Fund- Treasury plan	10	457,899	7,000,000	457,899	7,000,000

8. Certain operations of the company are conducted through Software Technology Park ('STP'). Income from STP are tax exempt for 10 years commencing from the fiscal year in which the unit commences software development or 31 March 2011, whichever is earlier.

Pursuant to the change in the Indian Income-tax Act, 1961, the company has calculated its tax liability after considering Minimum Alternative Tax (MAT). The MAT credit entitlement can be carried forward and set off against the future tax liability. Accordingly a sum of Rs.87,353,354 (Rs.77,865,904) was carried forward and shown under "Loans and advances" in the Balance Sheet as at 31 March 2010.

9. Employee Benefit Obligations

Defined contribution plans

An amount of Rs.69,426,536 (Rs.61,902,454) for the year ended has been recognized as an expense in respect of Company's contribution for Provident Fund and Employee State Insurance Fund deposited with the government authorities.

Defined benefit plans

The Company operates gratuity plan wherein every employee is entitled to the benefit equivalent to 15 days of total basic salary last drawn for each completed year of service. Gratuity is payable to all eligible employees of the Company on retirement, separation, death or permanent disablement, in terms of the provisions of the Payment of Gratuity Act, 1972.

The following table set out the status of the gratuity plan as required under the aforesaid standard:

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

Amount in Rupees

	As at 31 March 2010	As at 31 March 2009
Obligation at period beginning	54,471,069	37,253,641
Current service cost	13,225,036	10,294,663
Interest cost	4,215,791	3,350,267
Actuarial losses/(gains)	(5,879,975)	5,277,873
Benefits paid	(3,466,519)	(1,705,375)
Obligation at period end	**62,565,402**	**54,471,069**
Change in plan assets		
Plan Assets at period beginning, at fair value		–
Contributions	3,466,519	1,705,375
Benefits paid	(3,466,519)	(1,705,375)
Plan assets at period end, at fair value	–	–

The Scheme does not have any assets as at the valuation date to meet the gratuity liability.

Gratuity cost for the period:

Amount in Rupees

	As at 31 March 2010	As at 31 March 2009
Current service cost	13,225,036	10,294,663
Interest cost	4,215,791	3,350,317
Actuarial losses/(gains)	(5,879,975)	5,277,873
Net gratuity cost	**11,560,852**	**18,922,853**

Assumptions

Economic assumptions	**As at 31 March 2010**	**As at 31 March 2009**
Discount rate	7.30% p.a	6.65% p.a
Salary escalation rate	10% p.a for first 3 years & 7% p.a thereafter	10% p.a for first 4 years & 7% p.a thereafter

a) Discount rate:

The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

b) Salary escalation rate:

The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

Demographic assumptions	**As at 31 March 2010**	**As at 31 March 2009**
Retirement age	58 years	58 years
Mortality table	LIC (1994-96) duly modified	LIC (1994-96) duly modified
Withdrawal rates	Ages - Withdrawal Rate (%)	Ages - Withdrawal Rate (%)
	21-50 years - 20%	21-50 years - 20%
	51-54 years - 2%	51-54 years - 2%
	55-57 years - 1%	55-57 years - 1%

10. Segment reporting - Basis of preparation

(i) Segment accounting policies

The Segment reporting policy complies with the accounting policies adopted for preparation and presentation of financial statements of the Group and is in conformity with Accounting Standard-17 on "Segment Reporting", as specified in the Companies (Accounting Standards) Rules, 2006. The primary segmentation is based on the Geographies in which the Group operates and internal reporting systems. The secondary segmentation is based on the nature and type of services rendered.

(ii) Composition of reportable segments

The Group operates in five main geographical segments: India, Far East, Singapore, Europe and Middle East.

Income and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while the remainder of the costs are categorised in relation to the associated turnover and/or number of employees. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying services are used interchangeably across geographies. The Company believes that it is not practicable to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and directly charged against total income.

Segment assets and liabilities represent the net assets put up and liabilities of that segment. Most of the fixed assets of the Group are located in India. These have not been identified to any of the reportable segments, as these are used interchangeably between segments and across geographies. Other items which are not directly attributable to any particular segment and which cannot be reasonably allocated to various segments are consolidated under "Unallocated" head.

a) Information in respect of primary segment

The profit and loss for reportable primary segment is set out below:

For the year ended 31 March 2010 Amount in Rupees

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Revenue from external customers	368,006,968	1,243,939,584	448,496,386	169,066,772	379,104,402	309,212,511	2,917,826,623
Expenses	368,685,669	891,473,108	408,444,638	101,901,486	273,499,709	239,001,965	2,283,006,575
Segment result	(678,701)	352,466,476	40,051,748	67,165,286	105,604,693	70,210,546	634,820,048
Unallocated corporate expenditure							211,636,979
Operating profit before taxation							**423,183,069**
Other income							96,202,601
Foreign Exchange gain /(loss)							(80,260,054)
Profit before tax							**439,125,616**
Provision for taxation							
- current tax							89,830,448
- MAT credit entitlement							(21,487,450)
- fringe benefit tax							332,155
- deferred tax charge							(13,618,752)
- income tax for earlier years							–
Provision for wealth tax							61,714
Net profit after taxation							**384,007,501**

For the year ended 31 March 2009 Amount in Rupees

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Revenue from external customers	367,353,024	1,605,537,937	431,143,204	216,114,714	320,227,865	343,651,512	3,284,028,256
Expenses	328,827,670	1,330,448,564	375,136,943	117,056,556	189,986,048	402,469,752	2,743,925,533
Segment result	38,525,354	275,089,373	56,006,261	99,058,157	130,241,817	(58,818,240)	540,102,723
Unallocated corporate expenditure							249,447,158
Operating profit before taxation							**290,655,565**
Other income							137,083,763

Amount in Rupees

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Foreign Exchange gain /(loss)							(79,196,089)
Profit before tax							348,543,239
Provision for taxation							
- current tax							53,734,308
- MAT credit entitlement							(20,215,904)
- fringe benefit tax							7,020,686
- deferred tax charge							(14,876,749)
- income tax for earlier years							210,273
Provision for wealth tax							88,047
Net profit after taxation							**322,582,578**

Assets and liabilities of reportable primary segment are as follows:

As at 31 March 2010

Amount in Rupees

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Segment assets	123,374,381	549,299,068	134,415,356	43,366,882	124,536,966	147,431,684	1,122,424,337
Unallocated corporate assets							2,262,577,852
Total assets							**3,385,002,189**
Segment liabilities	99,902,815	224,661,316	71,788,143	15,383,631	66,419,325	51,411,344	529,566,574
Unallocated corporate liabilities							141,288,634
Total liabilities							**670,855,208**
Capital employed							**2,714,146,981**

As at 31 March 2009

Amount in Rupees

Description	India	Far East	ingapore	Europe	Middle East	Others	Total
Segment assets	273,542,623	544,342,369	117,542,181	45,597,113	176,480,847	179,429,534	1,336,934,667
Unallocated corporate assets							1,870,114,481
Total assets							**3,207,049,148**
Segment liabilities	85,734,137	294,715,170	88,948,821	15,413,575	56,146,660	57,637,889	598,596,252
Unallocated corporate liabilities							199,392,619
Total liabilities							**797,988,871**
Capital employed							**2,409,060,277**

A listing of capital expenditure, depreciation and other non-cash expenditure of the reportable primary segment are set out below:

For the year ended 31 March 2010

Amount in Rupees

Description	India	Far East	ingapore	Europe	Middle East	Others	Total
Capital expenditure	–	3,309,377	2,104,192	–	–	–	5,413,569
Capital expenditure (unallocated)							15,213,645
Total capital expenditure							**20,627,214**
Depreciation expenditure	–	6,411,911	7,550,433	99,970	–	–	14,062,314
Depreciation expenditure (unallocated)							99,283,890
Total Depreciation							**113,346,204**
Segment non-cash expense other than depreciation	816,443	381,716	(383,528)	(329,829)	(2,132,873)	12,936,013	11,287,942
Total non cash expenditure other than depreciation	**816,443**	**381,716**	**(383,528)**	**(329,829)**	**(2,132,873)**	**12,936,013**	**11,287,942**

For the year ended 31 March 2009

Amount in Rupees

Description	India	Far East	ingapore	Europe	Middle East	Others	Total
Capital expenditure	–	2,552,512	7,116,206	473,810	–	–	10,142,528
Capital expenditure (unallocated)							201,141,716
Total capital expenditure							**211,284,244**
Depreciation expenditure	–	11,131,108	9,455,024	18,151	–	–	20,604,283
Depreciation expenditure (unallocated)							112,166,176
Total Depreciation							**132,770,459**
Segment non-cash expense other than depreciation	10,970,127	4,626,940	14,356,642	131,826	14,197,293	12,045,305	56,328,133
Total non cash expenditure other than depreciation	**10,970,127**	**4,626,940**	**14,356,642**	**131,826**	**14,197,293**	**12,045,305**	**56,328,133**

b) **Information in respect of secondary segment**

For the year ended 31 March 2010 Amount in Rupees

Description	**Products**	**Software projects and services**	**Total**
Revenue	1,739,532,402	1,178,294,221	2,917,826,623
Carrying amount of segment assets	2,018,050,333	1,366,951,856	3,385,002,189

For the year ended 31 March 2009 Amount in Rupees

Description	**Products**	**Software projects and services**	**Total**
Revenue	2,199,616,587	1,084,411,669	3,284,028,256
Carrying amount of segment assets	700,773,687	367,858,993	1,068,632,680

Most of the fixed assets of the Group located in India have not been identified to any of the reportable segments, as these are used interchangeably between segments. Further, information related to carrying amount of assets by location of assets, to the extent possible, has been provided in primary segmentation.

11. Related party transactions

a) **List of related parties**

Related parties with whom transactions have taken place during the year:

Key managerial personnel:
– Vishnu R Dusad (Managing Director, parent company)

b) **Transactions with related parties** Amount in Rupees

	Year Ended 31 March 2010	**Year Ended 31 March 2009**
Managerial remuneration		
Key managerial personnel	19,860,000	11,885,000

12. Legal and professional includes payment to auditors*

Audit fees	5,728,127	5,540,412
Other services	633,561	1,575,000
Out of pocket expenses	143,532	244,343
	6,505,220	**7,359,755**

*excluding service tax.

13. Earnings per share

	Year Ended 31 March 2010	**Year Ended 31 March 2009**
Profit after taxation available to equity shareholders (Rupees)	384,007,501	322,582,578
Weighted average number of equity shares used in calculating basic earnings per share	32,370,024	32,369,568
Add: Effect of dilutive issue of shares	4,189	8,052
Weighted average number of equity shares used in calculating diluted earnings per share	32,374,213	32,377,620
Basic earnings per share (Rupees)	11.86	9.97
Diluted earnings per share (Rupees)	11.86	9.96

14. Capital commitments and contingent liabilities

a. Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances) Rs.1,820,062 (Rs.1,404,533).

b. Claim against the Group not acknowledged as debt Rs.324,000 (Rs.324,000).

15. The Company has acquired office premises under a non-cancellable operating lease. The future minimum lease expense in respect of such leases is as follows:

Amount in Rupees

	As at 31 March 2010	As at 31 March 2009
Not later than one year	18,185,939	35,264,512
Later than one year but not later than 5 years	3,334,857	13,729,378
	21,520,796	48,993,890

16. The following are the aggregate amounts incurred on certain specific expenses that are required to be disclosed under Schedule VI to the Companies Act, 1956:

Amount in Rupees

	Year ended 31 March 2010	Year ended 31 March 2009
Salaries and allowances	1,365,829,279	1,538,596,576
Contribution to provident and other funds	69,426,536	72,099,371
Directors' remuneration	27,614,960	17,505,960
Employee's stock compensation expenses	–	3,220,672
Staff welfare	23,012,092	26,451,033
Training and recruitment	7,233,642	15,840,550
Software and other development charges	76,265,562	79,306,710
Cost of software purchased for delivery to clients	114,579,188	150,623,613
Travelling	199,009,661	213,772,990
Conveyance	18,855,468	20,181,202
Communication	30,858,892	30,393,820
Rent	119,176,713	156,553,683
Rates and taxes	2,628,885	4,043,879
Legal and professional	72,630,850	61,518,278
Consultancy charges	116,309,154	191,235,860
Power and fuel	26,902,948	30,879,168
Repair and maintenance		
– Building	3,209,560	733,063
– Others	17,423,229	16,761,185
Advertisement and business promotion	6,214,671	14,233,969
Conference, exhibition and seminar	9,277,768	12,958,335
Information technology expenses	15,713,547	11,089,617
Advances and other current assets written off	245,787	4,846,684
Provision for doubtful debts / advances / other current assets	15,202,481	48,260,777
Commission to channel partners	6,084,101	4,542,383
Printing and stationery	3,305,494	5,081,532
Insurance	7,638,444	7,205,789
Bank charges	3,684,307	3,015,002
Loss on sale of fixed assets (net)	–	7,614,637
Loss on foreign exchange fluctuation on consolidation (net)	–	3,434,560
Miscellaneous expenses	18,708,051	35,976,652
Total	**2,377,041,270**	**2,787,977,550**

17. Following expenses are reimbursements from customers:

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Software development expenses		
Salaries and allowances	4,154,852	1,707,909
Staff welfare	512,504	515,540
Conveyance	1245,213	1,264,712
Communication	1,645,897	1,593,646
Bandwidth charges	2,407,166	6,921,088
Software and other development charges	–	65,055
Rent, rates and taxes	6,557,160	7,300,554
Assets hire charges	1,750,743	2,949,451
Legal and professional	4,582,225	3,520,523
Repair and maintenance	433,704	1,902,991
Training and recruitment	2,985,934	3,472,244
Printing and stationery	180,762	137,786
Insurance	1,199,493	674,523
Travelling		
– Foreign	3,807,645	4,959,542
– Domestic	382,073	691,621
Electricity and water	2,391,357	2,382,991
Miscellaneous expenses	1,177,653	1,339,542
	35,414,381	**41,399,718**
General and administration expenses		
Accounting charges	1,985,400	2,016,300
Bank charges	436,297	314,140
	2,421,697	2,330,440
Depreciation	5,585,727	10,459,014
Fringe Benefit tax	–	858,000
Grand total	**43,421,805**	**55,047,172**

18. Revenue recognised upto the reporting date in respect of contracts in progress at the reporting date aggregates Rs.857,955,259 (Rs.2,091,833,482).

19. During the year, one of the major customers of the Company, had on 25 July 2009 given a notice to the Company of partial cancellation of the contracts. During the quarter ended 31 March 2010, the Company and the customer have settled the matter without any liability on the Company.

20. During the current year, Nucleus Software (HK) Ltd, one of the wholly owned subsidiaries of the Company, has been wound up with effect from 8 January 2010.

21. During the current year, Nucleus Software (Australia) Pty Ltd., one of the wholly owned subsidiaries of the Company, has filed for voluntary winding up. Subsequent to the year end, the subsidiary has been wound up with effect from 5 April 2010.

22. One of the subsidiaries of the Company has been granted a Letter of Approval (LOA) from Office of Development Commissioner, Special Economic Zone, the Government of India on 25 June 2008 with a further extension of one year granted vide letter dated 30 June 2009. According to this, the Company has to commence operations by 24 June 2010. As per the management, the subsidiary is yet to commence its operations and is in the process of filing an application for further extension of LOA. Based on the assessment of the management, extension will be granted and would undertake requisite steps to comply with the conditions stipulated in the LOA.

23. Previous year figures have been regrouped/ reclassified wherever necessary to make them comparable with the current year figures.

For and on behalf of the Board of Directors

Janki Ballabh
Chairman

Vishnu R Dusad
Managing Director

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

Noida (U.P.)
April 25, 2010

Statement of Subsidiary in pursuance of approval under Section 212 (8) of the Companies Act, 1956

Name of Subsidiary	**Nucleus Software Solutions Pte. Ltd.**
Date of Incorporation	February 25, 1994
Business Address	300 Tampines Avenue 5, #05-05 Tampines Junction **Singapore-529653**
Directors	Mr. Vishnu R. Dusad Mr. Kapil Gupta
Auditors	KPMG

Financial Data

At the End of the Year	**March 31, 2010**		**March 31, 2009**	
	SG$	**INR**	**SG$**	**INR**
Share Capital	625,000	20,125,000	625,000	20,806,250
Reserves	5,937,324	191,181,833	6,119,651	203,723,182
Total Assets	11,116,772	357,960,058	13,100,573	436,118,075
Total Liabilities	4,554,448	146,653,226	6,355,922	211,588,643
Investments	–	–	–	–
For the Year Ended				
Turnover	26,031,092	838,201,162	28,125,273	936,290,338
Profit Before Taxation	145,291	4,678,370	1,151,560	38,335,432
Provision for Taxation(Credit/(Expense)	5,004	161,129	(151,374)	(5,039,240)
Profit After Taxation	(182,327)	(5,870,929)	1,057,134	35,191,991
Proposed Dividend	–	–	–	–

Note:

1. *Above figures in INR have been calculated at 1SG$ = Rs.32.20 and 1SG$ = Rs.33.29 for the year ended March 31, 2010 and March 31, 2009 respectively.*
2. *In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company and the Subsidiary Company.*

Statement under Section 212 (8)

Statement of Subsidiary in pursuance of approval under Section 212 (8) of the Companies Act, 1956

Name of Subsidiary	**Nucleus Software Inc.**
Date of Incorporation	August 5, 1997
Business Address	197 Route 18 South, Suit 3000, East Brunswick, **NJ 08816-1440, USA**
Directors	Mr. Vishnu R. Dusad
Auditors	Mr. Jignesh N. Thakkar

Financial Data

At the End of the Year	**March 31, 2010**		**March 31, 2009**	
	US$	**INR**	**US$**	**INR**
Share Capital	350,000	15,781,500	350,000	17,759,000
Reserves	(562,694)	(25,371,872)	(427,410)	(21,686,783)
Total Assets	155,205	6,998,193	246,894	12,527,402
Total Liabilities	367,899	16,588,566	324,304	16,455,185
Investments	–	–	–	–
For the Year Ended				
Turnover	322,486	14,540,894	166,789	8,462,874
Profit Before Taxation	(135,284)	(6,099,956)	(394,539)	(20,018,909)
Provision for Taxation	–	-	2,816	142,884
Profit After Taxation	(135,284)	(6,099,956)	(397,355)	(20,161,793)
Proposed Dividend	–	–	–	–

Note:

1. *Above figures in INR have been calculated at 1 US$= Rs.45.09 and 1US$= Rs.50.74 for the year ended March 31, 2010 and March 31, 2009 respectively*
2. *In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company and the Subsidiary Company.*

Statement of Subsidiary in pursuance of approval under Section 212 (8) of the Companies Act, 1956

Name of Subsidiary	**Nucleus Software Japan Kabushiki Kaiga**
Date of Incorporation	November 2, 2001
Business Address	Marunouchi Building, 23rd Floor, 4-1 Marunouchi 2 Chome, Chiyoda-ku, **Tokyo 100-0005**
Directors	Mr. Vishnu R. Dusad Mr. Ravi Pratap Singh Mr. Pramod K. Sanghi Mr. Niraj Vedwa Mr. Parminder Bansil Mr. Rajeev Sharma
Auditors	BSR & Co.

Financial Data

At the End of the Year	**March 31, 2010**		**March 31, 2009**	
	JPY	**INR**	**JPY**	**INR**
Share Capital	10,000,000	4,835,000	10,000,000	5,135,000
Reserves	(22,709,342)	(10,979,967)	(12,888,144)	(6,618,062)
Total Assets	388,722,359	187,947,261	576,508,550	296,037,140
Total Liabilities	401,431,701	194,092,227	579,396,693	297,520,202
Investments	–	–	–	–
For the Year Ended				
Turnover	912,091,591	440,996,284	2,074,109,942	1,065,055,455
Profit Before Taxation	(9,751,198)	(4,714,704)	(57,365,476)	(29,457,172)
Provision for Taxation	70,000	33,845	70,000	35,945
Profit After Taxation	(9,821,198)	(4,748,549)	(57,435,476)	(29,493,117)
Proposed Dividend	–	–	–	–

Note:

1. *Above figures in INR have been calculated at 1JPY=Rs.0.4835 and 1JPY= Rs.0.5135 for the year ended March 31, 2010 and March 31, 2009 respectively.*
2. *In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company and the Subsidiary Company.*

Statement under Section 212 (8)

Statement of Subsidiary in pursuance of approval under Section 212 (8) of the Companies Act, 1956

Name of Subsidiary	**Nucleus Software (Australia) Pty Limited**
Date of Incorporation	May 7, 2002
Business Address	Level -57 MLC Centre 19-29, Martin Place Sydney-2000 **Australia**
Directors	Mr. Vishnu R. Dusad
Auditors	Mr. Suhrid R. Sheth

Financial Data

At the End of the Year	**March 31, 2010**		**March 31, 2009**	
	AUS$	**INR**	**AUS$**	**INR**
Share Capital	316,000	13,044,480	316,000	11,060,000
Reserves	(316,000)	(13,044,480)	(307,162)	(10,750,670)
Total Assets	–	–	30,053	1,051,855
Total Liabilities	–	–	21,215	742,525
Investments	–	–	–	–
For the Year Ended				
Turnover	–	–	–	–
Profit Before Taxation	(8,838)	(364,833)	(6,977)	(244,195)
Provision for Taxation	–	–	–	–
Profit After Taxation	(8,838)	(364,833)	(6,977)	(244,195)
Proposed Dividend	–	–	–	–

Note:

1. *Above figures in INR have been calculated at 1AUS$=Rs.41.28 and 1AUS$= Rs.35 for the year ended March 31, 2010 and March 31, 2009 respectively.*
2. *In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company and the Subsidiary Company.*

Statement of Subsidiary in pursuance of approval under Section 212 (8) of the Companies Act, 1956

Name of Subsidiary	**Nucleus Software (HK) Limited**
Date of Incorporation	March 20, 2002
Business Address	Suite-B, 5/F, Wing Hing Comm. Building, 139 Wing Lok Street, **Sheung Wan, Hong Kong**
Directors	Mr. Vishnu R. Dusad Mr. Ravi Pratap Singh
Auditors	NG & Chow

Financial Data

At the End of the Period/Year	**January 8, 2010***		**March 31, 2009**	
	HK$	**INR**	**HK$**	**INR**
Share Capital	100,000	591,000	100,000	653,000
Reserves	(100,000)	(591,000)	(139,152)	(908,663)
Total Assets	–	–	7,699	50,274
Total Liabilities	–	–	46,851	305,937
Investments	–	–	–	–
For the Year Ended				
Turnover	–	–	–	–
Profit Before Taxation	39,152	231,388	(20,937)	(136,719)
Provision for Taxation	–	–	–	–
Profit After Taxation	39,152	231,388	(20,937)	(136,719)
Proposed Dividend	–	–	–	–

** Nucleus Software (HK) Limited has been closed and deregisterd, w.e.f., Janaury 8, 2010*

Note:

1. Above figures in INR have been calculated at 1HK$=Rs.5.91 and 1HK$= Rs.6.53 for the period/year ended January 8, 2010 and March 31, 2009 respectively.

2. In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company and the Subsidiary Company.

Statement under Section 212 (8)

Statement of Subsidiary in pursuance of approval under Section 212 (8) of the Companies Act, 1956

Name of Subsidiary	**VirStra I-Technology Services Limited**
Date of Incorporation	May 6, 2004
Business Address	6th Floor, Marisoft-I, Marigold Premises, Vadagon Sheri, Kalyani Nagar, **Pune-411014**
Directors	Mr. Vishnu R. Dusad Mr. Sanjiv Sarin Mr. Ravi Pratap Singh Mr. Pramod K. Sanghi
Auditors	BSR & Co.

Financial Data

At the End of the Year	**March 31, 2010 INR**	**March 31, 2009 INR**
Share Capital	10,000,000	10,000,000
Reserves	250,592,590	204,293,963
Total Assets	284,479,977	244,866,017
Total Liabilities	23,887,387	30,572,054
Investments	104,428,266	30,640,359
For the Year Ended		
Turnover	289,632,733	266,829,296
Profit Before Taxation	123,384,418	134,811,268
Provision for Taxation	(294,235)	(1,600,863)
Profit After Taxation	123,678,653	136,412,131
Dividend*	70,000,000	42,500,000

**The Company paid interim dividend of Rs.7 crore during the financial year 2009-10.*

Note:

In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company and the Subsidiary Company.

Statement of Subsidiary in pursuance of approval under Section 212 (8) of the Companies Act, 1956

Name of Subsidiary	**Nucleus Software Netherlands B.V.**
Date of Incorporation	February 2, 2006
Business Address	Strawinskylaan 921, Tower A (World Trade Center) 1077 XX Amsterdam, **Netherlands**
Directors	Mr. Vishnu R. Dusad
Auditors	BSR & Co.

Financial Data

At the End of the Year	**March 31, 2010**		**March 31, 2009**	
	Euro	**INR**	**Euro**	**INR**
Share Capital	300,000	18,132,000	200,000	13,412,000
Reserves	(287,095)	(17,352,022)	(120,051)	(8,050,620)
Total Assets	37,051	2,239,362	90,703	6,082,543
Total Liabilities	24,146	1,459,384	10,754	721,163
Investments	–	–	–	–
For the Year Ended				
Turnover	–	–	–	–
Profit Before Taxation	(167,044)	(10,096,139)	(70,557)	(4,731,552)
Provision for Taxation	–	–	–	–
Profit After Taxation	(167,044)	(10,096,139)	(70,557)	(4,731,552)
Proposed Dividend	–	–	–	–

Note:

1. *Above figures in INR have been calculated at 1 Euro = Rs.60.44 and 1 Euro = Rs.67.06 for the years ended March 31, 2010 and March 31, 2009 respectively.*
2. *In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company and the Subsidiary Company.*

Statement under Section 212 (8)

Statement of Subsidiary in pursuance of approval under Section 212 (8) of the Companies Act, 1956

Name of Subsidiary	**Nucleus Software Limited**
Date of Incorporation	April 21, 2008
Business Address	33-35, Thyagraj Nagar Market, **New Delhi-110 003**
Directors	Mr. Vishnu R. Dusad Mr. Prithvi Haldea Mr. Sanjiv Sarin
Auditors	BSR & Co.

Financial Data

At the End of the Year	**March 31, 2010 INR**	**March 31, 2009 INR**
Share Capital	100,000,000	100,000,000
Reserves	(5,310,297)	(2,367,277)
Total Assets	124,409,231	122,995,502
Total Liabilities	29,719,528	25,362,779
Investments	23,000	–
For the Year Ended		
Turnover	–	–
Profit Before Taxation	(2,943,020)	(2,367,277)
Provision for Taxation	–	–
Profit After Taxation	(2,943,020)	(2,367,277)
Dividend	–	–

Note:

In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company and the Subsidiary Company.

Statement of Subsidiary in pursuance of approval under Section 212 (8) of the Companies Act, 1956

Name of Subsidiary	**VirStra I-Technology (Singapore) Pte Limited** (Step down Subsidiary of Nucleus Software Exports Limited)
Date of Incorporation	December 17, 2004
Business Address	300 Tampines Avenue 5, #05-05 Tampines Junction **Singapore-529653**
Directors	Mr. Vishnu R. Dusad Mr. Kapil Gupta
Auditors	KPMG

Financial Data

At the End of the Year	**March 31, 2010**		**March 31, 2009**	
	SG$	**INR**	**SG$**	**INR**
Share Capital	200,000	6,440,000	200,000	6,658,000
Reserves	(777,031)	(25,020,398)	(770,445)	(25,648,114)
Total Assets	25,183	810,893	24,866	827,789
Total Liabilities	602,214	19,391,291	595,311	19,817,903
Investments	–	–	–	–
For the Year Ended				
Turnover	–	–	–	–
Profit Before Taxation	(6,586)	(212,069)	(546,869)	(18,205,269)
Provision for Taxation	–	–	–	–
Profit After Taxation	(6,586)	(212,069)	(546,869)	(18,205,269)
Proposed Dividend	–	–	–	–

Note:

1. *Above figures in INR have been calculated at 1SG$= Rs.32.20 and 1SG$= Rs.33.29 for the year ended March 31, 2010 and March 31, 2009 respectively.*
2. *In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company and the Subsidiary Company.*

REPORT ON CORPORATE GOVERNANCE

The fundamental objective of 'Good Corporate Governance' is to ensure commitment of the organization in managing the Company in a transparent manner for maximizing long-term value of the Company, not only for its shareholders, but also its customers, competitors, employees and all other partners.

Corporate Governance is the set of processes, customs, policies, laws, and institutions affecting the way a Corporation (or Company) is directed, administered or controlled. The stakeholders include the Board of Directors, Management, shareholders/members, employees, customers, creditors (e.g., banks, bond holders), suppliers, regulators, and the community at large.

Corporate Governance weaknesses in remuneration, risk management, board practices and the exercise of shareholder rights played an important role in the development of the financial crisis . In the aftermath of the financial and economic crisis there have been calls for greater use of regulation over what are considered to be self regulating "codes and standards". Amid the financial carnage of the recent recession, many countries are considering financial reforms. IT industry lobby Nasscom recently announced a new set of guidelines on Corporate Governance, which would be ideal for both listed and non-listed companies. These guidelines contain recommendations, which are a collection of best practices and are structured across the stakeholder ecosystem, covering the Board of directors, customers, competitors, employees and partners. Detailed guidelines have been incorporated for whistleblower policy and the Ombudsperson concept. The document stresses on more disclosure of the Board and its Committees' activities. It provides guidelines on the responsibilities of various parties to detect fraud and talks at length on the nomination and commitment of independent directors.

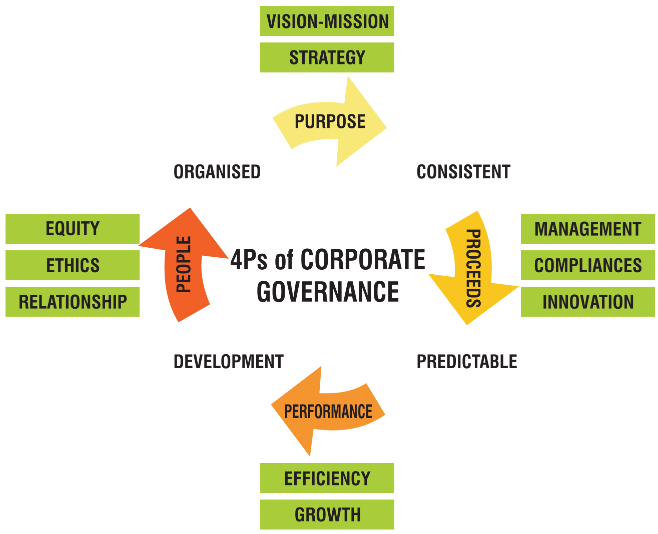
The Ministry of Corporate Affairs (MCA) also released in December 2009, the voluntary guidelines on Corporate Governance, drawn from best practices. Although voluntary in nature, listed companies are expected to be proactive in compliance and provide reasons of non-compliance of any section, if any.

Company's Philosophy on Corporate Governance

Nucleus has always been a strong proponent of good Corporate Governance and constantly strives to reflect the same in all our processes which in turn translate into increased confidence towards the Company from both existing and potential customers.

In order to improve the competency in meeting the challenges, specially in this age of integration of markets world wide, the Company has set out certain principles as a measure of good and effective Corporate Governance.

Corporate Governance Framework



Nucleus has identified three major Corporate Governance tenets for practicing in the Company:-

1) Continuous commitment of the management to principles of integrity and transparency in business operations
2) Accountability
3) Safeguarding the interests of the stakeholders in the organization

The essential principles of Corporate Governance at Nucleus include:

- Fairness to all stakeholders
- Transparency
- Unrestricted communication and feedback
- Sharing knowledge, success stories and experience

We at Nucleus believe that good and effective Corporate Governance is more of an organization culture than applicable rules. It is true that the law alone cannot bring changes and transformation. Voluntary compliance both in form and in substance plays an important role in developing a system of good Corporate Governance. Regulations are only one part of the answer to improved governance.

The Board and the Company Management strive hard to best serve the interests of the stakeholders including shareholders, customers, Government and society at large.

A. Board of Directors

1. Composition of the Board of Directors as on March 31, 2010

The Board of the Company consists of five members with eighty- percent of the Board comprising of Non-Executive Directors. Non-Executive Directors with their diverse knowledge, experience and expertise provide valuable contribution in the deliberations and decisions of the Board.

Name of Director	Position	Age in years
Mr. Janki Ballabh	Chairman, Independent Non-Executive Director	67
Mr. Vishnu R Dusad	Managing Director, Promoter Executive Director	53
Mr. Arun Shekhar Aran	Independent Non-Executive Director	51
Mr. Prithvi Haldea	Independent Non-Executive Director	59
Mr. Sanjiv Sarin	Independent Non-Executive Director	51

Although, the level of knowledge, integrity and independence necessary to carry out the functions of a Director are difficult to summarize, the essential characteristics of the members of the Board include the attributes of asking hard questions, working well with others, having industry awareness, providing valuable inputs, availability when needed, being alert and inquisitive, making long range planning contribution among others.

By self evaluation of performance, the Board can recognize its achievements and reach consensus on areas needing empowerment. Discussing the results of a self-assessment at a retreat can assist in developing a long-range plan.

For selection of Independent Directors, definition of Independence as per Clause 49 is just a starting point for Nucleus. For Nucleus, the quality of the Independent Directors is a far greater criterion. Some of the qualities we look at are:

- Well Educated
- Reputation of Character and Integrity
- Specialist /Experts in functional areas
- General Management exposure and experience
- Industry Awareness
- Global Awareness
- Entrepreneurial Experience

DIRECTORS' PROFILE

Mr. Janki Ballabh - Chairman

Mr. Janki Ballabh, an eminent banker and former Chairman of the State Bank of India and State Bank Group, has vast experience and expertise in finance, banking and corporate management. He is presently Chairman of UTI Trustee Company of UTI Mutual Fund, and is Director on the boards of Tata AIG Life Insurance Co. Ltd., Small Industries Development Bank of India (SIDBI), Tata Capital Ltd. and a member of the Asia Pacific Advisory Committee of Barclays Bank plc London. In addition to his general corporate experience, his vast and rich experience, consistent with Nucleus strategy provides operational excellence to the Company and a capability to drive innovation.

Mr. Vishnu R. Dusad - Managing Director

Mr. Vishnu R. Dusad is one of the founders of Nucleus Software Exports Ltd. and has served as a Director since the inception of the Company. Mr. Dusad completed his Bachelors Degree in Technology from the Indian Institute of Technology (IIT), Delhi and has been associated with the development of the software industry in India since 1983 as an entrepreneur. He was appointed Managing Director of the Company in January 1997. Mr. Dusad is also occupying the position of CEO of the Company. He has enriched Nucleus with his technology background and 24 years of valuable professional experience in the exciting space of Information Technology Solutions for the BFSI sector. He has a deep commitment to making a difference in the lives of fellow Nucleites, and through Nucleus, to the world around. His success in concluding business deals for implementing Nucleus Products globally owes much to a deep sensitivity to cross-cultural nuances. His experience encompasses areas of software development, creation of strategic alliances, business development, and strategic planning.

Mr. Dusad attributes the success of Nucleus to teamwork, entrepreneurial skills and the ability to leverage opportunities in the marketplace.

Mr. Arun Shekhar Aran - Director

Mr. Arun Shekhar Aran is a successful first generation entrepreneur with 27 years of experience in IT industry. Having completed B. Tech from IIT, Delhi and MBA from IIM, Ahmedabad, he started his career with Asian Paints in 1982.

In 1989, he joined Nucleus Software Group as a partner where he played a key role in leading the team in the development of the first ever credit card system in India for Citibank. Mr. Arun Shekhar Aran joined the Board of Directors of the Company in March 1996.

In 1994, Mr. Shekhar promoted the Mumbai based software Company, Nucsoft Ltd., and is presently its CEO.

Mr. Prithvi Haldea - Director

Mr. Prithvi Haldea did his MBA from Birla Institute of Technology & Science, Pilani in 1971. Over the next 18 years, he worked at senior positions in the corporate sector in the areas of exports, consulting and advertising. During the late 70s and early 80s, he was also associated with the information industry and, among various activities, worked as a consultant with The World Bank and the U.S Department of Commerce. In 1989, Mr. Haldea set up PRIME Database. PRIME is the country's first and still the only database on the primary capital market. It has a large subscriber base, and is widely reported by the media.

Mr. Haldea is presently the Central Government Nominee on the Governing Council of The Institute of Chartered

Accountants of India, a member of Board of Governors of Indian Institute of Corporate Affairs and member of the Investment Board of Postal Life Insurance. He is also a member of several committees, including SEBI Committee on Disclosures & Accounting Standards, Listing Advisory Committee of NSE, Listing and Delisting Committees of BSE, and Delisting Committee of DSE. He is also on the Board of Directors of UTI Asset Management Co. Ltd.

Mr. Haldea is also the Co-Chairman of the ASSOCHAM's Capital Market Committee and ASSOCHAM's National Investment and Investor Education Committee, and a member of CII's National Committee on Capital Markets, CII's National Task Force on Financial Markets PHDCCI Capital Markets Committee and NASSCOM's Corporate Governance & Ethics Committee.

In the past, Mr. Haldea has served as a board member of the Central Listing Authority, Trustee of the Pension Fund Regulatory & Development Authority, Central Government Nominee on the Governing Council of The Institute of Company Secretaries of India, Finance Minister's High Level Expert Committee on Corporate Bonds and Securitisation, Secondary Market Advisory Committee of SEBI, Primary Advisory Committee of SEBI, BSE Index Committee and SEBI's Committee for Review of MAPIN. He is a visiting faculty at several institutions, and has presented scores of papers at various conferences in India and abroad.

As an investor protection activist, Mr. Haldea regularly raises issues with regulators and in the media. In pursuit of this objective, he has also launched four unique websites: www.watchoutinvestors.com, aggregating information on economic defaulters which now lists over 1,00,000 cases, www.primedirectors.com, a databank of professionals for listed companies to select independent directors, now hosting profiles of over 19,000 professionals, www.directorsdatabase.com, covering detailed profiles of directors of companies listed at BSE and www.iepf.gov.in, an investor education initiative. He has also recently launched www.msmementor.in, a national skills registry of professionals for the benefit of MSMEs.

Mr. Prithvi Haldea joined the Board of Directors of Nucleus Software Exports Ltd. in June 2001 and of Nucleus Software Ltd. in April 2008.

Mr. Sanjiv Sarin - Director

Mr. Sanjiv Sarin is a postgraduate from IIT Delhi and has a PGDBM from XLRI Jamshedpur. He has 28 years of corporate experience and has held senior positions (including CEO) in Indian and multinational companies in India and overseas. He is currently working as a Consultant based in New Delhi.

He has played leadership roles in establishing new businesses and new markets. His various interventions have contributed significantly to the growth and success of organisations. He has extensive advisory experience on issues of strategy, driving performance improvement, change management, organisation building and human capital development. He also plays the role of a friend, advisor and mentor to start-ups.

Disclosure in terms of Clause 49 (IV)(G)(ia) of the Listing Agreement

There are no inter-se relationships between the Board members.

2. Responsibilities of the Chairman and the Managing Director

The Non-Executive Chairman along with other Directors complement the Board's overall strength with their knowledge of best practices outside the Company. They act as candid counselors to guide the Company in benchmarking standards and level of ambition.

The Managing Director takes care of the executive functions of the Company and is responsible for day-to-day operations. He takes care of the corporate strategy and the future growth plans of the Company. The senior management team, responsible for achieving the annual targets of revenue, profitability, customer satisfaction, quality, productivity, employee retention and other critical areas, provide assistance to the Board.

The Managing Director is accountable to the Board for implementing the strategic plan for the Company in the most cost effective and time efficient manner. He is responsible for both the day-to-day running of the Company and developing business plans for the long term future of the organization.

With a view to institutionalize all corporate affairs and set up systems and procedures for advance planning for matters requiring discussion/decision by the Board, the Company has defined guidelines for the meetings of the Board. These guidelines seek to systemize the decision making process at the meetings of the Board in an informed and efficient manner.

3. Membership Term

In accordance with the requirements of The Companies Act 1956, at least two-third of Directors shall be subject to retirement by rotation. One third of these retiring Directors shall retire every year and the Company may reappoint them with the approval of the shareholders. The Managing Director is appointed by the shareholders for a maximum period of 5 years at one time and is eligible for re-appointment upon the completion of the term.

Mr. Vishnu R Dusad, Managing Director of the Company was re-appointed as Managing Director w.e.f January 1, 2007 for a period of 5 years. His present term expires on December 31, 2011.

4. Compensation of the Board of Directors

Compensation of the Managing Director has been approved by the shareholders. Non-Executive Directors are being paid an amount not exceeding one percent of the net profits of the Company, in terms of section 309 (4) of the Companies Act, 1956, as approved by the shareholders at the Annual General Meeting held on July 8, 2009.

Directors other than the Promoter Director are eligible to receive options under the various ESOP schemes launched by the Company from time to time. ESOP compensation expense also forms a part of their compensation and the total remuneration is subject to the ceiling above.

5. **The following table gives details of compensation paid /payable to the Directors for the period April 2009 to March 2010.**

(Amount in Rs.)

Name of Director	Position	Fixed Salary	Commission	ESOP Compensation Expense	Sitting Fees	Total Compensation
Mr. Janki Ballabh	Chairman, Independent Non-Executive Director	–	9,45,753	–	3,00,000	12,45,753
Mr. Vishnu R Dusad	Managing Director, Promoter	69,11,000	1,29,49,000	–	–	1,98,60,000
Mr. Arun Shekhar Aran	Independent Non-Executive Director	–	9,45,753	–	3,80,000	13,25,753
Mr. Prithvi Haldea	Independent Non-Executive Director	–	9,45,753	–	5,60,000	15,05,753
Mr. Suresh Joshi*	Independent Non-Executive Director	–	2,16,987	–	80,000	2,96,987
Mr. Sanjiv Sarin	Independent Non-Executive Director	–	9,45,754	–	7,40,000	16,85,754
Total		**69,11,000**	**1,69,49,000**	Nil	**20,60,000**	**2,59,20,000**

**Ceased to be a Director of the Company w.e.f. 8th July 2009, i.e., the date Annual General Meeting. He vacated his office as he did not offer himself for re-appointment due to advacing age.*

6. **Detail of Equity Shares and Stock Options held by Non-Executive Directors as on March 31, 2010**

The Non-Executive Directors hold no options as on March 31, 2010.

7. **Memberships of other Boards**

The number of other Directorships and Chairmanship/ Memberships of Committees held by each of the Director as on March 31, 2010:

Name of Director	Position	Relationship with other Directors	Directorships Held of other Companies	Committee Membership*	Chairperson in Committees*
Mr. Janki Ballabh	Chairman, Independent Non-Executive Director	None	4	2	1
Mr. Vishnu R Dusad	Managing Director, Promoter	None	9	2	–
Mr. Arun Shekhar Aran	Independent Non-Executive Director	None	1	1	1
Mr. Prithvi Haldea	Independent Non-Executive Director	None	6	3	–
Mr. Sanjiv Sarin	Independent Non-Executive Director	None	3	3	–

**In accordance with Clause 49 of the Listing Agreement, Membership/Chairmanship of only the Audit Committee and Shareholders/ Investors' Grievance Committee of all Public Limited Companies including Nucleus Software Exports Ltd., is considered.*

B. Board Meetings

Board meetings allow exploring the areas of improvement and identifying the dynamics that contribute to any problems or weaknesses pertaining to meeting the goals of the organization. Strategies to address the problems or weaknesses include arranging Board retreats or workshops on a specific topic, organizing study sessions, and reading in areas where knowledge is needed.

We follow the Secretarial Standard 1 (SS1) issued by the Institute of Company Secretaries of India (ICSI) on meetings of the Board of Directors.

1. **Scheduling and selection of agenda items for Board of Directors meetings.**

   - A minimum of four Board Meetings are held in each year. These are scheduled in advance for the entire year and are held after the end of each financial quarter. This schedule of the Board Meetings is published in the Annual Report. Additional Board Meetings are convened by giving appropriate notice. For any business exigencies or urgency of matters, resolutions are passed by circulation.

- Committees of the Board meet whenever required, for transacting business.
- The meetings of the Board of Directors are usually held at the Company's corporate office at A 39, Sector 62, NOIDA 201307.
- The Company Secretary drafts the agenda for each meeting, in consultation with the members of the Board of Directors and the senior management of the Company. Every Board member is requested to suggest modifications /changes in the agenda items.

2. Recording Minutes of proceedings at Board Meeting

The Company Secretary records the minutes of the proceedings of each Board meeting. Draft minutes are circulated to all the members of the Board for their comments within 48 hours of the meeting. The finalized minutes of proceedings of a meeting are entered in the Minutes Book within 30 days from the conclusion of that meeting.

3. Compliance

The Company Secretary while preparing the Agenda, Notes on agenda, Minutes etc. is responsible for and is required to ensure adherence to all the applicable laws regulations including the Companies Act, 1956 read with the Rules issued there under, Listing agreement and to the extent feasible, the Secretarial Standards recommended by the Institute of Company Secretaries of India, New Delhi.

4. Number of Board Meetings held and attendance during the year 2009-10.

Eleven Board Meetings were held during the year 2009-10, as against the minimum requirement of four meetings. The dates on which the meetings were held are; April 26, 2009, May 10, 2009, June 17, 2009, July 8, 2009, July 26, 2009, October 11, 2009, October 25, 2009, December 19, 2009, January 1, 2010, January 17, 2010 and March 8, 2010. The Board has met at least once in every three months and the maximum time gap between any two meetings has not been more than four months.

Name of Director	Board Meetings		Attended
	Held	Attended	last AGM
Mr. Janki Ballabh	11	11	Yes
Mr. Vishnu R Dusad	11	11	Yes
Mr. Arun Shekhar Aran	11	11	Yes
Mr. Prithvi Haldea	11	11	Yes
Mr. Suresh Joshi*	3	3	N.A.
Mr. Sanjiv Sarin	11	11	Yes

***Ceased to be a Director of the Company w.e.f. 8th July 2009, i.e., the date Annual General Meeting. He vacated his office as he did not offer himself for re-appointment due to advacing age.*

5. Availability of Information to the Board of Directors

There is a process of providing complete information to the Board Members with the agenda for the meeting. During meetings, senior management is invited to present the plans and achievements of their respective areas of responsibility. The Board is also given presentations covering major business segments and operations of the Company.

The information placed before the Board includes:

- Annual operating plans and budgets and any updates.
- Capital budgets and any updates.
- Quarterly results of the Company and its operating divisions or business segments.
- Minutes of meetings of Audit Committee and other Committees of the Board.
- The information on recruitment and remuneration of senior officers just below the Board level
- Materially important show cause, demand, prosecution notices and penalty notices, if any.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems, if any.
- Any materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company.
- Any issue that involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the Company or taken on adverse view regarding another enterprise that can have negative implications on the Company.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property
- Any significant development in human resources/ industrial relations front. Sale of material nature, of investments and assets, which are not in the normal course of business.
- Quarterly details of foreign exchange exposure and the steps taken by the management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
- Quarterly details of investments by the Company in liquid mutual funds and bank deposits and returns thereon.
- Quarterly update on HR related activities.
- Quarterly update on wholly owned Subsidiaries performance.

- Quarterly update on important projects of the Company
- Report on order book position.
- Report on legal notices if any , received during the quarter.
- Report on compliances under "Code of Insider Trading" of the Company.

6. All follow up items are recorded separately and action taken is reported in future meetings.

An "Action Taken Report" is placed at all subsequent meetings for all action points raised in the meetings.

The above processes have helped the Board to achieve:

- Better understanding of what it means to be an effective Board
- Clarification of what the members expect from each other and themselves
- Improved communication among members and between the Board and the Managing Director
- Identification of problems, potential issues, and areas to improve
- Opportunity to discuss and solve problems that may hurt Board performance.
- Identification of strategies to enhance Board performance
- Renewed dedication to the Board
- Board goals and objectives for the next year.

Strengths are celebrated and areas of improvement are explored to identify the dynamics that contribute to problems or weaknesses. Strategies to address the issues may include Board retreats or workshops on a specific topic, study sessions and reading in areas where knowledge is needed, and clarification of Board expectations.

C. Audit Committee

A key element in the Corporate Governance process of any organization is its Audit Committee. The Audit Committee regularly reviews processes and procedures to ensure the effectiveness of internal control systems and to maintain the accuracy and adequacy of reporting the financial results.

The Audit Committee at Nucleus was formed in August 2001, in compliance with Section292 A of the Companies Act, 1956 and the Listing Agreement with the Stock Exchanges, with qualified members of the Board of Directors of the Company. The Company Secretary acts as the secretary to the committee. The Audit Committee plays a key role in assisting the Board to fulfill its Corporate Governance and oversight responsibilities in relation to a Company's financial reporting, internal control systems, risk management systems and the internal and external audit functions. One of the core principles of an effective Audit Committee is that committee members are independent of the Company.

The Audit Committee has met ten times during the year 2009-10.

The Audit Committee has adopted the following charter for its efficient functioning:

CHARTER OF AUDIT COMMITTEE

1. Scope of Work

1. Review and recommend to the Directors the Independent Auditors to be selected to audit financial statements of the Company.
2. Provide an open avenue of communication between the Independent Auditors, Internal Auditors and the Board of Directors.
3. Review and update the Committee's charter annually.
4. To meet at least four times per year or more frequently as circumstances require.
5. Review with the Independent Auditors, the Company's Internal Auditor and Financial Personnel:
   a) The adequacy and effectiveness of the accounting and financial controls of the Company.
   b) Related findings and recommendations of the Independent Auditor and Internal Auditor together with management 's responses.
6. Consider and review with the management, Internal Auditor and Independent Auditor :
   a) Significant findings during the year, including the status of previous audit recommendations.
   b) Any difficulties encountered in the course of audit work including any restrictions on the scope of activities or access to required information and
   c) Any changes required in the planned scope of the internal audit plan.
7. Prepare a letter for inclusion in the Annual Report that describes the Committee's composition and responsibilities, and how they were discharged.
8. The Chairman to be present at AGM to answer shareholders queries.
9. Review legal and regulatory matters that may have a material impact on the financial statements, related Company's compliance policies, and programs and reports received from regulators.
10. Report Committee actions to the Board of Directors with such recommendations, as the Committee may deem appropriate.
11. The Committee shall perform such other functions as assigned by law, the Company's charter or bylaws, or

the Board of Directors and shall mandatorily perform following functions as assigned by Clause 49 of the Listing Agreement:

a) Oversight of the company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

b) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.

c) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

d) Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:

   i. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.

   ii. Changes, if any, in accounting policies and practices and reasons for the same.

   iii. Major accounting entries involving estimates based on the exercise of judgment by Management.

   iv. Significant adjustments made in the financial statements arising out of audit findings.

   v. Compliance with listing and other legal requirements relating to financial statements.

   vi. Disclosure of any related party transactions.

   vii. Qualifications in the draft audit report.

e) Reviewing, with the management, the quarterly financial statements before submission to the Board for approval

f) Reviewing, with the Management, performance of statutory and internal auditors, adequacy of the internal control systems.

g) 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.

h) Discussion with internal auditors any significant findings and follow up there on.

i) 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.

j) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

k) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

l) To review the functioning of the Whistle Blower mechanism.

m) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

n) Management Discussion and Analysis of financial condition and results of operations.

o) Statement of significant related party transactions (as defined by the audit committee), submitted by Management.

p) Management letters of internal control weaknesses issued by the Statutory Auditors.

q) Internal audit reports relating to internal control weaknesses.

r) The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee.

2. Review of Auditors

The Audit Committee shall

a) Recommend to the Board of Directors, the Independent Auditors to be appointed and approve the compensation of the Independent Auditors.

b) Confirm and assure the independence of the Independent Auditors and the objectivity of the Internal Auditor.

c) Require and encourage the Independent Auditors to have open and frank discussions on their judgments about the quality, not just the acceptability of the Company's accounting principles as applied in its financial reporting, including such issues as the clarity of the Company's financial disclosures and degree of aggressiveness or conservatism of the Company's accounting principles.

3. Composition of the Audit Committee

It is mandatory that:

- The Audit Committee shall comprise of three or more Directors, all being Non-Executive Directors, with majority of them being independent.

- Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.
- All members of the Committee shall have a working familiarity with basic finance and accounting practices, and at least one member of the Committee shall have accounting or related financial management expertise.

The composition of Audit Committee as on March 31, 2010 and the details of the meetings are as follows:

Name of Director	Position	No. of Meetings	
		Held	**Attended**
Mr. Arun Shekhar Aran	Chairman of the Committee, Independent Non-Executive Director	10	5
Mr. Prithvi Haldea	Independent Non-Executive Director	10	10
Mr. Suresh Joshi*	Independent Non-Executive Director	2	1
Mr. Sanjiv Sarin	Independent Non-Executive Director	10	10

**Ceased to be a Director of the Company w.e.f. 8th July 2009, i.e., the date Annual General Meeting. He vacated his office as he did not offer himself for re-appointment due to advacing age.*

With intent to implement the best Corporate Governance practices, a meeting of the Audit Committee members and the Statutory Auditors, independent of the Management is conducted, every quarter.

The Audit Committee performs the following functions guided by the Charter:

1. Reviewing with Management the annual/quarterly financial statements before submission to the Board, focusing primarily on:
   (i) Any changes in accounting policies and practices.
   (ii) Major accounting entries based on exercise of judgment by Management.
   (iii) Significant adjustments arising out of audit.
   (iv) The going concern assumption.
   (v) Compliance with accounting standards.
   (vi) Compliance with stock exchange and legal requirements concerning financial statements.
   (vii) Any related party transactions.
2. Reviewing with the management, the adequacy of internal control and internal audit function and the frequency of internal audit.
3. Discussion with internal auditors on any significant findings and follow up thereon.
4. Reviewing the special reports provided by the internal auditors of the specified functions as advised.
5. Discussion with statutory auditors about nature and scope of audit and to ascertain any areas of concern.
6. Reviewing the Company's position on forwards and options and investments.
7. Management discussion and analysis of financial condition and results of operations;
8. Management letters/letters of internal control weaknesses issued by statutory/internal auditors.

Audit Committee Report for the Year Ended March 31, 2010

Each member of the Committee is an Independent Director according to Clause 49 of the Listing Agreement.

The Audit Committee is independent and empowered by the Board with the authority to investigate any matter relating to the internal control system and to review the scope of Internal Audit.

The Internal Auditors of the Company are in the best position to evaluate and report on the adequacy and effectiveness of the internal controls. Keeping in view the need for the Internal Auditors' independence, the Audit Committee has created a formal mechanism to facilitate regular discussions with the Internal Auditors at the end of each quarter. The Committee has recommended the continuance of the Internal Audit function.

The Statutory Auditors are responsible for performing an independent audit of the Company's financial statements in accordance with the Generally Accepted Auditing Standards and for issuing a report thereon. The Committee's responsibility is to review the adequacy of internal audit function The Committee is also responsible to oversee the processes related to financial reporting and information dissemination, in order to ensure that the financial statements are true, correct, sufficient and credible. The Committee also reviews the quarterly, half yearly and the annual financial statements before they are submitted to Board and ensures compliance of internal control systems. In addition, the Committee recommends to the Board the appointment of the Company's Internal and Statutory Auditors.

The Committee has also reviewed that the internal controls are put in place to ensure that the accounts of the Company are properly maintained and that the accounting transactions are in accordance with prevailing laws and regulations. In conducting such reviews, the Committee found no material discrepancy or weakness in the internal control systems of the Company.

The Committee also reviewed the financial and risk management framework in accordance with revised Clause 49 of the Listing agreement.

The Committee has regularly discussed with the Auditors the accounting policy and principles followed by the Company. Relying on the review and discussions conducted with the management and the Independent Auditors, the Audit Committee believes that the Company is following prudent and conservative accounting practices and financial statements are fairly presented in conformity with Generally Accepted Accounting Principles in all material aspects.

Moreover, the Committee considered whether any non-audit services provided by the auditors firm could impair the auditors' independence, and concluded that there were no such services provided.

As per the approved Policy of Rotation of Auditors, M/s Deloitte Haskins & Sells have been recommended to be appointed as Statutory Auditors of the Company from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting. Deloitte Haskins & Sells have also expressed their willingness to act as Statutory Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Companies Act, 1956.

Sd/-
Arun Shekhar Aran

D. Remuneration Committee

The Remuneration Committee recommends the remuneration payable to Directors based on their contribution to the growth and development of the Company.

The composition of Remuneration Committee as on March 31, 2010 and the details of the meetings are as follows:

Name of Director	Position	No. of Meetings	
		Held	Attended
Mr. Janki Ballabh	Chairman of the Committee, Independent Non-Executive Director	1	1
Mr. Prithvi Haldea	Independent Non-Executive Director	1	1
Mr. Sanjiv Sarin	Independent Non-Executive Director	1	1

E. Nomination Committee

Nomination Committee comprising of all Directors was formed during the year ended March 31, 2010.The major role of the committee is to identify suitable persons and recommend them as suitable candidates to fill up casual vacancies on the Board, to appoint additional Directors whenever the need arises, and to develop a policy on the size and the composition of the Board.

The composition of Nomination Committee as on March 31, 2010 and the details of the meetings are as follows:

Name of Director	Position	No. of Meetings	
		Held	Attended
Mr. Janki Ballabh	Chairman of the Committee - Independent Non-Executive Director	1	1
Mr. Vishnu R Dusad	Managing Director, Promoter and Executive Director	1	1
Mr. Arun Shekhar Aran	Independent Non-Executive Director	1	1
Mr. Prithvi Haldea	Independent Non-Executive Director	1	1
Mr. Sanjiv Sarin	Independent Non-Executive Director	1	1

F. Shareholders/Investor Grievance Committee

The Shareholders/Investor Grievance Committee is empowered to consider and approve the transfer, transmission, transposition, issue of duplicate certificates etc. of the Company and to redress shareholders complaints like transfer of shares, non-receipt of balance sheet, non-receipt of dividend warrants, etc. The Committee members periodically review the investor's complaints received and redressed. The Committee will meet as often as required to discharge its functions.

The status on complaints and share transfers is reported to the full Board.

The composition of Shareholders/Investor Grievance Committee as on March 31, 2010 and the details of the meetings are as follows:

Name of Director	Position	No. of Meetings	
		Held	Attended
Mr. Vishnu R Dusad	Managing Director, Promoter and Executive Director	9	9
Mr. Sanjiv Sarin	Independent Non-Executive Director	9	9

Ms. Poonam Bhasin, Company Secretary is the Compliance Officer.

The Company's Registrar and Share Transfer Agent are:

M/s. Karvy Computershare Private Limited

Plot Np.17-24, Vithal Rao Nagar

Madhapur

Hyderabad 500081

Andhra Pradesh

Details of investor complaints/requests resolved during the year 2009-10 are as follows:

Nature of complaints received	No. of complaints/requests		
	received during the year	resolved during the year	pending at the end of the year
Non- Receipt of Dividend Warrant	24	24	Nil
Revalidation of Dividend warrants	40	40	Nil
Issue of duplicate share certificates	1	1	Nil
Non receipt of share certificate	2	2	Nil
Non-Receipt of Annual Report	11	11	Nil

G. Corporate Governance Committee

The Company has formed a Corporate Governance Committee to continuously implement and promote the highest standards of Corporate Governance.

The composition of Corporate Governance Committee as on March 31, 2010 and the details of the meetings are as follows:

Name of Director	Position	No. of Meetings	
		Held	Attended
Mr. Janki Ballabh	Chairman of the Committee - Independent Non-Executive Director	2	2
Mr. Vishnu R Dusad	Managing Director, Promoter and Executive Director	2	2
Mr. Arun Shekhar Aran*	Independent Non-Executive Director	1	1
Mr. Prithvi Haldea	Independent Non-Executive Director	2	2
Mr. Sanjiv Sarin	Independent Non-Executive Director	2	2

**Mr. Arun Shekhar Aran was inducted as a member of the Corporate Governance Committee, w.e.f. October 11, 2009.*

The Committee continuously reviews the Corporate Governance initiatives of the Company and advises on following the best practices in the Company.

The Corporate Governance Committee in accordance with Clause 49 of Listing Agreement approved a Code of Conduct for all Board members and senior management of the Company. The Code of Conduct is also posted on the website of the Company. All Board members and senior management personnel have affirmed compliance with the code for the year. The Annual Report contains a declaration to this effect signed by the Managing Director.

The Committee also monitors the implementation and compliance of the Company's Code of Conduct.

H. Compensation Committee

The remuneration policy of the Company is to pay compensation and benefits along with the stock options to motivate and retain the employees of the Company. The Compensation Committee is responsible for administering the stock option plans, including review and grant of options to eligible employees under the plans.

The composition of Compensation Committee as on March 31, 2010 and the details of the meetings are as follows:

Name of Director	Position	No. of Meetings	
		Held	Attended
Mr. Vishnu R Dusad	Managing Director, Promoter	3	3
Mr. Arun Shekhar Aran	Independent Non-Executive Director	3	1
Mr. Prithvi Haldea	Independent Non-Executive Director	3	3
Mr. Suresh Joshi*	Independent Non-Executive Director	1	–
Mr. Sanjiv Sarin	Independent Non-Executive Director	3	3

**Ceased to be a Director of the Company w.e.f. 8th July 2009, i.e., the date Annual General Meeting. He vacated his office as he did not offer himself for re-appointment due to advacing age.*

I. Means of Communication

The Company initiated a practice of sending audited quarterly results in the form of a printed Quarterly Report to the shareholders since December 1999. From the first quarter of the financial year 2009, the Company started releasing the quarterly report, in the form of a soft copy only and is uploaded on the Company website www.nucleussoftware.com. This, not only resulted in prompt information disposal to the shareholders but also contributes in saving paper thus saving trees and help in making the planet greener.

These reports contain audited financials of the parent Company along with the Auditors Report thereon; unaudited consolidated financials of the Company and subsidiaries and a detailed analysis of results under "Management Discussion and Analysis".

- Quarterly results are published in "Business Standard".
- The results are also displayed on the Company's website- "www.nucleussoftware.com" after adoption of the same by the Board of Directors.

- The important events as well as official news releases of the Company are also updated on the Company's website regularly.
- Earnings conference calls are conducted after announcement of quarterly/annual results wherein the Management updates investor community on the progress made by the Company and answers their queries. The audio as well as the transcript of the call is uploaded on the website www.nucleussoftware.com, for investors' information.
- The Company also sends an instant alert of the results, to all those who register themselves on the corporate website.
- The Company also posts information relating to its financial results on Electronic Data Information Filing and Retrieval System (EDIFAR) at www.edifar.com as required by The Bombay Stock Exchange Ltd.

J. Investor Education

Investors are provided with timely information on all Company related matters including recruitment/appointment and remuneration of Executive Directors, share transfers, advantages of dematerlisation etc.

In the Annual Report a chapter named "Shareholders' Referencer" and in the Quarterly Report a chapter named "Additional information to Shareholders" is included which answers substantially all the expected queries of investors about the Company, its history, its promoters, the public issue, employees, share transfers, dematerliasation etc. All such material information is also available on the website.

It is our constant endeavor to offer better and prompt services to our shareholders and in an effort to achieve this objective, a 'Shareholder Satisfaction Survey' is conducted annually to assess the level of satisfaction among Nucleus shareholders and identify areas of strengths and weakness of Nucleus perceived by the shareholders. The satisfaction form is uploaded on the website under Investors section for online filling of survey.

K. General Body Meetings

Particular of Annual General Meetings (AGM) held during the previous three years

AGM date and time	Venue	Ordinary Resolution	Special Resolution
18th AGM July 6, 2007 3.00 p.m.	FICCI Auditorium, New Delhi	• Adoption of Annual Accounts for the year ended March 31, 2007 • Re-appointment of Mr. Prithvi Haldea and Mr. Suresh Joshi as Directors. • Appointment of M/s B S R & Co. as the Statutory Auditors. • Confirm payment of Interim Dividend.	• Increase in the Authorized Share Capital of the Company from Rs.20 crore to Rs.40 crore • Issue of fully paid-up Bonus shares
19th AGM July 8, 2008 11.00 a.m.	FICCI Auditorium, New Delhi	• Adoption of Annual Accounts for the year ended March 31, 2008 • Re-appointment of Mr. Arun Shekhar Aran and Mr. Sanjiv Sarin as Directors • Appointment of M/s B S R & Co. as the Statutory Auditors. • Declaration of Dividend on equity shares.	
20th AGM July 8, 2009 11.30 a.m	Air Force Auditorium New Delhi	• Adoption of Annual Accounts for the year ended March 31, 2009 • Re-appointment of Mr. Prithvi Haldea as Director • Appointment of M/s B S R & Co. as the Statutory Auditors • Resolved not to fill the vacancy, for the time being, caused by the retirement of Mr. Suresh Joshi, who retired by rotation and did not seek re-appointment. • Declaration of Dividend on equity shares. • Appointment of Mr. Janaki Ballabh as a Director liable to retire by rotation	• Approval for payment of commission of an amount not exceeding one percent of net profits of the Company to Non-Executive Directors for each year for the period of five years commencing from April 1, 2009.

During the year ended March 31, 2010, no ordinary or special resolutions were passed through postal ballot.

L. Disclosures

– Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or the management, their Subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.

Transactions with Related parties have been disclosed under note 12 of schedule 16, which forms part of the financial statements.

The above transactions does not have any potential conflict with the interests of the Company at large.

M. Details of non-compliance

There has been no non-compliance of any legal requirements nor have there been any strictures imposed by any stock exchange, SEBI, on any matter relating to the capital market for the last year.

N. Indian Unlisted Subsidiary Company

a) Mr. Sanjiv Sarin, independent Director on the Board of Directors of the Company is a Director on the Board of Directors of Virstra I-Technology Services Ltd. - an unlisted Indian Subsidiary Company.

b) Mr. Prithvi Haldea and Mr. Sanjiv Sarin, independent Directors on the Board of Directors of the Company are Directors on the Board of Nucleus Software Ltd. - an unlisted Indian Subsidiary Company.

c) The Audit Committee of the Company reviews the financial statements, in particular, the investments made by Virstra I-Technology Services Ltd. and Nucleus Software Ltd. - the unlisted Indian Subsidiary Companies.

d) The minutes of the Board meetings of both Virstra I-Technology Services Ltd. and Nucleus Software Ltd. - the unlisted Indian Subsidiary companies are placed at the Board meeting of the Company.

(Although Nucleus Software Ltd. and VirStra i-Technology Services Ltd. are not Material Indian unlisted Subsidiary Companies but as a part of good Corporate Governance practice, the above procedure is followed.)

O. General Shareholder Information

• **Date of incorporation**	9th January, 1989
• **Registered Office**	33-35, Thyagraj Nagar Market New Delhi-110003 India
• **Corporate Office**	A-39, Sector 62 Noida, 201307 India
• **Date and time of Annual General Meeting**	June 24, 2010, 11.30 A.M.
• **Venue of Annual General Meeting**	FICCI Auditorium Federation House Tansen Marg, New Delhi, India

• **Financial Calendar for the financial year 2010-11 (tentative and subject to change)**

Financial reporting for :	**Tentative dates**
The first quarter ending June 30, 2010	between 20th to 31st of July 2010
The second quarter ending September 30, 2010	between 20th to 31st of October 2010
The third quarter ending December 31, 2010	between 20th to 31st of January 2011
The year ending March 31, 2011	between 21st to 30th of April 2011
Annual General Meeting for the year ending March 31, 2011	July 2011

• **Date of Book Closure for AGM**	June 17 to 24, 2010 (both days inclusive)
• **Listing on Stock Exchanges**	Nucleus shares are listed at : The National Stock Exchange of India Ltd. w.e.f. December 19, 2002 Bombay Stock Exchange Ltd. w.e.f November 6, 1995 The Madras Stock Exchange Ltd. w.e.f November 2, 1995

The annual fees for 2010-11 have been paid to all the Stock Exchanges where the shares of the Company are listed.

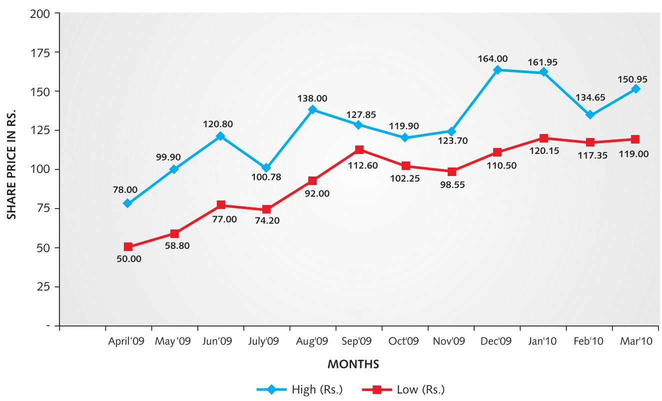
• **Scrip code (BSE)**	531209
(NSE)	NUCLEUS
• **International Securities Identification Number** (ISIN code-NSDL and CDSL)	INE096B01018

- **Market Price data on NSE & BSE for the financial year 2009-10**

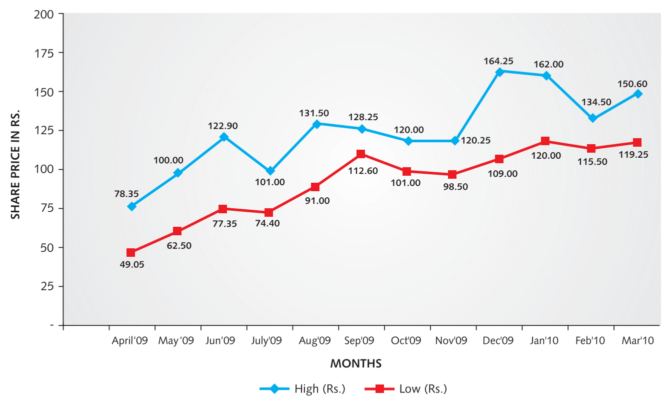
Month	NSE			BSE		
	High (Rs.)	Low (Rs.)	Total Volume	High (Rs.)	Low (Rs.)	Total Volume
April '09	78.00	50.00	1,827,194	78.35	49.05	677,415
May '09	99.90	58.80	4,562,287	100.00	62.50	2,909,397
Jun' 09	120.80	77.00	10,524,202	122.90	77.35	5,342,956
July' 09	100.70	74.20	4,248,633	101.00	74.40	2,282,343
Aug '09	138.00	92.00	13,602,892	131.50	91.00	6,303,485
Sept '09	127.85	112.60	6,652,976	128.25	112.60	2,886,411
Oct '09	119.90	102.25	7,099,328	120.00	101.00	2,891,386
Nov '09	123.70	98.55	4,538,341	120.25	98.50	2,059,883
Dec '09	164.00	110.50	21,037,950	164.25	109.00	9,912,455
Jan '10	161.95	120.15	3,577,942	162.00	120.00	1,554,903
Feb '10	134.65	117.35	1,285,645	134.50	115.50	526,518
Mar '10	150.95	119.00	2,366,031	150.60	119.25	1,264,465
Total Shares traded during the year			**81,323,421**			**38,611,617**

Performance of Nucleus Shares at BSE vis-a-vis BSE Sensex

NUCLEUS SHARE PRICE - HIGH/LOW ON NSE



NUCLEUS SHARE PRICE - HIGH/LOW ON BSE



- **Registrars of Company** **Karvy Computershare Private Limited**
Plot No. 17-24, Vithal Rao Nagar,
Madhapur, Hyderabad-500 081
Tel: 040-23420815-18
Fax: 040-23420814
Email: mailmanager@karvy.com

- The equity shares of the Company are traded in "Group B" category at the Bombay Stock Exchange Ltd.
- The equity share of the Company is a constituent of the Small Cap Index at Bombay Stock Exchange Ltd.

Share Transfer System

The Company's shares are currently traded in dematerialised form; transfers are processed and approved in the electronic form by NSDL/CDSL through their Depository Participants.

The Shareholders/Investor Grievance Committee is authorised to approve transfer of shares, which are received in physical form, and the said Committee approves transfer of shares as and when required.

All requests for dematerialisation of shares are processed and confirmation is given to the respective Depositories i.e. National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL) within 15 days.

The Company has De-materialised 31,351,358 shares (96.85% of the paid up share capital) as at March 31, 2010.

The Company obtains from a Company Secretary in practice, a half -yearly certificate of compliance with the share transfer formalities as required under Clause 47 (c) of the Listing Agreement and files a copy of the certificate with the Stock Exchanges.

Shareholding Pattern of the Company as at March 31, 2010

Category of shareholder	Number of Share Holders	Total Number of Shares	Total Share Holding Percentage
Promoter and Promoter Group	10	19,276,990	*59.55*
Public Share Holding			
Institutions			
Mutual Funds	12	2,170,987	*6.71*
Financial Institutions /Banks	–	–	–
Foreign Institutional Investors	10	2,550,111	*7.88*
Non Institutions			
Individuals	17,268	6,619,345	*20.45*
Bodies Corporate	732	1,201,417	*3.71*
Any Other			
Overseas Corporate Bodies / Non Resident Indians	334	551,174	*1.70*
Total	**18,366**	**32,370,024**	***100.00***

- **Distribution of Shareholding**

	As on March 31, 2010				As on March 31, 2009			
No of Equity Shares Held	Share Holders No.	%	Shares No.	%	Share Holders No.	%	Shares No.	%
1-100	10,665	*58.07*	477,229	*1.47*	8,507	*64.12*	344,320	*1.06*
101-200	2,970	*16.17*	522,028	*1.61*	1,600	*12.05*	284,029	*0.88*
201-500	2,501	*13.62*	890,314	*2.75*	1,405	*10.59*	503,258	*1.55*
501-1000	1,256	*6.84*	921,882	*2.85*	874	*6.59*	646,483	*2.00*
1001-5000	757	*4.12*	1,610,672	*4.98*	677	*5.11*	1,462,235	*4.52*
5001-10000	108	*0.59*	770,095	*2.38*	90	*0.68*	650,433	*2.01*
10001 and above	109	*0.59*	27,177,804	*83.96*	113	*0.86*	28,479,266	*87.98*
TOTAL	**18,366**	***100.00***	**32,370,024**	***100.00***	**13,266**	***100.00***	**32,370,024**	***100.00***

- **Locations**

  Nucleus services its clients through a network of international offices. Nucleus has wholly owned subsidiaries in India, Japan, Netherlands, Singapore, U.S.A, and branch offices in Dubai (UAE) and London (UK).

  Nucleus operates state-of-the-art Software Development Centers at Noida (U.P.) and Chennai (Tamil Nadu) under the Software Technology Park Scheme of the Government of India.

  A Subsidiary, VirStra-I Technology Services Limited operates a Development Centre at Pune (Maharashtra) under the Software Technology Park Scheme of the Government of India.

  The Board of Directors, at their meeting held on April 26, 2009, approved closure of two wholly owned subsidiaries viz. Nucleus Software (Australia) Pty Ltd., Australia and Nucleus Software (HK) Ltd., Hongkong subject to regulatory approvals. During the year, Nucleus Software (HK) Ltd., Hongkong was de-registered as per the applicable laws of Hongkong and Nucleus Software (Australia) Pty. Ltd., Australia was de-registered on April 5, 2010 as per the applicable laws of Australia. The future prospects in these countries would be looked after by the Singapore subsidiary, Nucleus Software Solutions Pte. Ltd.

PARENT COMPANY

Registered Office
Nucleus Software Exports Ltd.
33-35, Thyagraj Nagar Market
New Delhi-110 003
India

Corporate Office
A-39 Sector 62
Noida-201 307
India

SUBSIDIARIES

Nucleus Software Solutions Pte. Ltd.
300, Tampines Avenue-5#05-05,
Tampines Junction
Singapore-529653

Nucleus Software Japan K.K
Marunouchi Building 23rd Floor,
4-1 Marunouchi 2 Chome,
Chiyoda-ku,
Tokyo 100-0005
Japan

Nucleus Software Inc.
197 Route 18 South Suite 3000
East Brunswick, NJ 08816-1440
USA

Nucleus Software Netherlands B.V.
Strawinskylaan 921 Tower A
(World Trade Center) 1077 XX
Amsterdam
Netherlands

VirStra-I Technology Services Limited
Marisoft 1, 6th Floor
Marigold Premises,
Vadgaon Sheri
Pune-411 014
India

Nucleus Software Ltd.
33-35, Thyagraj Nagar Market,
New Delhi-110 003
India

STEP-DOWN SUBSIDIARY

VirStra I Technology (Singapore) Pte Ltd
300, Tampines Avenue-5
#05-05, Tampines Junction
Singapore-529 653

Branch Offices in India

A. **Mumbai**
Wellington Business Park
405-408,4th Floor,
Near S.M Centre,
Marol Naka, Andheri Kurla Road
Andheri (East)
Mumbai-400 059
India

B. **Chennai**
Plot No. 38,
Building No. 40,
II Main Road
Ambattur Industrial Estate Ambattur
Chennai-600 058
India

Branch Offices in Overseas Locations

A. **London (UK)**
Nucleus Software Exports Ltd.
29th Floor, 1 Canada Square
Canary Wharf
London E14 5DY,
UK

B. **Dubai (U.A.E)**
Nucleus Software Exports Ltd
Office #305, EIB Building # 05,
Dubai Internet City (DIC),
Dubai
U.A.E.

- **Investor Correspondence may be addressed to:**
  The Company Secretary
  Nucleus Software Exports Ltd.,
  33-35, Thyagraj Nagar market
  New Delhi-110003.
  India
  Tel: +91-(120)-2404050
  Fax: +91-(120)-2403972
  Email: investorrelations@nucleussoftware.com

- **Other General Shareholder Information**

  The other mandatory and additional information of interest to investors is voluntarily furnished in a separate section "Shareholders' Referencer" elsewhere in this Report.

- **Code of Insider Trading**

  In pursuance of the Securities Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the Board has laid down "Code of Conduct for the Board has laid down "Code of Conduct for Prevention of Insider Trading" with the objective of preventing purchase and/or sale of shares of the Company by an Insider on the basis of unpublished price sensitive information. Under this Code, Insiders (Officers, Designated Employees and their dependents) are prevented to deal in the Company's shares during the closure of Trading Window. To deal in Securities beyond limits specified, permission of Compliance Officer is required. All Directors/ Officers/Designated Employees are also required to disclose related information periodically as defined in the Code, which in turn is being forwarded to Stock Exchanges, wherever necessary. Company Secretary has been designated as Compliance Officer for this Code.

Compliance with Non-Mandatory Requirements of Clause 49 of the Listing Agreement

Clause 49 of the Listing Agreement mandates us to obtain a certificate from either the auditors or practicing company secretaries regarding compliance of conditions of Corporate Governance as stipulated in the Clause and annex the certificate with the Directors' report, which is sent annually to all our shareholders. We have obtained a certificate to this effect and the same is given as an annexure to the Directors' report.

The Clause further states that the non-mandatory requirements may be implemented as per our discretion. We comply with the following non-mandatory requirements:

a. Remuneration Committee

We have instituted a Remuneration Committee, which recommends the remuneration payable to Directors based on their contribution to the growth and development of the Company. A detailed note on the committee has been provided under 'Remuneration Committee' in the report.

b. Shareholder Rights

The Clause states that a half-yearly declaration of financial performance including summary of the significant events in the last six months, may be sent to each household of shareholders.

We communicate with investors regularly through e-mail, telephone and face-to-face meetings in investor conferences or company visits. We also leverage the Internet in communicating with our investor base.

The announcement of quarterly results is followed by press conferences and earnings conference calls. Transcripts of the earnings calls are posted on our website www.nucleussoftware.com,

Highlights of the results are also available on the Company website with a comparison with previous quarters/years.

c. Training of Board Members

The Management gives various presentations to Directors giving an overview of latest happenings in the corporate world. They are apprised of their role, responsibilities and liabilities. The Board of Directors are briefed on all business related matters. Risk assessment, mitigation procedures and new initiatives proposed by the Company.

During the year, Directors have attended various external training / Executive education programmes conducted by reputed institutions. These programmes provided an appreciation of what makes effective board members, their roles and responsibilities, especially in the context of the regulatory environment, stakeholder objectives as well as social responsibilities.

d. Mechanism for Evaluating Non-Executive Board Members

With clear guidelines on the expectation of duties, and effective redressal processes. Directors of our Company maintain a high level of accountability. In addition, there is also sufficient disclosure and transparency in the Company operations to enable shareholders to monitor the performance of the Directors and Management

The Non-Executive Directors regularly hold executive sessions during each Board meeting without the Managing Director. These sessions allow Non-Executive/Independent Directors to discuss the effectiveness of Management, the quality of Board meetings and other issues or concerns. Open communication further ensures effectiveness and accessibility to every Board member. Boards' willingness to engage in self-assessment is a model for the rest. It indicates that Board members take their responsibilities very seriously. Their interest in self-improvement sets a tone for others in the Company to engage in ongoing review of their tasks.

The Company has appointed a reputed external consulting body to carry out a comprehensive review and evaluation of Board Performance, Committee Performance and Individual Directors' Performance.

e. Whistle-Blower policy

Nucleus is committed to conduct its business in accordance with the applicable laws, rules and regulations, and with highest standards of business ethics. Nucleus does not tolerate any malpractice, impropriety, abuse or wrongdoing. The Company wishes that Nucleites too participate in this process and has instituted a Whistler Blower Policy, a mechanism for employees to report concerns about unethical behavior, actual or suspected fraud, or violation of our code of conduct or ethics policy. The Whistle Blower Policy provides the opportunity to every Nucleite to raise his or her concern, by name or on an anonymous basis on alleged breaches of internal or external regulations or other irregularities. We further affirm that during the financial year 2009-10, no employee has been denied access to the Audit Committee.

Compliance with Corporate Governance Voluntary Guidelines 2009 issued by MCA

The Ministry of Corporate Affairs (MCA) released in December 2009, the Voluntary Guidelines on Corporate Governance, drawn from best practices. Although voluntary in nature, the listed companies are expected to be proactive in compliance of these Guidelines and provide reasons of non-compliance of any section, if any.

The Company is already compliant with most of the sections of these Guidelines. In addition, in the financial year 2011, the Company has appointed a reputed external consulting body to carry out a comprehensive review and evaluation of Board Performance, Board Committees Performance and Individual Directors' Performance.

Moreover, the Company had already put in place a policy for Rotation of Statutory Auditors, and accordingly, the appointment of new auditors has been placed for approval by the shareholders in the forthcoming Annual General Meeting. A process has also been already put in place to obtain an Annual Certification of Auditor's independence and arm's length relationship with the Company.

There are only three suggestions, where the Company is partly but not fully compliant, the Corporate Governance Committee of the Company has charted out the plan for the implementation as below:

S. No.	Suggestions as per Corporate Governance Voluntary Guidelines 2009 issued by MCA		Action Plan implemented/ to be implemented, for ensuring compliance
I.	**BOARD OF DIRECTORS**		
A.	**APPOINTMENT OF DIRECTORS**		
A.1	Appointments to the Board	Companies should issue formal letters of appointment to Non- Executive Directors (NEDs) and Independent Directors - specifying the terms, expectations, fiduciary duties, provision for directors and officers insurance, list of actions that a director should not do and the remuneration including sitting fees and stock options.	New Letters of Appointment to the Non - Executive Directors (NEDs) and Independent Directors are being re-drafted to include all the terms as specified in the Guidelines, and will be issued very shortly.
B.	**INDEPENDENT DIRECTORS**		
B.1	Attributes for Independent Directors	1. The Board should put in place a policy for specifying positive attributes of Independent Directors, which may be subject to approval of shareholders. 2. Disclosure about such policy should be made by the Board in its report to the shareholders.	A brief on the positive attributes of Independent Directors has already been in place and is also included in the Annual Report. However, this brief is now being converted into a Policy Document and shall be formally adopted by the Board and communicated to the shareholders.
C.	**REMUNERATION COMMITTEE**		
C.2	Remuneration Committee	The committee should consider remuneration for Executive Director's and senior management.	The Charter of Remuneration Committee already includes consideration of remuneration of the Directors. Now the Charter is being revised to include consideration of remuneration of Senior Management also.

Non-compliance

The only suggestion with which the Company is not compliant, and may not be compliant in the future also, is with regard to the tenure of the Independent Directors. It suggests that an Individual may not remain as an Independent Director in a Company for more than six years.

At Nucleus, all Independent Directors (except Mr. Janki Ballabh, Chairman), have been with the Company for more than 6 years. The tenure of the Independent Directors (as on 31st March, 2010) is as follows:

Director	Position	No. of Years
Mr. Janki Ballabh	Chairman, Independent, Non-Executive Director	1.25
Mr. Prithvi Haldea	Independent, Non-Executive Director	8.5
Mr. Sanjiv Sarin	Independent, Non-Executive Director	8.5
Mr. Arun Shekhar	Independent, Non-Executive Director	14.0

Some of the outstanding qualities of the Independent Directors at Nucleus are:

- High level of education
- Reputation of Character and Integrity
- Specialist /Experts in functional areas
- General Management exposure and experience
- Industry Awareness
- Global Awareness
- Entrepreneurial Experience

The profiles of each Independent Director, given elsewhere in this Report, clearly demonstrate the above qualities.

All these Directors are not only professionally but also financially independent and well settled in their own fields of professional expertise and are not dependent on Nucleus in any material way for their financial well-being. Each one of them also devotes valuable time to the Board and other Committee meetings, which typically last for a full day each. Moreover, each agenda item is discussed at length and its impact on minority shareholders is examined in great detail.

The Company has valued the position of Independent Directors, and for the past over a decade, all Directors, except the Managing Director, have been Independent Directors. Even presently, eighty per cent of the Board comprise of Independent, Non-Executive Directors. Moreover, the Chairman of the Board, who was earlier the Chairman of State Bank of India and also a member of CVC, is a highly professional and an intense Independent Director and ensures total independence of all the Directors in the Board.

Under the able guidance of these Independent Directors, the Company has set high standards of Corporate Governance. This is also substantiated by the fact that for the past four consecutive years, the Company has been selected as the Top 25 Companies adopting "Good Corporate Governance Practices" by the Institute of Company Secretaries of India (ICSI).To add to this, their knowledge and insights have helped the Company in following best financial disclosures and practices, which has been recognized through the award of a Gold Shield for the second consecutive year by the Institute of Chartered Accountants of India (ICAI), when the Annual Report and Accounts of the Company were adjudged as the Best under the category 'Information Technology, Communication and Entertainment Enterprises' companies of the 'ICAI Awards for Excellence in Financial Reporting'.

The Board has considered and deliberated on the voluntary guidelines, and is of the view that the continuation of the above three Independent Directors beyond six years is critical for the growth of the Company given the diverse knowledge, experience and expertise that they have brought to the Board, the deep understanding of the Company and the industry, their intense involvement in the deliberations and decisions of the Board. And their independence which is provable beyond any doubt, and that it would in fact be detrimental to the Company's interests to retire any of these Directors.

SHAREHOLDERS' REFERENCER

Shareholders' Referencer

A. Historical Perspective

– Nucleus was incorporated on January 9, 1989 in the state of Delhi, India.

– The Company's Registered Office is situated at 33-35, Thyagraj Nagar Market, New Delhi-110003, India and Corporate office at A-39, Sector 62, Noida (U.P.), India.

– The Company made an IPO in August 1995. 1,168,900 equity shares, face value Rs.10/-each, were issued to Indian public at a premium of Rs.40/- per share and 331,500 equity shares, face value Rs.10/-each, were issued to Non Resident Indians at a premium of Rs.50/-per share.

– History of Bonus issues at Nucleus is as under:

Allotment Date	Ratio	No. of Shares
September 24, 1994	60:1	876,000
December 27, 1994	57:100	576,270
October 22, 2001	1:2	2,637,050
August 10, 2004	1:1	8,045,406
August 8, 2007	1:1	16,182,312

– Preferential Issue- The Company had allotted 1,875,500 equity shares of Rs.10/- each on preferential basis to the promoters/ associates and permanent employees of the Company at a price of Rs.103.15/- per share inclusive of share premium on June 22, 2001.

B. Share Related Data

– The Shares of Nucleus are listed on The National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Madras Stock Exchange Limited.

– Scrip Code of Nucleus on NSE is NUCLEUS and on BSE is 531209. The Company's shares are traded in "Group B-1" category at the Bombay Stock Exchange Ltd.

– International Securities Identification Number (ISIN code-NSDL and CDSL) is INE096B01018.

– Face value of the Company's equity shares is Rs.10.

– Shares of the Company are compulsorily traded in demat form.

– 96.85% of the Company's equity shares are in demat form.

– The Company had 18,366 shareholders as on March 31, 2010.

– The Company has not issued any GDRs/ADRs. The Company has granted options to employees under ESOP (2002), ESOP (2005) and ESOP (2006) scheme. The options if exercised at the end of the vesting period shall be converted into equity shares. The number of options vested/due for vesting under various plans as on March 31, 2010 are:

ESOP (1999) Plan	–	Nil
ESOP (2002) Plan	–	73,300
ESOP (2005) Plan	–	85,400
ESOP (2006) Plan	–	101,074

On exercise of stock options granted before Bonus Issue, option holders are entitled to Bonus Shares in the ratio of 1:1 pursuant to approval of Bonus Issue by the shareholders in the Annual General Meeting held on July 6, 2007.

– The Company's Registrar and Share Transfer Agent is M/s Karvy Computershare Private Limited, Plot No. 17-24, Vithal Rao Nagar, Madhapur, Hyderabad 500 081.

C. Dividend

The Board of Directors recommended a Final Dividend of Rs. 2.50/- per share, on equity share capital (25% on equity share of par value of Rs.10/-) at their meeting held on April 25, 2010. The payment is subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company.

- **Dividend Policy**

  The Dividend Policy of the Company is to maintain the dividend payout, in the range of 15-30% of the profits available for distribution, subject to:

  a) Provisions of the Companies Act, 1956 and other applicable laws.

  b) Availability of funds in the Company

  The Board of Directors reviews the Dividend Policy periodically.

- **Dividend History**

  The Dividend declared and paid in the previous financial years is given below:

Financial Year	Dividend Percentage (%)	Per Share (in Rs.)	Pay Out (In Rs. Crore)
2008-09	25%	2.50	8.09
2007-08*	30%	3.00	9.71
2006-07	35%	3.50	5.64
2005-06	35%	3.50	5.64
2004-05*	25%	2.50	4.02
2003-04	25%	2.50	2.01
2002-03	20%	2.00	1.58
2001-02	20%	2.00	1.58
2000-01	20%	2.00	0.68

**The dividend payout in 2004-05 and 2007-08 was on the enhanced capital consequent to 1:1 bonus issue made during the respective years.*

The Board had not recommended any Dividend prior to financial year 2000-2001.

D. Stock Market Data

i. Bombay Stock Exchange Ltd.

Monthly open, close, high and low quotations and volume of the Company's shares traded at Bombay Stock Exchange Ltd. during the year 2009-2010:

Month	Open (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)	Total Volume
April '09	49.05	78.35	49.05	60.70	677,415
May '09	64.80	100.00	62.50	84.80	2,909,397
Jun' 09	87.00	122.90	77.35	84.70	5,342,956
July' 09	83.85	101.00	74.40	91.35	2,282,343
Aug '09	91.35	131.50	91.00	121.90	6,303,485
Sept '09	122.70	128.25	112.60	114.80	2,886,411
Oct '09	114.10	120.00	101.00	106.70	2,891,386
Nov '09	108.10	120.25	98.50	110.30	2,059,883
Dec '09	112.70	164.25	109.00	158.65	9,912,455
Jan '10	159.55	162.00	120.00	125.20	1,554,903
Feb '10	125.00	134.50	115.50	118.30	526,518
Mar '10	119.25	150.60	119.25	137.65	1,264,465
Total Shares traded during the year					**38,611,617**

ii. National Stock Exchange of India Ltd.

Monthly open, close, high and low quotations and volume of the Company's shares traded at National Stock Exchange of India Ltd. during the year 2009-2010:

Month	Open (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)	Total Volume
April '09	50.40	78.00	50.00	61.05	1,827,194
May '09	64.00	99.90	58.80	84.70	4,562,287
Jun' 09	87.80	120.80	77.00	84.95	10,524,202
July' 09	84.95	100.70	74.20	91.25	4,248,633
Aug '09	93.00	138.00	92.00	122.05	13,602,892
Sept '09	122.85	127.85	112.60	115.00	6,652,976
Oct '09	115.00	119.90	102.25	106.70	7,099,328
Nov '09	103.20	123.70	98.55	110.15	4,538,341
Dec '09	112.85	164.00	110.50	158.80	21,037,950
Jan '10	159.95	161.95	120.15	125.75	3,577,942
Feb '10	121.20	134.65	117.35	118.45	1,285,645
Mar '10	119.60	150.95	119.00	137.90	2,366,031
Total Shares traded during the year					**81,323,421**

Note:

1. *The highest share price of the Nucleus scrip at Bombay Stock Exchange Ltd. was Rs.164.25 in December 2009 and the lowest share price was Rs.49.05 in April 2009.*
2. *The highest share price of the Nucleus scrip at National Stock Exchange was Rs.164 in December 2009 and the lowest share price was Rs.50 in April 2009.*

iii. Quarterly high -low price history of the Company's share for the year 2009-10

	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
During Quarter ended				
June 30, 2009	122.90	49.05	120.80	50.00
September 30, 2009	131.50	74.40	138.00	74.20
December 31, 2009	164.25	98.50	164.00	98.55
March 31, 2010	162.00	115.50	161.95	117.35

E. Financial Reporting to the Shareholders

i. The Company initiated a practice of sending audited quarterly results in the form of a printed Quarterly Report to the shareholders since December 1999. From the first quarter of the financial year 2009, the Company has started releasing the Quarterly Report, in the form of a soft copy only and is uploaded on the Company's website www.nucleussoftware.com. This will not only result in prompt information disposal to the shareholders but also contribute in saving paper thus saving trees and help in making the planet greener.

These reports contain audited financials of the parent Company along with the Auditors Report thereon, Unaudited consolidated financials of the Company and subsidiaries and a detailed analysis of results under "Management Discussion and Analysis".

ii. The Company sends Quarterly and Annual Results alongwith the Press Release to the shareholders through e-mail.

ii. The Company issues Annual Report at the end of each financial year and the same is mailed to the shareholders. The Annual Reports are also available online on Company's website at: www.nucleussoftware.com

iii. The Company holds Earnings Conference Call at the end of each quarter to report the progress made during the quarter. The transcript of all the Earnings Conference Calls till date are available online on Company's website at: www.nucleussoftware.com

iv. The Company also sends an instant alert of the results, as soon as they are declared, to all those who register themselves on the Company's website. Those desirous of getting results as and when announced may register themselves on the Company's website.

v. The Company has sent Annual Report for the year 2008-09 to all the available e-mail ID's of shareholders. Those desirous of getting Company communications via e-mail may lodge a request on the Investor page of the Company's website or get their e-mail registered with their Depository Participant (DP).

F. Investors' Services

i. Details of Complaints/Requests received during the year:

Nature of Complaints/ Requests	No. of Complaints/Requests received during the year	resolved during the year	pending at the end of the year
Non- Receipt of Dividend Warrant	24	24	Nil
Revalidation of Dividend Warrant	40	40	Nil
Issue of duplicate Share Certificate	1	1	Nil
Non receipt of Share Certificate	2	2	Nil
Non-Receipt of Annual Report	11	11	Nil

The Company has attended to most of the investors' grievances/correspondence within a period of 7-10 days from the date of receipt of the same, during the year 2009-10.

ii. Registrars of Company

Share Transfers in physical form and other communication regarding share certificates, dividends, de-materialization of physical shares and change of address may be addressed to the Registrars of the Company at the following address:

Karvy Computershare Pvt. Ltd.
Plot No. 17-24, Vithal Rao Nagar,
Madhapur, **Hyderabad-500 081**
Tel: 040-23420815-18
Fax: 040-23420814
Email: mailmanager@karvy.com

iii. Share Transfer System

The Company's shares are currently traded in dematerialised form; transfers are processed and approved in the electronic form by NSDL/CDSL through their Depository Participants.

The Shareholders/Investor Grievance Committee is authorised to approve transfer of shares, which are received in physical form, and the said Committee approves transfer of shares.

All requests for dematerialisation of shares are processed and confirmation is given to the respective Depositories i.e. National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL) within 15 days.

The Company has De-materialised 31,351,358 shares (96.85% of the paid up share capital) as at March 31, 2010.

The Company obtains from a Company Secretary in practice half –yearly certificate of compliance with the share transfer formalities as required under Clause 47 (c) of the Listing Agreement and files a copy of the certificate with the Stock Exchanges.

iv. Investor Service and Grievance Handling Mechanism

The largest Registrar in the country, Karvy Computershare Private Ltd., handles all share related transactions viz. transfer, transmission, transposition, nomination, dividend, change of name/address /signature, registration of mandate/Power of attorney, replacement/split/consolidation of share certificates/ demat/remat of share/issue of duplicate certificates etc.

Investors are requested to correspond directly with Karvy, on all matters relating to shares. The Company has an established mechanism for investor service and grievance handling with Karvy and the Compliance Office of the Company. Following are the contact details of the Registrar:

Karvy Computershare Pvt. Ltd.
Plot No. 17-24, Vithal Rao Nagar,
Madhapur, **Hyderabad-500 081**
Tel: 040-23420815-18
Fax: 040-23420814
Email: mailmanager@karvy.com

v. Designated e-mail Address for Investor Services

In terms of clause 47(f) of the Listing Agreement, the designated e-mail address for investor complaints/requests is investorrelations@nucleussoftware.com.

vi. Secretarial Audit

A qualified practising Company Secretary has carried out Secretarial Audit every quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. and the total issued and listed capital. The audit confirms that the total issued / paid up capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

vii. Legal Proceedings

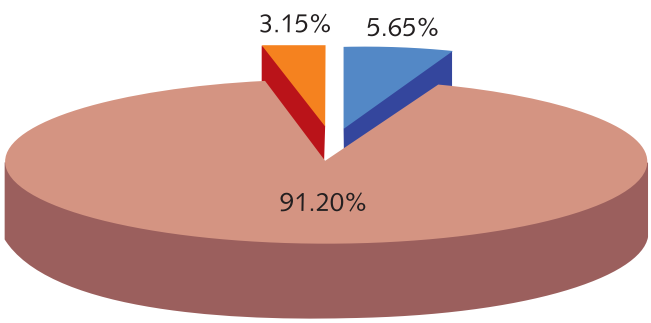
There was one legal proceeding pending against the Company in the Court relating to termination of employment as on March 31, 2010. This proceeding has been fully settled during current financial year.

G. Shareholding Data

i. Distribution of Shareholding

No of Equity Shares Held	As on March 31, 2010				As on March 31, 2009			
	Share Holders		Shares		Share Holders		Shares	
	No.	%	No.	%	No.	%	No.	%
1-100	10,665	*58.07*	477,229	*1.47*	8,507	*64.12*	344,320	*1.06*
101-200	2,970	*16.17*	522,028	*1.61*	1,600	*12.05*	284,029	*0.88*
201-500	2,501	*13.62*	890,314	*2.75*	1,405	*10.59*	503,258	*1.55*
501-1000	1,256	*6.84*	921,882	*2.85*	874	*6.59*	646,483	*2.00*
1001-5000	757	*4.12*	1,610,672	*4.98*	677	*5.11*	1,462,235	*4.52*
5001-10000	108	*0.59*	770,095	*2.38*	90	*0.68*	650,433	*2.01*
10001 and above	109	*0.59*	27,177,804	*83.96*	113	*0.86*	28,479,266	*87.98*
TOTAL	**18,366**	***100.00***	**32,370,024**	***100.00***	**13,266**	***100.00***	**32,370,024**	***100.00***

Shares held in Physical and Dematerialised form as on March 31, 2010



ii. Categories of Shareholders

Category	As on March 31, 2010			As on March 31, 2009		
	No. of Share Holders	Voting Strength (%)	No. of Shares Held	No. of Share Holders	Voting Strength (%)	No. of Shares Held
Promoter and Promoter Group	10	59.55	19,276,990	11	59.55	19,276,990
Individuals	17,268	20.45	6,619,345	12,463	17.92	5,802,607
Bodies Corporates	732	3.71	1,201,417	506	6.91	2,235,164
OCBs and NRIs	334	1.70	551,174	265	1.61	520,051
FII's	10	7.88	2,550,111	14	9.96	3,224,883
Mutual Funds	12	6.71	2,170,987	6	4.05	1,310,129
Banks and Financial Institutions	–	–	–	1	NA	200
Total	**18,366**	**100.00**	**32,370,024**	**13,266**	**100.00**	**32,370,024**

iii. Shares under Lock-in

There are no shares under Lock in as on March 31, 2010.

iv. Share Transfers, Demat and Remat

The details of shares transferred in physical form, dematerialised and rematerialised during the year ended March 31, 2010 are given below:

No. of Shares Transferred in physical form	4,956
No. of Shares Dematerialised	28,400
No. of Shares Rematerialised	104

H. Board Practices

Directors and their term of office

Name of Director	Expiration of current term of office	Term of office
Mr. Janki Ballabh		Retirement by rotation
Mr. Vishnu R Dusad	December 31, 2011	Five years
Mr. Arun Shekhar Aran		Retirement by rotation
Mr. Sanjiv Sarin		Retirement by rotation
Mr. Prithvi Haldea		Retirement by rotation

The Companies Act, 1956 mandates that not less than two thirds of the members of the Board of Directors should retire by rotation, of which one third of such members should retire every year, and qualifies the retiring members for re-appointment.

I. Directors, Senior Management and Employees of the Company

The Directors of the Company and executive officers including of Subsidiaries, their respective ages as on Balance Sheet date and their respective positions with the Company are as follows:

i. Management Structure

Name	Position	Age
Janki Ballabh	Chairman	67
Vishnu R Dusad	CEO & Managing Director	53
Arun Shekhar Aran	Non-Executive Director	51
Prithvi Haldea	Non-Executive Director	59
Sanjiv Sarin	Non-Executive Director	51
Niraj Vedwa	Chief Operating Officer	44
Pramod Kumar Sanghi	President - Finance & Chief Financial Officer	55
Ravi Verma	President and Global Head- Human Resource	50
Ravi Pratap Singh	President	49
Prakash Pai	President	49
Anurag Bhatia	Senior Vice President	44
Deep Sanwarlal Singhania	Senior Vice President	41
Parminder Bansil	Senior Vice President	41
Sushil Tyagi	Senior Vice President	40
Alok Agarwal	Vice President	38
Inamdar Bhalchandra C	Vice President	49
Parag Bhise	Vice President	45
R. Venkatraman	Vice President	40
Sanjeev Kulshreshtha	Vice President	46
Sourabh Palit	Vice President	41
Vishnu Rao Nandamuri	Vice President	46

ii. **Employee Structure**

1. **Employee strength globally including employees of subsidiaries.**

As at March 31,	2010		2009	
	%	No.	%	No.
– Technical Staff	1,201	77.09	1,707	81.95
– Non-Technical Staff including Business Development Group	357	22.91	376	18.05
Gender classification of employees is:				
– Male	1,248	80.10	1,608	77.20
– Female	310	19.90	475	22.80
Total	**1,558**	**100.00**	**2,083**	**100.00**

2. **The age profile of employees**

As at March 31,	2010		2009	
	%	No.	%	No
Between 20 and 25 years	214	13.73	443	21.26
Between 26 and 30 years	649	41.66	926	44.45
Between 31 and 40 years	618	39.67	634	30.44
Between 41 and 50 years	62	3.98	62	2.98
Between 51 and 60 years	13	0.83	16	0.77
61 & above	2	0.13	2	0.10
Total	**1,558**	**100.00**	**2,083**	**100.00**

J. Financial Calendar for the year 2009-10

(Tentative and subject to change)

i.	**Financial Reporting**	
	For the first quarter ending June 30, 2010	between 20th to 31st of July 2010
	For the second quarter ending September 30, 2010	between 20th to 31st of October 2010
	For the third quarter ending December 31, 2010	between 20th to 31st of January 2011
	For the year ending March 31, 2011	between 21st to 30th of April 2011
ii.	**Annual General Meeting**	
	For the year ending March 31, 2010	June 24, 2010
	For the year ending March 31, 2011	July 2011
iii.	**Dividend**	
	Date of Book Closure for AGM and payment of Dividend	June 17, 2010 to June 24, 2010 (both days inclusive)
	Dividend Payment Date	Within 30 days from the date of declaration in Annual General Meeting
iv.	**The fiscal year of Nucleus is from April 1 to March 31.**	

K. Shareholder Satisfaction Survey

Your Company is in constant endeavor to offer better and prompt services to its shareholders and in an effort to achieve this objective, a Shareholder Satisfaction Survey is conducted yearly, to assess the level of satisfaction among Nucleus shareholders and identify areas of strengths and weakness of Nucleus perceived by the shareholders.

You may fill the feedback form online on the Company's website www.nucleussoftware.com under the Investors section.

L. Unclaimed Dividend

Prior to amendment of Section 205A and enactment of Section 205C by the Companies (Amendment) Act, 1999, companies were required to transfer to the General Revenue Account of the Central Government, any moneys transferred to the 'unpaid dividend account' and which remained unpaid or unclaimed for a period of 3 years from the date of transfer to the unpaid dividend account. With effect from October 31, 1998, any moneys transferred to the 'unpaid dividend account' of the Company and remaining unpaid or unclaimed for a period of 7 years from the date it becomes due, shall be transferred to the Investor Education and Protection Fund (IEPF). Investors are requested to note that no claims shall lie against the Company or IEPF for any moneys transferred to IEPF in accordance with the provisions of Section 205C of the Companies Act, 1956.

Shareholders are cautioned that once unclaimed dividend is transferred to IEPF, no claim shall lie in respect thereof with the Company.

Unclaimed dividends for the financial years 2000-2001 & 2001-2002 have been transferred to the IEPF in accordance with the provisions of Section 205C of the Companies Act, 1956.

The dates for declaration of dividend for each financial year and due dates for transfer to IEPF is mentioned herein below:

Financial Year	Date of declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to Investor Education and Protection Fund
2002-2003 (Final)	July 8, 2003	July 7, 2010	August 6, 2010
2003-2004 (Final)	July 8, 2004	July 7, 2011	August 6, 2011
2004-2005 (Final)	July 8, 2005	July 7, 2012	August 6, 2012
2005-2006 (Final)	July 8, 2006	July 7, 2013	August 6, 2013
2006-2007 (Interim)	March 13, 2007	March 12, 2014	April 11, 2014
2007-2008 (Final)	July 8, 2008	July 7, 2015	August 6, 2015
2008-2009 (Final)	July 8, 2009	July 7, 2016	August 6, 2016

Shareholders who have not encashed their dividend warrant(s) relating to one or more of the financial year (s) are requested to claim such dividend from Registrars of the Company at the following address:

Karvy Computershare Pvt. Ltd.
Plot No. 17-24, Vithal Rao Nagar,
Madhapur,
Hyderabad 500 081

M. Frequently Asked Questions

i. Dividend

What is the ECS facility and how does it work?

Reserve Bank of India's Electronic Clearance Service (ECS) Facility provides investors an option to collect dividend / interest directly through their bank accounts rather than receiving the same through post. Under this option, investor's bank account is directly credited and an advice thereof is issued by the Company after the transaction is effected. The concerned bank branch credits investor's account and indicate the credit entry as "ECS" in his / her passbook / statement of account. If any investor maintains more than one bank account, payment can be received at any one of his / her accounts as per the preference of the investor. The investor does not have to open a new bank account for the purpose.

What are the benefits of ECS facility?

Some of the major benefits of ECS Facility are:

a. Shareholder need not make frequent visits to his bank for depositing the physical paper instruments.

b. Prompt credit to the bank account of the investor through electronic clearing at no extra cost.

c. Exposure to delays / loss in postal service avoided.

d. As there can be no loss in transit of warrants, issue of duplicate warrants is avoided.

e. Fraudulent encashment of warrants is avoided.

How to avail ECS facility?

Investors holding shares in physical form may send their ECS Mandate Form, duly filled in, to the Company's R&T Agent. ECS Mandate Form is enclosed for immediate use of investors. The Form may also be downloaded from the Company's website under the section "Investors". However, if shares are held in dematerialised form, ECS mandate has to be sent to the concerned Depository Participant (DP) directly, in the format prescribed by the DP.

Can ECS Facility be opted out by the investors?

ECS would be an additional mode of payment. Investors have the right to opt out from this mode of payment by giving an advance notice of four weeks either to the Company's R&T Agent or to the concerned DP, as the case may be.

What is payment of dividend through NEFT Facility and how does it operate?

NEFT denotes payment of dividend electronically through RBI clearing to selected bank branches, which have implemented Core Banking solutions (CBS). This extends to all over the country, and is not necessarily restricted to the 68 designated centres where payment can be handled through ECS. To facilitate payment through NEFT, the shareholder is required to ensure that the bank branch where his/her account is operated, is under CBS and also records the particulars of the new bank account with the DP with whom the demat account is maintained.

What should one do in case he does not receive dividend?

Shareholders may write to the Company's R&T Agent furnishing the particulars of the dividend not received and quoting the folio number/client ID particulars (in case of dematerialized shares). The R&T Agent shall check the records and issue duplicate dividend warrant if the dividend remains unpaid in the records of the Company after expiry of the validity period of the warrant. The Company would request the concerned shareholders to execute an indemnity before issuing the duplicate warrant. If the validity period of the lost dividend warrant has not expired, shareholders will have to wait till the expiry date since duplicate warrant cannot be issued during the validity of the original warrant. On expiry of the validity period, if the dividend warrant is still shown as unpaid in records of the Company, duplicate warrant will be issued. However, duplicate warrants will not be issued against those shares wherein a 'stop transfer indicator' has been instituted either by virtue of a complaint or by law, unless the procedure for releasing the same has been completed. No duplicate warrant will be issued in respect of dividends, which have remained unpaid / unclaimed for a period of seven years in the unpaid dividend account of the Company as they are required to be transferred to the Investor Education and Protection Fund (IEPF) constituted by the Central Government.

Why should one wait till the expiry of the validity period of the original warrant?

Since the dividend warrants are payable at par at several centers across the country, banks do not accept stop payment' instructions. Hence, shareholders have to wait till the expiry of the validity of the original warrant.

How to get dividend by direct electronic deposit to bank account?

While opening accounts with Depository Participants (DPs), shareholders are required to give details of their Bank Accounts, which will be used by the Company for direct credit of the dividend to the respective accounts. However, members who wish to receive dividend in an Account other than the one specified while opening the Depository Account may notify their DPs about any change in Bank account details. Members are requested to furnish complete details of their bank accounts including MICR codes of their banks to their DPs.

ii. Dematerialization/ Rematerialisation

What is De-materialisation of shares?

Dematerialisation (Demat) is the process by which securities held in physical form evidencing the holding of securities by any person are cancelled and destroyed and the ownership thereof is entered into and retained in a fungible form on a depository by way of electronic balances. The two depositories presently functioning in India are National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Why dematerialise shares? What are the benefits of De-materialising the Share Certificate?

SEBI has notified various companies whose shares shall be traded in demat form only. By virtue of such notification, the shares of the Company are also subject to compulsory trading only in demat form on the stock exchange.

Benefits of Demat

- Elimination of bad deliveries.
- Elimination of all risks associated with physical certificates.
- No stamp duty on transfers.
- Faster settlement cycle.
- Immediate transfer/trading of securities.
- Faster disbursement of non-cash corporate benefits like rights, bonus etc.
- Lower brokerage is charged by many brokers for trading in dematerialised securities.
- Periodic status reports and information available on Internet.
- Ease related to change of address of investors.
- Elimination of problems related to transmission of demat shares.
- Ease in portfolio monitoring.

How to dematerialise shares?

The procedure for dematerialising the shares is as under:

- Open Beneficiary Account with a Depository Participant (DP) registered with SEBI.
- Submit Demat Request Form (DRF) as given by the DP, duly signed by all the holders with the names and signatures in the same order as appearing in the concerned certificate(s) and the Company's records.
- Obtain acknowledgment from the DP on handling over the share certificate (s) along with the DRF.

- Demat confirmations are required to be completed in 21 days as against 30 days (excluding time for dispatch) for physical transfer. Service standards prescribed by the Company for completing demat is three days from the date of receipt of requisite documents for the purpose.
- Receive a confirmation statement of holdings from the DP. Statement of holdings is sent by the DPs from time to time. Presently confirmation is given by DPs on an immediate basis through email or SMS facilities, thus enabling shareholders to further trade in the securities immediately.

What is the SMS alert facility?

NSDL and CDSL have launched SMS Alert facility for demat account holders whereby investors can receive alerts for debits (transfers) to their demat accounts and for credits in respect of corporate actions for IPO and offer for sale. Under this facility, investors can receive alerts, a day after such debits (transfers) / credits take place. These alerts are sent to those account holders who have provided their mobile numbers to their Depository Participants (DPs). Alerts for debits are sent, if the debits (transfers) are up to five ISINs in a day. In case debits (transfers) are for more than five ISINs, alerts are sent with a message that debits for more than five ISINs have taken place and that the investor can check the details with the DP.

How does the Company pay dividend on shares De-materialised?

The dividend warrants in respect of all shares, whether held in electronic form or by way of share certificates, are sent by the company directly to the shareholders whose names are on the company's register of members or in the electronic form under the depository system on the designated date to be notified by the Company. While opening Accounts with Depository Participants (DPs), shareholders are required to give details of their bank Accounts, which will be used by the Company for direct credit of the dividend to the respective accounts.

Why cannot the Company take on record bank details in case of dematerialized shares?

As per the Depository Regulations, the Company is obliged to pay dividend on dematerialised shares as per the details furnished by the concerned DP. The Company cannot make any change in such records received from the Depository.

How are transactions effected through the Depository?

After you open an account with a DP, you can buy or sell shares in the electronic form without share certificate or transfer forms, provided the seller/buyer also holds shares in the electronic form.

You can sell the shares in the depository mode through any share broker. All you need to do is to provide him the details of your account with the DP, with a delivery instruction to debit your share account with the number of shares sold by you. When you buy shares in the depository mode, you must, similarly, inform the broker about your depository account details so that the shares bought would be credited to your account with the DP.

What is rematerialisation of shares?

It is the process through which shares held in demat form are converted into physical form by issuance of share certificate(s).

What is the procedure for rematerialisation of shares?

- Shareholders should submit duly filled in Rematerialisation Request Form (RRF) to the concerned DP.
- DP intimates the relevant Depository of the request through the system.
- DP submits RRF to Company's R&TA.
- Depository confirms rematerialisation request to the Company's R&TA.
- The Company's R&TA updates accounts and prints certificate(s) and informs the Depository.
- Depository updates the Beneficiary Account of the shareholder by deleting the shares so rematerialised.
- Share certificate(s) is despatched to the shareholder.

Can one get his original share Certificate?

No, as the share certificates on De-materialisation are cancelled you will not receive the same share certificate on Re-materialisation. The shares represented by De-materialised share certificates are fungible and, therefore, certificate numbers and distinctive numbers become irrelevant.

iii. Transfer / duplicate Certificates etc.

How to get shares registered in favour of transferee(s)?

Transferee(s) need to send share certificate(s) alongwith share transfer deed in the prescribed Form 7B, duly filled in, executed and affixed with share transfer stamps, to the Company's R&T Agent. The statutory time limit for processing the transfer is one month.

Is Permanent Account Number for transfer of shares in physical form mandatory?

SEBI vide its Circular dated May 20, 2009 has stated that for securities market transactions and off-market transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company/ RTA for registration of such transfer of shares.

How can the change in order of names (i.e. transposition) be effected?

Share certificates alongwith a request letter duly signed by all the joint holders may be sent to the Company's R&T Agent for change in order of names, known as 'transposition'.

Transposition can be done only for the entire holdings under a folio and therefore, requests for transposition of part holding cannot be accepted by the Company / R&T Agent.

What is the procedure for obtaining duplicate share certificate(s) in case of loss / misplacement of original share certificate(s)?

Shareholders who have lost / misplaced share certificate(s) should inform the Company's R&T Agent, immediately about loss of share certificate(s) quoting their folio number and details of share certificate(s), if available. The R&T Agent shall immediately mark a 'stop transfer' on the folio to prevent any further transfer of shares covered by the lost share certificate(s). It is recommended that the shareholders should lodge a FIR with the police regarding loss of share certificate(s). They should send their request for duplicate shares to the Company's R&T Agent. Documents required to be submitted alongwith the application include Indemnity Bond, Surety Form, copy of FIR, Memorandum of Association and Certified Copy of Board Resolution (in case of companies).

iv. Change of Address

What is the procedure to get changes in address registered in the Company's records?

Shareholders holding shares in physical form, may send a request letter duly signed by all the holders giving the new address alongwith Pin Code. Shareholders are also requested to quote their folio number and furnish proof such as attested copies of Ration Card / PAN Card / Passport / Latest Electricity or Telephone Bill / Lease Agreement etc. If shares are held in dematerialised form, information about change in address need.

Can there be multiple addresses for a single folio?

There can only be one registered address for one folio.

v. Change of Name

What is the procedure for registering change of name of shareholders?

Shareholders may request the Company's R&T Agent for effecting change of name in the share certificate(s) and records of the Company. Original share certificate(s) alongwith the supporting documents like marriage certificate, court order etc. should be enclosed. The Company's R&T Agent, after verification, will effect the change of name and send the share certificate(s) in the new name of the shareholders. Shareholders holding shares in demat form, may request the concerned DP in the format prescribed by DP.

vi. Nomination Facility:

What is nomination facility and to whom it is more useful?

Section 109A of the Companies Act, 1956 provides the facility of nomination to shareholders. This facility is mainly useful for individuals holding shares in sole name. In the case of joint holding of shares by individuals, nomination will be effective only in the event of the death of all joint holders.

What is the procedure for appointing a nominee?

Investors, especially those who are holding shares in single name, are advised to avail of the nomination facility by submitting the prescribed Form 2B to the Company's R&TA. However, if shares are held in dematerialised form, nomination has to be registered with the concerned DP directly, as per the format prescribed by the DP.

N. Additional Recommendations to the Shareholders / Investors

In order to minimize /avoid unnecessary risk while dealing with Securities and related matters, the following are Company's recommendations to shareholders /investors:

- **Open Demat Account and Dematerialise Your share**

  Investors should convert their physical holding of securities into demat holdings. Holding securities in demat form help investors to get immediate transfer of securities. No stamp duty is payable on transfer of shares held in demat form and risk associated with physical certificates such as forged transfers, fake certificates and bad deliveries are avoided.

- **Consolidate Multiple Folios**

  Investors should consolidate their shareholding held in multiple folios. This would facilitate one-stop tracking of all corporate benefits on the shares and would reduce time and efforts required to monitor multiple folios.

- **Register ECS Mandate and furnish correct bank account particulars with Company/ Depository Participant**

  Investor should provide an ECS mandate to the Company in case of shares held in physical form and ensure that the correct and updated particulars of their bank account are available with the Depository Participant (DP) in case of shares held in demat form. This would facilitate in their receiving direct credits of dividends, refunds etc from companies and avoiding postal delays and loss in transit.

- **Keep holding details confidential**

  Folio number (Client ID and DP ID number in respect of dematerialised securities) should not be disclosed to unknown persons. Signed blank transfer deeds (delivery instruction slips in respect of dematerialised shares) should nor be given to unknown persons.

- **Deal with Registered Intermediaries**

  Investors should transact through a registered intermediary who is subject to regulatory discipline of SEBI, as it will be responsible for its activities, and in case intermediary does not act professionally, investors can take up the matters with SEBI.

- **Mode of Postage**

  Share certificates and high value dividend warrants / cheques/ demand drafts should not be sent by ordinary post. It is recommended that investors should send such instruments by registered post or courier.

- **Permanent Account Number (PAN)**

  It has become mandatory to quote PAN before entering into any transaction in the securities market. The Income Tax Department of India has highlighted the importance of PAN on its website incometaxindia.gov.in wherein lot of queries with respect to PAN have been replied in the FAQ section.

- **Insider Trading**

  In order to prohibit insider trading and protect the rights of innocent investors, SEBI has enacted the SEBI (Prohibition of Insider Trading) Regulations 1992. As per Regulation 13 of the said Regulations initial and continual disclosures are required to be made by investors as under:

  Initial Disclosure

  Any person who holds more than 5% shares or voting rights in any listed company shall disclose to the company in Form A, the number of shares or voting rights held by such person, on becoming such holder, within 2 working days of: (a) the receipt of intimation of allotment of shares; or (b) the acquisition of shares or voting rights, as the case may be.

  Continual Disclosure

  Any person who holds more than 5% shares or voting rights in any listed company shall disclose to the company in Form C the number of shares or voting rights held and change in shareholding or voting rights, even if such change results in shareholding falling below 5%, if there has been change in such holdings from the last disclosure made under sub-regulation (1) or under this sub regulation; and such change exceeds 2% of total shareholding or voting rights in the company.

O. You can contact the following Nucleus personnel for any information:-

Vishnu R Dusad - CEO & Managing Director
Tel: +91 (120) 4031500
E Mail: vishnu@nucleussoftware.com

Niraj Vedwa - Chief Operating Officer
Tel: +91 (120) 4031900
E Mail: niraj@nucleussoftware.com

Pramod K Sanghi - President - Finance & CFO
Tel: +91 (120) 4031800
E Mail: pksanghi@nucleussoftware.com

Ravi Verma - President & Global Head- Human Resource
Tel: +91(120) 4031700
E Mail: ravi.verma@nucleussoftware.com

Poonam Bhasin - Company Secretary
Tel: +91 (120) 4031400
E Mail: poonam@nucleussoftware.com

Corporate Social Responsibility

The world has become so unpredictable, that we only worry about Today and Tomorrow. We do not allow the thought of what might happen day after tomorrow, affect us. As one amongst the Global Leaders, it is our responsibility to look beyond financial numbers and exercise our powers for the betterment of our community at large.

As a global pioneer that creates intellectual property for the banking and financial domain, Nucleus has taken up the responsibility to initiate the **"SAVE OUR INCREDIBLE PLANET"** drive to shoulder the responsibilities to make our planet a better place to live in, not just for today or tomorrow, but also for the many days after tomorrow.

We have divided our efforts into three main concern areas: **1. Society, 2. Environment and 3. Workplace**

1. Nucleus for Society

Each and every one of us is a product of the society that we live in – born in it and nurtured by it. It is the society that had extended its helping hand, while we were growing, and now grown, it's our turn to extend our helping hand to those that are still struggling.

Your Company recognizes the entitlement of differently-abled persons to realization of all human rights and fundamental freedom on equal terms with others in society, without discrimination of any kind. During the year under the guidance of Board of Directors , the Company framed a "Policy for Recruitment of Differently-abled Resources" and hiring process has already initiated .

Your Company has always been proactively participating in blood donation camps and has organized various picnics to spend quality time with the terminally ill children.

Recently, employees of Nucleus combined their forces and generously donated warm clothes for those who could only hope to survive the winter chill. Your Company has also tied up with an institute for the differently-abled, to purchase corporate gifts made by the children themselves. All profits are equally distributed amongst these children, to give them a sense of pride as a wage earner for their families, despite the challenge.

Your Company now also pays for the education of children of its office help staff, those that have stayed with the organization for more than five years. This not only takes care of their tuition fee, but also pays for their books & stationery and their school uniform.

Nucleus has taken up several other initiatives to help create a more friendly community where each one of us contributes to its welfare and sow the seeds of prosperity.

2. Nucleus for Environment

Our planet is soon destined to become a barren space, like Mars, unless we wake up to the reality and take action NOW. We need to take active steps against deforestation and cruelty against animals.

Nucleus has initiated a go-green drive where in we take active measures to save water, paper and energy within the campus. Employees are also encouraged to follow suit at home and spread the message across. Last year, all employees were gifted a sapling on the occasion of Founder's Day Celebration, to initiate the "each one plant one" campaign. The campaign proved to be a huge success as majority of the saplings were planted and are still being nurtured by individuals.

The vast green lawn at corporate headquarters is an effort to ensure rain water harvesting to replenish the water table. Also, the upcoming facility in Jaipur SEZ is being designed to ensure active measures to conserve water. Many more initiatives, in the same direction will be taken in years to come.

3. Nucleus for Workplace

For an organization that creates world class intellectual property, human resource is the most important asset. At Nucleus we realize this fact and have thus launched various employee friendly initiatives that encourage employees to lead a healthy and balanced life. Various fun-filled activities, large-scale celebrations of various festivals, regular inter-department competitions, active encouragement to various hobbies, ensure that the human mind receives enough playground to refresh and rejuvenate.

Nucleites are regularly provided health care tips to safeguard against various wide-spread diseases and to encourage a healthy living.

At Nucleus, we are conscious of our duties towards the community and our planet and are taking active strides towards creating a better planet for us and for future generations.

Economic Value Added

Economic Value Added is a measure of shareholders value. In the field of corporate finance, economic value added is a way to determine the value created, above the required return, for the shareholders of a Company.

It represents the value added to the shareholder's wealth by generating operating profits (less tax) in excess of cost of capital employed to earn that profit.

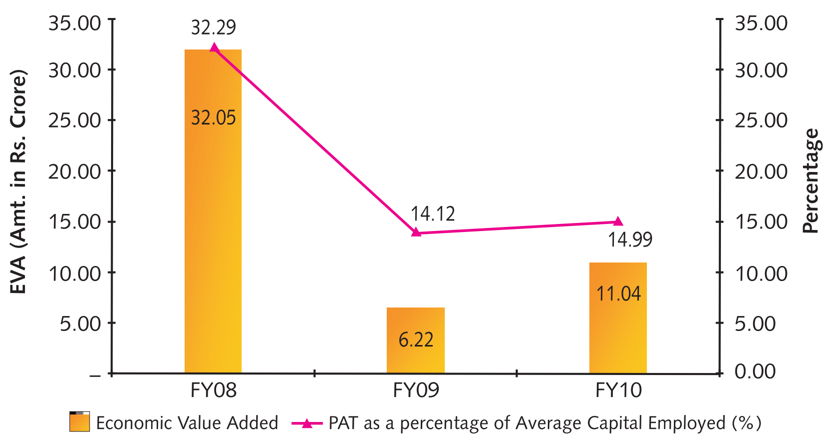
EVA= Net Operating Profit after Taxes - Cost of Capital Employed

(Rs. in crore, except as otherwise stated)

	FY 10	FY 09	FY 08
Cost of Capital			
Risk Free Debt Cost (%)	4.95	4.50	7.35
Market Premium	7.00	7.00	7.00
Beta Variant	0.73	0.62	0.65
Cost of Equity	10.06	8.86	11.90
Average Debt/Total Capital (%)	–	–	–
Cost of Debt-Net of Tax (%)	–	–	–
WACC	10.06	8.86	11.90
Average Capital Employed	256.16	228.45	191.22
PAT as a percentage of Average Capital Employed (%)	14.99	14.12	32.29
Economic Value Added (EVA)			
Operating Profit (excluding extraordinary income)	42.75	36.32	61.56
Less: Tax	5.94	9.86	6.87
Cost of Capital	25.77	20.24	22.64
Economic Value Added	11.04	6.22	32.05
Enterprise Value			
Market Value of Equity	446.38	162.98	615.14
Add: Debt	–	–	–
Less: Cash and Cash Equivalents	162.64	122.18	94.13
Enterprise Value	283.74	40.80	521.01
Ratios			
EVA as a percentage of average capital employed	4.31	2.72	16.76
Enterprise Value/Average Capital Employed	1.11	0.18	2.72

Notes:

1. *Cost of equity = return on risk-free investment + expected risk premium on equity investment adjusted for our beta valient in india.*
2. *Figures above are based on consolidated financial statements.*
3. *Cash and cash equivalents includes investments in liquid mutual funds.*



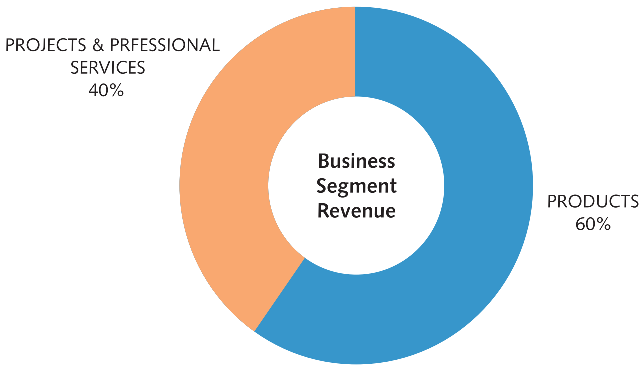
SEGMENT INFORMATION, HISTORICAL PERSPECTIVE AND RATIO ANALYSIS

Consolidated Segment Information of Nucleus Software Group

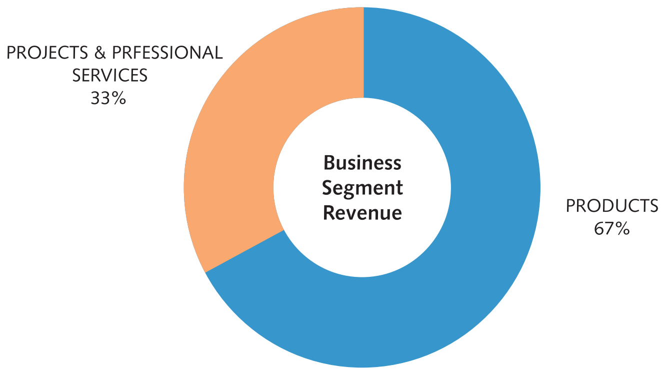
(Rs. in crore)

REVENUE BY	Year ended March 31, 2010	*% of Revenue*	Year ended March 31, 2009	*% of Revenue*
GEOGRAPHICAL SEGMENT				
India	36.80	*12.61*	36.74	*11.19*
Far East	124.39	*42.63*	160.55	*48.89*
South East Asia	61.12	*20.95*	53.30	*16.23*
Europe/U.K.	16.91	*5.80*	21.61	*6.58*
USA & Canada	1.06	*0.36*	0.80	*0.24*
Middle East	37.91	*12.99*	32.02	*9.75*
Africa	6.82	*2.34*	13.16	*4.01*
Rest of the World	6.77	*2.32*	10.22	*3.11*
TOTAL	**291.78**	***100.00***	**328.40**	***100.00***
CURRENCY SEGMENT				
Indian Rupee	36.80	*12.61*	36.74	*11.19*
Japanese Yen	13.67	*4.69*	19.79	*6.03*
Singapore $	41.41	*14.19*	40.83	*12.43*
US $	191.74	*65.71*	225.71	*68.73*
Malaysian Ringitt	0.40	*0.14*	–	–
South Korean Won	3.12	*1.07*	2.77	*0.84*
United Arab Emirates Dirham	4.64	*1.59*	1.60	*0.49*
Euro	–	–	0.96	*0.29*
TOTAL	**291.78**	***100.00***	**328.40**	***100.00***
BUSINESS SEGMENT				
Products	173.95	*59.62*	219.96	*66.98*
– Own	151.12	*51.80*	200.72	*61.12*
– Traded	22.83	*7.82*	19.24	*5.86*
Projects & Professional Services	117.83	*40.38*	108.44	*33.02*
TOTAL	**291.78**	***100.00***	**328.40**	***100.00***

YEAR ENDED MARCH 31, 2010



YEAR ENDED MARCH 31, 2009



A Historical Perspective

(All figures in Rs. crore except per share data)

CONSOLIDATED PERFORMANCE

For the year ended March 31,	2010	2009	2008	2007	2006
Revenue from Operations	291.78	328.40	288.72	221.19	148.05
Operating Profit (EBITDA)	54.08	49.60	73.41	63.28	45.13
Depreciation	11.33	13.28	11.85	6.88	4.76
Provision for Taxation	5.51	2.60	2.72	2.19	3.12
Profit after Tax (PAT)	38.40	32.26	61.74	55.15	37.08
Return on Average Networth (%)	15.02	14.16	32.45	39.29	37.13
Return on Average Capital Employed (PBIT/Average Capital Employed) (%)	17.14	15.25	33.76	40.74	40.23
As at March 31,					
Share Capital	32.37	32.37	32.37	16.16	16.11
Reserves and Surplus	238.70	207.93	182.95	149.03	99.41
Gross Block	112.64	112.02	95.03	68.54	50.14
Net Current Assets	117.75	158.89	66.26	42.11	20.50
Market Capitalisation	446.38	164.60	615.14	1546.38	587.91
Per Share Data					
Earning Per Share	11.86	9.97	19.08	17.09*	11.52*
Dividend Per Share	2.50	2.50	3.00	3.50	3.50
Book Value Per Share	83.74	74.24	66.52	51.11*	35.86*

** Adjusted for the issue of Bonus Shares in ratio 1:1 in 2007.*

***Note:** While calculating the figures of group, intergroup transactions have been ignored.*

A Historical Perspective Stated in US$

(All figures in USD'000 except per share data)

CONSOLIDATED PERFORMANCE

For the year ended March 31,	2010	2009	2008	2007	2006
Revenue from Operations	61,080	72,287	72,361	50,558	33,181
Operating Profit (PBIDT)	11,321	10,918	18,398	14,464	10,114
Depreciation	2,372	2,923	2,970	1,573	1,067
Provision for Taxation	1,153	572	682	501	698
Profit after Tax (PAT)	8,039	7,099	15,474	12,606	8,311
Return on Average Networth (%)	15.02	14.16	32.45	39.29	37.13
Return on Average Capital Employed (PBIT/Average Capital Employed) (%)	17.14	15.25	33.76	40.70	40.23
As at March 31,					
Share Capital	7,179	7,125	8,113	3,694	3,610
Reserves and Surplus	52,939	45,769	45,852	34,064	22,278
Gross Block	24,981	22,077	23,817	15,666	11,238
Net Current Assets	26,114	31,315	16,607	9,625	4,594
Market Capitalisation	98,998	35,876	154,169	353,458	131,758
Per Share data					
Earning Per Share	0.25	0.22	0.48	0.39*	0.26*
Dividend Per Share	0.05	0.06	0.08	0.08	0.08
Book Value Per Share	1.75	1.63	1.67	1.17*	0.80*

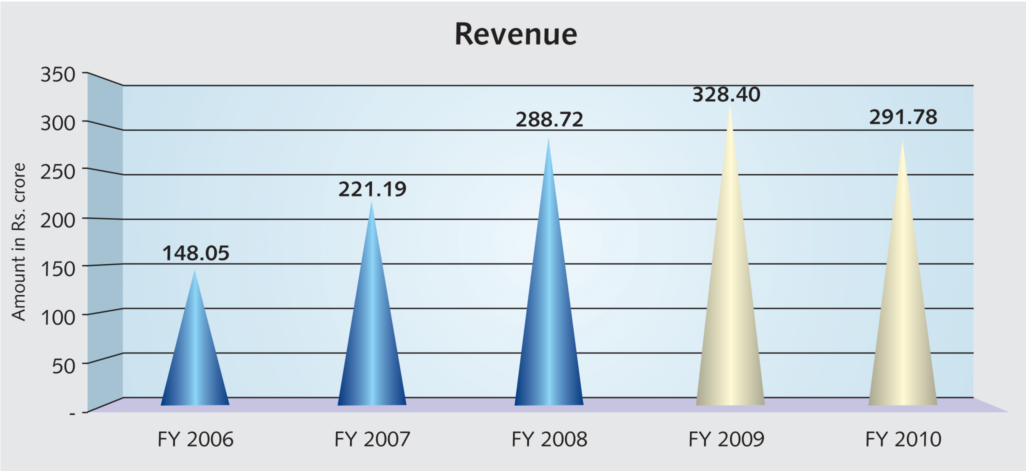
** Adjusted for the issue of Bonus Shares in ratio 1:1 in August 2007.*

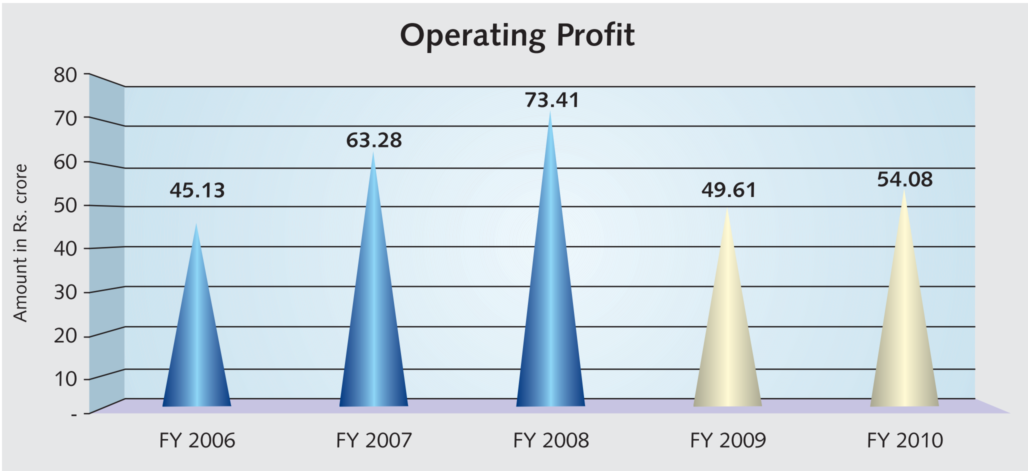
Note:

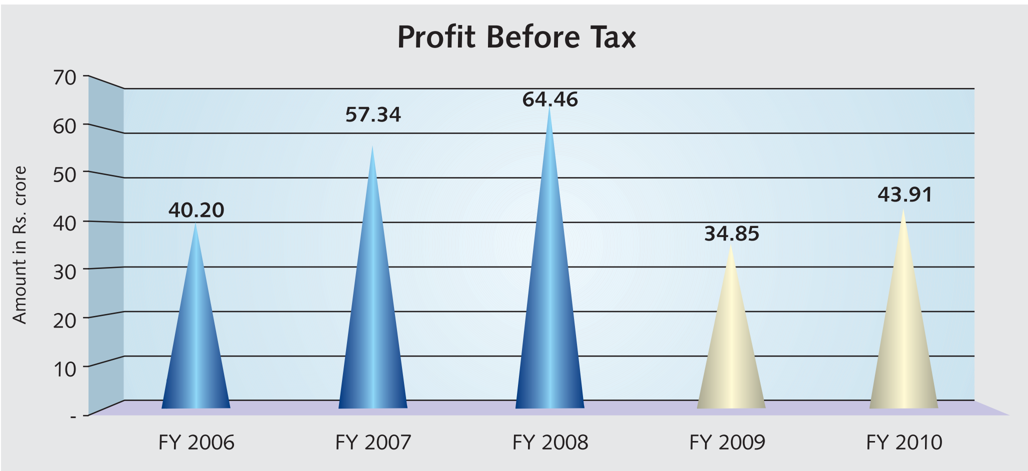
1. *While calculating the figures of group, intergroup transactions have been ignored.*
2. *For the year ended March 31, 2010, the revenue and expenditure items have been translated at an average rate of Rs.47.77/US$ against Rs.45.43/US$ for March 31, 2009 and the Balance Sheet items at year end rate of Rs.45.09/US$ against Rs.50.74/US$ for March 31, 2009.*

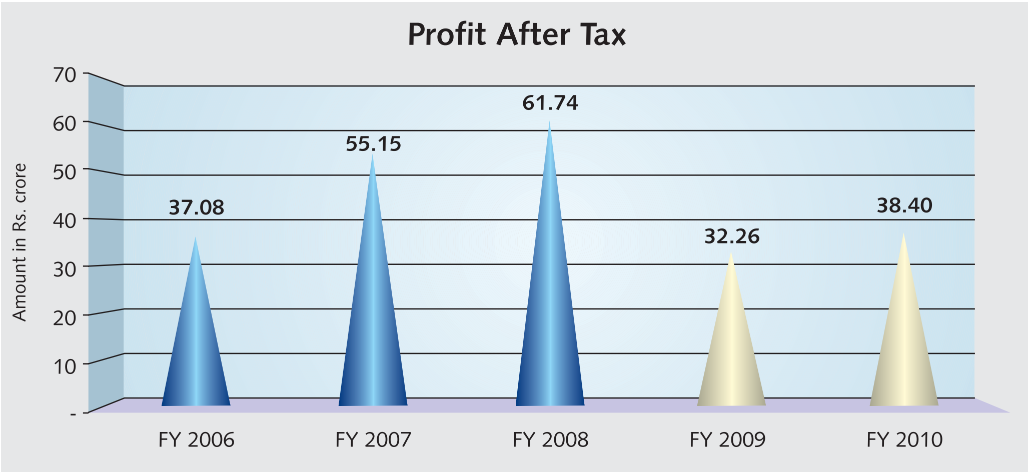
Ratio Analysis

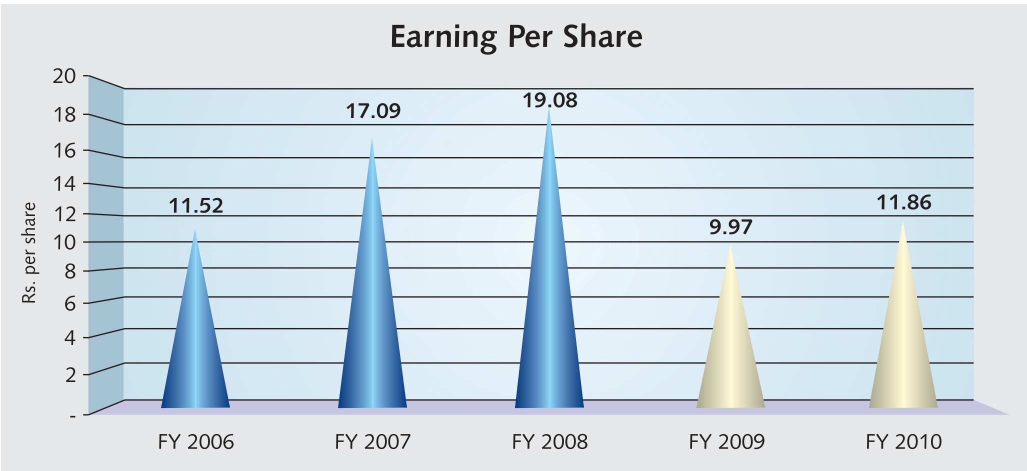
	CONSOLIDATED PERFORMANCE				
Year ended March 31,	**2010**	**2009**	**2008**	**2007**	**2006**
Ratios Financial Performance					
Export Revenue/ Revenue (%)	87.39	88.81	88.88	89.10	90.01
Domestic Revenue/ Revenue (%)	12.61	11.19	11.12	10.90	9.99
Gross Profit/ Revenue (%)	32.77	32.24	39.56	43.44	45.63
Software Development Expenses/ Revenue (%)	67.23	67.77	60.44	56.56	54.37
Selling and Marketing Expenses/ Revenue (%)	7.77	8.46	7.15	8.11	7.93
General and Administrative Expenses/ Revenue (%)	6.47	8.66	6.98	6.72	7.21
Total Operating Expenses/ Revenue (%)	81.47	84.90	74.57	71.39	69.52
Operating Profit/ Revenue (%)	18.53	15.11	25.43	28.61	30.48
Depreciation/ Revenue (%)	3.88	4.04	4.10	3.11	3.21
Other Income/ Revenue (%)	0.54	1.76	2.44	2.54	2.07
Tax/ Revenue (%)	1.89	0.79	0.94	0.99	2.10
Tax/ PBT (%)	12.55	7.46	4.23	3.83	7.75
PAT from Ordinary Activities/ Revenue	12.62	8.06	18.94	22.39	22.98
PAT from Ordinary Activities/Net Worth(%)	13.58	11.02	25.40	29.98	29.45
ROCE(PBIT/Capital Employed) (%)	17.14	15.26	33.76	40.74	40.23
ROANW (PAT/Average Net Worth) (%)	15.02	14.16	32.45	39.29	37.13
Ratios Balance Sheet					
Debt-Equity Ratio	–	–	–	–	–
Debtors Turnover (Days)	72	89	79	83	59
Asset Turnover Ratio	1.07	1.36	1.34	1.33	1.28
Current Ratio	2.76	3.00	2.77	1.62	1.46
Cash and Equivalents/Total Assets (%)	59.90	50.66	43.53	49.28	67.03
Cash and Equivalents/ Revenue (%)	55.74	37.20	32.60	37.02	52.33
Depreciation/Average Gross Block(%)	10.09	12.82	14.49	11.59	10.15
Technology Investment/ Revenue (%)	0.18	2.13	3.08	3.02	3.86
Ratios - Growth					
Growth in Export Revenue (%)	(12.58)	13.66	30.01	47.89	40.95
Growth in Revenue (%)	(11.15)	13.74	30.53	49.40	43.54
Operating Expenses Growth (%)	(14.74)	29.49	36.34	53.42	35.30
Operating Profit Growth (%)	9.01	(32.43)	16.02	40.22	66.72
PAT Growth (%)	19.03	(47.76)	11.95	48.71	78.72
EPS Growth (%)	18.96	(47.75)	11.66	48.41	78.56
Per- Share Data (Period End)					
Earning Per Share from Ordinary Activities (Rs.)	11.37	8.18	16.90	15.35	10.56
Earning Per Share (Including Other Income) (Rs.)	11.86	9.97	19.08	17.09	11.51
Cash Earning Per Share from Ordinary Activities (Rs.)	14.87	12.28	20.56	17.48	12.04
Cash Earning Per Share (Including Other Income)(Rs.)	15.36	14.07	22.74	19.22	12.99
Book Value (Rs.)	83.74	74.24	66.52	51.18	35.86
Price/Earning	11.62	5.05	9.96	28.00	15.85
Price/ Cash Earning	8.98	3.58	8.36	24.90	14.05
Price/Book Value	1.65	0.68	2.86	9.35	5.09


Revenue
Amount in Rs. crore
350
300
250
200
150
100
50
-
148.05
221.19
288.72
328.40
291.78
FY 2006
FY 2007
FY 2008
FY 2009
FY 2010


Operating Profit
Amount in Rs. crore
80
70
60
50
40
30
20
10
-
45.13
63.28
73.41
49.61
54.08
FY 2006
FY 2007
FY 2008
FY 2009
FY 2010


Profit Before Tax
Amount in Rs. crore
70
60
50
40
30
20
10
-
40.20
57.34
64.46
34.85
43.91
FY 2006
FY 2007
FY 2008
FY 2009
FY 2010


Profit After Tax
Amount in Rs. crore
70
60
50
40
30
20
10
-
37.08
55.15
61.74
32.26
38.40
FY 2006
FY 2007
FY 2008
FY 2009
FY 2010


Earning Per Share
Rs. per share
20
18
16
14
12
10
8
6
4
2
-
11.52
17.09
19.08
9.97
11.86
FY 2006
FY 2007
FY 2008
FY 2009
FY 2010

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty First Annual General Meeting of the Members of Nucleus Software Exports Limited will be held on Thursday, the 24th day of June 2010 at 11.30 A.M. at FICCI Auditorium, Federation House, Tansen Marg, New Delhi - 110 001 to transact the following business:

Ordinary Business:

1. To review, consider and adopt the Audited Balance Sheet as at March 31, 2010 and Profit and Loss account for the year ended on that date together with the Reports of the Board of Directors and Auditors thereon.

2. To declare dividend @ Rs.2.50 per share on equity shares for the financial year ended March 31, 2010.

3. To appoint a Director in place of Mr. Sanjiv Sarin, who retires by rotation and being eligible offers himself for reappointment.

4. To appoint a Director in place of Mr. Arun Shekhar Aran, who retires by rotation and being eligible offers himself for reappointment.

5. To appoint Deloitte Haskins & Sells, Chartered Accountants, New Delhi as the Statutory Auditors of the Company in place of the retiring Auditors, B S R & Co., Chartered Accountants, New Delhi 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.

   The proposal of appointment of M/s Deloitte Haskins & Sells as Statutory Auditors of the Company is pursuant to the receipt of Special Notice from a member of the Company under Section 225(1) to be read with Section 190 of the Companies Act, 1956 proposing the following resolution for the appointment of Deloitte Haskins & Sells, Chartered Accountants, New Delhi, as Statutory Auditors of the Company. The Board of Directors of the Company have also adopted a "Policy for Rotation of Statutory Auditors" in their meeting held on January 17, 2010.

   Following resolution is proposed to be passed as an Ordinary Resolution, with or without modification:-

   "RESOLVED THAT Deloitte Haskins & Sells, Chartered Accountants, New Delhi, be and are hereby appointed as the Statutory Auditors of the Company in place of the retiring Auditors, B S R & Co. to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration to be determined by the Board of Directors of the Company."

By Order of the Board
For Nucleus Software Exports Limited

Place : NOIDA — **(Poonam Bhasin)**
Date : April 25, 2010 — **Company Secretary**

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.

2. Members/Proxies should bring duly filled attendance slips attached herewith for attending the meeting.

3. The Register of Directors' shareholding maintained under Section 307 of the Companies Act, 1956, will be available for inspection by the members at the AGM.

4. The Register of Members and Share Transfer Books shall remain closed from June 17, 2010 to June 24, 2010 (both days inclusive)

5. Re-appointment of Directors:

   Mr. Sanjiv Sarin retires by rotation, and being eligible, offers himself for re-appointment.

   Mr. Arun Shekhar Aran retires by rotation, and being eligible, offers himself for re-appointment.

   Information as required under Clause 49 (IV)(G) of the Listing Agreement entered into by the Company with the Stock Exchanges, in respect of the Directors proposed to be appointed/reappointed is given in the annexure to the Notice.

6. The Board of Directors have approved a Policy for Rotation of Statutory Auditors of the Company in their meeting held on January 17, 2010. According to the Policy, the Statutory Auditors of the Company will have a maximum tenure of 6 years. The first proposal for rotation of Statutory Auditors for the year 2010-11 has been recommended by the Board to the Shareholders in the Annual General Meeting of the Company proposed to be held on June 24, 2010, pursuant to the receipt of Special Notice from a member, details of which are mentioned below.

7. Special notice in terms of Section 225(1) to be read with Section 190 of the Companies Act, 1956, has been received from a member proposing the appointment of Deloitte Haskins & Sells, Chartered Accountants, New Delhi as Statutory Auditors of the Company in place of B S R & Co., Chartered Accountants, New Delhi, the retiring Auditors of the Company. The copy of such special notice was duly provided to the retiring Auditors for their reference. No representation has been received from the retiring Auditors till date to make for notification to the members of the Company relating to special notice. In case the same are received from the retiring Auditors adequately before the Annual General Meeting and the said Auditors requests its notification to the members, the same shall be circulated to

all the members at least 7 days before the meeting, either individually or by advertisement in 2 newspapers having appropriate circulation. In other case, the retiring Auditor may read out the representations in the Annual General Meeting.

8. The Dividend on Equity Shares, @ Rs.2.50 per share, recommended by the Board of Directors for the financial year ended March 31, 2010, if approved at the meeting, will be payable to those shareholders whose names appear on the Register of Members of the Company on June 17, 2010, being the first day of Book-Closure and to those whose names appear as beneficial owners in the records of National Securities Depository Ltd. and Central Depository Services (India) Lid. on close of business as on June 16, 2010.
9. Members whose shareholding(s) are in electronic mode are requested to direct changes relating to address, bank mandate and Electronic Clearing Service (ECS) details to their respective Depository participants.
10. 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.
11. Members who are holding shares in more than one folio are requested to intimate to the Company the detail of all folio numbers for consolidation into a single folio.
12. Members/Proxy holders are requested to bring their copies of the Annual Report with them to the Annual General Meeting, as extra copies will not be provided.
13. **MEMBERS MAY NOTE THAT NO GIFTS/GIFTS COUPONS SHALL BE DISTRIBUTED AT THE VENUE OF THE MEETING. FURTHER PLEASE NOTE THAT SNACK BOXES SHALL NOT BE ALLOWED TO BE TAKEN INSIDE THE AUDITORIUM.**
14. Members are requested to send to the Company their queries, if any, on accounts and operations of the Company at least ten days before the meeting so that the same could be suitably answered at the meeting.

For Nucleus Software Exports Limited

Place : NOIDA **(Poonam Bhasin)**
Date : April 25, 2010 **Company Secretary**

ANNEXURE A

PROFILE OF THE DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT

Mr. Sanjiv Sarin

Mr. Sanjiv Sarin is a postgraduate from IIT Delhi and has a PGDBM from XLRI Jamshedpur. He has 28 years of corporate experience and has held senior positions (including CEO) in Indian and multinational companies in India and overseas. He is currently working as a Consultant based in New Delhi.

He has played leadership roles in establishing new businesses and new markets. His various interventions have contributed significantly to the growth and success of organisations. He has extensive advisory experience on issues of strategy, driving performance improvement, change management, organisation building and human capital development. He also plays the role of a friend, advisor and mentor to start-ups.

Directorships held in other Companies	1. Medison Medical Systems India Pvt. Ltd. 2. VirStra i-Technology Services Ltd. 3. Nucleus Software Limited
Memberships/Chairmanships of committees of other Companies (includes only Audit Committee and Shareholders/ Investor Grievance Committee)	Member - Audit Committee of Nucleus Software Ltd.

Shareholding in the Company

Mr. Sanjiv Sarin – 17,300 Equity Shares

Ms. Poonam Sarin (Wife) – 54,000 Equity Shares

Mr. Arun Shekhar Aran

Mr. Arun Shekhar Aran is a successful first generation entrepreneur with 27 years of experience in IT industry. Having completed B. Tech from IIT, Delhi and MBA from IIM, Ahmedabad he started his career with Asian Paints in 1982.

In 1989, he joined Nucleus Software Group as a partner where he played a key role in leading the team in the development of the first ever credit card system in India for Citibank.

Mr. Arun Shekhar Aran joined the Board of Directors of the Company in March 1996.

In 1994, Mr. Shekhar promoted the Mumbai based software Company, Nucsoft Ltd., and is presently the CEO.

Shareholding in the Company

Mr. Arun Shekhar Aran - 1,74,912 Equity Shares

Ms. Vinita Aran (Wife) - 1,66,636 Equity Shares

Directorships held in other Companies	Nucsoft Ltd.
Memberships/Chairmanships of committees of other Companies (includes only Audit Committee and Shareholders/ Investor Grievance Committee)	Nil

Disclosure in terms of Clause 49 (IV)(G)(ia) of the Listing Agreement

There are no inter-se relationships between the Board members.

NUCLEUS SOFTWARE EXPORTS LTD.

Registered Office : 33-35, Thyagraj Nagar Market, New Delhi-110 003

PLEASE FILL THE ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING VENUE.
Joint shareholders may obtain additional Attendance Slip on request.

ATTENDANCE SLIP

DP.ID
Client. ID

Regd. Folio No..

NAME AND ADDRESS OF THE SHAREHOLDER

No. of Share(s) held:

I hereby record my presence at the **TWENTY FIRST ANNUAL GENERAL MEETING** of the Company held on Thursday, June 24, 2010 at 11.30 a.m at FICCI Auditorium, Federation House, Tansen Marg, New Delhi-110001.

Signature of the Shareholder or Proxy

....TEAR HERE..

NUCLEUS SOFTWARE EXPORTS LTD.

Registered Office : 33-35, Thyagraj Nagar Market, New Delhi-110 003

PROXY FORM

DP.ID
Client. ID

Regd. Folio No..

I/We..of

....being a member/members of Nucleus Software Exports Ltd.

hereby appoint ....of

....or failing him

....of ....

as my/our proxy to vote for me/us and on my/our behalf at the **TWENTY FIRST ANNUAL GENERAL MEETING** of the Company to be held on Thursday, June 24, 2010 at 11.30 a.m and at any adjournment thereof.

Signed..............................day of 2010

Affix a Rs.1/- Revenue Stamp

Note: The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.