



TRANSFORMING BANKING TECHNOLOGY

ANNUAL REPORT
2010 - 11

Nucleus Software wins Gold shield for Excellence in Financial Reporting, 2010 by Institute of Chartered Accountant of India(ICAI)



Mr. Vishnu R Dusad, CEO & Managing Director and **Mr. Pramod K Sanghi, President Finance & CFO** of Nucleus Software received a Gold Shield on behalf of the Company, at a ceremony held on January 4, 2011 at New Delhi, by Shri Salman Khurshid, the Hon'ble Union Minister of State, (I/C) for Corporate Affairs, in the presence of Shri R. Bandyopadhyay, Secretary, Ministry of Corporate Affairs.

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Janki Ballabh

CHAIRMAN'S MESSAGE

Dear Shareholders,

As we get into the new fiscal, let me share with you some of the challenges as well as the achievements during the year gone by. I would also like to broadly outline how we shaped as an organization and how we have now defined our strategy to transform Nucleus into a next generation corporation.

The emerging IT industry

The software industry is currently undergoing a sea change across the entire spectrum, from the structure of its business models to the delivery of products and services to the customers. As the industry recovers from the downturn of 2008-2009, many companies are now focusing on how best to take advantage of the plethora of changes brought about by innovation and technology advancements.

The Information Technology industry contributes to the overall productivity and growth of an economy because of the high levels of competitiveness and innovation it brings to almost the entire gamut of manufacturing and services, and the enabling role it plays in changing the way all businesses are done every day. The industry faces mutually reinforcing forces; for example, cloud computing and mobile computing are reshaping software provider strategies in several areas; the design and deployment of software, the delivery channels for software, and the economics of software licensing. This nascent trend is already reshaping software provider and customer strategies away from the traditional packaged/on-premise software model to a flexible, on-demand services model across a range of platforms: mobile, desktop, data centre, and cloud. The industry has a strong track record of successfully adapting to change, and it will surely benefit and draw new strengths from these changes.

Developing and commercializing software products has traditionally had significant challenges like investments in product development, branding, and marketing. With growth strategies led by innovation and intellectual property becoming more main stream, we believe that the Indian software product industry is now well placed for the next phase of growth. For Nucleus, value creation is driven by customer relationships and the ability to develop products that can meet their evolving needs.

An year of challenges, and of investments for Nucleus

The year gone by has been an extremely challenging one for your Company with a falling top line. This, along with significant investment in people, products and marketing, led to a major decline in profitability. Investing in new markets for growth meant an increase in marketing expenditure. In addition, we continued to face intense pressure on employee compensation on one hand and high attrition rate on the other. The Board took some major decisions to reorganize the Company's top management team, necessary to take a major leap forward.

Looking back with satisfaction

Our investments in marketing have started yielding results. During the preceding year, despite global competition, we booked record orders. Nucleus was recognized as a 'Global Pursuer' in a survey of vendors of globally deployed banking platforms by Forrester Research Inc., in recognition of our global banking platform deals in 2010. Your Company's flagship product FinnOne™ was recognized for the third consecutive year in 2010 as the number one bestselling Retail Lending Software by IBS Publishing.

Our products FinnOne™ and Cash@Will™ have been recognized worldwide with our products serving numerous countries across the globe. More importantly, we have made life simpler and better for the common man, the ultimate beneficial owner, across many countries by enabling financial institutions to process and manage loans.

We have gone through difficult times primarily on account of the global crisis which created a tight credit squeeze and liquidity, leading to most banks and financial institutions postponing their decisions on the lending systems. 2010 was the beginning of revival and with the orders that we have now won, we are preparing to move into a new direction.

Looking ahead

We expect our concentrated efforts and enhanced market share in products to translate into better realizations. We are implementing a new strategy for increasing visibility in the European markets with strategic tie-ups. We believe that major growth would be led by larger engagements and value offerings. We are also planning to associate with some large companies especially in Europe to get a better access to the developed economies as also a deeper

penetration in our existing markets. Your Company has also now decided to look at inorganic growth seriously.

As we enter the new year, we do so with the satisfaction of knowing that through personal, professional and organizational determination, we have overcome several elements of challenges. We are also better geared to take on new challenges that will keep appearing. To accomplish this objective, your Company will continue to pursue innovation through new product developments, investment in growth opportunities and evaluate new markets and geographies for expansion.

On another front, in recognition of transparency, compliance with accounting and secretarial standards and investor-friendly disclosures, I am pleased to inform you that your Company won the Gold Shield for the third year in a row for excellence in financial reporting from the Institute of Chartered Accountants of India.

Acknowledgments

I wish to express my sincere thanks to the various officials of the State and Central Government, banks and financial institutions for their on-going support and assistance to your Company. I would also like to thank all our dealers, customers and vendors who have contributed immensely to building our strong foundation and who we are sure would be with us as we drive into the future.

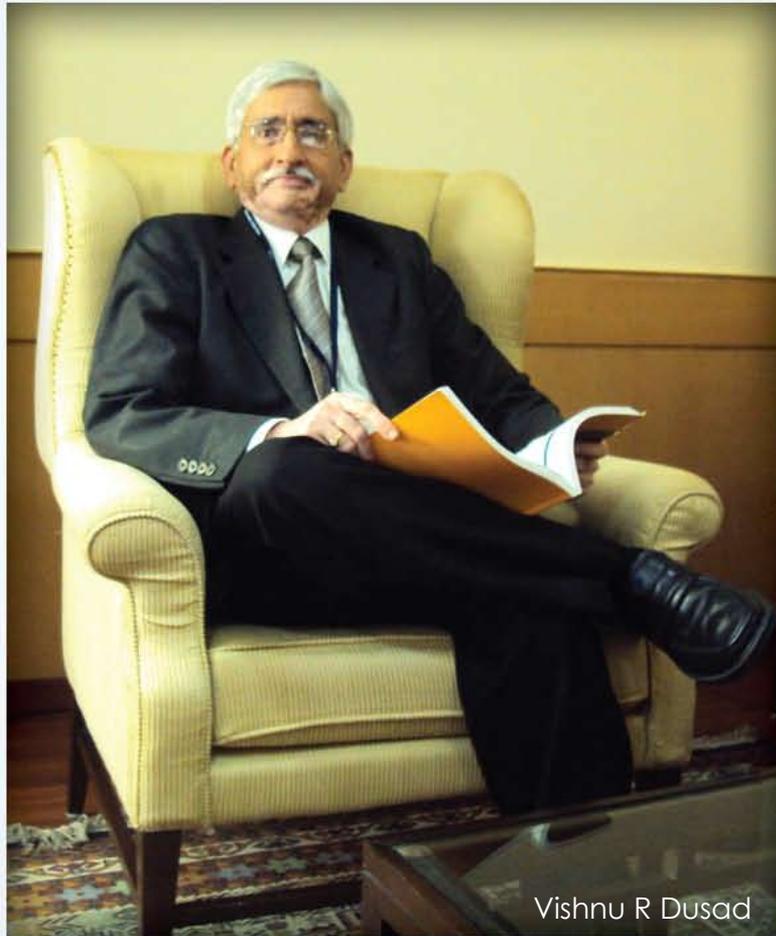
But above all, our people are our core strength. Their ability to navigate through highly challenging situations is the DNA of Nucleus. For our people, the consistent hallmarks remain: respectful and conscientious care of customers, keen sense of their evolving needs and employing the best resources to provide analytical, flexible and tailor-made solutions.

I would also like to thank my fellow Board members, business associates and shareholders who have always supported the Company whole-heartedly.

Janki Ballabh

Chairman

Date: May 1, 2011



Vishnu R Dusad

CEO'S MESSAGE

Dear Shareholders,

I take this opportunity to present to you a brief report on the performance of your Company for the financial year 2010-11.

There are many positives that the Company had in the preceding year. I take immense pride in sharing with you that your Company's flagship product FinnOne™ has been recognized as the number one bestselling Retail Lending Software by IBS Publishing for the third consecutive year in 2010. FinnOne™ emerged a winner with 27 global sales for year 2010 and has also been ranked third in global sales across all banking products. With this recognition FinnOne™ reaffirms its global leadership position. We are grateful to our customers for this honour and for reposing trust in us for the third year in a row. Innovation and IP creation are the foundation of our efforts, and brick by brick we are making progress every year to provide 'Made in India' software products which compete globally.

It also gives me great pleasure to report that the Annual Report and Accounts of our Company for the year ended March 31, 2010, were adjudged as the BEST under the relevant Category VIII of the 'ICAI Awards for Excellence in Financial Reporting' for the third consecutive year. A GOLD shield was presented to the Company. The award re-affirms our dedication towards pursuit of excellence, which is just not limited to our products and services but also in our business operations and is a clear testimony of our long standing belief in best corporate practices. This award reinforces both in form and substance, our commitment to transparency in our statutory, legal and regulatory requirements and compliance with the accounting and financial reporting practices.

On the other hand, I would like to share my concerns regarding our financial performance. The consolidated revenue for the year 2010-11 was Rs. 270.48 crore in comparison to Rs. 291.78 crore in the previous year. With total expenses at Rs. 240.00 crore in comparison to Rs. 237.70 crore in the previous year, the consolidated EBITDA is at Rs. 30.48 crore in comparison to Rs. 54.08 crore in the previous year. Consolidated net profit for the year is Rs. 26.34 crore, against Rs. 38.40 crore

in the previous year. EPS for the year is Rs. 8.13 against Rs. 11.86 for the previous year. Despite lower profits, 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.

Our Product business revenue for the year is Rs. 193.57 crore, 71.57% of revenue for the year, against Rs. 173.95 crore, 59.62% of revenue in the previous year. This includes Rs. 181.33 crore of product revenue from own business against Rs. 151.12 crore in the previous year. The revenue derived from Projects and Services is Rs.76.91 crore in comparison to Rs. 117.83 crore in the previous year. While the Product business has shown traction and growth during the year, the projects and services business has declined by a far larger percentage and resulted in a decline in the top line. Overall revenue growth is critical for meeting our strategic objectives and we are conscious of the need to achieve the same.

Operating margins are under pressure with lower revenues coupled with investments in people, products and sales & marketing. Overall expense remained under control though employee remuneration continues to rise. It is not out of place to mention that attrition levels across the industry have been at unprecedented levels during the year and the competition within industry to recruit from each other at higher remuneration will affect the ability of the Indian industry to compete globally.

The impact of the global meltdown in 2008 was felt severely by your Company, resulting in lower revenues and profits on a consolidated basis in 2009-10 after a peak previous year. Significant challenges on account of vendor consolidation and budgetary constraints of major services customers have since continued resulting in further lower revenues in the past year. During the current year, your Company is confident of at least reversing the downward trend, and is gearing towards a higher revenue and profits in the ensuing years.

In such a scenario, major emphasis in the current year will be on revenue growth. Enhanced market share in products will translate to better realization and we are implementing a new strategy for increased visibility in European markets. Emerging markets across the world will continue to provide stability and growth would be led by larger engagements and value offerings.

In the post financial crisis world, banks and financial services corporates across all markets, are looking at better quality of loan portfolios, and technology is the only answer to large volume and profitable business. Banks are reporting high profitability with a few exceptions, though loan books are not growing. This dichotomy with high unemployment in USA and Europe does create uncertainty but at the same time there is a sense of the worst having passed. Management of any enterprise has challenges in the constantly changing scenario, currency and commodity markets volatility and liquidity flowing from the actions of the Fed in the US. We believe there are more opportunities than threats, and it is for Management to take the lead and pursue aggressively.

Operating cash flow for the year after working capital changes is Rs. 31.74 crore against Rs. 45.45 crore in the previous year. The Company continues to enjoy a high level of liquidity with 'Cash and Bank balances' and 'Current Investments' at Rs. 187.51 crore as on March 31, 2011 against Rs. 162.41 crore as on March 31, 2010.

With 85% of revenue in foreign currency, predominantly the US Dollar and majority of expenditure in the Indian rupee which is the reporting currency, exchange volatility and adverse movements can affect our revenue and profitability. We follow a consistent hedging policy with the objective of protecting revenue in the near term. Our total hedges, comprising of forward contracts, are at US \$ 13.75 million end of year at an average forward rate of 46.73. Of these, forwards of US \$ 12.50 million are expiring within six months and of US \$ 1.25 million are expiring between 6 months and a year. There is a mark-to-market gain of Rs. 1.62 crore, in the hedging reserve, a balance sheet item.

Coming to marketing and sales, the year witnessed highest order win in Nucleus history with record orders from all across the globe, from North Africa, the Mediterranean region, America, Europe, Australia and also the Middle East. We also added 32 new customers during the year and gave more than 285 demonstrations of our products in different markets and submitted 158 RFP's (Request For Proposals).

During the year, based on the number of deals and regions covered, Nucleus was ranked among

top Banking Platform providers by Forrester, which recognized Nucleus as a “Global Pursuer” We are making investments in developed markets, specially continental Europe and Japan and this is accompanied by a new alliance strategy of tying up with global and regional large IT services companies.

During the course of the year, we participated in numerous banking events globally, some very large events including SIBOS which is one of the world's premier financial and banking event and an auto finance summit. Participation in these events generated some interesting leads for us. To enhance our reach in all the markets, we further added 20 channel partners across the globe during the year.

During the year, we finalized the development and testing of Phase one of FinnOne Pro™, the new service oriented architecture and platform independent version of our product. This is now under a Beta implementation and we plan a commercial launch later in the year. We believe this product would be of significant value to our customers.

This year was extremely challenging from the HR perspective. Post-recession, the attrition rate in the IT industry has increased and it is the major challenge faced by the industry. The focus for HR during the year has been on:

- increasing product and domain competency in the organization,
- review of roles along with span of control to drive greater efficiency in the organization and
- regular communication with employees through regular “Open House” sessions, and through the business HR representatives.

Total manpower increased to 1,720 from 1,558 a year earlier. The focus for the next year from an HR perspective would be to improve utilization, along with a strong sense of purpose and alignment to the organization.

This year we also established Nucleus School of Banking Technology, NSBT, to offer World Class Training and Facilitation for developing Banking Technology professionals. Two courses, the Nucleus Certified Software Professional and the Nucleus Certified Business Analyst, were

initiated, which focus on all-round development of domain, technology, solutions, methods, soft skills and values.

Our globally recognized services and solutions are well suited to help our customers in the financial services sector. We are glad to mention that in most cases our offerings have exceeded customer expectations. To enhance our business further; we will continue to invest in research and innovation to maximize the value delivered to our clients. To accomplish this, we need support from fellow Nucleites, customers, business associates, shareholders and guidance of our Board Members and well-wishers. 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: May 1, 2011

! IDEAS TO EXECUTION



*N*ucleus Software started its journey as a boutique software firm in New Delhi, India back in 1989. This was just the first step in our journey towards building the world class organization that we are today. Under the leadership of our Founder and Managing Director Mr. Vishnu R. Dusad, today we have emerged as a niche player in the global Banking and Financial Services software industry, making our presence recognised not only in our homeland, but also overseas. Today, Nucleus has an enviable presence in over 150 countries through our offices, partners and product installations. With the trust of its shareholders, foresight and vision of the Board and the management, and commitment and enthusiasm of its employees, Nucleus has successfully risen to be recognised a leader in the lending software industry today.

Through these years, Nucleus has built a team of over 1,700 dedicated employees who have taken the organization to the next level by bringing forward technologically advanced software products to aid the banking and financial institutions optimize their processes and bring about customer satisfaction.

It is indeed a proud moment that once again this year, our flagship product FinnOne™ has been recognised as a front runner in the lending software sector by leading publications and analysts, and this happens to be the third consecutive year of this honour received. Indeed, this has become possible only through the trust gained from our clients for our successful product implementations in over 100 countries.



EMPOWERING BANKS

*Y*ear after year, Nucleus invests substantially in creating new products and upgrading its existing suite to keep pace with the ever changing global technology market trends.

While research and development remains one of our strongest focus areas with the aim to provide thought-leading, market-leading solutions, market expansion remains at the heart of this research and development and product innovation. With 32 new customers added to our portfolio this year, we have successfully been able to expand existing markets and enter newer ones, and thus build higher brand value and provide better returns to our stakeholders. As we continue to focus on intellectual property-led growth, we are well positioned to align our intellectual capital with the dynamic requirements of the banking sector in each of our focus geographies.

Our investments in newer markets and channel partners have delivered record order wins in the financial year 2010-11. Our pipeline continues to remain strong with 155 orders for product modules FinnOne™ and Cash@Will™ Suite. We have order wins from all parts of the world including USA, Europe, Africa, Middle East, South East Asia and Japan. While new orders have helped us enlarge our footprint, our focus on operational excellence has enabled us to create a scalable and robust model to ensure an optimal delivery process for all projects globally.

Also, our flagship product, FinnOne™, has once again been ranked the No. 1 world's best selling lending software products for the third consecutive year reiterating our commitment to innovation and co-creating value for our customer.

CHANGING **LANDSCAPES**



*N*ucleus is now set on a new course, with strong emphasis on strengthening its foothold in developed countries, brand enhancement, and research and development. Our consistent focus on creating innovative, advanced software solutions for the banking and financial services industry has led us to be a market leader in our field and with this confidence we move forward into the next chapter of Nucleus.

To support our focus on newer markets, we have added a rich talent pool, high in regional experience and expertise; to help build our understanding of both the local business as well as culture and assist us in building a strong presence in the region.

Our deep domain knowledge has positioned us not only as industry product leaders but also empowered us to provide a broad range of services including third party vendor servicing.

In 2010 Nucleus also introduced its very own education initiative, Nucleus School of Banking and Technology - an initiative that helps bridge the employability gap between academia and industry. Our programs help candidates get adequate exposure to domain knowledge, software products, technology, methods/processes, soft skills and business ethics, while focusing on real-life industry exposure.

EXCELLENCE IN TECHNOLOGY

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he dawn of the year 2011 saw the official launch of FinnOne Pro™ - the next generation integrated platform for loan originations, servicing and collections, that enables the financial Institution to have a single, 360-degree view of the customer and facilitates improvements in acquisition, retention and cross-sell to existing customers.. FinnOne Pro™ is built on cutting edge technology and addresses Retail, SME/Commercial Lending, Mortgages and Islamic Financing institutions. It combines all the Nucleus products into one comprehensive, seamlessly integrated package and provides the complete retail and corporate, asset financing, technology infrastructure to banks and financial institutions, from front to the back office.

Nucleus will also inaugurate another development centre this year in the Pink City of Jaipur, India with a campus built using green technology and will boast of environment friendly features. The new centre is a significant milestone for the Company and Nucleus will continue to invest in its future growth and infrastructure that will help further strengthen its position as the leader in the BFSI technology space.

Our commitment to excellence will continue to ensure our strong customer focus. With talent, skill, passion and knowledge Nucleus looks at the past as a stepping stone towards becoming an even stronger force.



SURPASSING EXPECTATIONS



ur commitment to innovation has earned us many prestigious awards during the year.

- Nucleus Software's FinnOne™ ranked for the third consecutive year as the 'World's No 1 Selling Lending Software Product' (for year 2010) by IBS Publishing, UK | 2011 & ranked third in global sales across all banking products.
- Annual Report and Accounts of Nucleus Software for year ended March 31, 2010 adjudged as the BEST under the Category VIII – Service Sector (Other Than Banking & Insurance) (Turnover Less Than Rs. 500 Crore) of the 'ICAI Awards for Excellence in Financial Reporting'. Nucleus Software won the GOLD SHIELD for the third consecutive year. |2010
- South Asian Federation of Accountants (SAFA) adjudged Nucleus' Annual Report as the recipient of the joint first runner's up position for the Best Presented Accounts Award for the year 2009 under the Communication and Information Technology Sector Category. | 2010
- HDFC Bank, powered by Nucleus FinnOne™, won 'Celent Model Bank Award 2010' for effective technology usage in banking.

Board of Directors



Janki Ballabh
Chairman

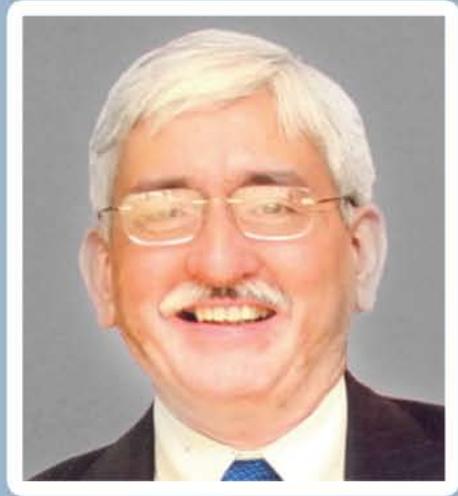
Arun Shekhar Aran
Director



Prithvi Haldea
Director



Vishnu R Dusad
CEO & Managing Director



Sanjiv Sarin
Director



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

Committees of the Board

Audit Committee

- Arun Shekhar Aran
- Prithvi Haldea
- Sanjiv Sarin

Compensation Committee

- Vishnu R Dusad
- Arun Shekhar Aran
- Prithvi Haldea
- Sanjiv Sarin

Share Transfer & Shareholders' Grievance Committee

- Vishnu R Dusad
- Sanjiv Sarin

Nomination Committee

- Janki Ballabh
- Vishnu R Dusad
- Arun Shekhar Aran
- Prithvi Haldea
- Sanjiv Sarin

Corporate Governance Committee

- Janki Ballabh
- Vishnu R Dusad
- Arun Shekhar Aran
- Prithvi Haldea
- Sanjiv Sarin

Remuneration Committee

- Janki Ballabh
- Prithvi Haldea
- Sanjiv Sarin

Company Secretary

Poonam Bhasin

Auditors

Deloitte Haskins & Sells
Chartered Accountants

Bankers

Citibank
HDFC Bank

Offices

Registered Office

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

Corporate Office

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A-39, Sector 62, Noida - 201307, India
Ph: +91 - 120 - 4031400 Fax: +91 - 120 - 4031672
Email: investorrelations@nucleussoftware.com

Year at a Glance

₹ in crore, except per share data

Consolidated Performance

For the Year Ended March 31,	2011	2010
Revenue from Operations	270.48	291.78
Operating Profit (EBITDA)	30.48	54.08
Profit After Tax (PAT)	26.34	38.40
EBITDA as a % of Revenue from Operations	11.27%	18.53%
PAT as a % of Revenue from Operations	9.74%	13.16%
EPS	8.13	11.86
Dividend Per Share	2.50	2.50
Dividend Payout	8.10	8.09

As at March 31,

Share Capital	32.38	32.37
Reserves and Surplus	255.57	238.70
Net Worth	287.95	271.07
Total Assets	288.23	271.53
Net Fixed Assets	47.07	54.23
Investments	126.02	95.90
Current Assets	167.26	184.73
Cash and Cash Equivalents	187.51	162.41
Working Capital	106.90	117.75
Market Capitalisation	277.03	446.38
No. of Shareholders	19,123	18,366
No. of Shares (Face Value of Rs. 10.00)	32,382,524	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,	2011	2010
Revenue from Operations	58,736	61,080
Operating Profit (EBITDA)	6,619	11,321
Profit After Tax	5,720	8,039
EBITDA as a % of Revenue from Operations	11.27%	18.53%
PAT as a % of Revenue from Operations	9.74%	13.16%
EPS	0.18	0.25
Dividend Per Share	0.05	0.05
Dividend Payout	1,758	1,694

As at March 31,

Share Capital	7,247	7,179
Reserves and Surplus	57,200	52,939
Net Worth	64,447	60,118
Total Assets	64,510	60,220
Net Fixed Assets	10,535	12,027
Investments	28,205	21,269
Current Assets	37,435	40,969
Cash and Cash Equivalents	41,967	36,019
Working Capital	23,926	26,114
Market Capitalisation	62,004	98,998

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.
- 3) For the year ended March 31, 2011, the revenue and expenditure items have been translated at an average rate of Rs.46.05 /US\$ against Rs.47.77/ US\$ for March 31, 2010 and balance-sheet items at the year end rate of Rs.44.68/US \$ against Rs.45.09/ US\$ for March 31, 2010.

DIRECTORS' REPORT



Nucleus Software Exports Limited

Directors' Report

To the Members,

We have pleasure in presenting your Company's Twenty Second Annual Report, together with the Audited Statement of Accounts, for the year ended March 31, 2011.

I. FINANCIAL RESULTS – Consolidated

(₹ in crore)				
For the Year Ended March 31,	2011	% of Revenue	2010	% of Revenue
Revenue from Operations	270.48	100.00	291.78	100.00
Software Development Expenses	183.40	67.81	196.17	67.23
Gross Profit	87.08	32.19	95.61	32.77
Selling and Marketing Expenses	30.21	11.17	22.66	7.77
General and Administration Expenses	26.39	9.76	18.87	6.47
Operating Profit (EBITDA)	30.48	11.27	54.08	18.53
Depreciation	9.28	3.43	11.33	3.88
Operating Profit After Interest and Depreciation	21.20	7.84	42.75	14.65
Other Income	9.40	3.48	9.62	3.30
Foreign Exchange Gain/ (Loss)	(0.74)	(0.27)	(8.03)	(2.75)
Profit Before Tax	29.86	11.04	44.34	15.20
Withholding Taxes	2.69	0.99	0.43	0.15
Provision for Taxation				
- Current (Net of MAT credit entitlement)	2.96	1.09	6.84	2.34
- Other taxes	(2.13)	(0.79)	(1.33)	(0.46)
Profit After Tax	26.34	9.74	38.40	13.16
Earning Per Share (in Rs. per Equity Share of face value Rs.10 each)				
- Basic	8.13		11.86	
- Diluted	8.13		11.86	

FINANCIAL RESULTS – Nucleus Software Exports Limited

(₹ in crore)				
For the Year Ended March 31,	2011	% of Revenue	2010	% of Revenue
Revenue from Operations	199.55	100.00	194.15	100.00
Software Development Expenses	133.16	66.73	125.48	64.63
Gross Profit	66.39	33.27	68.67	35.37
Selling and Marketing Expenses	18.60	9.32	14.12	7.27
General and Administration Expenses	22.10	11.07	14.95	7.70
Operating Profit (EBITDA)	25.69	12.87	39.60	20.40
Depreciation	8.10	4.06	9.80	5.05
Operating Profit After Interest and Depreciation	17.59	8.81	29.80	15.35
Other Income	29.61	14.84	15.63	8.05
Foreign Exchange Gain/ (Loss)	0.99	0.50	(5.71)	(2.94)
Profit Before Tax	48.19	24.15	39.72	20.46
Withholding Taxes	1.33	0.67	0.43	0.22
Provision for Taxation				
- Current (Net of MAT credit entitlement)	3.10	1.55	6.83	3.52
- Other taxes	(2.00)	(1.00)	(1.28)	(0.66)
Profit After Tax	45.76	22.93	33.74	17.38
Dividend	8.10		8.09	
Tax on Dividend	(0.01)		0.15	
Transferred to General Reserve	4.58		3.37	
Profit Retained in Profit & Loss Account	33.09		22.13	
Earning Per Share (in Rs. per Equity Share of face value Rs.10 each)				
- Basic	14.13		10.42	
- Diluted	14.12		10.42	

2. RESULTS OF OPERATIONS

The financial statements of the Company are prepared in compliance with the Companies Act, 1956 and Generally Accepted Accounting Principles in India (Indian GAAP). The Company has six subsidiary companies, all of which are wholly-owned. The Company discloses stand-alone audited financial results on a quarterly and annual basis, consolidated un-audited financial results on a quarterly basis and consolidated audited financial results on an annual basis.

(a) Consolidated Operations

Your Company's revenue from operations for the year is Rs.270.48 crore against Rs.291.78 crore in the previous year, a fall of 7%. Overall operational expenses at Rs.240.00 crore for the year remained under control, with only a marginal increase of 1% over Rs.237.70 crore in the previous year. Lower revenue coupled with significant investments in people, products and sales & marketing and under-utilization of infrastructure resulted in a decline in the operating margins. The Operating Profit (EBITDA) achieved is Rs.30.48 crore, 11% of revenue, against Rs.54.08 crore, 19% of revenue in the previous year.

Profit After Tax for the year at Rs.26.34 crore, 10% of revenue, lower by 31% over Rs.38.40 crore, 13% of revenue in the previous year.

(b) Standalone Operations

The total revenue from operations of your Company for the year is Rs.199.55 crore against Rs.194.15 crore in the previous year, an increase of 3%. Total operational expenses for the year are at Rs.173.86 crore against Rs.154.55 crore in the previous year, an increase of 12%. Operating Profit (EBITDA) is at Rs.25.69 crore, 13% of revenue, against Rs.39.60 crore, 20% of revenue in the previous year.

Profit After Tax for the year at Rs.45.76 crore, 23% of revenue, higher by 36% over Rs.33.74 crore, 17% of revenue, for the previous year. This is after considering dividend receipt of Rs.21.00 crore from a Company's subsidiary (Rs.7.00 crore 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 dividend payout will be Rs.8.10 crore, being 31% of consolidated profits for the year against a payout of Rs.8.09 crore, 21% of consolidated profits in the previous year.

The Register of Members and Share Transfer Register shall remain closed during the period 1st July to 8th July, 2011 (both days inclusive) for the purpose of the 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 July 1, 2011, 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 30, 2011.

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 three 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
2002-2003 – Final Dividend	Rs.50,142

4. SHARE CAPITAL

The paid-up share capital as on March 31, 2011 is 32,382,524 equity shares of Rs.10 each against 32,370,024 equity shares of Rs.10 each as on March 31, 2010. The increase in the paid-up share capital of the Company during the year has been due to allotment of 12,500 shares on exercise of Employee Stock Options as per ESOP 2002.

5. REVIEW OF BUSINESS & OUTLOOK

We are a Software Product Company operating in the Banking and Financial Services domain. Our primary 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.

Putting behind fiscal 2009-10 as a year of downturn, when the annual growth plunged to 6 percent after cumulative growth of 25-30 per cent during the previous four years, the Information Technology industry returned to a double-digit growth in the fiscal 2010-11, thanks to renewed investments by global firms across verticals in IT infrastructure, software and back office services. Growth returned to the Industry because of transformational needs of global customers and changing business models favoring cost effective solutions. Our customers, banks and non-banking financial institutions, also were in the recovery mode after the economic depression, and wanted to increase efficiency by using technologically superior products to reduce cost, earn better margins and in turn offer their customers value services at lower costs. The Company received orders from all over the world, including North Africa, Mediterranean region, America, Europe, Australia and the Middle East. With these orders, your Company also added 32 new customers during the year.

However, while the Product Business of the Company reflected this change in global economic conditions with growth in revenue of 11%, the "Projects and Services" business of the Company declined over the previous year due to consolidation activity by some major customers, leading to an overall decline of 7% in the revenue of the Company. This reduction, in turn, led to lower margins and reduced profits on a consolidated basis.

The impact of the global meltdown in 2008 was felt severely by your company, resulting in lower revenues and profits on a consolidated basis in 2009-10 after a peak previous year. Significant challenges on account of vendor consolidation and budgetary constraints of major services customers have since continued resulting in further lower revenues in the past year. During the current year, your Company is confident of at least reversing the downward trend, and is gearing towards a higher revenue and profits in the ensuing years.



The future growth of your Company will lie on how well the Company addresses the challenges such as attracting skilled manpower, controlling high attrition and provide for increased compensation on one hand and meeting the changing needs of its clients on the other. With growth strategies led by innovation and intellectual property becoming more mainstream, we believe that the Company is well placed for growth. Greater focus in the coming years will be on processes to improve productivity.

As per the Information Technology Annual Report 2010-11, Banking, Financial Services & Insurance (BFSI) remains the largest vertical market accounting for over 40 per cent of the Indian IT-ITeS exports in year 2010-11. With market posing no significant constraints, we believe that your Company is now poised to move into the next orbit, with its focus on delivering value to all its stakeholders.

6. NOTABLE ACCOLADES RECEIVED DURING THE YEAR

- Forrester recognized Nucleus as a “Global Pursuer” and stated it “regained traction in 2010”. Based on the number of deals and regions covered, Nucleus was ranked among top Banking Platform providers. Source: Global Banking Platform Deals 2010, Forrester Research, Inc., 31 March 2011.
- FinnOne™ ranked for the third consecutive year as the ‘World’s No 1 Selling Lending Software Product’ (for year 2010) by IBS Publishing, UK | 2011 & ranked third in global sales across all banking products.
- Annual Report and Accounts of the Company for the year ended March 31, 2010 adjudged as the BEST under the Category VIII – Service Sector (Other Than Banking & Insurance) (Turnover Less Than Rs.500 Crore) of the ‘ICAI Awards for Excellence in Financial Reporting’. A GOLD SHIELD awarded to the Company, for the third consecutive year.
- South Asian Federation of Accountants (SAFA) adjudged Annual Report of the Company as the recipient of the joint first runner’s up position for the Best Presented Accounts Award for the year 2009 under the Communication and Information Technology Sector Category.
- HDFC Bank, a Nucleus Software customer, won the prestigious Celent 2010 Model Bank Award for its loan origination system, FinnOne™.

7. SUBSIDIARIES

The following table lists the subsidiaries of your Company as on March 31, 2011. All these are wholly owned subsidiaries including one step-down subsidiary in Singapore.

Name of Subsidiary	Location
Nucleus Software Solutions Pte. Ltd.	Singapore
Nucleus Software Inc.	USA
Nucleus Software Japan Kabushiki Kaisha	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

a) Nucleus Software Solutions Pte. Ltd.

Nucleus Software Solutions Pte. Ltd. (NSS) is based in Singapore. It was incorporated in the year 1994, to expand business in South East Asia. Currently, it is the central entity for Asia- Pacific excluding Japan with full responsibility for business development, sale and delivery to customers in the region.

b) Nucleus Software Inc.

Nucleus Software Inc. (NSI) is based in New Jersey, USA. It was incorporated in the year 1997 for ensuring a business presence and further growth in the Americas. NSI operates as a business development and sales hub for the region.

c) Nucleus Software Japan Kabushiki Kaisha

Nucleus Software Japan Kabushiki Kaisha (NSJJK) is based in Tokyo, Japan. It was incorporated in the year 2001 to expand business in the country. NSJJK operates as a business development and sales hub for Japan, which is the single largest market for the Company.

d) VirStra i-Technology Services Ltd.

VirStra i-Technology Services Ltd. is based in Pune, India. It was incorporated in the year 2004 as a development centre. This subsidiary set up its own subsidiary VirStra i-Technology (Singapore) Pte. Ltd. in Singapore in the year 2004 to expand its service operations in Singapore.

e) Nucleus Software Netherlands B.V.

Nucleus Software Netherlands B.V. (NSBV) is based in Amsterdam, The Netherlands. It was incorporated in the year 2006 for a business presence and growth of the European market. NSBV is a business development and sales hub for Nucleus in Europe. During the year, your Company made an additional investment of €100,000 in this subsidiary by subscribing to its equity share capital.

f) Nucleus Software Ltd.

Nucleus Software Ltd. (NSL) is based in New Delhi, India. It was incorporated in the year 2008 for facilitating business through operations in a Special Economic Zone. NSL acquired 17.41 acres of land in Mahindra World Special Economic Zone, Jaipur and, in the first phase, is co-developing a 250-seater facility, which will be ready by June 2011, for software exports.

As per General Circular No: 2 /2011 issued by the Ministry of Corporate Affairs, Government of India, a general exemption has been provided to Companies for attaching the Directors’ Report, Balance Sheet and Profit and Loss Account of all subsidiaries to its balance sheet, subject to fulfilling certain conditions as stipulated in the circular. Your Company complies with those conditions and, therefore, has been generally exempted by the Central Government from attaching detailed accounts of the subsidiaries, 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.

Directors' Report

8. INFRASTRUCTURE

Your Company has offices at several locations across the globe. The office space and seating capacity of these offices as on March 31, 2011 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	30,434	194
Total	208,122	1,677
Chennai	13,524	209
Singapore	6,101	95
New Delhi	10,000	140
Pune	9,573	120
Mumbai	3,250	31
Dubai	1,290	17
Tokyo, Japan	728	10
Amsterdam, Netherlands	561	7
New Jersey, USA	410	4
Total	253,559	2,310

NOIDA and Delhi premises are owned by the Company. All other office premises are under lease.

9. SPECIAL ECONOMIC ZONE (SEZ) PROJECT

Nucleus Software Ltd. (NSL), 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.

During the year, NSL acquired the status of Co-Developer for the above land along with Mahindra World City, Jaipur Ltd. (MWCJL). This was pursuant to approval granted by Board of Approvals (BOA) of the Ministry of Commerce and Industries, Government of India, in their meeting held on June 8, 2010, for developing, operating and maintaining the area of 17.41 acres in the SEZ. Your Company i.e. Nucleus Software Exports Ltd., has received the approval from Ministry of Commerce and Industries, Government of India, to set up a unit with a covered area of 2,063 sq meters for a 250-person facility, which will be ready by June 2011.

Your Company had two units registered under "Software Technology Parks" in India during the year which were entitled to income tax exemption as per applicable laws. Despite numerous industry representations, 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 there is additionally increase in the rate of Minimum Alternate Tax (MAT) from existing 15% to 18% (plus applicable surcharge and education cess) for future years.

The tax implication for all the units in India will be higher w.e.f the financial year 2011-12.

10. QUALITY PROCESSES

This year, your Company further strengthened its focus on quality. Many new initiatives were launched during the year.

The year started with a renewed focus on closer interaction between delivery and quality, which contributed to an increase of process awareness for adoption of better practices resulting in better productivity, reduced defect density and shorter development cycle.

Key focus of the new initiatives was automation of project health dashboards and reports generation. A Project Management Tool- PMP which was launched last year, was enhanced with new features, enabling the project teams to have a better and more comprehensive perspective on the project progress. Parameters for monitoring of project health were revised to reflect project health from multiple view points, which provides a closer to accurate status of the projects' health to the project team and the senior management.

Your Company understands the importance of having good processes, and is continuously working on improving its processes by ensuring that they meet the business objectives. There is a clear focus on implementation of Industry Best Practices. A dedicated team is responsible for collecting improvement suggestions from across the organization and incorporating them in the organization standard processes.

Defect prevention has become the prime focus and in this regard, new trainings have been launched and project teams are being trained. This is expected to result in further reduction of rework effort and defect density, which are benchmarks for measuring product quality.

11. HUMAN RESOURCE MANAGEMENT

Your Company operates in a knowledge-based industry where high intellectual human capital leads to a significant competitive advantage. With a global explosion in market opportunities in the IT sector, the shortage of manpower both in numbers and skills is becoming a prime challenge. The related issues are varied indeed:

- Recruitment of world-class workforce and their retention,
- Compensation and career planning,
- Technological obsolescence and employee turnover.

In today's world, the HR function assumes a bigger role of an HR facilitator, one that facilitates the change processes. The HR facilitator needs to involve the entire organisation in this process and act as a guide, coach and counselor.

The year gone by witnessed business growth challenges and consolidation. The Company's HR function continued its focus on managing most of the requirements with internal resource movements and improving productivity of the existing teams. Post-recession, the attrition rate in the IT industry has risen again and has become one of the major challenges faced by the industry. As the industry recovers fully from the economic downturn, lateral hiring has reached its peak which in turn has resulted in widespread attrition. The Company has reworked on its freshers hiring programme. Besides depending upon campus recruitments, it has established Nucleus School of Banking and Technology (NSBT), as a division of your Company to provide focussed role-based training programs specializing in the Banking & Financial Service Industry Technology segment. In the past one



year, over two hundred NSBT trained freshers were inducted in your Company. In future too, more trained freshers would be hired from NSBT.

During the year, new Development and Training programs were designed to enhance skills related to Project Management, Business Analysis, Product Knowledge and Role Realignment. Mid-term salary revision was done during the year to rationalize compensation of the deserving employees.

Various measures were initiated in the Company to improve employee productivity. Project Incentive policy was rolled out during the year to motivate employees to achieve project completions on time and achieve higher customer satisfaction ratings. Communication with employees was regularized through monthly open houses where open discussions were held between the Management and the Nucleites. The new concept of Business HR Representatives in respective IBUs was very well received and has proved helpful in ensuring effective and positive employee engagement.

On a consolidated basis, the employee strength as at the end of the year stood at 1,720.

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 for the calendar year 2010, 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. This is a voluntary initiative undertaken by the Company to adopt the best practices and procedures. Certificate obtained in this regard is provided as **Annexure A** to the Report on Corporate Governance.

The Company endeavors to comply to the extent possible and relevant with the non mandatory Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI).

14. LIQUIDITY AND CASH EQUIVALENTS

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

Cash and cash equivalents constitute 65% of the total assets at Rs.187.51 crore, at the year end, against Rs.162.41 crore, 60% of total assets at the close of the previous year.

An amount of Rs.40.37 crore, as on March 31, 2011 was in bank fixed deposits at an average interest rate of 9.05% per annum and Rs.125.76 crore in liquid schemes and fixed maturity plans of various mutual funds. The mix between fixed deposits, liquid schemes and fixed maturity plans is a function of the prevailing interest rates.

15. FOREIGN EXCHANGE RISK

The Indian Rupee continued to remain volatile in FY 2010-11. After closing at 45.09 per US Dollar end of March 2010, it touched 47.70 on the lower side in May 2010 and 44.10 on the higher

side in October 2010. It closed the financial year at 44.68 per US Dollar, strengthened by 0.91 per cent against the US dollar during the year ended March, 2011. Overall, there was no significant year-end change compared to a year ago, but volatility during the year was a major challenge.

While exchange rates are determined by macro level parameters in India, especially inward fund flows in a limited capital account. Convertibility scenario is incumbent upon the management to follow a prudent policy to hedge the foreign currency risk, 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 policy of hedging close to receivables through Forward Contracts which are designated as Highly Probable forecast transactions. We had hedged our receivables at higher spot rates and with Rupee appreciation in past year, this has resulted in favourable 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\$ 13.75 million of hedges compared to US\$ 10.40 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, Deloitte Haskins & Sells, retire at the forthcoming Annual General Meeting, and are eligible for re-appointment. The retiring Auditors have furnished a certificate of their eligibility for re-appointment under section 224 (1B) of the Companies Act, 1956 and have indicated their willingness to continue.

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. Janki Ballabh, Chairman and Mr. Prithvi Haldea, Director of the Company, shall retire at the ensuing Annual General Meeting, and have offered themselves for re-appointment.

19. CORPORATE GOVERNANCE

We, at Nucleus believe that good and effective Corporate Governance is more of an organization culture than mere adherence to the applicable rules. Laws alone cannot bring changes and transformation and voluntary compliance both in form and in substance plays an important role in developing a system of good Corporate Governance.

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

Directors' Report

The Company is in compliance of all mandatory requirements regarding Corporate Governance as stipulated under Clause 49 of the listing agreement with the stock exchange(s). For the fiscal year ending 2011, the compliance report is provided in the Corporate Governance section of this Annual Report. A certificate issued by the statutory auditors of the Company on confirming compliance of the conditions of Corporate Governance stipulated in Clause 49 of the listing agreement with the stock exchange(s) is provided as **Annexure B** to the Report on Corporate Governance.

20. POSTAL BALLOT

During the year, one special resolution was passed by the Shareholders of the Company through Postal Ballot for alteration

22. EMPLOYEE STOCK OPTION PLAN

Particulars	2002 Plan	2005 Plan	2006 Plan
(a) Total number of options under the Plan	225,000	6,00,000	1,000,000
(b) Pricing formula	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	–	3,560	–
(d) Options vested as of March 31, 2011	49,550	43,920	48,002
(e) (i) Options exercised during the year	6,250	–	–
(ii) Total number of shares arising as a result of exercise of above options during the year*	12,500	–	–
(f) Options forfeited during the year	–	8,440	3,500
(g) Option lapsed during the year	17,500	13,572	36,600
(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, 2011	49,550	43,900	84,002
(k) Details of options granted during the year ended March 31, 2011 to:			
(i) Senior managerial personnel of the Company**	–	10	–
(ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option 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	–	144.00	268.64
(m) Weighted average fair value of the options	–	33.13	209.49

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

** Name : Pramod K Sanghi
Designation : President Finance & CFO
ESOP (2005) : 10 options

of main objects of the Company and alteration of the objects incidental or ancillary to the attainment of main objects of the Company under Section 17 of the Companies Act, 1956. The details of the postal ballot are mentioned in the report on Corporate Governance.

21. CORPORATE SOCIAL RESPONSIBILITY

Corporate Social responsibility (CSR) as an initiative was further strengthened during the year. A quarterly update on the CSR activities is placed before the Board every quarter for review. Employee participation in such CSR initiatives is actively encouraged and supported by the Company. A separate chapter detailing CSR activities of the Company is provided later in this report.



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.45.76 crore
Less: Adjusted Amount	Rs.0.37 crore
Adjusted Net Income	Rs.45.39 crore
Basic and Diluted EPS	
As Reported	
Basic	Rs. 14.13
Diluted	Rs. 14.12
After Adjustment	
Basic	Rs. 14.02
Diluted	Rs. 14.01

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	7.64%
2. Expected life	1-4 years
3. Expected volatility	51.34% to 149.75%
4. Expected dividend yield	1.66%
5. Market price grant wise, Plan wise on date of grant:	(In ₹)
ESOP (2005)	144.00
ESOP (2006)	117.00 to 568.00

23. 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.

24. 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, 2011 is annexed as **Annexure B**.

25. 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.

26. 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 of the Company for their support to the Company, and wish to place on record its sincere appreciation of the contribution made by all the employees.

For and on behalf of the Board of Directors

NOIDA (U.P)
May 1, 2011

**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.
9. Installing of Energy Meters for closed monitoring of AHU run hours on daily basis.
10. Continuous monitoring of floor areas after normal working hours and switching off lights and AC requirements

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

A software products company's lifeblood is research and development (R&D). It generates the product sets for the Company's sales and has an ongoing relationship with the product post-release through patches and upgrades. To foster innovation and remain competitive, a software company leadership must acknowledge R&D's vital role within the organization, and partner with R&D to achieve transparent accountability for its projects.

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 R&D is the key to sustained development.

To efficiently execute on the R&D project portfolio, your Company takes steps to drive R&D value management through increased awareness, governance and business process improvement. R&D strategies are linked with those of the entire organization such that product development drives business value throughout its functional departments. We continually invest in R&D of new products and services, designs, frameworks, processes and methodologies. This effort creates a strong quality culture and enhances productivity and customer satisfaction. We have a dedicated team working full time on R&D activities.

I. R&D Initiatives in Specific Areas

Your Company is one of the few IT companies in India which is focused on the business of building its own Intellectual Property. Since 1989, Nucleus has been continuously involved in research and development activities to develop new business applications for the banking industry. Being a product development Company, there is a continuous need to develop and upgrade new software and associated services. We invest in innovation by focusing on the emerging technology trends and breakthroughs that we believe offer significant opportunities to deliver better value to our customers and growth for the Company. The Company needs to develop and release new products, relatively frequently in order 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.

We also conduct research and develop advanced technologies for our banking software products. We believe that delivering breakthrough innovation and high-value solutions is the key to meeting our customers' needs and to our future growth. We believe that we will continue to lay the foundation for long-term growth by delivering new products/features and creating new opportunities for partners, improving customer satisfaction, and improving our internal processes. Our focus is to build on this foundation through ongoing innovation in our products; by delivering compelling value propositions to customers; by responding effectively to customer; and by continuing to emphasize the importance of product excellence, business efficacy and accountability.

The Company has a technology incubation unit. 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.

The year gone by also witnessed the launch of a SOA based, platform independent solution, new product line FinnOne Pro™.

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, the focus was on technology upgrade of FinnOne™ and Cash@Will™.

To keep pace with emerging trends across the globe, a number of product releases were done and some new developments were initiated. FinnOne Pro™, the new service oriented component based architecture which is the platform independent version of our product, has been the result of relentless hard-work by our Product Development team. Below mentioned are some of the benefits- technical and non- technical of FinnOne Pro™.

- Standardization
 - o Standard Look and Feel across applications
 - o Standard architecture across business components
 - o Common interfacing mechanisms across components
 - o Common services for features such as Security, Workflow management, Rule engine, Database access, Report generation, communication engine, File upload/download, audit trails etc.



- Seamless integration across FinnOne Pro™ components
- Real time data update across FinnOne Pro™ components
- Easy customizations over the core product
- Modular, Scalable and Distributed deployments

The other technical benefits are:

- Business Component designed on Service Oriented Style enabling Loose Coupling
- Flexibility in upgrading Business Component without affecting entire Business Process
- Component based architecture augmenting scalability, hence enhancing performance
- Flexibility of deployment in distributed environment
- Service Mediation concept allows easy integration with 3rd party Java/Non-Java Applications
- Designed to support database independence
- J2EE complaint applications that can be deployed on multiple J2EE App. Servers.

Nucleus' vision is to be a leading global end-to-end products and 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 and solutions.

We are also working towards achieving 100% compliance with relation to all our processes. During the year, we have had high number of successful deliveries across the globe, and a very high satisfaction rating from many customers.

3. Future Plan of Action

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

Nucleus products will continue to add business value to the current and future customers and partners.

Expenditure on R&D

	(₹ in crore)	
	2011	2010
Revenue expenditure	21.61	23.74
Capital expenditure	-	-
Total	21.61	23.74
R&D expenditure/total revenue	10.83%	12.23%

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.

Information in case of imported technology (imports during the last five years) - not applicable to the Company.

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 BFSI domain. The Company is registered with the Software Technology Park of India and has network of international offices across the globe.

This year also witnessed the highest order win in Nucleus's history with record orders from all across the globe. We also added 32 new customers during the year and gave more than 285 demonstrations of our products in different markets

In FY 2011, foreign exchange earnings from software products and services, at Rs.158.33 crore, 79 % of total revenue against Rs.155.85 crore, 53% of the total revenue in FY 2010.

2. Foreign Exchange Earned and Used

	(₹ in crore)	
For the year ended March 31,	2011	2010
Foreign Exchange earnings	158.33	155.85
Foreign Exchange outgo (including capital goods)	30.20	28.84

For and on behalf of the Board of Directors

NOIDA (U.P.)
May 1, 2011

Janki Ballabh
Chairman

STATEMENT UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES 1975.

Sl No.	Name	Designation	Qualification	Age in years	Date of Joining	Total Experience in years	Gross Remuneration (in ₹)	Designation - Previous Employment
1	Niraj Vedwa	Chief Operating Officer	PGDSM	45	March 8, 1999	23	11,288,983	National Sales Manager - Modicorp Ltd
2	Pramod K. Sanghi	President - Finance & Chief Financial Officer	B. Com(H), PGDM	56	April 15, 2002	33	6,724,466	Executive Director (Finance) - Pearl Global Limited
3	Vishnu R Dusat	CEO & Managing Director	B. Tech.	54	January 9, 1989	30	6,969,620*	N.A

* In addition, Mr. Vishnu R. Dusat was paid commission of Rs. 12,949,000 for the year ended March 31, 2010 after approval of shareholders in the Annual General Meeting held on June 24, 2010.

Note:

- a) Remuneration comprises salary, allowances, and taxable value of perquisites.
- b) All appointments are contractual in nature.



REPORT ON CORPORATE GOVERNANCE

Report on Corporate Governance

“Good governance practices enhance companies’ value and stakeholders’ trust resulting into robust development of capital market, the economy, and also help in the evolution of a vibrant and constructive shareholders’ activism.” Opening remarks in the Preamble to the Corporate Governance Voluntary Guidelines 2009, issued by Ministry of Corporate Affairs.

Good corporate governance is characterized by a firm commitment and adoption of ethical practices by an organization across its entire value chain and in all of its dealings with a wide group of stakeholders encompassing employees, customers, vendors, regulators and shareholders (including the minority shareholders), in both good and bad times. According to the modern definition, Corporate Governance means doing everything better to improve relations between companies and their shareholders, improve the quality of Directors, encourage people to think for long term, ensure that information needs of all stakeholders are met and executive management is monitored properly in the interest of shareholders. This definition stresses the value contents of Corporate Governance.

Company’s Philosophy on Corporate Governance

The Nucleus Management is committed to implement the best practices of Corporate Governance. The Company believes that Corporate Governance is a set of guidelines to help fulfill its responsibilities towards all its stakeholders i.e. investors, customers, vendors, Government, associates and society. Primarily it is about building in checks and balances to ensure that the Company pursues strategies that are in accordance with the corporate mission. It consists of a set of processes, customs, policies, laws and institutions affecting the way a corporation is directed, administered or controlled. Corporate governance governs the relationship among the many players involved (the stakeholders) and the goals for which the corporation is governed.

The Company’s Corporate Governance approach is based on the following principles:

- I - Role of the stakeholders
- II - Openness and transparency in the organisation
- III - Risk management
- IV - Audits and Internal Controls

Corporate Governance philosophy at Nucleus is to comply with not only the statutory requirements, but also voluntarily formulate and adhere to a set of strong Corporate Governance practices. We believe that sound Corporate Governance is critical to enhance and retain investor trust. The responsibility for putting the recommendations into practice lies directly with the Board of Directors and the Management of the Company. The driving forces of Corporate Governance at Nucleus are its core values, which are: belief in people, entrepreneurship, customer orientation and the pursuit of excellence. In addition to being compliant with all the statutory provisions of Clause 49 of the Listing Agreement, Nucleus has put in place several non-mandatory recommendations including “Training of Board members”, “Whistle Blower Policy”, “Remuneration Committee”, “Board Evaluation” etc. discussed later in this report on Corporate Governance.

Nucleus has identified three major Corporate Governance tenets for practice:



Figure 1

I. Board of Directors

We at Nucleus believe that to prove effective, the role of the Board of Directors may be summarized as follows:

- a. To provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed.
- b. To develop and promote collective vision of the Company’s purpose, its culture and values it wishes to promote in conducting the Company business.

A. Composition of the Board of Directors as on March 31, 2011.

It is important to consider a diversity of personal attributes among Board candidates, including intellect, critical assessment, judgment, courage, openness, honesty and the ability to develop trust. A Board requires Directors who have the intellectual capability to suggest change to a proposed strategy and to promulgate alternatives.

The Board at Nucleus consists of five members with eighty-percent of the Board comprising of Non-Executive Directors. All the Non-Executive Directors are Independent Directors and with their diverse knowledge and expertise provide valuable contribution in the deliberations and decisions of the Board. Independent Directors help to maintain the independence of the Board and separate the Board functions of governance and management.



Composition of Board of Directors in a tabular form may be shown as below:

Name of Director		Age in years
Mr. Janki Ballabh	Chairman, Independent Non-Executive Director	68
Mr. Vishnu R Dusad	Managing Director, Promoter Executive Director	54
Mr. Arun Shekhar Aran	Independent Non-Executive Director	52
Mr. Prithvi Haldea	Independent Non-Executive Director	60
Mr. Sanjiv Sarin	Independent Non-Executive Director	52

Table I

Our Board comprise of eminent professionals who exhibit good decision making skills, facilitated by:

- high-quality board documentation;
- obtaining expert opinions when necessary;
- allowing time for debate and challenge, especially for complex, contentious or business critical issues;
- achieving timely closure; and
- providing clarity on the actions required, and timescales and responsibilities.

A brief profile of the Nucleus Board of Directors is presented below.

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., Tata Capital Housing Finance Ltd., Tata Capital Financial Services 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, CEO & 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 has enriched Nucleus with his technology background and 25 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 28 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.

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, Member of Board of Governors of Indian Institute of Corporate Affairs, Member of the Investment Board of Postal Life Insurance and Special Invitee to Quality Review Board-ICAI. He is also a member of several committees including SEBI Committee on Disclosures & Accounting Standards, Listing Advisory Committee of NSE, and Delisting Committee of DSE. Mr. Haldea is also the Chairman of PHDCCI Capital Markets Committee and Co-Chairman of the ASSOCHAM's Capital Market Committee and a member of CII's National Task force on Financial Markets and NASSCOM's Corporate Governance & Ethics Committee. He is on the Board of Directors of UTI Asset Management Co. Ltd. He is also a Member of the Advisory Board of the International College of Financial Planning.

In the past, Mr. Haldea has served, among others, 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 Securitization, Secondary Market Advisory Committee of SEBI, Primary Market Advisory Committee of SEBI, Index Committee, Listing Committee and Delisting Committee of SEBI and SEBI Committee for review for 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 the pursuit of this objective, he has also launched four unique websites: www.watchoutinvestors.com : aggregating information on economic defaulters which now lists over 1,25,000 cases, www.primedirectors.com: a databank of professionals for listed companies to select independent directors, now hosting profiles of over 20,000 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.msmentor.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 PGDBM from XLRI, Jamshedpur. He has 29 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 the organizations. He has extensive advisory experience on issues of strategy , driving performance improvement , change management , organization building and human capital development. He also plays the role of a friend, advisor and mentor to start ups.

B. Responsibilities of the Chairman and the Chief Executive Officer (CEO)

The CEO leads internally, with the Chairman adding value in strategy and structure and ensuring that the Company is represented with integrity to institutions, investors, analysts and other stakeholders. The Chairman provides necessary support to the CEO, and both need regular and structured access to the executive and management team. The CEO is the principal executive of the Company and is accountable for the management and operations of the Company and implementation of business policies and strategies agreed to, by the Board of Directors in a manner that is consistent with best business practices.

Roles and Responsibilities of Chairman may be summarized as follows:

- Ensure that the Board establishes and regularly reviews the Company's policies, strategies and plans.
- Provide consistent strategic input and scrutiny
- Assist and guide the CEO as a mentor/coach

- Chair the meetings of the Board and of the General Meetings.
- Ensure sufficient Board and Committee time for discussion of complex or contentious issues, with additional informal meetings for prior discussion, if necessary.
- Oversee the balance of membership of the Board and appointments to the Committees.
- Identify the development needs of individual directors, and of the Board as a whole, and facilitate appropriate training.

Role and Responsibilities of the CEO may be summarized as follows:

- Prepare strategy, plans, mission and vision of the Company and strive for its implementation.
- Responsible for running the Company's business operations and financial performance
- Provide clear leadership
- Develop the right organisation structure.
- Responsible for succession planning for key executives and its implementation.
- Communication with investors and other stakeholders

C. Membership Term

As per 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 five years at a 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 and the notice for the ensuing AGM contains a resolution seeking approval from the shareholders for his re-appointment for another term of five years.

D. Compensation of the Board of Directors

Compensation of the Managing Director has been approved by the shareholders at the Annual General Meeting held on July 8, 2006. Non-Executive Directors are 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 Employee Stock Option Plans (ESOP) launched by the Company from time to time. Currently they hold no options.



Nucleus Software Exports Limited

The following table gives details of compensation paid /payable to the Directors for the period April 2010 to March 2011.

(Amount in ₹)

Name of Director		Fixed Salary	Commission	Sitting Fees	Total Compensation
Mr. Janki Ballabh	Chairman, Independent Non-Executive Director	–	12,00,000	2,80,000	14,80,000
Mr. Vishnu R Dusad	Managing Director, Promoter Executive Director	63,60,000	–	–	63,60,000
Mr. Arun Shekhar Aran	Independent Non-Executive Director	–	12,00,000	3,60,000	15,60,000
Mr. Prithvi Haldea	Independent Non-Executive Director	–	12,00,000	4,80,000	16,80,000
Mr. Sanjiv Sarin	Independent Non-Executive Director	–	12,00,000	5,60,000	17,60,000
TOTAL		63,60,000	48,00,000	16,80,000	1,28,40,000

Table 2

Detail of Equity Shares held by Non-Executive Directors as on March 31, 2011

Name of Director		Equity Shares (Nos.)
Mr. Janki Ballabh	Chairman, Independent Non-Executive Director	–
Mr. Arun Shekhar Aran	Independent Non-Executive Director	175,092
Mr. Prithvi Haldea	Independent Non-Executive Director	5,400
Mr. Sanjiv Sarin	Independent Non-Executive Director	17,300

Table 3

The Non-Executive Directors hold no options as on March 31, 2011.

E. Memberships of other Boards

The number of other Directorships and Chairmanship/ Memberships of Committees held by each of the Director as on March 31, 2011 is as mentioned in the table below :

Name of Director		Relationship with other Directors	Directorships Held of other Companies	Committee Membership*	Chairperson in Committees*
Mr. Janki Ballabh	Chairman, Independent Non-Executive Director	None	6	2	2
Mr. Vishnu R Dusad	Managing Director, Promoter Executive Director	None	8	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	–

Table 4

*In accordance with Clause 49 of the Listing Agreement, Membership/Chairmanships of only the Audit Committee and Shareholders/Investors' Grievance Committee of all Public Limited Companies including Nucleus Software Exports Ltd. is considered.

According to the Clause 49 of Listing Agreement, none of the Directors can be members of more than ten Board level committees nor can they be Chairman of more than five committees in which they are members. All our Directors are fully compliant with the requirement.

F. 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.

(i) Information supplied to the Board

The Board has complete access to all information with the Company. All the information stipulated under clause 49 is regularly provided to the Board as a part of the agenda papers well in advance of the Board meetings or are tabled with the permission of the Chair in the course of the Board meeting. There is a structured manner in which agenda items are created and materials are distributed for Board meetings. During meetings, senior management is invited to present the plans and achievements of their respective areas of responsibility. Presentations are made before the Board covering major business segments and operations of the Company.

(ii) 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.

(iii) Board agenda

- The Company Secretary in consultation with the Chairman of the Board and Chairman of the respective Board Committees prepares the agenda and supporting papers for discussion at Board Meetings and Committee Meetings respectively. Members of the Board or Committees are free to suggest any item to be included in the agenda, in addition to their right to bring up matters for discussion at the meeting with the permission of the Chairman.
- Moreover, the Company has initiated attaching the “Impact Analysis on Minority Shareholders” for every agenda item at the Board meeting, proactively stating if the agenda item has any impact on the rights of minority shareholders. The Directors discuss such impact analysis if any, and offer their comments which would then be suitably recorded.

(iv) Board Materials Distributed in Advance

Information and data that is important to the Board’s understanding of matters on the agenda is distributed to the Board prior to the Board meetings in order to permit adequate review. In addition to the above, pursuant to the revised Clause 49, the minutes of the Board meetings of Company’s unlisted subsidiary companies are also placed before the Board for information.

(v) Secretarial Standards with respect to Board meeting

The Company voluntarily endeavors to comply to the extent possible and relevant with the non mandatory Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI). Secretarial Standard I (SSI) issued by the Institute of Company Secretaries of India (ICSI) on meetings of the Board of Directors is followed both in letter and in spirit.

(vi) Scheduling of Board 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. The 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.

(vii) 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.

(viii) 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 and the Listing agreement .

(ix) Number of Board Meetings held and attendance during the year 2010-11.

Ten Board Meetings were held during the year 2010-11, as against the minimum requirement of four meetings. The dates on which the meetings were held are; April 25, 2010, June 24, 2010, August 1, 2010, October 22, 2010, October 23, 2010, December 28, 2010, January 22, 2011, January 23, 2011, February 20, 2011 and March 24, 2011. As per the provision of Clause 49 of the Listing Agreement, the gap between two Board Meetings has not exceeded four months. The maximum gap between the two board meetings during the financial year 2010-11 was two months and twenty days.

Name of Director	Board Meetings		Attended
	Held	Attended last AGM	
Mr. Janki Ballabh	10	10	Yes
Mr. Vishnu R Dusad	10	10	Yes
Mr. Arun Shekhar Aran	10	10	Yes
Mr. Prithvi Haldea	10	10	Yes
Mr. Sanjiv Sarin	10	10	Yes

Table 5

(x) Action taken Report on follow-up items

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.

Strengths are celebrated, 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.

2. Committees of the Board

The Company has constituted six committees of the Board of Directors viz. Audit Committee, Share Transfer and Shareholders' Grievance Committee, Remuneration Committee, Compensation Committee, Nomination and Corporate Governance Committee. The committees have a combination of Executive and Non-Executive / Independent Directors.

The Chairperson of the Board, in consultation with the Company Secretary and the committee chairperson, determines the frequency of the committee meetings. The Chairman of each Board committee fulfils an important leadership role similar to that of the Chairman of the Board, particularly in creating the conditions for overall committee and individual director effectiveness.

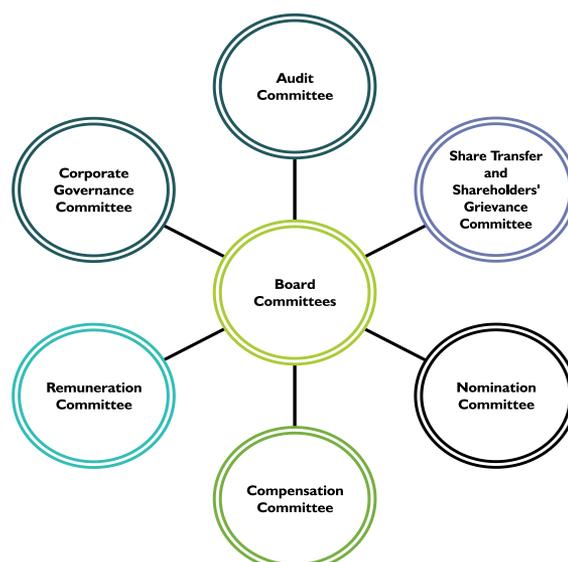


Figure 2

As per the charter of respective committees, they deliberate on the matters referred to it by the Board. Information and data that is important to the committees to discuss the matter is distributed in writing to the members of the committees well in advance of the meeting. Recommendations of the committees are submitted to the Board to take decision on the matter referred.

The effectiveness of the Board is hereby increased by the establishment of committees to consider and report on specific matters. This allows the Board to focus directly on issues identified as important rather than addressing matters of detail. At the same time, Board members who have specialized skills can be used more effectively.

A. Audit Committee

A key element in the Corporate Governance process of any organization is its Audit Committee.

Effective Audit Committees can greatly assist Boards discharge their duties in respect of ensuring the integrity of the Company's financial reporting. Indeed, it is essential that Boards, management, internal auditors, external auditors and Audit Committees

themselves work with a common purpose to ensure that companies obtain the benefits of Audit Committees in terms of improved financial reporting and greater effectiveness of internal controls.

The Audit Committee at Nucleus was formed in August 2001, in compliance of Section 292 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 broad objectives of the committee are “gearing toward effecting pragmatic, progressive changes in the functions and expectations placed on Boards, Audit Committees, Senior and Financial Management, the Internal Auditor and the Statutory Auditors regarding financial reporting. All the members including the Chairman of the Committee are Independent Directors and financially literate while one of them also being a financial management expert, making the Company fully compliant with the mandatory requirements of Clause 49 of Listing Agreement. The composition of the Audit Committee along with a detail of the meetings held during the year is detailed in table 6 in this report on Corporate Governance.

To efficiently carry out its functions, the Audit Committee adopted the following charter:

(i) Charter of Audit Committee

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.
- s) Reviewing certificates regarding compliance of legal and regulatory requirements;
- t) Reviewing the functioning of the Whistle Blower mechanism;

The Audit Committee is further empowered to do the following:

- i. To investigate any activity within terms of reference;
- ii. To seek information from any employee;
- iii. To obtain outside legal professional advice; and
- iv. To secure attendance of outsiders with relevant expertise, if it considers necessary.

(ii) 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.

In line with the best Corporate Governance practices, an Audit Committee Meeting independent of the Management is scheduled every quarter, to create an environment where both the members of the Committee and the Auditors can freely express their views, and discuss important matters.

(iii) Composition of the Audit Committee

The composition of Audit Committee as on March 31, 2011 and the details of the meetings held during the year are as follows:

Name of Director		No. of Meetings	
		Held	Attended
Mr. Arun Shekhar Aran	Chairman of the Committee, Independent Non-Executive Director	8	4
Mr. Prithvi Haldea	Independent Non-Executive Director	8	8
Mr. Sanjiv Sarin	Independent Non-Executive Director	8	8

Table 6

In addition to the Audit Committee members, the Chief Financial Officer, Internal Auditor, Statutory Auditors and other executives attend the meetings upon invitation. Necessary information such as Management Discussion and Analysis of financial condition and results of operations, statement of significant related party transactions submitted by the management, management letters / letters of internal control weaknesses issued by the statutory auditors, internal audit reports relating to internal control weaknesses and the terms relating to internal auditors as required by Clause 49 (II)(E) of the Listing Agreement are reviewed by the Audit Committee.

The Company Secretary of the Company is the Secretary of the Committee.

Report on Corporate Governance

(iv) Audit Committee Report for the Year Ended March 31, 2011

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.

The Committee has recommended to the Board the appointment of Deloitte Haskins & Sells, Chartered Accountants, as the Statutory Auditors of the Company for the financial year ending March 31, 2012 and that the necessary resolutions for appointing them as Auditors be placed before the shareholders.

Sd/-
Arun Shekhar Aran

B. Remuneration Committee

The Remuneration Committee of the Board recommends remuneration payable to Directors based on their contribution to the growth and development of the Company. During the year, the Charter of the Committee was revised to include considering remuneration of senior management also, besides remuneration of Directors. This was consequent to the approval of the Remuneration Policy for Board members and Key Executives by the Board.

The composition of Remuneration Committee as on March 31, 2011 and the details of the meetings held during the year are as follows:

Name of Director		No. of Meetings	
		Held	Attended
Mr. Janki Ballabh	Chairman of the Committee, Independent Non-Executive Director	2	2
Mr. Prithvi Haldea	Independent Non-Executive Director	2	2
Mr. Sanjiv Sarin	Independent Non-Executive Director	2	2

Table 7

The Company Secretary of the Company is the Secretary of the Committee.



The remuneration of key executives shall be reviewed /decided on an annual basis, or earlier if deemed necessary, by the Remuneration Committee.

The compensation details of the Directors have been mentioned in table 2 in the earlier part of this report on Corporate Governance.

C. Nomination Committee

The Nomination Committee of the Board was constituted on July 8, 2009. The Nomination Committee led by the Chairman is responsible for:

- identifying suitable persons and recommend them to fill up casual vacancies in Board in accordance with the Company's strategic priorities.
- to appoint additional Directors whenever the need arises, and
- to develop a policy on the size and the composition of the Board.

The aim is to secure a boardroom which achieves the right balance between challenge and teamwork, and fresh input and thinking, while maintaining a cohesive Board.

The composition of Nomination Committee as on March 31, 2011 and the details of the meetings held during the year are as follows:

Name of Director		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 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

Table 8

The Company Secretary of the Company is the Secretary of the Committee.

D. Share Transfer and Shareholders' Grievance Committee

Share Transfer and Shareholders' Grievance Committee of the Board was constituted with powers and responsibilities including but not limited to :

- To supervise and ensure efficient share transfers, share transmission, transposition, etc.;
- To approve allotment, transfer, transmission, transposition, consolidation, split, name deletion and issue of duplicate share certificate of equity shares of the Company;
- To redress shareholder and depositor complaints like non-receipt of Balance Sheet, non-receipt of declared dividends etc.;

- To review service standards and investor service initiatives undertaken by the Company;
- To address all matters pertaining to Registrar and Transfer Agent including appointment of new Registrar and Transfer Agent in place of existing one;
- To address all matters pertaining to Depositories for dematerialisation of shares of the Company and other matters connected therewith; and
- To attend to any other responsibility as may be entrusted by the Board to investigate any activity within terms of its Charter.

The name of the Committee was changed from 'Shareholders'/ Investor Grievance Committee' to 'Share Transfer and Shareholders' Grievance Committee' during the year. The Committee meets as often as required to discharge its functions. The status on complaints and share transfers is reported to the full Board.

The composition of Share Transfer and Shareholders' Grievance Committee as on March 31, 2011 and the details of the meetings held during the year are as follows:

Name of Director		No. of Meetings	
		Held	Attended
Mr. Vishnu R Dusad	Managing Director, Promoter Executive Director	4	4
Mr. Sanjiv Sarin	Independent Non-Executive Director	4	4

Table 9

The Company Secretary of the Company is the Secretary of the Committee.

The Company's Registrar and Share Transfer Agent is:

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 2010-11 are as follows:

Nature of complaints received	No. of complaints/requests		
	Received during the year	Resolved during the year	Pending at the year end
Non- Receipt of Dividend Warrant	23	23	Nil
Revalidation of Dividend warrants	42	42	Nil
Issue of duplicate share certificates	Nil	Nil	Nil
Non receipt of share certificate	3	3	Nil
Non-Receipt of Annual Report	4	4	Nil

Table 10

Report on Corporate Governance

E. Corporate Governance Committee

The Corporate Governance Committee of the Board was constituted to continuously implement and promote highest standards of Corporate Governance. 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. The Committee also monitors the implementation and compliance of the Company's Code of Conduct. 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 composition of Corporate Governance Committee as on March 31, 2011 and the details of the meetings held during the year are as follows:

Name of Director		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 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

Table 11

The Company Secretary of the Company is the Secretary of the Committee.

F. Compensation Committee

The Compensation Committee of the Board was constituted as per the terms of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI ESOP Guidelines"). It was formed for the administration and superintendence of the employee stock options schemes launched by the Company from time to time. 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 administers the stock option plans, including review and grant of options to eligible employees under the plans.

The Committee is constituted with powers and responsibilities including but not limited to:

- (i) To decide the quantum of equity shares / options to be granted under Employee Stock Options Plans (ESOP), per employee and the total number in aggregate;

- (ii) To determine at such intervals, as the Compensation Committee considers appropriate, the persons to whom shares or options may be granted;
- (iii) To determine the exercise period within which the employee should exercise the option and condition in which option will lapse on failure to exercise the option within the exercise period;
- (iv) To decide the conditions under which shares or options vested in employees may lapse in case of termination of employment for any reason;
- (v) To lay down the procedure for making a fair and reasonable adjustment to the number of shares or options and to the exercise price in case of rights issues, bonus issues and other corporate actions;
- (vi) To lay down the right of the employee to exercise all the options vested in him at one time or at various points of time within the exercise;
- (vii) To specify the grant, vest and exercise of shares/ option in case of employees who are on long leave;
- (viii) To construe and interpret the plan and to establish, amend and revoke rules and regulations for its administration. The Compensation Committee may correct any defect, omission or inconsistency in the plan or any option and / or vary / amend the terms to adjust to the situation that may arise;
- (ix) To attend to any other responsibility as may be entrusted by the Board.

During the year, employees accepted 3,560 options under ESOP Scheme 2005, granted by the Compensation Committee, at its meeting held on 8 July, 2011.

The composition of Compensation Committee as on March 31, 2011 and the details of the meetings held during the year are as follows:

Name of Director		No. of Meetings	
		Held	Attended
Mr. Vishnu R Dusad	Managing Director, Promoter Executive Director	2	2
Mr. Arun Shekhar Aran	Independent Non-Executive Director	2	2
Mr. Prithvi Haldea	Independent Non-Executive Director	2	2
Mr. Sanjiv Sarin	Independent Non-Executive Director	2	2

Table 12

The Company Secretary of the Company is the Secretary of the Committee.

3. Shareholder Information

A. 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. Since 2009, the Company started releasing the quarterly report, in the form of a soft



copy only and uploads it on the Company website www.nucleussoftware.com. This has resulted not only in prompt information disposal to the shareholders but also contributes significantly in saving paper thereby saving trees and reducing costs too.

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.
- Your Company has been voluntarily sending soft copies of Annual reports to the shareholders who had registered their email id's with the Company or Depository participants. Further this year, as per the circular issued by the Ministry of Corporate Affairs, in accordance with the "Green Initiative in Corporate Governance", your Company has sent emails and letters to all the shareholders holding shares in demat, physical form respectively, to exercise their option of receiving various notices and documents, including Annual Report through electronic mode.

This welcome initiative of MCA will reduce paper consumption to a great extent and enhance corporate contribution to a greener and safer environment. All shareholders of the Company can contribute to this initiative and reduce paper usage by opting to receive various notices and documents through electronic mode.

B. Corporate Identity Number (CIN) :

The Corporate Identity Number (CIN), allotted to the Company by the Ministry of Corporate Affairs, Government of India is L74899DLI989PLC034594 and the Company Registration Number is 55-034594. The Company is registered in the State of New Delhi.

C. Investor Education

Investors are provided with timely information on all Company related matters including recruitment/appointment and remuneration of Directors, share transfers, advantages of dematerialisation 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, dematerialisation etc. All such material information is also available on the website.

It is our constant endeavor to provide efficient 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.

Report on Corporate Governance

D. General Body Meetings

(i) Particulars of Annual General Meetings (AGM) held during the previous three years is as follows:

Financial Year, Date, Time	Venue	Ordinary Resolution	Special Resolution
FY 07-08 July 8, 2008, 11.00 a.m.	FICCI Auditorium, New Delhi	<ul style="list-style-type: none"> 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. 	
FY 08-09 July 8, 2009, 11.30 a.m	Air Force Auditorium, New Delhi	<ul style="list-style-type: none"> 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. Janki Ballabh as a Director liable to retire by rotation. 	<ul style="list-style-type: none"> 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 five years commencing from April 1, 2009.
FY 09-10 June 24, 2010, 11.30 a.m.	FICCI Auditorium, New Delhi	<ul style="list-style-type: none"> Adoption of Annual Accounts for the year ended March 31, 2010. Re-appointment of Mr. Arun Shekhar Aran and Mr. Sanjiv Sarin as Directors. Appointment of M/s Deloitte Haskins & Sells as the Statutory Auditors. Declaration of Dividend on equity shares. 	

Table 13

No Extraordinary general meeting was held by the Company during the financial year ended March 31, 2011.

(ii) Passing of resolutions by Postal Ballot:

During the year, one special resolution was passed by the Shareholders of the Company through Postal Ballot for alteration of main objects of the Company and alteration of the objects incidental or ancillary to the attainment of main objects of the Company under Section 17 of the Companies Act, 1956. The postal ballot notice was issued on August 1, 2010.

The description of the resolutions and the results of the voting pattern of the Postal Ballot, which was declared on October 26, 2010, are given in the following table.

Item	Type of resolution	Net valid Postal Ballot forms	Postal Ballot form with		% of total votes cast in favour of the resolution
			assent for the resolution (No. of shares)	dissent for the resolution (No. of shares)	
Special Resolution under Sec. 17 of the Companies Act, 1956 for alteration of the main objects of the Company and alteration of the objects incidental or ancillary to the attainment of main objects of the Company.	Special Resolution	168	1,58,91,170	5,88,509	96.43%

Table 14

The Board appointed Mr. Rishi Sood, Advocate, Corporate Professionals, Advocates & Solicitors, as Scrutinizer to conduct Postal Ballot Process.



4. Disclosures

(i) Related Party Transactions

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 do not have any potential conflict with the interests of the Company at large.

(ii) Details of Non-Compliance

There has been no non-compliance of any legal requirements nor have there been any strictures imposed on the Company by any stock exchange or SEBI or any statutory authority, on any matter relating to the capital markets during the last year.

(iii) 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 Whistle 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 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.

Whistle Blower Policy Process

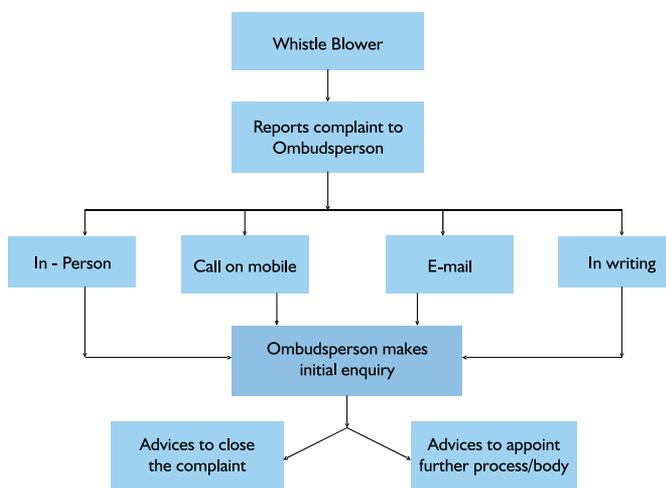


Figure 3

During the year, complaints were received under the Policy, but none of them fell under the ambit of Whistle Blower Policy and were referred to other grievance redressal forums prevalent in the organization accordingly. We also affirm that adequate safeguards were provided to employees against their victimisation on reporting to the Ombudsperson.

(iv) Policy against Sexual Harassment

Nucleus values the dignity of individuals and strives to provide a safe and respectable work environment to all its employees. The Company is committed to providing an environment, which is free of discrimination, intimidation and abuse. Nucleus prohibits any employee of the Company from making any unwelcome and unsolicited sexually determined behaviour (whether directly or by implication). Such kind of harassment can have potential legal and moral pitfalls not only for the individuals involved but also for the Organization as a whole. We at Nucleus believe that it is the responsibility of the organization to protect the integrity & dignity of its employees and also to avoid conflicts & disruptions in the work environment due to such cases.

The Company has put in place a 'Policy against Sexual Harassment'. As per the policy an employee may report his complaint to the Committee by various modes i.e. in person, through email, in writing or by calling on mobile no. as mentioned. The Committee would then make enquiries and submit its recommendation to the HR Head. He would further take a decision on the same and report to the Board. We affirm that adequate access was provided to any complainant who wished to register a complaint under the policy, during the year.

(iv) Code of Conduct

The Code of Conduct helps to maintain high standards of ethical business conduct for the Company. In terms of Code of Conduct, Directors and Senior Management must act within the boundaries of the authority conferred upon them and with a duty to make and enact informed decisions and policies in the best interests of the Company and its shareholders and stakeholders. The Company obtains the affirmation compliance of the Code of Conduct from its Directors and Senior Management on yearly basis.

The Company has obtained declaration from Directors and Senior Management affirming their compliance to the Code of Conduct for the current year. A copy of the Code of Conduct is made available on the website of the Company.

(v) Risk Management and Internal Control Policies Adopted by the Company

A report on Risk Management and Internal Control Policies adopted by the Company has been discussed elsewhere in this Annual Report.

(vi) Adherence to Accounting Standards

The Company follows the mandatory Accounting Standards prescribed by the Institute of Chartered Accountants of India and to the best of its knowledge there are no deviations in the accounting treatments that require specific disclosure.

(vii) Remuneration to the Directors of the Company

Information relating to the remuneration to the Directors during the financial year 2010-11 has been provided in table 2 of this report on Corporate Governance.

(viii) Management Discussion and Analysis

As required by Clause 49 of the Listing Agreement, the Management Discussion and Analysis is provided elsewhere

Report on Corporate Governance

in this Annual Report. As a voluntary initiative, the Company also prepares and publishes Management Discussion and Analysis based on the consolidated financials in the Annual Report. It is provided in the later portion of this report.

(ix) Subsidiary Companies

The Company does not have any material un-listed Indian subsidiary Company, whose turnover or net worth (paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth of the Company.

The Audit Committee and the Board of Directors look into the related party transactions entered into by the Company including those with the subsidiary companies.

Details of percentage holding of the Company in the subsidiary companies.

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 Kaisha	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%

Table 15

(x) Indian Unlisted Subsidiary Company

- 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.
- Mr. Prithvi Haldea and Mr. Sanjiv Sarin, independent Directors on the Board of Directors of the Company are Directors on the Board of Directors of Nucleus Software Ltd., an unlisted Indian Subsidiary Company.
- 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., unlisted Indian Subsidiary Companies.
- 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., an Indian unlisted subsidiary Company, is not a material unlisted Indian subsidiary Company, but as a part of good Corporate Governance practice, above procedure is followed.

5. General Shareholder Information

- Date of incorporation** 9th January, 1989
- Registered Office** 33-35, Thyagraj Nagar Mkt., New Delhi-110003, India
- Corporate Office** A-39, Sector 62, Noida-201307, India
- Date and time of Annual General Meeting** July 8, 2011, 11:30 a.m.
- Venue of Annual General Meeting** Sri Sathya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi-110003
- Financial Calendar for the financial year 2011-12 (tentative and subject to change)**
 - Financial reporting for :**
 - Tentative dates**
 - The first quarter ending June 30, 2011 between 20th to 31st of July 2011
 - The second quarter ending September 30, 2011 between 20th to 31st of October 2011
 - The third quarter ending December 31, 2011 between 20th to 31st of January 2012
 - The year ending March 31, 2012 between 20th to 30th of April 2012
 - Annual General Meeting for the year ending March 31, 2012 July 2012
 - Date of Book Closure for AGM for FY 2011** July 1 to 8, 2011 (both days inclusive)
 - Listing on Stock Exchanges** Nucleus shares are listed on the following stock exchanges:

Stock Exchange where Nucleus shares are listed	Scrip Symbol/Code
National Stock Exchange of India Limited (NSE) w.e.f. December 19, 2002	NUCLEUS
Bombay Stock Exchange Limited (BSE) w.e.f. November 6, 1995	541209
Madras Stock Exchange Limited w.e.f. November 2, 1995	NA

The annual fees for 2011-12 has been paid to all the Stock Exchanges except Madras Stock Exchange, where the Company has submitted application for delisting of equity shares from the exchange.

- International Securities Identification Number** INE096B01018 (ISIN code-NSDL and CDSL)

(i) Dividend Payment Date

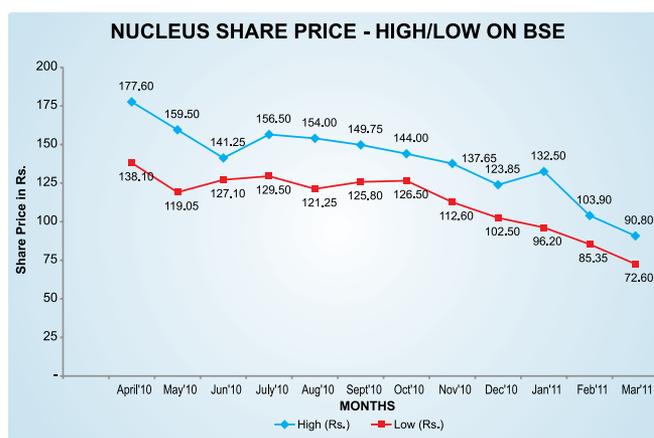
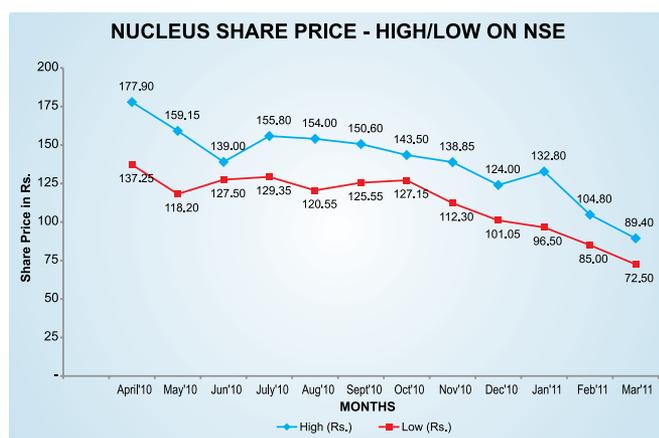
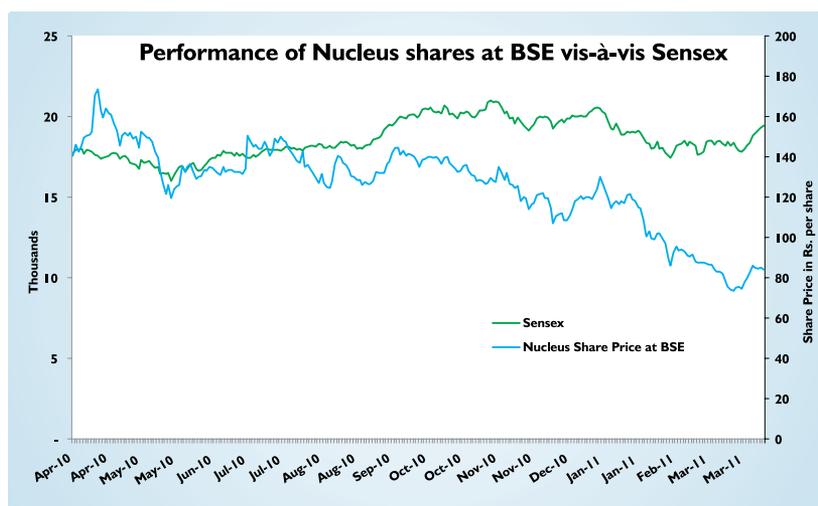
The Board has recommended a final dividend of Rs. 2.50 per share to the shareholders, if approved by the shareholders; will be payable to those shareholders whose names appear on the Register of Members of the Company on July 1, 2011, being the first day of Book-Closure and to those whose names appear as beneficial owners in the records of National Securities Depository Ltd. and Central Depository Services (India) Ltd. on close of business as on June 30, 2011.



(ii) Market Price data on NSE & BSE for the financial year 2010-11

Month	BSE			NSE		
	High (in ₹)	Low (in ₹)	Total Volume	High (in ₹)	Low (in ₹)	Total Volume
April'10	177.60	138.10	2,085,422	177.90	137.25	5,050,561
May'10	152.60	124.00	398,711	159.15	118.20	1,159,426
Jun'10	141.25	127.10	159,320	139.00	136.15	475,971
July'10	156.50	129.50	1,247,644	155.80	129.35	2,301,107
Aug'10	154.00	121.25	2,396,271	154.00	120.55	4,368,159
Sept'10	149.75	125.80	723,330	150.60	125.55	1,609,015
Oct'10	141.85	131.40	209,084	143.50	127.15	732,941
Nov'10	137.65	122.60	284,589	138.85	112.30	1,043,522
Dec'10	123.85	102.50	157,447	124.00	101.05	588,265
Jan'11	132.50	96.20	258,581	132.80	96.50	760,320
Feb'11	103.90	85.35	121,489	104.80	85.00	374,142
Mar'11	90.80	72.60	795,717	89.40	72.50	1,864,472
Total Shares traded during the year			8,837,605			20,327,901

Table 16



Report on Corporate Governance

- 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.

(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 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 31,377,362 shares (96.90 % of the paid up share capital) as at March 31, 2011.

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.

(iv) Shareholding Pattern of the Company as on March 31, 2011

Category	As on March 31, 2011		
	Number of Share Holders	Total Number of Shares Held	Total Share Holding Percentage
Promoter and Promoter Group	9	18,601,866	57.44
Individuals	17,958	7,196,095	22.22
Bodies Corporate	617	1,014,728	3.13
Overseas Corporate Bodies / Non Resident Indians	517	672,111	2.08
Foreign Institutional Investors	4	1,390,598	4.29
Mutual Funds	17	3,504,246	10.83
Financial Institutions /Banks	1	2,880	0.01
TOTAL	19,123	32,382,524	100.00

Table 17

(v) Distribution of Shareholding as on March 31, 2011

No of Equity Shares Held	As on March 31, 2011				As on March 31, 2010			
	Share Holders		Shares		Share Holders		Shares	
	(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)
1- 100	10,888	56.94	498,697	1.55	10,665	58.07	477,229	1.47
101 - 200	2,873	15.02	497,725	1.54	2,970	16.17	522,028	1.61
201 - 500	2,892	15.12	1,011,596	3.12	2,501	13.62	890,314	2.75
501 - 1,000	1,457	7.62	1,069,590	3.30	1,256	6.84	921,882	2.85
1,001 - 5,000	826	4.32	1,674,768	5.17	757	4.12	1,610,672	4.98
5,001 - 10,000	98	0.51	690,998	2.13	108	0.59	770,095	2.38
10,001 and above.	89	0.47	26,939,150	83.19	109	0.59	27,177,804	83.96
TOTAL	19,123	100.00	32,382,524	100.00	18,366	100.00	32,370,024	100.00

Table 18

(vi) Depository Receipts / Global Depository Receipts / Warrants

As on March 31, 2011, the Company has no American Depository Receipts / Global Depository Receipts / Warrants or any such convertible instruments outstanding and there is no likely impact on the Company's Equity Shares in the financial year 2010-11.



Nucleus Software Exports Limited

(vii) Employee Stock Option Plans (ESOP)

During the year, the Company allotted 12,500 equity shares to an employee, in pursuance of the stock options exercised in April 2010. During the year, employees accepted 3,560 options under ESOP Scheme 2005, granted by the Compensation Committee, at its meeting held on July 8, 2011.

(viii) Locations

Nucleus services its clients through a network of international offices. At the year-end 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 tax holiday enjoyed by units in STP/ FTZ under Section 10A of the IT Act has not been extended beyond 31 March 2011.

During the year, the Company's subsidiary NSL acquired the status of Co-Developer for the above land along with Mahindra World City, Jaipur Ltd. (MWCJL). This was pursuant to approval granted by Board of Approvals (BOA) of the Ministry of Commerce and Industries, Government of India, in their meeting held on June 8, 2010, for developing, operating and marinating the area of 17.41 acres in the SEZ. Your Company i.e. Nucleus Software Exports Ltd., has received the approval from Ministry of Commerce and Industries, Government of India, to set up a unit with a covered area of 2,063 sq meters for a 250-person facility, which will be ready by June 2011.

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 Kabushiki Kaisha

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.

Strawinskyaan 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.

Regd. Office: 33-35, Thyagraj Nagar Mkt.
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, I 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.

(ix) 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

(x) 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.

(xi) CEO/CFO Certification

As required by Clause 49 of the listing agreement, the CEO / CFO certification is provided elsewhere in this Annual Report.

(xii) Voluntary Secretarial Compliance Certificate

The Company annually obtains a compliance certificate from a Practicing Company Secretary on a voluntary basis to ensure compliance of the provisions of the Companies Act, 1956.

(xiii) Secretarial Audit

The Company has always advocated and practiced best principles of Corporate Governance and accordingly to strengthen internal processes of the secretarial department of your Company, an assignment was given for a comprehensive Secretarial Audit for the Calendar year 2010, 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.

This is a voluntary initiative undertaken by the Company to adopt the best practices and procedures. Certificate obtained in this regard has been published as **Annexure A** to this Report on Corporate Governance.

6. 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. We have obtained a certificate to this effect and is provided as **Annexure B** to this Report on Corporate Governance.

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' earlier in this report on Corporate Governance.

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 earnings conference calls and annual results announcement is followed by both press conference and earnings conference calls. Both audio version and transcripts of the earnings calls are posted on our website www.nucleussoftware.com.
- Highlights of the results along with a comparison with previous quarters/years, all financial press releases, information on Board of Directors, FAQ for shareholders and other related information on corporate governance etc. are also available on the Company website.

c. Training of Board Members

The Management makes various presentations and sends relevant material to the Board on an overview of latest happenings in the corporate world. Board training conveys the knowledge and understanding needed in order to be effective as a member of the Board of Directors, for example, legal responsibilities. It is about the organization-specific information in order to be effective particularly as a member of the organization's Board of Directors, for example, about where the Board meets, who's on the Board now, etc.

During the past year, Directors have been attending training programmes conducted by reputed institutions on Corporate Governance Orientation, Ethical Decision Making, strategic planning etc. These programmes helped in providing 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

A formal Policy for Board Performance Evaluation was adopted during the year to develop a process for evaluation of the performance of both the Board and individual Directors.

In accordance with the policy, a reputed, independent external facilitator was engaged to conduct a formal Board performance evaluation. The process was conducted over a period of time with clear guidelines and focus. The facilitator attended a few Board meetings, took inputs from each Director and also from certain members of the senior management while carrying out the performance evaluation. The result of the assessment was discussed with the Chairman who then presented the assessment and recommendations if any, to the other members of the Board.

e. Secretarial Standards

The Company endeavors to comply to the extent possible and relevant with the non mandatory Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI).



SECRETARIAL AUDIT CERTIFICATE

Annexure A

To the Board of Directors of

Nucleus Software Exports Limited

I have examined the registers, records and documents of Nucleus Software Exports Limited ("the Company") for the period of 1st January 2010 to 31st December 2010 under the provisions of-

1. The Companies Act, 1956 and the Rules made under that Act;
2. The Depositories Act, 1996 and the Regulations and Bye-laws framed under that Act;
3. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - (c) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and
4. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made under that Act; and
5. The Equity Listing Agreements with Bombay Stock Exchange Limited, National Stock Exchange of India Limited and Madras Stock Exchange Limited.

Based on my examination and verification of the registers, records and documents including report of a consultancy company, produced to me and according to the information and explanations given to me by the Company, I report that the Company has, in my opinion, complied with the provisions of the Companies Act, 1956 ("the Act") and the Rules made under the Act and the Memorandum and Articles of Association of the Company, with regard to:

- (a) maintenance of various statutory registers and documents and making necessary entries therein;
- (b) closure of the Register of Members;
- (c) forms, returns, documents and resolutions required to be filed with the Registrar of Companies;
- (d) service of documents by the Company on its Members, and the Registrar of Companies;
- (e) Notice of Board meetings and Committee meetings of Directors;
- (f) the meetings of Directors and Committees of Directors including passing of resolutions by circulation;
- (g) the conduction of Annual General Meeting;
- (h) minutes of proceedings of General Meetings and of Board and other meetings, except that at some instances, noting of interest u/s 300 is not made;
- (i) approvals of the Members, the Board of Directors, the Committees of Directors and government authorities, wherever required;
- (j) constitution of the Board of Directors / Committee(s) of directors and appointment, retirement and re-appointment of Directors including the Managing Director and Whole-time Directors;
- (k) payment of remuneration to the Directors including the Managing Director and Whole-time Directors;
- (l) appointment and remuneration of Auditors;
- (m) transfers and transmissions of the Company's shares, and issue and delivery of duplicate certificates of shares;
- (n) declaration and payment of dividends;
- (o) transfer of certain amounts as required under the Act to the Investor Education and Protection Fund;
- (p) borrowings and registration, modification and satisfaction of charges;

- (q) investment of the Company's funds including inter corporate loans and investments and loans to others;
- (r) form of balance sheet as prescribed under Part I of Schedule VI to the Act and requirements as to Profit & Loss Account as per Part II of the said Schedule;
- (s) Generally, all other applicable provisions of the Act and the Rules made under that Act.

I further report that:

- (a) the Directors have complied with the requirements as to disclosure of interests and concerns in contracts and arrangements, shareholdings and directorships in other companies and interests in other entities;
- (b) the Directors have complied with the disclosure requirements in respect of their eligibility of appointment and compliance with the code of Conduct for Directors and Management Personnel;
- (c) the Company has obtained all necessary approvals under the various provisions of the Act;
- (d) there was no prosecution initiated against or show cause notice received by the Company and no fines or penalties were imposed on the Company during the year under review under the Companies Act, SEBI Act, SCRA, Depositories Act, Listing Agreement and Rules, Regulations and Guidelines framed under these Acts against the Company, its Directors and Officers.

I further report that the Company has complied with the provisions of the Depositories Act, 1996 and the Bye-laws framed under that Act by the Depositories with regard to dematerialisation / rematerialisation of securities and reconciliation of records of dematerialised securities with all securities issued by the Company.

I further report that:

- (a) the Company has complied with the requirements under the Equity Listing Agreements entered into with the Bombay Stock Exchange Limited, the National Stock Exchange of India Limited and Madras Stock Exchange Limited;
- (b) the Company has complied with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 including the provisions with regard to disclosures and maintenance of records required under the Regulations;
- (c) the Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 including the provisions with regard to disclosures and maintenance of records required under the Regulations.
- (d) the Company has complied with the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 with regard to implementation of Employee Stock Option Scheme, grant of Options and other aspects.

**For Saurabh Arora & Associates
Company Secretaries**

Sd/-
Saurabh Arora
Proprietor
CP No. 9361
Date: 20.05.2011
Place: New Delhi

AUDITORS' CERTIFICATE FOR CORPORATE GOVERNANCE

(under Clause 49 of the Listing Agreement)

Annexure B

To the Members of
Nucleus Software Exports Limited

1. We have examined the compliance of conditions of Corporate Governance by NUCLEUS SOFTWARE EXPORTS LIMITED ("the Company"), for the year ended on 31 March, 2011, as stipulated in Clause 49 of the Listing Agreement of the Company with the stock exchanges.
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the Management, we certify that the Company has complied in all material respect with the conditions of Corporate Governance, as stipulated in clause 49 of the Listing Agreement.
4. We 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.

Gurgaon
May 1, 2011

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 015125N)
Sd/-
JITENDRA AGARWAL
Partner
(Membership No. 87104)



CERTIFICATION BY MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER OF THE COMPANY PURSUANT TO CLAUSE 49(V) OF THE LISTING AGREEMENT

We, Vishnu R. Dusad, CEO & Managing Director and Pramod K. Sanghi, President – Finance & CFO, 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 quarter and year ended March 31, 2011 alongwith its schedules and notes on accounts, as well as the cash flow statements;
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 period; 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.

**NOIDA (U.P.)
May 1, 2011**

**Sd/-
Vishnu R. Dusad
CEO & Managing Director**

**Sd/-
Pramod K. Sanghi
President- Finance & CFO**

DECLARATION BY CEO & MANAGING DIRECTOR PURSUANT TO CLAUSE 49(I)(D)(ii) OF THE LISTING AGREEMENT

I, Vishnu R. Dusad, CEO & Managing Director of Nucleus Software Exports Limited (“the Company”) confirm that the Company has adopted a Code of Conduct (“Code”) for its Board members and senior management personnel and the Code is available on the Company’s website.

I, further confirm that the Company has in respect of the financial year ended March 31, 2011, received from its Board members as well as senior management personnel affirmation as to compliance with the Code of Conduct.

**NOIDA (U.P.)
May 1, 2011**

**Sd/-
Vishnu R. Dusad
CEO & Managing Director**

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

Forming Part of the Financial Statements for the year ended March 31, 2011



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

Management's 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.

A. Industry Structure and Developments

The year 2010-11 began on a sluggish note with the information technology industry still reeling under the ripple effect of slowdown in 2009-10. If the global financial crisis and tech meltdown made the Indian IT industry cringe, the revival imbued new confidence in the industry to explore new markets, reach out to the massive pool of available talent and invest heavily in research and development to bring value to all the stakeholders. With the worst over and the industry on the recovery path, Nasscom, the Indian software industry body had projected \$56-57 billion or 13-15 per cent year-on-year (YoY) growth from exports and Rs 768 billion (Rs.76,800 crore) or 15-17 per cent YoY growth in domestic market this fiscal (2010-11). The Industry has enormous potential to grow in the years to come.

According to a World Economic Forum study, Information technology is the key to boost the country's global competitiveness. While directly contributing to the GDP numbers and exports, this growth has had a multiplying effect too. Both at a global and at India level, the technology industry is at a stage, that will redefine the types of products and services customers demand. The changing macroeconomic, demographic, social, business and technological trends offer an opportunity for a more inclusive growth with efficient persistent technology use. The next decade will witness new technology solutions which will overcome the traditional ones.

We believe that if we can unleash the power of technology to do more, through improved technology infrastructure and technologically superior solutions, it could play a dynamic role in how India moves ahead to grow in the next decade. To achieve new ways of working, organizations will need more scalable and flexible IT systems and processes that allow knowledge to be captured and applied by virtual teams inside and outside the conventional organizational structure. This is where the Indian IT industry will discover unprecedented opportunities to scale up the value chain by building newer capabilities and broadening its horizon.

The coming years will witness consolidations happening all over and fructification of key trends that began in the years gone by. Organizations will move towards virtualizing desktops and deliver mobile applications to empower their workforce with better capabilities and functionalities. Most companies will have migrated or be in the process of migrating the bulk of their

existing applications, including business critical ones, to virtual machines and this will stretch beyond 2011. No doubt, cloud computing will gain more momentum.

B. Company Background

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. During the previous year, FinnOne Pro™, the new service oriented architecture and platform independent version of FinnOne™ was launched. 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.

Over the years Nucleus has gained experience working closely with IT leaders in the Banking and Financial Services industry. Headquartered in Delhi, India, the Company has six wholly owned subsidiaries, as described in a table below.

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.

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.

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 Kaisha	Japan	100%
May 6, 2004	VirStra i-Technology Services Ltd.	India	100%
February 3, 2006	Nucleus Software Netherlands B.V.	Netherlands	100%
April 21, 2008	Nucleus Software Ltd.	India	100%

C. The Way Forward

With experience gained over the years, the company has assimilated domain knowledge in the BFS vertical and with continuous focus on research and development, now offers end to end solutions including products, projects and services. To keep pace with the changing times and to offer better solutions to the customers, technology up gradation is an ongoing process at Nucleus.

As a maturing Company, Nucleus still needs to carve a strong growth path; we need to have a look at the medium to long-term perspective and introduce innovative solutions. It is important that we focus on the certainties of our industry and take advantage of them. Playing to our strengths, while addressing weaknesses, the Company has defined following aspirations for the future.

- Regaining top line growth coupled with higher productivity to generate better margins
- 100 % Process compliance in true spirit.
- Creation of a performance oriented culture.
- Right commitment
- Delivery efficiency including
 - Right output
 - Zero defects.
 - Top notch quality standards.
 - On schedule delivery of projects
- Higher customer satisfaction ratings.
- Higher employee satisfaction ratings.

We have set high standards for ourselves. There is a great sense of responsibility for us to shoulder. We need to ensure that we become a lean and mean organization, delivering best quality at lowest cost and in an efficient and productive way.

Some of the notable accolades won by Nucleus are:

- Forrester recognized Nucleus as a "Global Pursuer" and stated it "regained traction in 2010". Based on the number of deals and regions covered, Nucleus was ranked among top Banking Platform providers. Source: Global Banking Platform Deals 2010, Forrester Research, Inc., 31 March 2011.
- FinnOne™ ranked for the third consecutive year as the 'World's No 1 Selling Lending Software Product' (for year 2010) by IBS Publishing, UK | 2011 & ranked third in global sales across all banking products.
- Annual Report and Accounts of the Company for year ended March 31, 2010 adjudged as the BEST under the Category VIII – Service Sector (Other Than Banking & Insurance) (Turnover Less Than Rs. 500 Crore) of the 'ICAI Awards for Excellence in Financial Reporting'. A GOLD SHIELD was awarded to the Company, for the third consecutive year.
- South Asian Federation of Accountant (SAFA) adjudged Annual Report of the Company as the recipient of the joint first runner's up position for the Best Presented Accounts Award for the year 2009 under the Communication and Information Technology Sector Category.
- HDFC Bank, Nucleus Software customer, won the prestigious Celent 2010 Model Bank Award for its loan origination system, FinnOne™.
- Ranked amongst the Top 25 companies adopting "Good Corporate Governance Practices" by ICSI for fourth consecutive year in 2009.
- South Asian Federation of Accountants (SAFA) 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, recognized Nucleus Software as an industry vertical specialist in their report "Working With Tier Two Offshore Providers".
- Nucleus Software Ranked Amongst India's Top 15 Exciting Emerging Companies to Work For by Nasscom.
- Nucleus Software recognized under "Best Practices" for Performance Management System by NASSCOM, 2008.
- Nucleus 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 conferred the Best Independent Software Vendor (ISV) Partner (North India for 2008) award by IBM.
- Nucleus Software 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 adjudged as one of the fastest growing companies in Asia Pacific under Deloitte Technology Fast 500 - 2007.
- Nucleus Software conferred with Oracle Partner of the Year Award in Fusion Middleware category at an APAC level.
- Nucleus Software awarded for being the Fastest Growing ISV in 2007 by Oracle Corporation.
- Nucleus Software ranked 13th in Dataquest Top 20 Best Employers Survey 2006. Survey was conducted by IDC-Dataquest amongst 200 IT employers across India.

D. Company Management

A well qualified Board consisting of five members with Mr. Janki Ballabh as the Chairman and Mr. Vishnu R Dusat as the Managing Director & CEO, manage the Company. Four out of the five members of the Board are Non-Executive, Independent Directors. With their diverse knowledge and expertise, these Independent Directors provide valuable contribution in the deliberations and decisions of the Board. The Board plays a pivotal role in framing strategic roadmap, analyzing the business opportunities and the inherent risks involved and in the decision making process.

Numerous initiatives were launched during the year as a focus on becoming a lean and mean organization, improving operational efficiencies, centralizing various units etc. to improve cross functional team work and enhanced productivity measures to improve performance. New Business Units were created like Central Technology Group (CTG) for technology initiatives, Central Delivery Group (CDG) for customization development and Central Delivery Assurance Group (CDAG) for centralized delivery assurance. A renewed thrust was provided to Quality Assurance (QA) and Quality Control and Testing (QCT) functions.



Strategic Business Units “SBU” led organization structure, introduced during the year 2008-09, is responsible for generation and delivery of business and supported by other central functions. At the corporate level, strategic areas/tasks have been defined to implement 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.

Through these efforts we continue to build a robust Brand Nucleus with business from all global markets, creation of an effective distribution network through partnership’s, alliances and acquisitions, seamless and high quality delivery with high customer satisfaction rating.

E. OPPORTUNITIES AND THREATS

The last fiscal began with continuing woes for the sector with the first six months posing a difficult period post the global economic slowdown. However, the industry reinvented itself and this

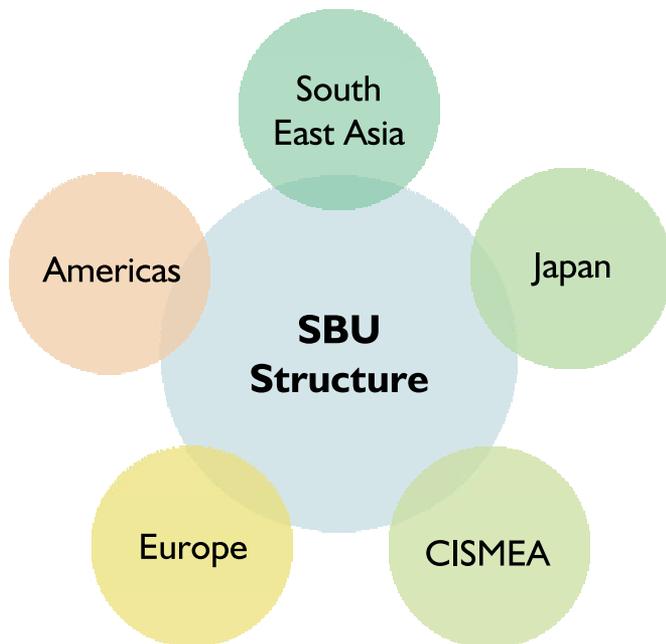


Figure 1

process coupled with recovering western economy, brought back the growth trend to the sector in the second half of the year. The existence of a quality pool of English speaking talent is offset to a certain degree by the ever increasing manpower costs which are proving to be both a boon and a curse to the industry. The challenge is multiplied with the increase in infrastructure costs across the nation and the end to the tax holidays prescribed by the Union Budget 2011-12.

The Software products industry appears to be finally getting its due in a country synonymous with software services. With product-company start-ups witnessing growth, Nasscom visualizes disruptive growth in this segment this decade, with annual revenue growing from \$1.4 billion in 2007-08 to \$12 billion by 2014-15. While India’s role in global technology intellectual property creation has grown steadily, there are several threats/

challenges which have constrained the growth of home-grown software product businesses.

We operate across the globe and due to uncertainty of economic environment globally, businesses are eyeing IT industry to bring in the transformation with new product development leading to cost efficiency. The pace at which IT companies are dealing with such uncertainties, gives confidence in the industry’s growth. Though we are expecting our clients’ technology budget for next year to be higher than last year, events such as the ongoing crisis in the Middle East and recent earth quake in Japan are a concern. The consolidated revenues of the Company over the last 4 years have not grown and significant challenges remain in the short term with vendor consolidation and budgetary constraints of major services customers.

This year witnessed record orders from all across the globe, from North Africa, the Mediterranean region, America, Europe, Australia and also the Middle East. These wins indicate availability of a ready market and the increased acceptance of Nucleus products therein. Hence there is an opportunity created by years of hard-work and dedication, and the focus now is to convert this opportunity into ‘Value’ through our products.

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 monetize our IPR.

F. OUTLOOK

The year gone by has been extremely challenging one for your company with a falling top line and under pressure margins and profitability. In such a scenario the major emphasis in the current year will be on regaining top line growth which has its own short term challenges. Productivity increase to generate higher margins would also be an area of immediate attention, to be dealt with great caution. The Indian Rupee movement against all other major currencies is another external factor, which will need closer management.

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

Internal controls and checks are indispensable to achieve higher productivity and hence increase profitability. Major focus is imparted to achieve operational efficiency in the Company through adherence to defined procedures and policies, to achieve targets. Any gap in execution of project not only leads to delays but also adversely affects our long-term relations with the customers, and we are conscious of the need for on schedule and high-quality delivery.

The Company has defined roles, responsibilities and authorities for employees at all levels. The Company has appointed internal auditors to check on the validity and correctness of internal reporting, which would in turn validate financial reporting. Nucleus has always been on a look out for implementing best practices of Corporate Governance. Companies with high

Management's Discussion and Analysis

Corporate Governance standards create greater value for all their stakeholders.

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

- ensure implementation of corporate strategy,
- ensure reliability and integrity of accounting and management data,
- ensure process compliance.
- achieve effective and efficient corporate processes,
- safeguard value of corporate assets,

As a responsible corporate citizen, we believe in correct financial accounting and reporting and the following measures are taken in this regard:

- Any unbudgeted expenses are approved by the CEO & Managing Director.
- All capital expenditure beyond specified limits is approved by the CEO & Managing Director.
- Weekly performance reviews of senior persons 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.
- 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.

The standalone financial results are as below:

	(₹ in crore)					
For the Year Ended March 31,	2011	% of Revenue	2010	% of Revenue	Growth (%)	
Revenue from Operations	199.55	100.00	194.15	100.00	2.78	
Software Development Expenses	133.16	66.73	125.48	64.63	6.12	
Gross Profit	66.39	33.27	68.67	35.37	(3.32)	
Selling and Marketing Expenses	18.60	9.32	14.12	7.27	31.73	
General and Administration Expenses	22.10	11.07	14.95	7.70	47.83	
Operating Profit (EBITDA)	25.69	12.87	39.60	20.40	(35.13)	
Depreciation	8.10	4.06	9.80	5.05	(17.35)	
Operating Profit After Interest and Depreciation	17.59	8.81	29.80	15.35	(40.97)	
Other Income	29.61	14.84	15.63	8.05	89.44	
Foreign Exchange Gain/ (Loss)	0.99	0.50	(5.71)	(2.94)	NA	
Profit Before Tax	48.19	24.15	39.72	20.46	21.32	
Withholding Taxes	1.33	0.67	0.43	0.22	NA	
Provision for Taxation						
- Current (Net of MAT credit entitlement)	3.10	1.55	6.83	3.52	(54.61)	
- Other taxes	(2.00)	(1.00)	(1.28)	(0.66)	56.25	
Profit After Tax	45.76	22.93	33.74	17.38	35.63	

I. Material developments in Human Resources

This year was very challenging from the HR perspective. Post-recession, attrition rate in the IT industry has risen again and is one of the major challenges that many Companies are currently facing. Focus of HR team during the year has been on increasing product and domain competency in the organization through various measures outlined below:

- Review of roles along with span of control to drive greater efficiency
- Regular communication with employees through regular "Open House" sessions, and through the business HR representatives.

This year we also established Nucleus School of Banking Technology, NSBT, to offer World Class Training and Facilitation for developing Banking Technology professionals. Two courses, the Nucleus Certified Software Professional and the Nucleus Certified Business Analyst, were initiated, which focus on all-round development of domain, technology, solutions, methods, soft skills and values. Over two hundred NSBT trained freshers were inducted in the Company during the year.

Now the focus from an HR perspective would be to improve utilization, along with a strong sense of purpose and alignment to the organization.

J. FINANCIAL PERFORMANCE

Financial statements of the Company are prepared in compliance with the Companies Act, 1956 and generally accepted accounting principles in India (Indian GAAP). The Company has six subsidiary companies, all over the world, all of which are wholly-owned subsidiaries. The Company discloses audited financial results on a quarterly and annual basis. The financial results of the Company have been discussed in this report in two parts:

- Nucleus Software Exports Limited (Standalone) which excludes the performance of subsidiaries of the Company, which is being discussed in this chapter and
- Nucleus Software Exports Limited (Consolidated) which also includes performance of subsidiaries of Nucleus Software, and has been discussed in the later chapters of this report.



Nucleus Software Exports Limited

Revenue from Operations

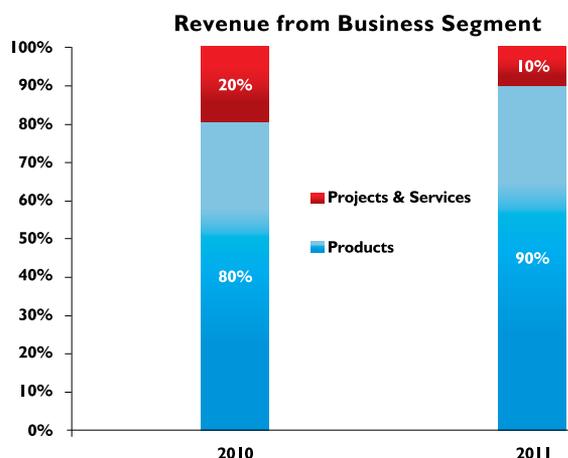
We derive our revenue from the following business segments:

- Products
- Projects and Services

During the year, the total revenue is Rs. 199.55 crore against Rs. 194.15 crore for the previous year, representing an increase of 2.78%.

Revenue from Products

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



Product revenue is Rs.179.51 crore during the year, constituting 89.95% of the total revenue against Rs.155.82 crore, 80.26% of total revenue, in the previous year. This has grown by 15.20 % during the year and demonstrates our focus on 'Products'.

Revenue from Projects and Services

Software services rendered by the Company, classified under this segment, typically consist of development of software to meet specific customer requirements consisting of application development & maintenance, testing services, consulting and infrastructure management services with a strong banking domain focus.

Revenue from software projects and services segment during the year is Rs.20.04 crore constituting 10.04% of the total revenue against Rs.38.32 crore, constituting 19.74% of total revenue in the previous year. This has declined by 47.70% during the 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 are Rs.133.16 crore, 66.73% of revenue against Rs.125.48 crore, 64.63% of revenue in the previous financial year.

(₹ in crore)

For the Year Ended March 31,	2011	% of Revenue	2010	% of Revenue	Growth (%)
Employee Costs	85.06	42.63	84.61	43.58	0.53
Travel Expenses	12.24	6.13	12.95	6.67	(5.48)
Cost of Software Purchased for Delivery to Clients	3.70	1.85	7.18	3.70	(48.47)
Communication	1.07	0.54	1.14	0.59	(6.14)
Power and Fuel	2.20	1.10	2.15	1.11	2.33
Rent, Rates and Taxes	1.30	0.65	1.41	0.73	(7.80)
Software and other Development Charges	16.46	8.25	7.63	3.93	NA
Legal and Professional	4.57	2.29	3.27	1.68	39.76
Conveyance	0.80	0.40	1.13	0.58	(29.20)
IT Expenses	1.46	0.73	1.28	0.66	14.06
Repairs and Maintenance	1.44	0.72	1.34	0.69	7.46
Recruitment and Training	1.45	0.73	0.34	0.18	326.47
Insurance	0.42	0.21	0.42	0.22	-
Others	0.99	0.50	0.63	0.32	57.14
Total Software Development Expenses	133.16	66.73	125.48	64.63	6.12
REVENUE	199.55	100.00	194.15	100.00	2.78

- Software and other Development Charges have increased to Rs.16.46 crore from Rs.7.63 crore in the previous year due to contracting of development work.
- Legal & Professional expenses have increased to Rs.4.57 crore against Rs.3.27 crore in the previous year due to additional hiring of professionals for software development work.

Gross margin for the current financial year is Rs.66.39 crore at 33.27% of revenue, against Rs.68.67 crore at 35.37% of revenue in the previous year.

Management's Discussion and Analysis

Selling and Marketing Expenses

Our selling and marketing expenses comprise of compensation of sales and marketing personnel, travel, brand building activities which include advertisement, conference, seminar, etc., communication, recruitment and training and other allocated infrastructure costs.

During the year our selling and marketing expenses are Rs.18.60 crore, 9.32% of revenue against Rs.14.12 crore, 7.27% of revenue in the previous year, an increase of 31.73%. We continue to spread our reach across the globe thereby creating high visibility and brand equity. This necessitates higher spend on sales and marketing, which is reflected in increased numbers reported for sales and marketing expense.

(₹ in crore)

For the Year Ended March 31,	2011	% of Revenue	2010	% of Revenue	Growth (%)
Employee Costs	10.65	5.34	7.08	3.65	50.42
Travel Expenses	3.17	1.59	2.87	1.48	10.45
Rent, Rates and Taxes	0.59	0.30	0.53	0.27	11.32
Advertisement and Business Promotion	0.58	0.29	0.41	0.21	41.46
Communication	0.27	0.14	0.38	0.20	(28.95)
Conference, Exhibition and Seminar	1.04	0.52	0.75	0.39	38.67
Commission on Sales	0.66	0.33	0.74	0.38	(10.81)
Legal and professional charges	0.72	0.36	0.61	0.31	18.03
Printing and stationary	0.03	0.02	0.03	0.02	-
Others	0.89	0.45	0.72	0.37	23.61
Total Selling and Marketing Expenses	18.60	9.32	14.12	7.27	31.73
REVENUE	199.55	100.00	194.15	100.00	2.78

Employee costs have increased to Rs.10.65 crore against Rs.7.08 crore in the previous year due to increase in persons hired in sales and marketing function to expand our footprint and achieve higher order booking.

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 are Rs.22.10 crore, 11.07% of revenue against Rs.14.95 crore, 7.70% of revenue in the previous year, representing an increase of 47.83% .

(₹ in crore)

For the Year Ended March 31,	2011	% of Revenue	2010	% of Revenue	Growth (%)
Employee Costs	11.11	5.57	8.68	4.47	28.00
Travel Expenses	0.25	0.13	0.23	0.12	8.70
Legal and Professional Charges	0.85	0.43	0.65	0.33	30.77
Communication	0.20	0.10	0.21	0.11	(4.76)
Provision for Doubtful Debts	4.14	2.07	1.21	0.62	NA
Rent, Rates and Taxes	0.26	0.13	0.27	0.14	(3.70)
Conveyance	0.19	0.10	0.20	0.10	(5.00)
Printing and Stationery	0.12	0.06	0.06	0.03	NA
Power and Fuel	0.20	0.10	0.19	0.10	5.26
Advertisement	0.08	0.04	0.06	0.03	33.33
Advances and current assets written off	0.80	0.40	0.02	0.01	NA
Others	3.90	1.95	3.17	1.63	23.03
Total General and Administrative Expenses	22.10	11.07	14.95	7.70	47.83
REVENUE	199.55	100.00	194.15	100.00	2.78



General & Administration expenses have increased during the year mainly due to provisioning for doubtful debts at Rs.4.14 crore, being substantially higher than the previous year figure of Rs.1.21 crore. Provisions for doubtful debts represent provision for all invoices outstanding for a period of 365 days or more and those invoices which are considered doubtful based on the management's perception of risk of collection as per the Company's policies.

Employee costs have also risen substantially and we are taking steps to ensure optimization and productivity.

Operating Profit (EBITDA)

Operating Profit decreased primarily reflecting decreased revenue. During the year our operating profit is Rs.25.69 crore, 12.87% of revenue against Rs.39.60 crore, 20.40% of revenue in the previous year. Investments in people, products and sales and marketing have also contributed to this decline.

We continue investing in new markets for growth and this increase in sales and marketing expenditure is as planned. At the same time there is continued pressure on employee remuneration due to industry opening up post-recession and increased attrition rates. General & Administration expense needs specific focus to reduce provisioning as well as overall expense.

Depreciation

Depreciation on fixed assets is Rs.8.10 crore, 4.06% of revenue for the year against Rs.9.80 crore, 5.05% of revenue 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 and profit on sale of fixed assets.

	(₹ in crore)	
For the Year Ended March 31,	2011	2010
On Investments		
Dividend	5.64	1.55
Dividend from Subsidiary	21.00	7.00
Interest Income	2.58	5.13
Profit on sale of Fixed Asset	-	0.25
Others	0.39	1.70
Total	29.61	15.63

Other income for the year is Rs.29.61 crore against Rs.15.63 crore for the previous year.

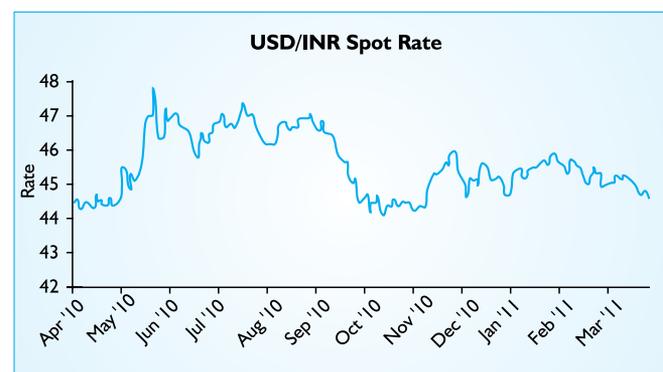
The Company maintained a prudent investment mix by investing funds into both Mutual Funds and Fixed Deposits. The Company had an investment of Rs.124.13 crore in Mutual Funds and Rs.40.34 crore in Fixed Deposits, against Rs.85.20 crore in Mutual Funds and Rs.38.65 crore in Fixed Deposits as on March 31, 2010.

The Company received an Interim dividend of Rs.21.00 crore from its wholly owned subsidiary, VirStra i-Technology Services Ltd. against an Interim dividend of Rs.7.00 crore in the previous year.

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 gain of Rs.0.99 crore against a loss of Rs.5.71 crore in the previous year. Foreign Exchange continues to be volatile, as depicted in the below mentioned chart. Asian currencies are appreciating against US Dollar, which is at a 3 year low. US Dollar, the global currency, closed at Rs.44.68 in March 31, 2011, while on March 31, 2010 it closed at Rs.45.09.



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.1.33 crore, against Rs.0.43 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.

Provision for Taxation

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.

	(₹ in crore)	
For the Year Ended March 31,	2011	2010
Provision for Taxation		
- Current Tax	4.88	6.83
- Fringe Benefit Tax	-	0.03
- MAT Credit Entitlement	(1.78)	-
- Deferred Tax Expense	(2.25)	(1.31)
- Earlier Year Tax	0.25	-
Total	1.10	5.55

Total effective tax (including withholding taxes) for the year is 5.04% of Profit Before Tax, in comparison to 15.06% of Profit Before Tax for the previous year. Your Company had one unit registered under "Software Technology Parks" in India during the year which was entitled to an income tax exemption as per applicable laws. Despite numerous industry representations, 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 there is additionally increase in the rate of Minimum Alternate Tax (MAT) from existing 15% to 18% (plus applicable surcharge and education cess) for future years.

The tax implication for all the units in India will be higher w.e.f the financial year 2011-12.

Management's Discussion and Analysis

Profit After Tax

Our profit after tax for the year is Rs.45.76 crore, 22.93% of revenue, representing an increase of 35.63% over profit after tax of Rs.33.74 crore, 17.38% of revenue, during the previous year. Excluding dividend from subsidiary, the profit after tax for the year is Rs.24.76 crore, 12.41% of revenue against Rs.26.74 crore, 13.77% of revenue in the previous year.

Share Capital

Share Capital of the Company consists of Equity Share Capital. The paid-up Share Capital as on March 31, 2011 is 32,382,524 equity shares of Rs.10 each against 32,370,024 equity shares of Rs.10 each as on March 31, 2010. The increase in the paid-up share capital of the Company during the year has been due to allotment of 12,500 shares on exercise of Employee Stock Options as per ESOP 2002.

Retained Earnings

During the year Company earned net profit of Rs.45.76 crore. The Company has proposed dividend of Rs.8.10 crore and transferred Rs.4.58 crore to general reserve. During the previous year the Company paid dividend of Rs.8.09 crore and transferred Rs.3.37 crore to general reserve. Dividend tax for the year is negative Rs.0.01 crore (Rs.0.15 crore for the previous year) with taxes paid by subsidiary Company being set off against taxes payable by us in accordance with the provisions of the Income Tax Act.

Reserves and Surplus

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

(₹ in crore)

	Opening Balance as on April 1, 2010	Additions/ (Deletions) during the year	Closing Balance as on March 31, 2011
General Reserve	65.21	4.58	69.79
Securities Premium	2.10	0.07	2.17
Capital Reserve	0.55	0.12	0.67
Employee Stock Options (net of deferred employee compensation)	0.82	(0.20)	0.62
Hedging Reserve	1.11	0.35	1.46
Profit and Loss Account Balance	130.47	33.09	163.56
Total	200.26	38.01	238.27

Fixed Assets

As at March 31, 2011, gross block of fixed assets including investment in technology assets is Rs.85.62 crore (Rs.88.99 crore as on March 31, 2010).

The net fixed assets after depreciation are Rs.34.16 crore as on March 31, 2011 as compared to Rs.40.60 crore as on March 31, 2010.

(₹ in crore)

As at March 31,	2011	2010	Inc/Dec (%)
Gross Block			
Freehold land	0.34	0.34	-
Leasehold land	6.64	6.64	-
Building	24.23	24.23	-
Plant and Machinery (including Office equipment)	13.92	14.10	(1.28)
Computers	22.26	22.27	(0.04)
Vehicles	1.67	1.72	(2.91)
Furniture and fixtures	3.66	4.67	(21.63)
Software	11.62	13.77	(15.61)
Leasehold improvement	1.28	1.25	2.40
Total	85.62	88.99	(3.79)
Less: accumulated depreciation	51.46	48.39	6.34
Net Block	34.16	40.60	(15.86)
Add: Capital Work In Progress	-	-	
Net Fixed Assets	34.16	40.60	(15.86)

The reduction in gross block appears due to retirement of assets not in use amounting to Rs.4.91 crore during the year. These are primarily old furniture and fixtures, office equipment personal computers and software no longer in use. This retirement of assets has a small charge of Rs.5.95 lakhs in the accounts due to terminal depreciation.

There are fresh purchases of Rs.1.73 crore during the year as detailed in Schedule 3 to the accounts.

There is no Capital work in progress this year, similar to last year. The Company has not made any substantial investment in fixed assets during the year. The net fixed assets after depreciation are Rs.34.16 crore as on March 31, 2011 against Rs.40.60 crore as on March 31, 2010.

Investments

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

(₹ in crore)

Name of Subsidiary Company, Location	As at March 31,	
	2011	2010
Nucleus Software Solutions Pte. Ltd., Singapore.	1.63	1.63
Nucleus Software Inc., USA (after provision for diminution)	-	-
Nucleus Software Japan Kabushiki Kaisha, Japan.	0.41	0.41
VirStra i-Technology Services Ltd., India.	1.00	1.00
Nucleus Software Netherlands B.V., Netherlands.	2.42	1.86
Nucleus Software Limited, India	10.00	10.00

An additional investment of € 100,000 was made by the Company in Nucleus Software Netherlands B. V. during the year, by way of subscribing to the Equity Share capital of the subsidiary.



Other investments of the Company include:

Rs.5.00 crore in HDFC FMP 370D March 2011 (4) - Growth - Series - XVI
 Rs.7.89 crore in HDFC Liquid Fund Premium Plan-Dividend-Daily Reinvest
 Rs.2.53 crore in ICICI Prudential Interval Fund II Quarterly Interval Plan A- Institutional Dividend
 Rs.6.96 crore in ICICI Prudential Liquid- Super Institutional Plan-Div-Daily
 Rs.2.50 crore in TATA Fixed Income Portfolio Fund Scheme C2 Inst Half-Yearly
 Rs.1.50 crore in Tata Fixed Maturity Plan Series 28 Scheme A Dividend
 Rs.8.63 crore in Axis Liquid Fund- Institutional-Daily Dividend-Reinvestment
 Rs.5.00 crore in Axis Fixed Term Plan - Series 13 (370 days) - Growth Plan
 Rs.5.11 crore in UTI- Fixed Income Interval Fund - Half Yearly Interval Plan-Series I - Institutional Dividend Plan -Reinvestment
 Rs.3.28 crore in UTI Liquid Cash Plan Institutional - Daily Income Plan - Re-Investment
 Rs.5.00 crore in SBI Debt Fund Series-90 Days-42-Dividend
 Rs.4.00 crore in DSP BlackRock FMP-3M-Series 28-Dividend-Payout
 Rs.1.10 crore in DSP BlackRock Money Manager Fund - Regular - Daily Dividend
 Rs. 4.15 crore in SBI Debt Fund Series-90 Days-38-Dividend
 Rs.5.00 crore in SBI Debt Fund Series-180 Days-14-Dividend
 Rs.7.00 crore in IDFC FMP Half Yearly-Series-12-Dividend
 Rs.5.77 crore in Birla Sun Life Cash Plus-Inst. Prem. -Daily Dividend
 Rs.5.75 crore in SBI Debt Fund Series-180 Days-15-Dividend
 Rs.6.00 crore in Birla SunLife Short Term FMP-Series 4 Dividend – Payout
 Rs.2.17crore in Birla Sun Life Short Term FMP - Series 6 Dividend - Payout
 Rs.5.00 crore in Kotak FMP 6M Series 11 - Dividend
 Rs.4.55 crore in Kotak Liquid (Institutional Premium) - Daily Dividend
 Rs.3.50 crore in Kotak Quarterly Interval Plan Series 10-Dividend
 Rs.2.22 crore in JM High Liquidity Fund-Super Institutional Plan-Daily Dividend
 Rs.5.00 crore in Kotak Quarterly Interval Plan Series 5-Dividend
 Rs.3.14 crore in Reliance Fixed Horizon Fund - XVIII - Series I - Dividend Plan
 Rs.6.00 crore in DSP BlackRock FMP-3M-Series 29-Dividend-Payout
 Rs.3.99 crore in DSP BlackRock FMP-3M-Series 33-Dividend-Payout
 Rs.2.70 crore in Reliance Fixed Horizon Fund - XVIII - Series 7 - Dividend Plan

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., a Company 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, 2011 the cash and bank balances (including fixed deposits) stood at Rs.46.49 crore (Rs.43.78 crore on March 31, 2010) and current investments in liquid schemes and Fixed Maturity Plans of mutual funds are Rs.124.13 crore (Rs.85.20 crore on March 31, 2010). Total cash and cash equivalents are thus at Rs.170.62 crore on March 31, 2011 against Rs.128.98 crore as on March 31, 2010.

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.

(₹ in crore)

As at March 31,	2011	2010
Cash and cheque in hand	-	0.82
Balances with Bank		
In Current Accounts	6.15	4.31
In Fixed Deposit Account	40.34	38.65
Remittance in transit	-	-
Investments in Mutual Funds	124.13	85.20
Total	170.62	128.98

Our net cash flow from operating activities before working capital changes is Rs.29.42 crore for the financial year, against Rs.38.80 crore in the previous year. After considering working capital changes, operating cash flow is Rs.25.40 crore against Rs.30.91 crore in the previous year.

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 there is a decline this year with lower operating profitability.

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

As at March 31,	2011	2010
Operating cash flow as % of revenue	14.74%	19.98%
Days of sale receivable	48	88
Cash and Equivalents as % of assets	62.99%	55.37%
Cash and Equivalents as % of revenue	85.50%	66.43%
Current investments as % of assets	45.82%	36.57%
Current investments as % of revenue	62.20%	43.88%

Trade Receivables

Our trade receivables (net of provision) as on March 31, 2011 are Rs.26.13 crore against Rs.46.57 crore on March 31, 2010. In the opinion of management all the trade receivables are recoverable.

Management's Discussion and Analysis

A table reflecting the details are as below:

	(₹ in crore)	
As at March 31,	2011	2010
Due From		
- Subsidiaries	9.06	10.03
- Others	17.07	36.54
Total	26.13	46.57

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

As at March 31,	2011	2010
Less than 6 months	92.19%	77.12%
More than 6 months	7.81%	22.88%
Days of sales receivables (DSR)	48	88

The Company has a policy of providing for all invoices outstanding for a period of 365 days or more and for those invoices which are otherwise considered doubtful based on the Management's perception of risk of collection. As per our commitment to reduce the Debtor days, our concentrated efforts have yielded good results with the number being brought down to 48 from 88 previous year.

Loans and Advances

	(₹ in crore)	
As at March 31,	2011	2010
Advances recoverable in cash or in kind or for value to be received	4.32	2.00
Loans and advances to subsidiaries	7.15	2.93
Mark to Market Asset on Forward Contract	1.42	1.02
Security deposits	1.15	1.07
Advance income tax	13.20	7.33
Prepaid expenses	2.21	2.75
Advance fringe benefit tax	0.27	0.27
MAT credit entitlement	6.07	4.53
Total	35.79	21.90

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.4.32 crore as on March 31, 2011 (Rs.2.00 crore as on March 31,2010)

During the year, the Company provided a loan of US \$ 500,000 to Nucleus Software, Inc., USA, its wholly owned subsidiary Company, repayable in five yearly equal installments starting from the financial year 2011-12.

Security Deposits are primarily for hiring of office premises and staff accommodation. The amount is Rs.1.15 crore as on March 31, 2011 (Rs.1.07 crore as on March 31, 2010).

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.6.07 crore is carried forward and shown under Loans and Advances as at March 31, 2011 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, 2011 is Rs.19.11 crore (Rs.20.71 crore as on March 31,2010).

	(₹ in crore)	
As at March 31,	2011	2010
Sundry Creditors	19.11	20.71
Due to Subsidiaries	1.46	0.29
Advances from customers	5.64	7.83
Unclaimed dividend	0.18	0.15
Other liabilities	3.06	1.77
Book Overdraft	0.53	0.39
Total	29.98	31.14

Advances from customers as on March 31, 2011 is Rs.5.64 crore (Rs.7.83 crore as on March 31,2010). 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, 2011 is Rs.0.18 crore (Rs.0.15 crore as on March 31, 2010).

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 31,2011 is Rs.3.06 crore (Rs.1.77 crore as on March 31, 2010).

Provisions

Provisions as on March 31, 2011 are Rs.20.81 crore (Rs.19.62 crore as on March 31, 2010). The break-up of provision at the year-end is given below:

	(₹ in crore)	
As at March 31,	2011	2010
Gratuity	7.56	5.88
Leave encashment	3.84	4.31
Proposed dividend	8.10	8.09
Corporate dividend tax	1.31	1.34
Total	20.81	19.62

Provision for Gratuity and Leave encashment represents provisions made by the Company based on valuation reports from actuaries. The increase in gratuity provision is mainly on account of the increase in salaries.

Provision for Dividend as on March 31, 2011 is Rs.8.10 crore (Rs.8.09 crore in the previous year), with a provision for corporate dividend tax of Rs.1.31 crore (Rs.1.34 crore as on March 31, 2010).



AUDITORS' REPORT

For the Financial Statements for the year ended March 31, 2011

AUDITORS' REPORT

TO THE MEMBERS OF
NUCLEUS SOFTWARE EXPORTS LIMITED

1. We have audited the attached Balance Sheet of NUCLEUS SOFTWARE EXPORTS LIMITED as at 31 March, 2011, the Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 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 & 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 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 & 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 & Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - e. in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required, 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, 2011 and
 - ii. in the case of the Profit & Loss Account, of the profit of the Company for the year ended on that date.
 - iii. in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
 - f. on the basis of written representations received from directors as on 31 March, 2011, and taken on record by the Board of Directors, we report that, none of the directors is disqualified as on 31 March, 2011 from being appointed as a director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956.

Gurgaon
May 1, 2011

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 015125N)
Sd/-
JITENDRA AGARWAL
Partner
(Membership No. 87104)



ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

Having regard to the nature of the Company's business, clauses (ii), (viii), (x), (xi), (xii) (xiv), (xv) and (xix) of paragraph 4 of CARO are not applicable.

1. In respect of its fixed assets:

- a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b. The Company has a program of physically verifying all its fixed assets in a phased manner over a period of three years, which in our opinion is reasonable having regard to the size of the Company and nature of its business. In accordance with this program, fixed assets were physically verified by the management during the year and according to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - c. The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion not affected the going concern status of the Company.
2. a. The Company has granted unsecured loans to two wholly owned subsidiary companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs.71,742,356 and the balance of such loan as at 31 March 2011 is Rs.71,500,356. 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. Of the abovementioned two loans, one loan of Rs.49,160,356 is non-interest bearing. In our opinion and according to the information and explanations given to us, other terms and conditions of such loans given by the Company are prima facie, not prejudicial to the interest of the Company.
- c. According to the terms of the loan agreement no portion of principal amount was repayable during the current year.
- d. There are no amounts overdue as at 31 March 2011 in respect of loan granted in accordance with the terms of the loan agreement.

3. 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 for obtaining 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 Company's operations did not give rise to purchase of inventory and sale of goods during the current year.

4. In respect of contracts or arrangements entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations provided to us:

- (a) The particular of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
- (b) Where each of such transaction is in excess of Rs. 5 lakh in respect of any party, the transactions have been made at price which are prima facie reasonable having regard to the prevailing market prices at the relevant time.

5. The Company has not accepted any deposits from the public, within the meaning of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.

6. In our opinion, the internal audit function carried out during the year by a firm of Chartered Accountants appointed by the Management is commensurate with the Size of the Company and the nature of its business.

7. According to the information and explanations provided to us in respect of statutory dues:

- a. The Company has generally deposited its statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Professional Tax, Work Contract Tax and Cess within the prescribed time with the appropriate authorities during the year. There are no undisputed amounts payable in respect of these dues for a period of more than six months from the date they became payable.
- b. We are informed that the operations of the Company during the year did not give rise to any liability for Investor Education and Protection Fund, Wealth Tax, Custom Duty and Excise Duty.
- c. We are informed that there are no dues in respect of Income Tax, Sales Tax, Service Tax and Cess which have not been deposited 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	Income-tax Appellate Tribunal
Income-tax Act, 1961	Income-tax	1,153,664	Assessment year 2007-08	Commissioner of Income Tax (Appeals)

8. 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. Accordingly, provisions of clause 4(xiii) of the Order are not applicable to the Company.
9. Based on the examination of the books of account and related records and according to the information and explanations provided to us, no term loans were obtained by the Company.
10. 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.
11. According to the information and explanation given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
12. According to the information and explanations given to us, the Company has not raised any money by way of public issue during the year. Accordingly, the provisions of clause (xx) of the Order are not applicable to the Company.
13. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

**Gurgaon
May 1, 2011**

**For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 015125N)
Sd/-
JITENDRA AGARWAL
Partner
(Membership No. 87104)**



Nucleus Software Exports Limited

Balance Sheet as at 31 March 2011

(Amount in ₹)

	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	323,840,240	323,715,240
Advance Pursuant to Stock Option Schemes		2,182,720	3,451,740
Reserves and Surplus	2	2,382,782,277	2,002,445,835
		<u>2,708,805,237</u>	<u>2,329,612,815</u>
		<u>2,708,805,237</u>	<u>2,329,612,815</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	856,265,357	889,880,166
Less: Accumulated Depreciation		514,647,510	483,922,774
Net Block		<u>341,617,847</u>	<u>405,957,392</u>
Investments	4	1,398,490,781	1,003,520,091
Deferred Tax Asset (refer note 3, schedule 16)		50,345,216	27,847,509
Current Assets, Loans and Advances			
Sundry Debtors	5	261,268,962	465,722,111
Cash and Bank Balances	6	464,933,173	437,777,347
Loans and Advances	7	357,955,241	219,066,286
Other Current Assets	8	342,217,737	277,322,328
		<u>1,426,375,113</u>	<u>1,399,888,072</u>
Less: Current Liabilities and Provisions			
Current Liabilities	9	299,893,704	311,357,140
Provisions	10	208,130,016	196,243,109
		<u>508,023,720</u>	<u>507,600,249</u>
Net Current Assets		<u>918,351,393</u>	<u>892,287,823</u>
		<u>2,708,805,237</u>	<u>2,329,612,815</u>
Significant accounting policies and notes to the accounts	16		

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

In terms of our report attached

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Registration No. 015125N)

Sd/-

Jitendra Agarwal

Partner

(Membership No. 87104)

Gurgaon
May 1, 2011

NOIDA (U.P.)
May 1, 2011

For and on behalf of the Board of Directors

Sd/-
Janki Ballabh
Chairman

Sd/-
Vishnu R Dusad
Managing Director

Sd/-
Pramod K Sanghi
Chief Financial Officer

Sd/-
Poonam Bhasin
Company Secretary

Profit and Loss Account for the Year ended 31 March 2011

(Amount in ₹)

	Schedule	For the Year ended	
		31 March 2011	31 March 2010
Sales and Services	11	1,995,503,783	1,941,474,342
Software Development Expenses	12	1,331,601,339	1,254,784,873
Gross profit		663,902,444	686,689,469
Selling and Marketing Expenses	13	186,024,024	141,165,863
General and Administration Expenses	14	221,003,377	149,532,764
Operating Profit Before Depreciation		256,875,043	395,990,842
Depreciation	3	81,000,759	98,034,005
Operating Profit After Depreciation		175,874,284	297,956,837
Other Income	15	296,092,617	156,306,359
Gain / (Loss) on Foreign Exchange Fluctuation (net)		9,967,447	(57,101,741)
Profit Before Taxation		481,934,348	397,161,455
Withholding Taxes Charged off		13,290,292	4,256,080
Provision For Tax - current income tax		48,758,116	68,274,561
- MAT credit entitlement (refer note 9, schedule I 6)		(17,800,000)	-
- fringe benefit tax		-	332,155
- deferred tax credit (refer note 3, schedule I 6)		(22,497,707)	(13,125,617)
- income tax for earlier years		2,530,306	-
Provision for Wealth Tax		31,038	61,714
Profit After Taxation		457,622,303	337,362,562
Profit for the Year		457,622,303	337,362,562
Add: Balance Brought Forward		1,304,608,153	1,083,451,476
Total Amount Available for Appropriation		1,762,230,456	1,420,814,038
Proposed Dividend		80,989,444	80,925,060
Corporate Dividend Tax (refer note 22, schedule I 6)		(146,458)	1,544,569
Transferred to General Reserve		45,762,230	33,736,256
Balance Carried Forward to the Balance Sheet		1,635,625,240	1,304,608,153
Earnings per Equity Share (par value Rs. 10 each)		-	-
(refer note 17, schedule I 6)		-	-
Basic		14.13	10.42
Diluted		14.12	10.42
Number of Shares used in Computing Earnings per Equity Share			
Basic		32,381,700	32,370,024
Diluted		32,398,359	32,374,213

Significant accounting policies and notes to the accounts 16
The schedules referred to above form an integral part of the Profit and Loss Account

In terms of our report attached

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Registration No. 015125N)

Sd/-

Jitendra Agarwal

Partner

(Membership No. 87104)

Gurgaon
May 1, 2011

NOIDA (U.P.)
May 1, 2011

For and on behalf of the Board of Directors

Sd/-

Janki Ballabh

Chairman

Sd/-

Pramod K Sanghi

Chief Financial Officer

Sd/-

Vishnu R Dusad

Managing Director

Sd/-

Poonam Bhasin

Company Secretary



Cash Flow Statement for the Year ended 31 March 2011

(Amount in ₹)

	For the Year ended 31 March 2011	For the Year ended 31 March 2010
A. Cash flow from Operating Activities		
Net profit before tax	481,934,348	397,161,455
Adjustment for:		
Depreciation	81,000,759	98,034,005
Exchange Loss/(gain) on translation of foreign currency accounts	(9,834,009)	22,618,639
Dividend received from non-trade investments	(56,384,965)	(15,466,174)
Dividend received from subsidiary	(210,000,000)	(70,000,000)
Interest on fixed deposits	(25,798,546)	(51,328,624)
Loss / (profit) on sale of investments	27,625	(9,264)
Reversal of employee's stock compensation expense (net)	(1,973,593)	(4,160,326)
Loss / (profit) on sale of fixed assets (net)	229,281	(2,485,655)
Advances and other current assets written off	8,031,279	245,787
Provision for doubtful debts / advances / other current assets	41,395,249	12,138,934
Provisions written back	(1,156,410)	(10,777,495)
Provision for diminution in the value of investments	-	16,293,150
Operating profit before working capital changes	307,471,018	392,264,432
Decrease in sundry debtors	166,329,926	22,503,215
Increase in loans and advances	(22,661,023)	(25,817,424)
(Increase) / Decrease in other current assets	(77,456,881)	1,950,295
Increase / (Decrease) in current liabilities and provisions	(7,600,395)	(6,365,170)
	366,082,645	384,535,348
Income tax paid (net)	(112,052,209)	(74,886,233)
Wealth tax paid	(31,038)	(61,714)
Fringe benefit tax paid	-	(472,156)
Net Cash from operating activities (A)	253,999,398	309,115,245
B. Cash Flow from Investing Activities		
Purchase of fixed assets/capital work in progress	(17,767,842)	(15,361,291)
Sale of fixed assets	382,253	3,764,053
Purchase of current investments	(4,550,477,202)	(2,158,513,766)
Proceeds from sale of current investments	4,161,141,885	1,441,826,023
Investments in shares of subsidiaries	(5,663,000)	(6,823,000)
Loans and advances to subsidiaries (net)	(17,810,968)	(8,199,823)
Interest on fixed deposits	27,398,126	63,735,291
Income tax paid	(8,768,926)	(17,449,748)
Dividend received from non-trade investments	56,384,965	15,466,174
Dividend received from subsidiary	210,000,000	70,000,000
Net cash from / (used in) investing activities (B)	(145,180,709)	(611,556,087)
C. Cash Flow from Financing Activities		
Dividend paid (including corporate dividend tax)	(81,117,418)	(82,782,000)
Advance pursuant to employee stock option scheme / proceeds from employee stock option exercised	885,600	400,000
Net cash used in financing activities (C)	(80,231,818)	(82,382,000)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	28,586,871	(384,822,842)
Opening cash and cash equivalents	437,777,347	824,813,049
Exchange difference on translation of foreign currency bank accounts	(1,431,045)	(2,212,860)
Closing cash and cash equivalents*	464,933,173	437,777,347

* include fixed deposits amounting to Rs.7,608,764 (Rs.5,570,013) under lien with bank on account of guarantees issued on behalf of the Company and other fixed deposits amounting to Rs.413,100,000 (Rs.380,900,000)

Note:

- 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 Standard) Rules, 2006.
- 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.

In terms of our report attached

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Registration No. 015125N)

Sd/-
Jitendra Agarwal
Partner
(Membership No. 87104)

Gurgaon
May 1, 2011

NOIDA (U.P.)
May 1, 2011

For and on behalf of the Board of Directors

Sd/-
Janki Ballabh
Chairman

Sd/-
Vishnu R Dusat
Managing Director

Sd/-
Pramod K Sanghi
Chief Financial Officer

Sd/-
Poonam Bhasin
Company Secretary

Schedules forming part of the financial statements

(Amount in ₹)

	As at 31 March 2011 (Rupees)	As at 31 March 2010 (Rupees)
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		
32,385,324 (32,372,824) equity shares of Rs. 10 each	323,853,240	323,728,240
Subscribed and paid up		
32,382,524 (32,370,024) equity shares of Rs. 10 each, fully paid up	323,825,240	323,700,240
Add: 2,800 (2,800) forfeited equity shares pending for reissue	15,000	15,000
	323,840,240	323,715,240
SCHEDULE 2:		
RESERVES AND SURPLUS		
General reserve		
Balance as at 1 April	652,128,115	618,391,859
Add: Transferred from Profit and Loss Account	45,762,230	33,736,256
	697,890,345	652,128,115
Securities premium account		
Balance as at 1 April	20,953,189	20,953,189
Add : On conversion of stock options issued to employees	787,500	-
	21,740,689	20,953,189
Capital reserve account		
Balance as at 1 April	5,487,390	2,540,030
Add: Amount forfeited against employees stock option plan	1,242,120	2,947,360
	6,729,510	5,487,390
Employee stock options (refer note 5, schedule 16)		
Balance as at 1 April	8,204,228	14,340,608
Less: Reversal on forfeiture of stock options granted	1,973,593	6,136,380
	6,230,635	8,204,228
Hedging reserve (refer note 4, schedule 16)		
Balance as at 1 April	11,064,760	(10,411,083)
Add: Movement during the year	3,501,098	21,475,843
	14,565,858	11,064,760
Profit and Loss Account		
Balance as at 1 April	1,304,608,153	1,083,451,476
Add: Profit for the year	457,622,303	337,362,562
Less: Transferred to general reserve	45,762,230	33,736,256
Less: Proposed dividend	80,989,444	80,925,060
Less: Corporate dividend tax (refer note 22, schedule 16)	(146,458)	1,544,569
	1,635,625,240	1,304,608,153
	2,382,782,277	2,002,445,835



Schedules forming part of the financial statements

SCHEDULE 3:

FIXED ASSETS (At cost)

(Amount in ₹)

	Gross block			Accumulated depreciation			Net block		
	As at 1 April 2010	Additions	Deductions/ adjustments	As at 31 March 2011	As at 1 April 2010	Depreciation for the year	Deductions/ adjustments	As at 31 March 2011	As at 31 March 2010
Tangible assets									
Freehold land	3,360,720	-	-	3,360,720	-	-	-	3,360,720	3,360,720
Leasehold land	66,395,000	-	-	66,395,000	5,880,293	751,556	-	59,763,151	60,514,707
Leasehold improvements	12,539,955	218,328	-	12,758,283	9,107,036	2,414,280	-	1,236,967	3,432,919
Buildings	242,275,991	-	-	242,275,991	35,396,513	7,979,717	-	198,899,761	206,879,478
Plant and machinery (including office equipment)	141,047,895	1,703,474	3,527,219	139,224,150	95,710,235	18,232,688	3,527,218	28,808,445	45,337,660
Computers	222,709,899	6,425,381	6,474,116	222,661,164	173,141,518	29,397,483	6,474,116	26,596,279	49,568,381
Vehicles	17,180,641	1,330,749	1,758,661	16,752,729	11,076,811	2,555,309	1,758,661	4,879,270	6,103,830
Furniture and fixtures	46,686,521	460,550	10,538,838	36,608,233	37,923,448	4,261,629	10,538,839	4,961,995	8,763,073
Intangible assets									
Softwares	137,683,544	7,134,265	28,588,722	116,229,087	115,686,920	15,408,097	27,977,189	13,111,259	21,996,624
Total	889,880,166	17,272,747	50,887,556	856,265,357	483,922,774	81,000,759	50,276,023	341,617,847	405,957,392
Previous year	885,944,866	13,114,923	9,179,623	889,880,166	393,789,994	98,034,005	7,901,225	405,957,392	483,922,774

Schedules forming part of the financial statements

	(Amount in ₹)	
	As at 31 March 2011	As at 31 March 2010
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)	(16,293,150)
200 (200) equity shares of Japanese Yen 50,000 each, fully paid up, in Nucleus Software Japan Kabushiki Kaisha, 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	-	9,790,955
Less: Provision for diminution in value of investment in Nucleus Software (Australia) Pty. Ltd., Australia	-	(9,790,955)
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
4,000 (3,000) equity shares of Euro 100 each, fully paid up, in Nucleus Software Netherlands B.V., Netherlands, a wholly owned subsidiary	24,242,000	18,579,000
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
	154,654,212	148,991,212
Current investments		
Investments in bonds and mutual funds - Non trade and unquoted		
5,000,000 (Nil) units of HDFC FMP 370D March 2011 (4) - Growth - Series - XVI	50,000,000	-
6,434,615 (Nil) units of HDFC Liquid Fund Premium Plan-Dividend-Daily Reinvest	78,887,094	-
2,526,200 (Nil) units of ICICI Prudential Interval Fund II Quarterly Interval Plan A- Institutional Dividend	25,262,000	-
695,723 (Nil) units of ICICI Prudential Liquid- Super Institutional Plan-Div-Daily	69,587,478	-
2,486,226 (Nil) units of TATA Fixed Income Portfolio Fund Scheme C2 Inst Half-Yearly	25,000,000	-
1,500,000 (Nil) units of Tata Fixed Maturity Plan Series 28 Scheme A Dividend	15,000,000	-
Nil (843,889) units of face value of Rs. 100 each of ICICI Prudential Flexible Income Plan - Premium - (D)	-	89,228,309
86,329 (Nil) units of Axis Liquid Fund- Institutional-Daily Dividend-Reinvestment	86,331,943	-
5,000,000 (Nil) units of Axis Fixed Term Plan - Series 13 (370 days) - Growth Plan	50,000,000	-
5,105,720 (Nil) units of UTI- Fixed Income Interval Fund - Half Yearly Interval Plan-Series I - Institutional Dividend Plan -Reinvestment	51,057,350	-
32,174 (Nil) units of UTI Liquid Cash Plan Institutional - Daily Income Plan - Re-Investment	32,799,307	-



Nucleus Software Exports Limited

(Amount in ₹)

	As at 31 March 2011	As at 31 March 2010
5,000,000 (Nil) units of SBI Debt Fund Series-90 Days-42-Dividend	50,000,000	-
4,000,000 (Nil) DSP BlackRock FMP-3M-Series 28-Dividend-Payout	40,000,000	-
10,975 (Nil) units of DSP BlackRock Money Manager Fund - Regular - Daily Dividend	11,000,000	-
41,50,000 (Nil) units of SBI Debt Fund Series-90 Days-38-Dividend	41,500,000	-
Nil (7,718,375) units of face value of Rs. 10 each of Fortis Money Plus Plan-Inst-(D)	-	77,207,676
Nil (6,446,666) units of face value of Rs. 10 each of Birla Sun Life Savings Fund-Inst-(D)	-	64,510,501
50,00,000 (Nil) units of SBI Debt Fund Series-180 Days-14-Dividend	50,000,000	-
Nil (7,898,841) units of face value of Rs. 10 each of JP Morgan India Treasury Fund-Super Inst-(D)	-	79,058,710
5,761,098 (Nil) units of Birla Sun Life Cash Plus-Inst. Prem. -Daily Dividend-Reinvestment	57,723,320	-
Nil (5,958,385) units of face value of Rs. 10 each of HDFC Cash Management Fund-Treasury Advantage Plan-Wholesale-(D)	-	59,771,541
7,00,000 (Nil) units of IDFC FMP Half Yearly-Series-12-Dividend	7,000,000	-
5,750,000 (Nil) units of SBI Debt Fund Series-180 Days-15-Dividend	57,500,000	-
6,000,000 (Nil) units of Birla SunLife Short Term FMP-Series 4 Dividend - Payout	60,000,000	-
Nil (4,475,934) units of face value of Rs. 10 each of Reliance Medium Term Fund - (D)	-	76,518,328
Nil (20,231) units of face value of Rs. 1000 each of Reliance Money Manager Fund-Inst-(D)	-	20,253,632
Nil (9,899,960) units of face value of Rs. 10 each of Kotak Flexi Debt Scheme - Inst. (D)	-	99,469,852
Nil (9,954,857) units of face value of Rs. 10 each of LICMF Savings Plus Fund-(D)	-	99,548,567
2,165,001 (Nil) units of Birla Sun Life Short Term FMP - Series 6 Dividend - Payout	21,650,011	-
4,999,980 (Nil) units of Kotak FMP 6M Series 11 - Dividend	49,999,800	-
3,722,102 (Nil) units of Kotak Liquid (Institutional Premium) - Daily Dividend	45,514,242	-
3,499,055 (Nil) units of Kotak Quarterly Interval Plan Series 10-Dividend	35,000,000	-
2,218,899 (Nil) units of JM High Liquidity Fund-Super Institutional Plan -Daily Dividend	22,225,603	-
Nil (7,335,658) units of face value of Rs. 10 each of JM Money Manager Fund Super Plus Plan-(D)	-	73,395,456
Nil (47,849) units of face value of Rs 1000 each of UTI Treasury Advantage Fund-Inst-(D)	-	47,859,307
5,000,000 (Nil) units of Kotak Quarterly Interval Plan Series 5-Dividend	50,000,000	-
3,142,228 (Nil) units of Reliance Fixed Horizon Fund - XVIII - Series 1 - Dividend Plan	31,422,280	-
6,000,000 (Nil) units of DSP BlackRock FMP-3M-Series 29-Dividend-Payout	60,000,000	-
3,987,614 (Nil) units of DSP BlackRock FMP-3M-Series 33-Dividend-Payout	39,876,141	-
2,700,000 (Nil) units of Reliance Fixed Horizon Fund - XVIII - Series 7 - Dividend Plan	27,000,000	-
Nil (4,497,335) units of face value of Rs 10 each of S252 SBNPP Ultra ST Fund Super-Inst-(D)	-	45,139,750
Nil (1,999,606) units of face value of Rs 10 each of TFLD TATA Floater Fund (D)	-	20,067,250
	1,241,336,569	852,028,879
	1,398,490,781	1,003,520,091

Notes:

1. Net asset value (NAV) of current investments is Rs. 1,246,605,356 (Rs.852,028,879) as at 31 March 2011.
2. Refer note 8, schedule 16 for details of investments purchased and sold during the year ended 31 March 2011.

Schedules forming part of the financial statements

	As at 31 March 2011	(Amount in ₹) As at 31 March 2010
SCHEDULE 5:		
SUNDRY DEBTORS (UNSECURED)*		
Debts outstanding for a period exceeding six months		
- Considered good	20,364,367	106,542,229
- Considered doubtful	49,906,099	16,858,700
	<u>70,270,466</u>	<u>123,400,929</u>
Less: Provision for doubtful debts	(49,906,099)	(16,858,700)
	<u>20,364,367</u>	<u>106,542,229</u>
Other debts (considered good)	240,904,595	359,179,882
	<u>261,268,962</u>	<u>465,722,111</u>
* includes debt amounting to Rs.625,609 (Rs.8,399,626) from Nucleus Software Inc., USA, Rs.59,745,455 (Rs.63,968,946) from Nucleus Software Japan Kabushiki Kaisha, Rs.72,87,560 (Rs.2,30,16,437) from Nucleus Software Solutions Pte. Ltd., Singapore, Rs.22,673,628 (Rs.872,270) from Nucleus Software Netherlands B.V., Netherlands and Rs.328,087 (Rs.4,031,694) from VirStra i-Technology Services Limited, India, being companies under the same management within the meaning of section 370 (1-B) of the Companies Act, 1956.		
SCHEDULE 6:		
CASH AND BANK BALANCES (refer note 7, schedule 16)		
Cash in hand	-	81,735
Cheques in hand	-	8,121,930
Balances with scheduled banks:		
- in current accounts	59,247,314	42,097,386
- in fixed deposit accounts*	403,408,774	386,470,013
Balance with non scheduled banks:		
- in current account (Citibank, United Kingdom)	1,011,098	79,827
[Maximum amount outstanding during the year Rs.1,502,934 (Rs.2,148,871)]		
- in current account (Citibank, U.A.E)	1,265,987	926,456
[Maximum amount outstanding during the year Rs.4,903,305 (Rs.4,508,639)]		
	<u>464,933,173</u>	<u>437,777,347</u>
* include fixed deposits amounting to Rs.7,608,764 (Rs.5,570,013) under lien with bank on account of guarantees issued on behalf of the Company.		
SCHEDULE 7:		
LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	43,229,606	19,947,737
Loans and advances to subsidiaries*	71,500,356	29,314,849
Security deposits	11,454,444	10,661,857
Mark to Market on Options/Forward contracts (refer note 4, schedule 16)	14,205,233	10,202,533
Advance income tax [net of provision Rs.148,497,708 (Rs.98,787,306)]	132,015,927	73,372,126
Advance fringe benefit tax [net of provision Rs.24,915,859 (Rs.24,915,859)]	2,732,275	2,732,275
MAT credit entitlement (refer note 9, schedule 16)	60,698,620	45,300,000
Prepaid expenses	22,118,780	27,534,909
	<u>357,955,241</u>	<u>219,066,286</u>
* includes loan amounting to Rs.49,160,356, (Rs.29,314,849) to Nucleus Software Limited, [maximum amount outstanding during the year Rs.49,160,356 (Rs.29,314,849), Rs.22,340,000 (Rs.Nil) to Nucleus Software Inc. [maximum amount outstanding during the year Rs.22,340,000 (Rs.Nil) being companies under the same management within the meaning of section 370 (1-B) of the Companies Act, 1956.		



Nucleus Software Exports Limited

(Amount in ₹)

	As at 31 March 2011	As at 31 March 2010
SCHEDULE 8:		
OTHER CURRENT ASSETS		
Service income accrued but not due [net of provision of Rs. 1,67,99,742 (Rs. 15,859,397)]	329,521,351	263,026,359
Interest accrued but not due	12,696,386	14,295,969
	<u>342,217,737</u>	<u>277,322,328</u>
SCHEDULE 9:		
CURRENT LIABILITIES		
Sundry creditors *#	191,136,161	207,116,066
Due to subsidiaries	14,644,094	2,892,049
Advances from customers	56,430,118	78,316,833
Unclaimed dividends	1,771,309	1,467,148
Other liabilities**	30,554,525	17,662,767
Book overdraft	5,357,497	3,902,277
	<u>299,893,704</u>	<u>311,357,140</u>
* 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.25,705,706 (Rs.33,395,239).		
** Includes contribution to provident and other funds payable of Rs.9,124,270 (Rs.7,740,364).		
SCHEDULE 10:		
PROVISIONS		
Gratuity	75,668,784	58,763,800
Leave encashment	38,369,761	43,113,406
Proposed dividend	80,956,310	80,925,060
Corporate dividend tax	13,135,161	13,440,843
	<u>208,130,016</u>	<u>196,243,109</u>

Schedules forming part of the financial statements

(Amount in ₹)

	For the Year ended	
	31 March 2011	31 March 2010
SCHEDULE 11:		
SALES AND SERVICES		
Software development services and products		
- Domestic	412,445,433	383,007,216
- Overseas	1,583,058,350	1,558,467,126
	<u>1,995,503,783</u>	<u>1,941,474,342</u>
SCHEDULE 12:		
SOFTWARE DEVELOPMENT EXPENSES		
Salaries and allowances	785,590,708	777,540,990
Contribution to provident and other funds	44,873,976	45,074,528
Directors' remuneration	4,616,000	10,232,000
Staff welfare	15,505,298	13,205,601
Conveyance	7,953,483	11,282,421
Communication	10,696,140	11,366,265
Rent	13,052,485	14,149,382
Legal and professional	45,729,622	32,727,100
Repair and maintenance		
- Buildings	1,375,147	2,107,256
- Others	12,985,396	11,272,768
Training and recruitment	14,500,205	3,447,037
Printing and stationery	2,240,482	1,236,537
Insurance	4,208,353	4,157,955
Software and other development charges	164,579,584	76,265,562
Cost of software purchased for delivery to clients	36,990,943	71,787,541
Travelling	122,364,872	129,512,354
Power and fuel	21,994,750	21,489,863
Information technology expenses	14,599,969	12,838,364
Miscellaneous expenses	7,743,926	5,091,349
	<u>1,331,601,339</u>	<u>1,254,784,873</u>
SCHEDULE 13:		
SELLING AND MARKETING EXPENSES		
Salaries and allowances	96,871,836	57,315,186
Contribution to provident and other funds	3,110,078	2,013,852
Directors' remuneration	4,616,000	10,232,000
Staff welfare	1,949,386	1,193,931
Conveyance	801,206	1,253,663
Communication	2,744,610	3,832,118
Rent	5,870,046	5,255,041
Legal and professional	7,191,672	6,116,200
Repair and maintenance		
- Buildings	72,191	110,624
- Others	681,684	591,774
Training and recruitment	1,037,638	242,881
Printing and stationery	264,862	346,204
Insurance	306,302	214,615
Travelling	31,738,048	28,740,118
Advertisement and business promotion	5,816,762	4,103,157
Power and fuel	2,493,835	2,008,532
Conference, exhibition and seminar	10,395,826	7,538,983
Information technology expenses	1,066,024	667,046
Commission to channel partners	6,559,713	7,419,381
Miscellaneous expenses	2,436,305	1,970,557
	<u>186,024,024</u>	<u>141,165,863</u>



Nucleus Software Exports Limited

(Amount in ₹)

For the Year ended
31 March 2011 31 March 2010

SCHEDULE 14:

GENERAL AND ADMINISTRATION EXPENSES

Salaries and allowances	99,777,887	75,444,023
Contribution to provident and other funds	5,650,515	4,405,593
Directors' remuneration	3,248,000	5,116,000
Staff welfare	2,471,648	1,850,347
Conveyance	1,869,049	1,974,378
Communication	1,954,910	2,082,071
Rent	360,000	245,200
Rates and taxes	2,277,454	2,441,831
Legal and professional	8,504,646	6,465,385
Repair and maintenance		
- Buildings	357,012	547,081
- Others	3,371,233	2,926,608
Training and recruitment	1,201,301	1,061,934
Printing and stationery	1,224,466	583,029
Loss on sale of fixed assets (net)	229,281	-
Insurance	371,666	415,587
Bank charges	2,214,820	2,741,717
Travelling	2,498,831	2,309,164
Advertisement and business promotion	827,225	552,261
Power and fuel	1,963,780	1,892,972
Conference, exhibition and seminar	418,544	339,714
Information technology expenses	1,247,027	1,215,239
Advances and other current assets written off	8,031,279	245,787
Provision for doubtful debts / advances / other current assets *	41,395,249	12,138,934
Customer claim	22,157,950	-
Provision for diminution in the value of investments	-	16,293,150
Miscellaneous expenses	7,379,604	6,244,759
	221,003,377	149,532,764

* Includes bad debts written off Rs.54,17,241 (Rs 79,95,923)

SCHEDULE 15:

OTHER INCOME

Dividend received from non-trade investments	56,384,965	15,466,174
Dividend received from subsidiary	210,000,000	70,000,000
Interest on fixed deposits [gross of tax deducted at source Rs.3,442,140 (Rs.5,872,682)]	25,798,546	51,328,624
Profit on sale of fixed assets (net)	-	2,485,655
Profit on sale of investments		
- Current non trade investments	-	9,264
Provisions written back	1,156,410	10,777,495
Reversal of employee's stock compensation expense (net)	1,973,593	4,160,326
Miscellaneous income	779,103	2,078,821
	296,092,617	156,306,359

Schedules forming part of the financial statements

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 2011, 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, 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)
Tangible asset	
Building	30
Plant and machinery (including office equipment)	5
Computers	4
Vehicles	5
Furniture and fixtures	5
Temporary wooden structures (included in furniture and fixtures)	1
Intangible asset	
Software	3

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. (Refer Note 4)

(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.

Long-term employee benefits

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 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 earning 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

Schedules forming part of the financial statements

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.

3. Deferred tax asset/ (liability)

Components of net deferred tax asset/ (liability):

	Opening as at 31 March 2010	(Charged)/ Credited to P&L account	Closing as at 31 March 2011
(Amount in ₹)			
Deferred tax asset			
Provision for doubtful debts and income accrued	7,562,429	10,918,488	18,480,917
Provision for retirement benefits	32,298,977	4,700,829	36,999,806
	<u>39,861,406</u>	<u>15,619,317</u>	<u>55,480,723</u>
Deferred tax liability			
Difference of depreciation as per Income-tax laws and books of accounts	(12,013,897)	6,878,390	(5,135,507)
Net deferred tax (liability) / asset	<u><u>27,847,509</u></u>	<u><u>22,497,707</u></u>	<u><u>50,345,216</u></u>

4. Forward contracts and options in foreign currency

	As at 31 March 2011	As at 31 March 2010
Forward contract outstanding		
In USD	12,500,000	7,500,000
Equivalent amount in Rupees	558,500,000	338,175,000
Options contract outstanding		
In USD	-	400,000
Equivalent amount in Rupees	-	18,036,000



Nucleus Software Exports Limited

As at 31 March 2011, the Company has recorded marked to market gain of Rs.14,565,858 (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 2011, the Company has recorded marked to market loss of Rs. Nil (Rs.862,227) relating to foreign currency option which do not qualify for hedging in the profit and loss account.

The Company's exposure in respect of foreign currency denominated assets not hedged as on 31 March 2011 by derivative instruments or otherwise is as follows:

Currency	As at 31 March 2011		As at 31 March 2010	
	Amount in foreign currency	Amount in rupees	Amount in foreign currency	Amount in rupees
Current Assets				
USD	10,609,170	476,907,965	13,430,762	614,923,543
EURO	827,148	52,261,857	14,432	872,270
SGD	205,631	7,287,560	714,796	23,016,437
AED	-	-	160,654	2,012,258
RM	2,862,244	42,480,461	1,474,907	20,352,630
Creditors				
USD	2,674,138	119,642,085	4,349,375	196,728,590
SGD	3,595,023	127,407,609	89,815	2,892,049
GBP	-	-	9,000	576,090
AED	218,098	2,654,253	88,145	1,078,895
JPY	102,041	55,000	-	-

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:

	Year ended 31 March 2011	Year ended 31 March 2010
2002 Stock Option Scheme		
Options outstanding at the beginning of the year	73,300	126,050
Options granted	-	-
Options forfeited	(17,500)	(52,750)
Options exercised	(6,250)	-
	49,550	73,300
2005 Stock Option Scheme		
Options outstanding at the beginning of the year	85,400	142,000
Options granted	3,560	-
Options forfeited	(45,040)	(56,600)
Options exercised	-	-
	43,920	85,400
2006 Stock Option Scheme		
Options outstanding at the beginning of the year	101,074	189,860
Options granted	-	40,000
Options forfeited	(17,072)	(128,786)
Options exercised	-	-
	84,002	101,074

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

	(Amount in ₹)	
	Year ended 31 March 2011	Year ended 31 March 2010
Balance brought forward	-	1,976,054
Less: Amortisation expense*	-	1,893,895
Less: Reversal due to forfeiture	-	82,159
Balance carried forward	-	-

* excluding write back of stock compensation expense in respect of forfeited/ lapsed options of Rs.1,973,593; (Rs.6,136,380).

6. (a) Managerial remuneration

	(Amount in ₹)	
	Year ended 31 March 2011	Year ended 31 March 2010
A. Managing Director		
Salary and perquisites	6,000,000	6,000,000
Contribution to provident and other funds	360,000	360,000
Commission*	-	12,949,000
Perquisites	609,620	551,000
	6,969,620	19,860,000
B. Non Executive Directors		
Commission	4,800,000	4,000,000
Sitting fees	1,680,000	2,080,000
	6,480,000	6,080,000

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.

* As per the terms of engagement no commission is payable during the year ended 31 March 2011.

Schedules forming part of the financial statements

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

(Amount in ₹)

	Year ended 31 March 2011	Year ended 31 March 2010
Profit after taxation	457,622,303	337,362,562
Add: (i) Remuneration paid to the directors	11,769,620	23,860,000
(ii) Depreciation as per accounts	81,000,759	98,034,005
(iii) Provision for doubtful debts/advances/other current assets (net)	41,395,249	3,914,033
(iv) Tax for the year	11,021,753	55,542,813
(v) Directors' sitting fees	1,680,000	2,080,000
(vi) Provision for diminution in value of investment	-	16,293,150
Less: (i) Profit on sale of investments	(27,625)	-
(ii) Profit Loss on sale / discarded of fixed assets	(229,281)	2,250,000
(iii) Depreciation as per section 350	81,000,759	98,034,005
Net profit for the purpose of managerial remuneration	523,745,831	436,802,558
Remuneration paid / payable to Managing Director [maximum 5% of Net profit for the purpose of managerial remuneration being Rs.24,705,000 (Rs.20,604,000)]	6,969,620	19,860,000
Commission payable to non-whole-time directors [maximum 1% of Net profit for the purpose of managerial remuneration being Rs.4,941,000 (Rs.4,121,000)]	4,800,000	4,000,000

7. Bank Balances

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

(Amount in ₹)

Name of Bank	As at 31 March 2011	As at 31 March 2010
Details of balances as on balance sheet dates with scheduled banks in current accounts:-		
i Canara Bank	1,800	1,911
ii Citi Bank	1,075,116	2,048,397
iii Citi Bank – EEFC accounts in US dollar	46,308,360	33,599,366
iv DBS Bank	94,338	43,594
v HDFC Bank – EEFC accounts in US dollar	2,582,072	235,362
vi HDFC Bank	5,780,030	2,517,594
vii HDFC Bank - Unclaimed dividend accounts	1,436,667	1,082,364
viii HSBC Bank - Unclaimed dividend accounts	339,775	389,917
ix ICICI Bank	612,290	1,076,930
x State Bank of India	1,016,866	1,101,951
Total	59,247,314	42,097,386

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

i HDFC Bank	892,774	9,446,013
ii Canara Bank	-	26,900,000
iii Citi Bank	6,716,000	4,724,000
iv Punjab National Bank	-	43,900,000
v ICICI Bank	-	29,700,000
vi State Bank of India	-	49,800,000
vii Corporation Bank	-	73,500,000
viii Bank of India	200,200,000	59,400,000
ix State Bank of Hyderabad	-	89,100,000
x State Bank of Travancore	165,900,000	-
xi State bank of Bikaner and Jaipur	9,900,000	-
xii Syndicate Bank	19,800,000	-
Total	403,408,774	386,470,013



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

(Amount in ₹)

	As at 31 March 2011	As at 31 March 2010
i Citi Bank, U.A.E	1,265,987	926,456
ii Citi Bank, United Kingdom	1,011,098	79,827
Total	2,277,085	1,006,283

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 2011

Name of the investment	Face value (Rs.)	Purchased during the Year		Sold during the Year	
		Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
i DSP BlackRock Money Manager Fund - Regular - Daily Dividend	1,000	10,975	11,000,000	-	-
ii DSP BlackRock Liquidity Fund-Institutional Plan-Daily Dividend	1,000	170,401	170,454,458	170,401	170,454,458
iii Birla Sun Life Cash Plus-Inst. Prem. -Daily Dividend-Reinvestment	10	23,028,037	230,729,412	17,266,939	173,006,092
iv UTI Liquid Cash Plan Institutional- Daily Income Option- Re-investment	1,000	182,246	185,790,307	150,073	152,991,000
v ICICI Prudential Liquid Super Institutional Plan-Div-Daily	100	3,715,044	371,587,826	3,019,321	302,000,347
vi Kotak Liquid (Institutional Premium)-Daily Dividend	10	16,266,156	198,904,188	12,544,054	153,389,946
vii HDFC FMP 370D March 2011 (4) - Growth - Series - XVI	10	5,000,000	50,000,000	-	-
viii Birla Sun Life Floating Rate Fund-Long Term-Instl-Weekly Dividend-Reinvestment	10	5,062,003	50,691,959	5,062,003	50,650,011
ix UTI Fixed Income Interval Fund-Quarterly Interval Plan Series I-Inst Dividend Plan-Reinvestment	10	3,100,938	31,009,382	3,100,938	31,009,382
x UTI Fixed Income Interval Fund - Half Yearly Interval Plan-Series I - Institutional Dividend Plan -	10	5,105,720	51,057,350	-	-
xi UTI Fixed Income Interval Fund - Series II - Quarterly Interval Plan IV - Institutional Dividend Plan -	10	4,183,868	41,838,678	4,183,868	41,838,678
xii UTI Fixed Income Interval Fund-Series II-Quarterly Interval Plan VI-Inst Dividend Plan-Reinvestment	10	3,266,001	32,660,131	3,266,001	32,660,010
xiii HDFC Liquid Fund Premium Plan-Dividend-Daily Reinvest	10	36,698,326	449,914,140	30,263,711	371,027,046
xiv Reliance Fixed Horizon Fund - XVIII Series I-Dividend Plan	10	3,142,228	31,422,280	-	-
xv Reliance Fixed Horizon Fund - XVIII Series 7-Dividend Plan	10	2,700,000	27,000,000	-	-
xvi Reliance Quarterly Interval Fund-Series III-Institutional Dividend Plan	10	5,158,064	51,613,834	5,158,064	51,619,330
xvii Reliance Quarterly Interval Fund-Series II-Institutional Dividend Plan	10	2,538,342	25,394,335	2,538,342	25,394,335
xviii Reliance Liquidity Fund-Daily Divided Reinvestment Option	10	22,733,390	227,449,837	22,733,390	227,449,837
xix Birla SunLife Short Term FMP-Series 4 Dividend - Payout	10	6,000,000	60,000,000	-	-
xx Birla Sun Life Short Term FMP - Series 6 Dividend - Payout	10	2,165,001	21,650,011	-	-
xxi Kotak Quarterly Interval Plan Series 5-Dividend	10	5,000,000	50,000,000	-	-
xxii Kotak Quarterly Interval Plan Series 8-Dividend	10	4,999,900	50,000,000	4,999,900	49,999,808

Schedules forming part of the financial statements

Name of the investment		Face value (Rs.)	Purchased during the Year		Sold during the Year	
			Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
xxiii	Kotak Quarterly Interval Plan Series 10-Dividend	10	8,838,050	88,389,946	5,338,995	53,389,946
xxiv	Kotak Quarterly Interval Plan Series 9-Dividend	10	4,999,612	50,000,000	4,999,612	50,000,089
xxv	Kotak FMP 6M Series 11 - Dividend	10	4,999,980	49,999,800	-	-
xxvi	DSP BlackRock FMP-3M-Series 33-Dividend-Payout	10	3,987,614	39,876,141	-	-
xxvii	DSP BlackRock FMP-3M-Series 29-Dividend-Payout	10	6,000,000	60,000,000	-	-
xxviii	DSP BlackRock FMP-3M-Series 28-Dividend-Payout	10	4,000,000	40,000,000	-	-
xxix	DSP BlackRock FMP-3M-Series 24-Dividend-Payout	10	2,000,000	20,000,000	2,000,000	20,000,000
xxx	DSP BlackRock FMP-3M-Series 23-Dividend-Payout	10	5,000,000	50,000,000	5,000,000	50,000,000
xxxi	DSP BlackRock FMP-3M-Series 22-Dividend-Payout	10	4,000,000	40,000,000	4,000,000	40,000,000
xxxii	DSP BlackRock FMP-3M-Series 21-Dividend-Payout	10	1,006,969	10,069,690	1,006,969	10,069,690
xxxiii	SBI Debt Fund Series-90 Days-36-Dividend	10	5,000,000	50,000,000	5,000,000	50,000,000
xxxiv	SBI Debt Fund Series-90 Days-38-Dividend	10	4,150,000	41,500,000	-	-
xxxv	SBI Debt Fund Series-180 Days-15-Dividend	10	5,750,000	57,500,000	-	-
xxxvi	SBI Debt Fund Series-90 Days-42-Dividend	10	5,000,000	50,000,000	-	-
xxxvii	ICICI Prudential Interval Fund III Quarterly Interval Plan Institutional Dividend	10	5,077,315	50,773,145	5,077,315	50,773,145
xxxviii	ICICI Prudential Interval Fund II Quarterly Interval Plan A- Institutional Dividend	10	2,526,200	25,262,000	-	-
xxxix	JM High Liquidity Fund-Super Institutional Plan -Daily Dividend	10	7,709,839	77,225,604	5,490,940	55,000,000
xl	JP Morgan India Liquid Fund-Super Inst.-Daily Div Plan-Reinvest	10	21,196,936	212,136,820	21,196,936	212,136,820
xli	LIC MF Interval Fund-Series I-Quarterly Dividend Plan	10	1,525,040	15,250,399	1,525,040	15,250,399
xlii	TATA Fixed Income Portfolio Fund Scheme C2 Inst Half-Yearly	10	2,486,226	25,000,000	-	-
xliii	Tata Fixed Maturity Plan Series 28 Scheme A Dividend	10	1,500,000	15,000,000	-	-
xliv	BNP Paribas Fixed Term Fund-Series-17-D-Dividend	10	1,000,000	10,000,000	1,000,000	10,000,000
xlv	Axis Liquid Fund- Institutional-Daily Dividend-Reinvestment	1,000	161,324	161,329,700	74,995	75,000,000
xlvi	Axis Fixed Term Plan - Series 13 (370 days) - Growth Plan	10	5,000,000	50,000,000	-	-
xlvii	LICMF Liquid Fund-Dividend Plan	10	17,491,463	192,058,010	17,491,463	192,058,010
xlviii	SBI Debt Fund Series-180 Days-14-Dividend	10	5,000,000	50,000,000	-	-
xlix	HDFC FMP 35D September 2010(I)-Dividend-Series XIV-Dividend-Payout	10	2,000,000	20,000,000	2,000,000	20,000,000
i	LIC MF Interval Fund-Series I-Monthly Dividend Plan	10	3,282,623	32,826,227	3,282,623	32,826,227
ii	TATA Fixed Income Portfolio Fund Scheme B3 Inst Quarterly	10	2,080,455	20,804,548	2,080,455	20,804,548
iii	IDFC FMP Half Yearly-Series-12-Dividend	10	700,000	7,000,000	-	-
liii	TATA Liquid Super High Investment Fund-Daily Dividend	1,000	18,388	20,493,255	18,388	20,493,255
liv	JM High Liquidity Fund Institutional Plan -Daily Dividend	10	7,441,421	74,532,525	7,441,421	74,532,525
lv	S252 SBNPP Ultra ST Fund Super Inst. Div Rein Daily	10	18,257	183,249	4,515,592	45,323,000
lvi	TFLD TATA Floater Fund-Daily Dividend	10	20,325	203,978	2,019,932	20,271,228
lvii	Fortis Money Plus Institutional Plan Daily Dividend	10	65,208	652,283	7,783,583	77,859,959



Name of the investment		Face value (Rs.)	Purchased during the Year		Sold during the Year	
			Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
lviii	Kotak Flexi Debt Scheme Institutional- Daily Dividend	10	3,109,497	31,242,672	13,009,457	130,712,524
lix	Kotak Liquid (Institutional)-Daily Dividend	10	2,453,570	30,002,505	2,453,570	30,002,505
lx	Birla Sun Life Savings Fund-Instl.-Daily Dividend-Reinvestment	10	6,383,375	63,877,158	12,830,041	128,387,659
lxi	ICICI Prudential Flexible Income Plan Premium Daily Dividend	106	46,330	4,898,740	890,219	94,127,308
lxii	HDFC Cash Management Fund-Treasury Advantage Plan -Wholesale-Daily Dividend	10	8,552,496	85,794,366	14,510,881	145,565,908
lxiii	Reliance Liquid Fund- Treasury Plan-Institutional Option-Daily Divided Option	10	11,024,580	168,537,170	11,024,580	168,537,170
lxiv	Reliance Money Manager Fund-Institutional Option-Daily Dividend	1,000	207	206,903	20,437	20,465,291
lxv	Reliance Medium Term Fund-Daily Dividend Plan	10	2,043,711	34,939,076	6,519,645	111,459,194
lxvi	LICMF Savings Plus-Dividend Plan	10	102,180	1,021,802	10,057,037	100,570,369
lxvii	JP Morgan India Treasury Fund-Super Inst.-Daily Div Plan-Reinvest	10	56,074	561,237	7,954,915	79,619,947
lxviii	JM Money Manager Fund Super Plus Plan-Daily Dividend	10	73,983	740,220	7,409,641	74,135,676
lxix	UTI Treasury Advanatage Fund-Institutional Plan (Daily Dividend Option)-Re-investment	1,000	420	419,905	48,269	48,279,212
Total			345,106,308	4,550,477,202	309,529,956	4,161,141,885

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

Name of the investment		Face value (Rs.)	Purchased during the Year		Sold during the Year	
			Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
i	HDFC Cash Management Fund-Savings Plan-Dividend	10	2,921,152	31,070,542	5,749,621	61,155,268
ii	Kotak Liquid (Institutional)-Daily Dividend	10	6,461,219	79,008,430	6,461,219	79,008,430
iii	Birla Sun Life Cash Plus Fund-Institutional Premium Plan-Dividend	10	16,173,090	162,046,272	16,173,090	162,046,272
iv	UTI Treasury Advanatage Fund-Institutional Plan (Daily Dividend Option)-Re-investment	1,000	57,847	57,859,307	9,998	10,000,000
v	ICICI Prudential Liquid Super Institutional Plan-Div-Daily	10	4,959,997	91,913,525	10,215,927	144,484,720
vi	Birla Sun Life Savings Fund-Inst-Dividend	10	7,945,647	79,510,501	1,498,981	15,000,000
vii	LICMF Liquid Fund-Dividend Plan	10	12,328,384	135,366,891	13,013,015	142,884,209
viii	LICMF Savings Plus Fund-Daily Dividend Plan	10	10,055,776	100,557,763	100,920	1,009,196
ix	Kotak Flexi Debt Scheme Institutional- Daily Dividend	10	9,999,488	100,469,852	99,527	1,000,000
x	HDFC Cash Management Fund-Treasury Advantage Plan-Wholesale-Daily Dividend	10	5,958,385	59,771,541	-	-
xi	TATA Floater Fund-Daily Dividend	10	1,999,606	20,067,250	-	-
xii	TATA Liquid Super High Investment Fund-Daily Dividend	1,000	9,870	11,000,866	9,870	11,000,866
xiii	Reliance Liquid Fund- Treasury Plan-Institutional Option-Daily Divided Option	10	9,004,771	137,657,728	10,971,583	167,724,784
xiv	Reliance Money Manager Fund-Daily Dividend-Reinvestment	1,000	20,231	20,253,632	-	-
xv	Reliance Medium Term Fund-Daily Dividend Plan	10	7,225,195	123,518,328	2,749,262	47,000,000

Schedules forming part of the financial statements

Name of the investment	Face value (Rs.)	Purchased during the Year		Sold during the Year		
		Quantity	Amount (Rupees)	Quantity	Amount (Rupees)	
xvi	ICICI Prudential Flexible Income Plan Premium Daily Dividend	10	9,913,262	230,145,674	9,069,373	140,917,365
xvii	S252 SBNPP Ultra ST Fund Super Inst. Div Rein Daily	10	4,497,335	45,139,751	-	-
xviii	S130 SBNPP Money Fund Inst.-Daily Div Rein	10	4,457,851	45,003,343	4,457,851	45,003,343
xix	JM High Liquidity Fund Institutional Plan- Daily Dividend Plan	10	5,292,019	53,004,334	5,292,019	53,004,334
xx	JM Money Manager Fund Super Plus Plan- Daily Dividend	10	7,335,658	73,395,456	-	-
xxi	JP Morgan India Treasury Fund-Super Inst. Daily Div Plan-Reinvest	10	24,331,630	243,532,852	16,432,789	164,474,142
xxii	JP Morgan India Liquid Fund-Super Inst-Dividend	10	6,895,225	69,006,725	6,895,225	69,006,725
xxiii	Fortis Money Plus Institutional Plan Daily Dividend	10	8,418,158	84,207,676	699,783	7,000,000
xxiv	Fortis Overnight Fund-Institutional Daily Dividend	10	8,348,059	83,505,638	8,348,059	83,505,638
xxv	UTI Liquid Cash Plan Institutional-Daily Income Option-Re-investment	1,000	75,728	77,200,992	75,728	77,200,992
xxvi	HDFC Liquid Fund Premium Plan-Dividend-Daily Reinvest	10	10,502,758	128,761,711	11,734,494	143,862,551
xxvii	Canara Robeco Treasury Advantage Institutional Daily Dividend Fund	10	2,734,439	33,926,459	2,734,439	33,926,459
xxviii	Canara Robeco Liquid Fund-Inst-Dividend	10	2,390,423	24,002,235	2,390,423	24,002,235
Total			190,313,203	2,400,905,274	135,183,196	1,684,217,529

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.

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.60,698,620 (Rs.45,300,000) is carried forward and shown under "Loans and advances" in the balance sheet as at 31 March 2011.

10. Employee Benefit Obligations

Defined contribution plans

An amount of Rs.53,634,569 (Rs.51,493,973) 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 subject to a maximum of Rs.1,000,000. 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 ₹)

Particulars	As at 31 March 2011	As at 31 March 2010
Obligation at period beginning	58,763,800	51,341,655
Current service cost	11,256,827	12,126,641
Interest cost	4,737,864	3,946,806
Actuarial losses/(gains)	(2,760,474)	(5,288,975)
Past service cost	13,262,322	
Benefits paid	(9,591,555)	(3,362,327)
Obligation at period end	75,668,784	58,763,800



Change in plan assets

(Amount in ₹)

Particulars	As at 31 March 2011	As at 31 March 2010
Plan Assets at period beginning, at fair value	-	-
Contributions	9,591,555	3,362,327
Benefits paid	(9,591,555)	(3,362,327)
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 year:

Current service cost	11,256,827	12,126,641
Interest cost	4,737,864	3,946,806
Actuarial losses/(gains)	(2,760,474)	(5,288,975)
Past service cost	13,262,322	-
Net gratuity cost	26,496,539	10,784,472

Experience adjustment

On plan liabilities	(609,066)	(3,409,464)
On plan assets	-	-

Assumptions

Economic assumptions

Discount rate	7.90%	7.30% p.a
Salary escalation rate	10% p.a for first 2 years & 7% p.a thereafter	10% p.a for first 3 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 2011	As at 31 March 2010
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%

II. 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.

Schedules forming part of the financial statements

(ii) Composition of reportable segments

The Company operates in five main geographical segments: India, Far East, South East Asia, 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 2011							(Amounts in ₹)	
Description	India	Far East	South East Asia	Europe	Middle East	Others	Total	
Revenue from external customers	412,445,433	536,781,268	337,829,341	307,012,948	303,551,182	97,883,611	1,995,503,783	
Expenses	347,963,565	323,859,654	211,221,880	138,364,059	194,087,379	61,948,629	1,277,445,166	
Segment result	64,481,868	212,921,614	126,607,461	168,648,889	109,463,803	35,934,982	718,058,617	
Unallocated corporate expenditure							542,184,333	
Operating profit before taxation							175,874,284	
Other income							296,092,617	
Foreign exchange gain /(loss)							9,967,447	
Profit before taxation							481,934,348	
- Withholding taxes charged off							13,290,292	
Provision for tax								
- current income tax							48,758,116	
- MAT credit entitlement							(17,800,000)	
- fringe benefit tax							-	
- deferred tax charge / (credit)							(22,497,707)	
- income tax for earlier years							2,530,306	
Provision for wealth tax							31,038	
Net profit after taxation							457,622,303	
For the year ended 31 March 2010							(Amounts in ₹)	
Description	India	Far East	South East Asia	Europe	Middle East	Others	Total	
Revenue from external customers	383,007,216	606,326,481	309,001,269	169,024,262	378,946,954	95,168,160	1,941,474,342	
Expenses	310,398,652	304,360,594	147,186,332	68,125,245	236,763,932	61,491,637	1,128,326,392	
Segment result	72,608,564	301,965,887	161,814,937	100,899,017	142,183,022	33,676,523	813,147,950	
Unallocated corporate expenditure							515,191,113	
Operating profit before taxation							297,956,837	
Other income							156,306,359	
Foreign exchange gain /(loss)							(57,101,741)	
Profit before taxation							397,161,455	
- Withholding taxes charged off							4,256,080	
Provision for tax								
- current income tax							68,274,561	



Nucleus Software Exports Limited

(Amounts in ₹)

Description	India	Far East	South East Asia	Europe	Middle East	Others	Total
- MAT credit entitlement							-
- fringe benefit tax							332,155
- deferred tax							(13,125,617)
Provision for wealth tax							61,714
Net profit after taxation							337,362,562

Assets and liabilities of reportable primary segment are as follows:

As at 31 March 2011

(Amounts in ₹)

Description	India	Far East	South East Asia	Europe	Middle East	Others	Total
Segment assets	119,444,008	194,877,396	165,084,846	56,786,413	64,792,229	61,305,777	662,290,669
Unallocated corporate assets							2,554,538,288
Total assets							3,216,828,957
Segment liabilities	101,367,187	113,155,399	35,730,572	24,575,934	49,675,191	21,854,555	346,358,838
Unallocated corporate liabilities							161,664,882
Total liabilities							508,023,720
Capital employed							2,708,805,237

As at 31 March 2010

(Amounts in ₹)

Description	India	Far East	South East Asia	Europe	Middle East	Others	Total
Segment assets	88,518,047	344,648,155	119,993,369	42,331,244	125,171,231	8,086,424	728,748,470
Unallocated corporate assets							2,108,464,594
Total assets							2,837,213,064
Segment liabilities	80,777,401	147,057,078	37,199,901	13,924,247	66,419,325	22,045,108	367,423,060
Unallocated corporate liabilities							140,177,189
Total liabilities							507,600,249
Capital employed							2,329,612,815

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 2011

(Amount in ₹)

Description	India	Far East	South East Asia	Europe	Middle East	Others	Total
Capital expenditure (unallocated)							17,272,747
Total capital expenditure							17,272,747
Depreciation expenditure (unallocated)							81,000,759
Total depreciation							81,000,759
Segment non-cash expense other than depreciation	(1,613,859)	44,896,985	11,014,276	(144,699)	(691,579)	(4,034,595)	49,426,529
Total non cash expenditure other than depreciation	(1,613,859)	44,896,985	11,014,276	(144,699)	(691,579)	(4,034,595)	47,426,529

For the year ended 31 March 2010

(Amount in ₹)

Description	India	Far East	South East Asia	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)	7,533,384	(329,829)	(2,132,873)	3,252,245	7,995,416
Total non cash expenditure other than depreciation	816,443	(1,143,954)	7,533,384	(329,829)	(2,132,873)	3,252,245	7,995,416

Schedules forming part of the financial statements

b) Information in respect of secondary segment

i) Information for business segments

For the year ended 31 March 2011			(Amount in ₹)
Description	Products	Software projects and services	Total
Revenue	1,795,100,232	200,403,551	1,995,503,783
Carrying amount of segment assets	595,778,441	66,512,228	662,290,669
For the year ended 31 March 2010			(Amount in ₹)
Description	Products	Software projects and services	Total
Revenue	1,558,253,477	383,220,865	1,941,474,342
Carrying amount of segment assets	606,835,436	101,913,034	728,748,470

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 Kaisha, Japan
- Nucleus Software Inc., USA
- Nucleus Software (Australia) Pty Ltd., Australia (de registered w.e.f. 5 April 2010)
- VirStra i-Technology Services Limited, India
- Nucleus Software Netherlands B.V, Netherlands
- Nucleus Software Limited, India

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

Related party Transactions are defined as transactions of the Company of material nature, with promoters, Directors or the Management, their subsidiaries or relatives etc.

Details on materially significant related party transactions are shown below:

		(Amount in ₹)	
		Year ended 31 March 2011	Year ended 31 March 2010
i	Software development, services and products		
-	Nucleus Software Japan Kabushiki Kaisha.	132,868,014	111,600,927
-	Nucleus Software Solutions Pte Ltd.	56,377,571	110,397,567
-	Others	14,309,351	15,000,000
	Total	<u>203,554,936</u>	<u>236,998,494</u>
ii	Other income		
	VirStra i -Technology Services Limited		
	Dividend income	210,000,000	70,000,000
-	Others	40,170	595,793
	Total	<u>210,040,170</u>	<u>70,595,793</u>



Nucleus Software Exports Limited

	(Amount in ₹)	
	Year ended 31 March 2011	Year ended 31 March 2010
iii Managerial remuneration		
- Vishnu R Dusad (Managing director)	6,969,620	19,860,000
Total	<u>6,969,620</u>	<u>19,860,000</u>
iv Reimbursement of expenses		
From wholly owned subsidiary companies :		
- VirStra i-Technology Services Limited	333,387	801,017
- Nucleus Software Solutions Pte Ltd	8,822,083	14,108,123
- Nucleus Software Japan Kabushiki Kaisha.	363,914	550,251
- Nucleus Software Netherlands B.V	577,629	386,232
- Nucleus Software Inc.	709,995	34,400
- Nucleus Software Limited	45,507	-
Total	<u>10,852,515</u>	<u>15,880,023</u>
To wholly owned subsidiary companies:		
- Nucleus Software Solutions Pte Ltd.	2,286,731	2,442,865
- Nucleus Software Japan Kabushiki Kaisha.	5,406,471	2,333,221
Total	<u>7,693,202</u>	<u>4,776,086</u>
v Cost of services hired		
To wholly owned subsidiary company:		
- Nucleus Software Solutions Pte Ltd.	2,340,720	11,314,212
Total	<u>2,340,720</u>	<u>11,314,212</u>
vi Software and Other Development Charges		
To wholly owned subsidiary company:		
- Nucleus Software Solutions Pte Ltd.	43,551,749	7,709,952
Total	<u>43,551,749</u>	<u>7,709,952</u>
vii Commission paid		
To wholly owned subsidiary companies:		
- Nucleus Software Inc.	-	1,335,280
Total	-	<u>1,335,280</u>
viii Loans and advances		
Given to wholly owned subsidiary company		
- Nucleus Software Limited	19,800,000	4,200,000
- Nucleus Software Inc.	22,445,000	-
Total	<u>42,245,000</u>	<u>4,200,000</u>
ix Investments		
- Nucleus Software Netherlands B.V	5,663,000	6,823,000
Total	<u>5,663,000</u>	<u>6,823,000</u>
x Interest received		
- Nucleus Software Inc.	256,148	-
Total	<u>256,148</u>	<u>-</u>

Schedules forming part of the financial statements

c) Outstanding balances as at year end

(Amount in ₹)

	As at 31 March 2011	As at 31 March 2010
Loans and advances		
To wholly owned subsidiaries		
- Nucleus Software Limited	49,160,356	29,314,849
- Nucleus Software Inc.	22,340,000	-
Total	71,500,356	29,314,849
Debtors		
Wholly owned subsidiaries		
- Nucleus Software Japan Kabushiki Kaisha.	59,745,455	63,968,946
- Nucleus Software Solutions Pte Ltd.	7,287,560	23,016,437
- VirStrai -Technology Services Limited	328,087	4,031,694
- Nucleus Software Inc.	625,609	8,399,626
- Nucleus Software Netherlands B.V	12,374,872	872,270
Total	80,361,583	100,288,973
Interest income accrued but not due		
Wholly owned subsidiary Company		
- Nucleus Software Inc.	255,838	-
Total	255,838	-
Sundry creditors		
Due to wholly owned subsidiaries		
- Nucleus Software Solutions Pte Ltd.	14,644,094	2,892,049
Total	14,644,094	2,892,049
Investment in subsidiaries	Refer Schedule 4 of financial statements	

(Amount in ₹)

	Year ended 31 March 2011	Year ended 31 March 2010
13. Legal and professional (includes payment to auditors)*		
Audit fees	1,825,000	1,500,000
Other services	350,000	408,561
Out of pocket expenses	45,000**	135,000
Total	2,220,000	2,043,561**
*excluding service tax		
**Pertaining to previous auditors		
14. CIF value of imports		
Capital goods	1,383,592	3,481,581
Total	1,383,592	3,481,581
15. Earnings in foreign currency		
Income from software development services and products	1,583,058,350	1,558,467,126
Interest	256,148	579
Total	1,583,314,498	1,558,467,705



Nucleus Software Exports Limited

(Amount in ₹)

	Year ended 31 March 2011	Year ended 31 March 2010
16. Expenditure in foreign currency		
Travelling expenses	108,647,813	123,821,681
Professional charges	7,028,176	4,470,526
Cost of software purchased for delivery to clients	16,737,853	57,584,692
Conference, exhibition and seminar	10,477,908	7,174,727
Salary	36,485,488	30,390,948
Software and other development charges	99,602,221	39,273,593
Others	21,627,305	22,209,693
Total	300,606,764	284,925,860

17. Earnings per share

Profit after taxation available to equity shareholders (Rupees)	457,622,303	337,362,562
Weighted average number of equity shares used in calculating basic earnings per share	32,381,700	32,370,024
Add: Effect of dilutive issue of shares	16,659	4,189
Weighted average number of equity shares used in calculating diluted earnings per share	32,398,359	32,374,213
Basic earnings per share (Rupees)	14.13	10.42
Diluted earnings per share (Rupees)	14.12	10.42

18. Capital commitments and contingent liabilities

Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances) Rs. 1,798,667 (Rs. 1,775,062).

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 2011 is Rs. 19,282,531 (Rs. 19,649,623). The future minimum lease expense in respect of such leases is as follows:

(Amount in ₹)

	As at 31 March 2011	As at 31 March 2010
Not later than 1 year	2,900,900	4,641,447
Later than 1 year but not later than 5 years	-	2,900,900
Total	2,900,900	7,542,347

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 ₹)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Salaries and allowances	982,240,430	910,300,199
Contribution to provident and other funds	53,634,569	51,493,973
Directors' remuneration	12,480,000	25,580,000
Staff welfare	19,926,331	16,249,879
Training and Recruitment	16,739,143	4,751,852
Software and other development charges	164,579,583	76,265,562
Cost of software purchased for delivery to clients	36,990,945	71,787,541
Travelling	156,601,752	160,561,636
Conveyance	10,623,738	14,510,462
Communication	15,395,661	17,280,454

Schedules forming part of the financial statements

(Amount in ₹)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Rent	19,282,531	19,649,623
Rates and Taxes	2,277,454	2,441,831
Legal and professional	61,425,940	42,909,519
Power and fuel	26,452,363	25,391,367
Repair and maintenance		
- Building	1,804,350	2,764,961
- Others	17,038,313	14,791,150
Advertisement and business promotion	6,643,987	4,655,418
Conference, exhibition and seminar	10,814,370	7,878,697
Information technology expenses	16,913,020	14,720,649
Advances and other current assets written off	8,031,279	245,787
Commission to channel partners	6,559,713	7,419,381
Provision for doubtful debts / advances / other current assets	41,395,249	12,138,934
Provision for diminution in the value of investments	-	16,293,150
Printing and stationery	3,729,810	2,165,770
Loss on sale of fixed assets (net)	229,281	-
Insurance	4,886,322	4,788,157
Customer Claim	22,157,950	-
Bank charges	2,214,820	2,741,717
Miscellaneous expenses	17,559,836	15,705,831
Total	1,738,628,740	1,545,483,500

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.13,281,619 on account of dividend received from one of its subsidiaries.
23. Revenue recognised up to the reporting date in respect of contracts in progress at the reporting date aggregates Rs.1,002,148,730 (Rs.754,921,708).
24. During the current year, Nucleus Software (Australia) Pty Ltd, one of the wholly owned subsidiaries of the Company, has been wound up with effect from 5 April 2010.
25. 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

Sd/-
Janki Ballabh
Chairman

Sd/-
Vishnu R Dusad
Managing Director

Sd/-
Prmod K Sanghi
Chief Financial Officer

Sd/-
Poonam Bhasin
Company Secretary

NOIDA (U.P.)
May 1, 2011



Balance Sheet Abstract and Company's General Business Profile

I. Registration details		
Registration No.		55-034594
State Code		55
Balance Sheet Date		31 March 2011
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		3,216,828
Total assets		3,216,828
Sources of funds		
Paid-up capital*		323,840
Reserves and surplus**		2,384,964
Secured loans		Nil
Unsecured loan		Nil
Deferred tax liability		Nil
Application of funds		
Net fixed assets		341,617
Investments		1,398,490
Net current assets		918,351
Deferred tax asset		50,345
Accumulated losses		Nil
Miscellaneous expenditure		Nil
IV. Performance of company (Rupees in thousands except earnings per share)		
Turnover (including other income)		2,301,564
Total expenditure		1,819,630
Profit before tax		481,934
Profit after tax		457,622
Earnings per share (in Rupees)		14.13 (Basic)
		14.12 (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.2,182 thousands		

For and on behalf of the Board of Directors

Sd/-
Janki Ballabh
Chairman

Sd/-
Vishnu R Dusat
Managing Director

Sd/-
Pranod K Sanghi
Chief Financial Officer

Sd/-
Poonam Bhasin
Company Secretary

NOIDA (U.P.)
May 1, 2011

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 Kaisha	Nucleus Software Netherlands B.V	Vir-Strat i-Technology Services Ltd	Vir-Strat i-Technology (Singapore) Pte Ltd (Step down subsidiary Company)	Nucleus Software Limited
Financial Year of the Subsidiary Company ended on	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011
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	4,000 Shares of Euro 100 each fully paid up	1,000,000 Shares of Rs.-10 each fully paid up	200,000 Shares of SG\$1 each fully paid up	10,000,000 Shares of Rs.10/- each fully paid up
Percentage of holding (Equity)	100%	100%	100%	100%	100%	100%	100%
Percentage of holding (Preference)	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 31.03.11	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Not dealt with in the Accounts for the period ended 31.03.11	SG\$(1,859,143) (Equivalent to Rs.65,888,028)	US\$(368,987) (Equivalent to Rs.16,486,339)	Yen (2,597,450) (Equivalent to Rs.1,400,025)	Euro (163,541) (Equivalent to Rs.10,335,791)	Rs.92,764,387	SG\$(5,391) (Equivalent to Rs.191,057)	(Rs.4,448,643)
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 31.03.11	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Not dealt with in the Accounts for the period ended 31.03.11	SG\$5,937,324 (Equivalent to Rs.210,454,203)	US\$(212,696) (Equivalent to Rs.9,503,168)	Yen (22,309,741) (Equivalent to Rs.12,240,335)	Euro (287,095) (Equivalent to Rs.18,144,404)	Rs.4,669,484	SG\$(577,033) (Equivalent to Rs.20,450,050)	(Rs.5,310,297)



**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, 2011

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

Management's 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.

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.

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. With a single point focus on the banking and financial industry, the Company has chosen the product route to bring value to customers not only with the domain expertise acquired over the years with relentless hard-work, but also by following the best operational practices. Today Nucleus is renowned as a major player in the "Banking Products" industry and is one of the few Indian Companies whose products are installed at multiple locations internationally.

We have with us today, dedicated associates with expert domain knowledge and thorough leadership on trends. Our single-minded focus on products helps us translating our vision in the form of innovative features in our products. We not only believe in installation of our product, but also ensure that customers are able to reap the benefits of their investment with us, at the earliest. Risk, operational excellence, flexibility and cost are some of the challenges the industry is facing these days.

With increased salaries in India and with cost pressures worldwide, the cost differential as an advantage to Indian IT is evaporating quickly. Now, the mantra to excel is 'Value for each Penny Spent'. Nucleus believes that the only way to survive and bring value in this context to the customers is to deliver quality and innovative solutions. We believe growth in terms of numbers is a by-product of doing right things and contributing to the society and through our customers, changing the lives of billions of people. Abiding by a futuristic approach with innovative solutions, has been our ethos, and with this in mind, Nucleus chose the path of investing heavily in product, which positioned us globally as a "Product Company" and a 'Leader' in the global lending landscape.

Various accolades have been won by us, a few of them are :

- Forrester recognized Nucleus as a "Global Pursuer" and stated it "regained traction in 2010". Based on the number of deals and regions covered, Nucleus was ranked among top Banking Platform providers. Source: Global Banking Platform Deals 2010, Forrester Research, Inc., 31 March 2011.
- FinnOne™ ranked for the third consecutive year as the 'World's No 1 Selling Lending Software Product' (for year 2010) by IBS Publishing, UK | 2011 & ranked third in global sales across all banking products.
- Annual Report and Accounts of the Company for year ended March 31, 2010 adjudged as the BEST under the Category VIII – Service Sector (Other Than Banking & Insurance) (Turnover Less Than Rs. 500 Crore) of the 'ICAI Awards for Excellence in Financial Reporting'. A GOLD SHIELD was awarded to the Company, for the third consecutive year.
- South Asian Federation of Accountant (SAFA) adjudged Annual Report of the Company as the recipient of the joint first runner's up position for the Best Presented Accounts Award for the year 2009 under the Communication and Information Technology Sector Category.
- HDFC Bank, Nucleus Software customer, won the prestigious Celent 2010 Model Bank Award for its loan origination system, FinnOne™.
- Ranked amongst the Top 25 companies adopting "Good Corporate Governance Practices" by ICSI for fourth consecutive year in 2009.
- South Asian Federation of Accountants (SAFA) 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, recognized Nucleus Software as an industry vertical specialist in their report "Working With Tier Two Offshore Providers".



- Nucleus Software Ranked Amongst India's Top 15 Exciting Emerging Companies to Work For by Nasscom.
- Nucleus Software recognized under "Best Practices" for Performance Management System by NASSCOM, 2008.
- Nucleus 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 conferred the Best Independent Software Vendor (ISV) Partner (North India for 2008) award by IBM.
- Nucleus Software 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 adjudged as one of the fastest growing companies in Asia Pacific under Deloitte Technology Fast 500 - 2007.
- Nucleus Software conferred with Oracle Partner of the Year Award in Fusion Middleware category at an APAC level.
- Nucleus Software awarded for being the Fastest Growing ISV in 2007 by Oracle Corporation.
- Nucleus Software ranked 13th in Dataquest Top 20 Best Employers Survey 2006. Survey was conducted by IDC-Dataquest amongst 200 IT employers across India.

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 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 an offering comprising of CAS and 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

Management's Discussion and Analysis

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.

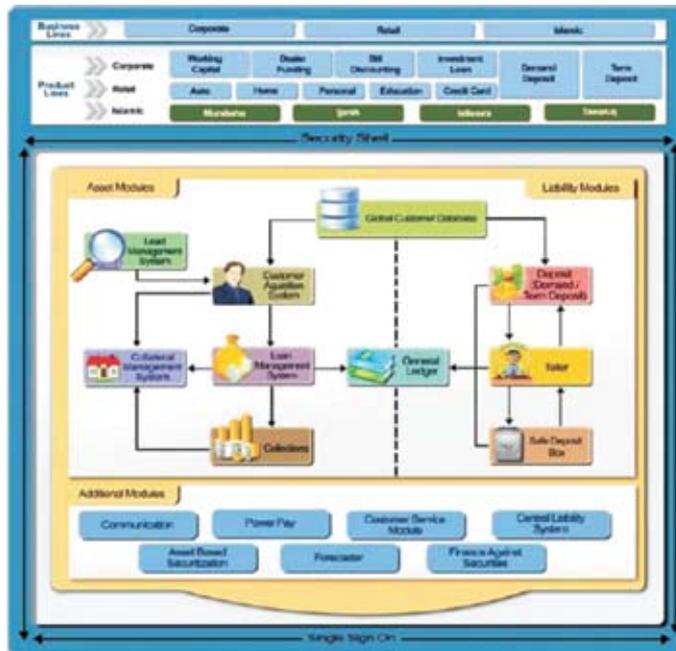


Figure 1

- 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 web-enabled comprehensive solution of cash management that caters to Collections, Payments and Liquidity Management aspects of Cash Management Business. Cash@Will™ suite offers the following line of products for banks to streamline their processes:

- Cash@Will – Collections:** Collection Services in Cash@Will™ undertake the overall Receipts Management for the Corporate Customer. The collections can be instrument based (Cheque / Draft / PDC), electronic (direct debit) or Cash. It facilitates multiple points of information capture and supports the centralized model of operations as well as the decentralized model. The models can be extended to logistics providers also for encapsulating the information processed / captured by the outsourced Data Entry teams as well. Further, it also provides the integration options with the Clearing House, ACH, Correspondent Bank, etc to reduce the information capture efforts.



- **Cash@Will – Payments:** Payments Module of Cash@Will™ is a value enhancing payments solution that enables banks to handle low-value and high value payments of corporate like vendor payments, salaries, tax payments, dividends and interest payments. Payment solution is capable of managing bulk physical processing as well as electronic payments. It provides multiple payment capabilities like – inter bank, intra-bank, domestic and overseas. The Payment Module enables the bank to meet the fund outflow needs of an organization by streamlining the operations and increasing efficiency. Payments module offers the customer paper based and electronic payments. It offers multiple initiation modes (standing Instructions, Payment Entry or File upload), Instrument designing, Inventory management, MICR or non MICR printing, Signatory Management, Logo Printing, Printer Watch, Online Core banking interface.
- **Cash@Will – Liquidity Management:** Liquidity Management is the art of managing the Company’s most valuable asset, cash. Liquidity management tools and techniques focus on minimizing the external borrowings, thereby reducing the interest expense, and simultaneously investing the excess funds to maximize the income.

BankOnet™ the internet banking front end interfaces with the bank backend processors to provide the customer with a wide range of services for which he is eligible and has subscribed for. Key services are for cash management, reports and account balances.

FinnOne Pro™ is the new service oriented Component based architecture which is the platform independent version of our product.

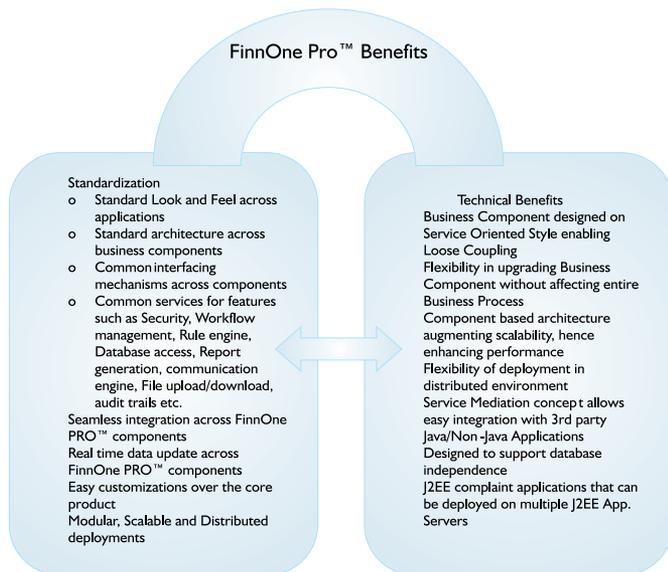


Figure 2

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 ;the subsidiaries above 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.

Numerous initiatives were launched during the year as a focus on becoming a lean and mean organization, improving operational efficiencies, centralizing various units etc. to improve cross functional team work and enhanced productivity measures to improve performance. New Business Units were created . The Central Technology Group (CTG) for technology initiatives, Central Delivery Group (CDG) for customization development and Central Delivery Assurance Group (CDAG) for centralized delivery assurance. A renewed thrust was provided to Quality Assurance (QA) and Quality Control and Testing (QCT) functions.

Strategic Business Units “SBU” led organization structure, introduced during the year 2008-09, is responsible for generation and delivery of business and supported by other central functions . At the corporate level, strategic areas/tasks have been defined to implement 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.

Through these efforts we continue to build a robust Brand Nucleus with business from all global markets, creation of an effective distribution network through partnership’s, alliances and acquisitions, seamless and high quality delivery with a high customer satisfaction rating.

FINANCIAL PERFORMANCE

Financial statements of the Company are prepared in compliance with the Companies Act, 1956 and generally accepted accounting principles in India (Indian GAAP). The Company has six subsidiary companies, all over the world, all of which are wholly-owned subsidiaries. The Company discloses audited financial results on a quarterly and annual basis. The financial results of the Company have been discussed in this report in two parts:

- Nucleus Software Exports Limited (Consolidated) which also includes performance of subsidiaries of Nucleus Software. This consolidated presentation is more relevant for understanding the overall performance of the group especially as intercompany transactions are eliminated being contra.
- Nucleus Software Exports Limited (Standalone) which excludes the performance of subsidiaries of the Company, has been discussed in the earlier part of this Annual Report.

Management's Discussion and Analysis

The consolidated financial results are as below:

(₹ in crore)

For the Year Ended March 31,	2011	% of Revenue	2010	% of Revenue	Growth (%)
Revenue from Operations	270.48	100.00	291.78	100.00	(7.30)
Software Development Expenses	183.40	67.81	196.17	67.23	(6.51)
Gross Profit	87.08	32.19	95.61	32.77	(8.92)
Selling and Marketing Expenses	30.21	11.17	22.66	7.77	33.32
General and Administration Expenses	26.39	9.76	18.87	6.47	39.85
Operating Profit (EBITDA)	30.48	11.27	54.08	18.53	(43.64)
Depreciation	9.28	3.43	11.33	3.88	(18.09)
Operating Profit After Interest and Depreciation	21.20	7.84	42.75	14.65	(50.41)
Other Income	9.40	3.48	9.62	3.30	(2.29)
Foreign Exchange Gain/ (Loss)	(0.74)	(0.27)	(8.03)	(2.75)	(90.78)
Profit Before Tax	29.86	11.04	44.34	15.20	(32.66)
Withholding Taxes	2.69	0.99	0.43	0.15	NA
Provision for Taxation					
- Current (Net of MAT credit entitlement)	2.96	1.09	6.84	2.34	(56.73)
- Other taxes	(2.13)	(0.79)	(1.33)	(0.46)	60.15
Profit After Tax	26.34	9.74	38.40	13.16	(31.41)

Revenue from Operations

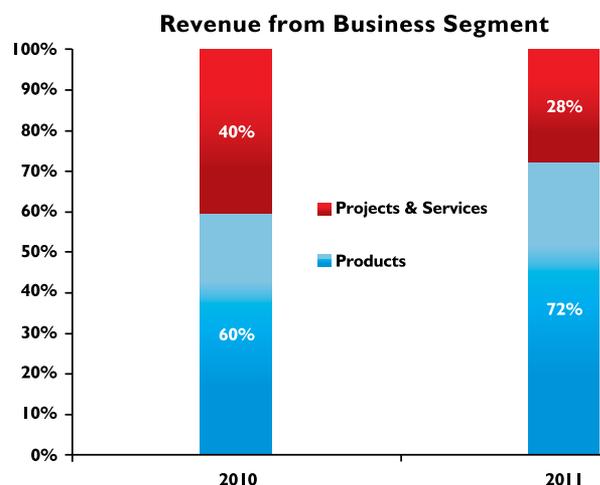
We derive our revenue from the following business segments:

- Products
- Projects and Services

During the year, the total revenue is Rs.270.48 crore against Rs.291.78 crore for the previous year, representing a for of 7.30%.

Revenue from Products

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



Product revenue is Rs.193.57 crore during the year, constituting 71.57% of the total revenue against Rs.173.95 crore, 59.62% of total

revenue, in the previous year. This has grown by 11.28 % during the year and demonstrates our focus on 'Products'.

Revenue from Projects and Services

Software services rendered by the Company, classified under this segment, typically consist of development of software to meet specific customer requirements consisting of application development & maintenance, testing services, consulting and infrastructure management services with a strong banking domain focus.

Revenue from software projects and services segment during the year is Rs.76.91 crore, 28.43% of the total revenue against Rs.117.83 crore, 40.38% of total revenue in the previous year. This has declined by 34.73% during the year.

While the Product business has shown traction during the year, the projects and services business has declined by a far larger number and overall top line has fallen. For the Company overall revenue growth is critical and we are conscious of the need to achieve a higher top line.

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, software development expenses are Rs.183.40 crore, 67.81% of revenue against Rs.196.17 crore,67.23% of revenue in the previous financial year.



(₹ in crore)

For the Year Ended March 31,	2011	% of Revenue	2010	% of Revenue	Growth (%)
Employee Costs	120.75	44.64	125.46	43.00	(3.75)
Travel Expenses	13.45	4.97	16.02	5.49	(16.02)
Cost of Software Purchased for Delivery to Clients	6.13	2.27	11.46	3.93	(46.51)
Communication	1.79	0.66	1.91	0.65	(6.28)
Power and Fuel	2.33	0.86	2.28	0.78	2.19
Rent, Rates and Taxes	7.18	2.65	10.34	3.54	(30.56)
Software and other Development Charges	12.78	4.72	7.63	2.61	67.50
Legal and Professional	4.81	1.78	3.27	1.12	47.09
Conveyance	0.94	0.35	1.36	0.47	(30.88)
IT Expenses	1.56	0.58	1.36	0.47	14.71
Repairs and Maintenance	1.62	0.60	1.49	0.51	8.72
Recruitment and Training	1.58	0.58	0.53	0.18	NA
Insurance	0.60	0.22	0.66	0.23	(9.09)
Consultancy Charges	6.77	2.50	11.63	3.99	(41.79)
Others	1.11	0.41	0.76	0.26	44.16
Total Software Development Expenses	183.40	67.81	196.17	67.23	(6.51)
REVENUE	270.48	100.00	291.78	100.00	(7.30)

Overall despite loss of revenue, delivery cost has been maintained at a similar percentage level as we have endeavored to make our costs variable.

- Employee costs include salaries which have fixed and variable components, contribution to provident fund, leave encashment and expense on staff welfare activities. They are at Rs.120.75 crore, 65.84% of total development expense for the year, against Rs.125.46 crore, 63.95% of total development expense of the previous year. Employee costs have decreased by 3.75% over the previous year in absolute amount.
- Rent has decreased to Rs.7.18 crore against Rs.10.34 crore in the previous year due to vacation of space at an overseas location.
- Software and other Development Charges have increased to Rs.12.78 crore from Rs.7.63 crore in the previous year due to contracting of development work.
- Legal & Professional expenses have increased to Rs.4.81 crore against Rs.3.27 crore in the previous year due to additional hiring of professionals for software development work.

- Consultancy expenses have reduced to Rs.6.77 crore against Rs.11.63 crore in the previous year due to reduction in number of consultants hired at overseas locations, especially in Japan.

Gross margin for the current financial year is Rs.87.08 crore, 32.19% of revenue, against Rs.95.61 crore, 32.77% of revenue in the previous year.

Selling and Marketing Expenses

Our selling and marketing expenses comprise of compensation to sales and marketing personnel, travel, brand building activities which include advertisement, conference, seminar, etc., communication, recruitment and training and other allocated infrastructure costs.

During the year, selling and marketing expenses are Rs.30.21 crore, 11.17% of revenue, against Rs.22.66 crore, 7.77% of revenue in the previous year representing an increase of 33.32%. We continue to spread our reach across the globe thereby creating high visibility and brand equity. This necessitates higher spend on sales and marketing, which is reflected in increased numbers reported for sales and marketing expense.

Management's Discussion and Analysis

(₹ in crore)

For the Year Ended March 31,	2011	% of Revenue	2010	% of Revenue	Growth (%)
Employee Costs	17.28	6.39	12.46	4.27	38.68
Travel Expenses	3.89	1.44	3.59	1.23	8.36
Rent, Rates and Taxes	1.47	0.54	1.34	0.46	9.70
Advertisement and Business Promotion	0.82	0.30	0.53	0.18	54.72
Communication	0.64	0.24	0.85	0.29	(24.71)
Conference, Exhibition and Seminar	1.06	0.39	0.89	0.31	NA
Commission on Sales	0.88	0.33	0.61	0.21	44.26
Legal and professional charges	2.96	1.09	1.32	0.45	NA
Printing and stationary	0.03	0.01	0.05	0.02	NA
Others	1.18	0.44	1.02	0.35	15.69
Total Selling and Marketing Expenses	30.21	11.17	22.66	7.77	33.32
REVENUE	270.48	100.00	291.78	100.00	(7.30)

Employee costs have increased to Rs.17.28 crore against Rs.12.46 crore in the previous year due to increase in persons hired globally in sales and marketing function to expand our footprint and achieve higher order booking.

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, general and administrative expenses are Rs.26.39 crore, 9.76% of revenue, against Rs.18.87 crore, 6.47% of revenue in the previous year, representing an increase of 39.85%.

(₹ in crore)

For the Year Ended March 31,	2011	% of Revenue	2010	% of Revenue	Growth (%)
Employee Costs	13.36	4.94	10.67	3.66	25.21
Travel Expenses	0.38	0.14	0.29	0.10	31.03
Legal and Professional Charges	1.73	0.64	2.90	0.99	(40.34)
Communication	0.30	0.11	0.33	0.11	(9.09)
Provision for Doubtful Debts	4.02	1.49	1.52	0.52	NA
Rent, Rates and Taxes	0.59	0.22	0.50	0.17	18.00
Conveyance	0.22	0.08	0.23	0.08	(4.35)
Printing and Stationery	0.18	0.07	0.15	0.05	20.00
Power and Fuel	0.21	0.08	0.20	0.07	5.00
Advertisement	0.08	0.03	0.06	0.02	33.33
Advances and current assets written off	0.80	0.30	0.02	0.01	NA
Others	4.52	1.67	2.00	0.69	NA
Total General and Administrative Expenses	26.39	9.76	18.87	6.47	39.85
REVENUE	270.48	100.00	291.78	100.00	(7.30)

General & Administration expenses have increased during the year mainly due to provisioning for doubtful debts at Rs.4.02 crore, being substantially higher than the previous year figure of Rs.1.52 crore. Provision for doubtful debts represent provision for all invoices outstanding for a period of 365 days or more and those invoices which are considered doubtful based on the management's perception of risk of collection as per the Company's policies.

Employee costs have also risen substantially and we are taking steps to ensure optimization and productivity.

Operating Profit (EBITDA)

Operating profit decreased primarily reflecting decreased revenue. Decrease in software development expense by 6.51% was more than offset by increased sales and marketing expense and general and administrative expense. Investments in people, products and sales and marketing have also contributed to this decline. We continue investing in new markets for growth and this increase in sales and marketing expenditure is as planned. At the same time there is continued pressure on employee remuneration due to industry opening up post-recession and increased attrition rates. General & Administration expense needs specific focus to reduce provisioning as well as overall expense.



Nucleus Software Exports Limited

During the year our operating profit is Rs.30.48 crore, 11.27% of revenue against Rs.54.08 crore, 18.53% of revenue in the previous year.

Depreciation

Depreciation on fixed assets is Rs.9.28 crore, 3.43% of revenue for the year against Rs.11.33 crore, 3.88% of revenue in the previous year.

Other Income

Other Income primarily consists of interest and dividend income, capital gains on sale of current investments and profit on sale of fixed assets.
(₹ in crore)

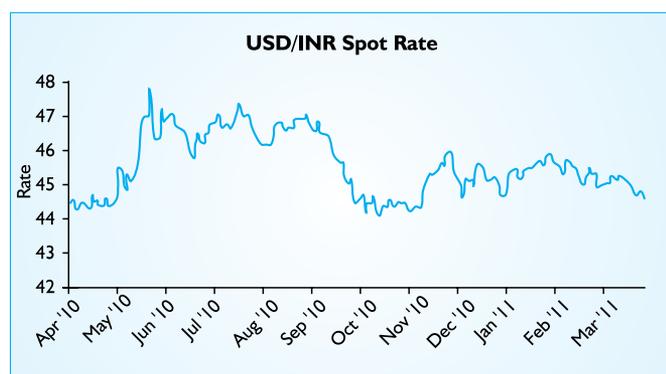
For the Year Ended March 31,	2011	2010
On Investments		
Dividend	6.13	1.71
Interest Income	2.60	5.18
Profit on sale of Fixed Asset	-	0.22
Foreign Exchange differences on consolidation	(0.11)	0.26
Others	0.78	2.25
Total	9.40	9.62

Other income for the year is Rs.9.40 crore, against Rs.9.62 crore in the previous year.

The Company maintained a prudent investment mix by investing funds into both Mutual Funds and Fixed Deposits. The Company had an investment of Rs.125.76 crore in Mutual Funds and Rs.40.37 crore in Fixed Deposits as on March 31, 2011, against Rs.95.66 crore in Mutual Funds and Rs.38.68 crore in Fixed Deposits as on March 31, 2010.

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. 0.74 crore against a loss of Rs. 8.03 crore for the previous year. Foreign Exchange continues to be volatile, as depicted in the below mentioned chart. Asian currencies are appreciating against US Dollar, which is at a 3 year low. US Dollar, the global currency, closed at Rs.44.68 in March 31, 2011, while on March 31, 2010 it closed at Rs.45.09.



In terms of foreign currency hedges, we had on March 31, 2011, 13.75 million US dollars of forward contracts at an average rate of 46.73, designated as highly probable forecast transactions. There is a mark-to-market gain of Rs. 161.80 lakhs reflected in the hedging

reserve in balance sheet. We do not have any options outstanding as on March 31, 2011.

Withholding Taxes

Withholding taxes charged off represent withholding taxes charged to Profit and Loss Account. During the year, withholding taxes net of credits available are Rs.2.69 crore, against Rs.0.43 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.

Provision for Taxation

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.

For the Year Ended March 31,	2011	2010
Provision for Taxation		
- Current Tax	6.48	8.99
- Fringe Benefit Tax	-	0.03
- MAT Credit Entitlement	(3.52)	(2.15)
- Deferred Tax Expense	(2.30)	(1.36)
- Earlier Year Tax	0.17	-
Total	0.83	5.51

Total effective tax (including withholding taxes) for the year is 11.79% of Profit Before Tax, in comparison to 13.40% of Profit Before Tax for the previous year. Your Company had two units registered under "Software Technology Parks" in India during the year which were entitled to an income tax exemption as per applicable laws. Despite numerous industry representations, 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 there is additionally increase in the rate of Minimum Alternate Tax (MAT) from existing 15% to 18% (plus applicable surcharge and education cess) for future years.

The tax implication for all the units in India will be higher w.e.f the financial year 2011-12.

Profit After Tax

Our profit after tax for the year is Rs.26.34 crore, 9.74% of revenue, against Rs.38.40 crore, 13.16% of revenue, during the previous year. The major reasons for decline in net margins have been :

- reduction in top line, primarily the revenue contributed by projects and services business,
- investments in development and marketing for the product business,
- provisioning for bad debts,
- under utilization of infrastructure and manpower.

In such a scenario, major emphasis in the current year will be on revenue growth. We expected our concentrated efforts and enhanced market share in products to translate into better realizations. We are implementing a new strategy for increasing visibility in the European markets with strategic tie-ups. We believe that major growth would be led by larger engagements and value offerings. Challenges remain in the short term.

Management's Discussion and Analysis

Share Capital

Share Capital of the Company consists of Equity Share Capital. The paid-up Share Capital as on March 31, 2011 is 32,382,524 equity shares of Rs.10 each against 32,370,024 equity shares of Rs.10 each as on March 31, 2010. The increase in the paid-up share capital of the Company during the year has been due to allotment of 12,500 shares on exercise of Employee Stock Options as per ESOP 2002.

Subsidiaries

Paid-up Share Capital of the Subsidiaries as on March 31, 2011 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, 2011		As at March 31, 2010	
		In Foreign Currency	Equivalent ₹ in crore	In Foreign Currency	Equivalent ₹ 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 each	USD	350,000	1.63	350,000	1.63
Nucleus Software Japan Kabushiki Kaisha, Japan. 200 equity shares of JPY 50,000 each	JPY	10,000,000	0.41	10,000,000	0.41
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. 4,000 equity shares of Euro 100 each	EURO	400,000	2.42	300,000	1.86
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 i-Technology (Singapore) Pte. Ltd., Singapore. 200,000 equity shares of S\$ 1 each	SGD	200,000	0.56	200,000	0.56

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

As per General Circular No: 2/2011 issued by the Government of India, Ministry of Corporate Affairs, a general exemption has been provided to Companies for attaching the Directors' Report, Balance Sheet and Profit and Loss Account of all subsidiaries to its balance

sheet, subject to fulfilling certain conditions as stipulated in the circular. Your Company complies with those conditions and therefore has been generally exempted by the Central Government from attaching detailed accounts of the subsidiaries, 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.

Reserves and Surplus

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

	Opening Balance as on April 1, 2010	Additions/ (Deletions) during the year	Closing Balance as on March 31, 2011
General Reserve	70.03	4.58	74.61
Securities Premium	2.09	0.08	2.17
Capital Reserve	0.55	0.12	0.67
Employee Stock Options (net of deferred employee compensation)	0.82	(0.20)	0.62
Foreign Currency Translation Reserve	3.54	1.85	5.39
Hedging Reserve	1.37	0.25	1.62
Profit and Loss Account Balance	160.29	10.19	170.48
Total	238.69	16.87	255.56

(₹ in crore)



Nucleus Software Exports Limited

Fixed Assets

As at March 31, 2011, gross block of fixed assets including investment in technology assets is Rs.110.32 crore (Rs.112.64 crore as on March 31, 2010).

	(₹ in crore)		
As at March 31,	2011	2010	Inc/Dec (%)
Gross Block			
Freehold land	0.33	0.34	(2.94)
Leasehold land	18.78	18.78	-
Building	24.34	24.23	0.45
Plant and Machinery (including office equipment)	16.94	16.94	-
Computers	29.69	29.05	2.20
Vehicles	1.68	1.72	(2.33)
Furniture and fixtures	4.48	5.40	(17.04)
Software	12.81	14.93	(14.20)
Leasehold improvement	1.27	1.25	1.60
Total	110.32	112.64	(2.06)
Less: accumulated depreciation	63.25	58.41	8.29
Net Block	47.07	54.23	(13.20)
Add: Capital Work In Progress	2.82	0.52	(NA)
Net Fixed Assets	49.89	54.75	(8.88)

The reduction in gross block appears due to retirement of assets not in use amounting to Rs.4.91 crore during the year. These are primarily old furniture and fixtures, office equipment personal computers and software no longer in use. This retirement of assets has a small charge of Rs.5.95 lakhs in the accounts due to terminal depreciation.

There are fresh purchases of Rs.2.11 crore during the year as detailed in Schedule 3 to the accounts.

Capital work in progress of Rs.2.82 crore is on account of the unit under construction at Jaipur by Nucleus Software Ltd.

The net fixed assets after depreciation are Rs.49.89 crore as on March 31, 2011 against Rs.54.75 crore as on March 31, 2010.

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., a Company 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.

	(₹ in crore)	
As at March 31,	2011	2010
Balances with Bank		
In Current Accounts	21.37	27.24
In Fixed Deposit Accounts	40.37	38.68
Investments in Mutual Funds	125.76	95.66
Total	187.51	162.41

As of March 31, 2011 the cash and bank balances (including fixed deposits) stood at Rs.61.75 crore (Rs.66.75 crore on March 31, 2010) and current investments in liquid schemes and Fixed Maturity Plans of mutual funds were Rs.125.76 crore (Rs.95.66 crore on March 31, 2010).

Total cash and cash equivalents are thus at Rs.187.51 crore on March 31, 2011 against Rs.162.41 crore as on March 31, 2010.

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 of the Company are given below:

	(₹ in crore)	
As at March 31,	2011	2010
Balances with Banks		
In Current Accounts in INDIA		
Canara Bank	-	-
Citi Bank	0.18	0.39
Citi Bank – EEFC accounts in US dollar	6.24	8.88
DBS Bank	0.01	-
HDFC Bank – EEFC accounts in US dollar	0.26	0.02
HDFC Bank	0.90	0.50
HDFC Bank – Unclaimed dividend accounts	0.14	0.11
HSBC Bank – Unclaimed dividend accounts	0.03	0.04
ICICI Bank	0.06	0.11
State Bank of India	0.10	0.11

Management's Discussion and Analysis

As at March 31,	2011	2010
In Current Accounts in OVERSEAS locations		
Citibank UAE	0.10	0.09
Citibank UK	0.13	0.01
Citibank Singapore	7.26	4.28
Citibank Korea	0.98	1.34
Citibank Philippines	0.05	0.13
PNC Bank USA	0.89	0.67
Bank of Tokyo Mitshubishi Japan	0.62	0.59
Shinsei Bank Japan	1.11	0.44
Citibank Japan	2.05	9.36
Citibank Singapore	0.07	0.08
Citibank Netherlands	0.19	0.09
Total Balances in Current Accounts	21.37	27.24
In Fixed Deposit Accounts		
HDFC Bank	0.09	0.94
Canara Bank	-	2.69
Citi Bank	0.70	0.50
Punjab National Bank	-	4.39
ICICI Bank	-	2.97
State Bank of India	-	4.98
Corporation Bank	-	7.35
Bank of India	20.02	5.94
State Bank of Hyderabad	-	8.91
State Bank of Travancore	16.59	-
Syndicate Bank	1.98	-
State Bank of Bikaner & Jaipur	0.99	-
Total Balances in Fixed Deposit Accounts	40.37	38.68
Cash In Hand	0.01	0.83
Total Bank Balance & Fixed Deposits	61.75	66.75

Our net cash flow from operating activities before working capital changes is Rs.35.89 crore for the financial year against Rs.51.13 crore in the previous year. After considering working capital changes, operating cash flow is Rs.31.74 crore against Rs.45.45 crore in the previous year.

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 there is a decline this year with lower operating profitability.

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

As at March 31,	2011	2010
Operating cash flow as % of revenue	13.27%	17.52%
Days of sale receivable	44	72
Cash and Equivalents as % of assets	65.06%	59.81%
Cash and Equivalents as % of revenue	69.32%	55.66%
Current investments as % of assets	43.63%	35.23%
Current investments as % of revenue	46.50%	32.78%

Trade Receivables

Our trade receivables (net of provision) as on March 31, 2011 are Rs.32.35 crore, against Rs.57.68 crore as on March 31, 2010. All the trade receivables are recoverable as per the Management.

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

As at March 31,	2011	2010
Less than 6 months	90.60%	78.78%
More than 6 months	9.40%	21.22%
Days of sales receivables (DSR)	44	72

The Company has a policy of providing for all invoices outstanding for a period of 365 days or more and for those invoices which are otherwise considered doubtful based on the Management's perception of risk of collection. As per our commitment to reduce the Debtor days, our concentrated efforts have yielded good results with the number being brought down to 44 from 72 previous year.

Loans and Advances

Loans and Advances as on March 31, 2011 are Rs.37.18 crore against Rs.29.34 crore as on March 31, 2010.

(₹ in crore)

As at March 31,	2011	2010
Advances recoverable in cash or in kind	4.66	4.36
Mark to market asset on forward contract	1.58	1.29
Security deposits	2.68	2.86
Advance income tax	13.24	8.50
Prepaid expenses	2.73	3.32
Advance fringe benefit tax	0.27	0.27
MAT credit entitlement	12.02	8.74
Total	37.18	29.34

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.4.66 crore as on March 31, 2011 (Rs.4.36 crore as on March 31, 2010).

Security Deposits are primarily for hiring of office premises and staff accommodation. The amount is Rs.2.68 crore as on March 31, 2011 (Rs.2.86 crore as on March 31, 2010).



A sum of Rs.12.02 crore against MAT Credit Entitlement is carried forward and shown under Loans and Advances as at March 31, 2011 to be set off against future tax liabilities (Rs.8.74 crore as on March 31, 2010).

Current Liabilities

	(₹ in crore)	
As at March 31,	2011	2010
Sundry Creditors	25.59	31.81
Advances from customers	8.31	11.47
Unclaimed dividend	0.18	0.15
Other liabilities	4.66	3.17
Total	38.74	46.60

Sundry Creditors represent amounts payable for the supply of goods and services other expenses payable, and has decreased by Rs.6.22 crore. The total amount of Sundry Creditors as on March 31, 2011 is Rs.25.59 crore (Rs.31.81 crore as on March 31, 2010)

Advances from customers as on March 31, 2011 is Rs.8.31 crore (Rs.11.47 crore as on March 31, 2010). 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, 2011 is Rs.0.18 crore (Rs.0.15 crore as on March 31, 2010).

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, 2011 is Rs.4.66 crore (Rs.3.17 crore as on March 31, 2010).

Provisions

Provisions as on March 31, 2011 are Rs.21.60 crore (Rs.20.37 crore as on March 31,2010) . The break up of provisions at the year end is given below.

	(₹ in crore)	
As at March 31,	2011	2010
Gratuity	8.02	6.26
Leave encashment	4.17	4.68
Proposed dividend	8.10	8.09
Corporate dividend tax	1.31	1.34
Total	21.60	20.37

Provisions for Gratuity and Leave encashment represent provision made by the Company based on valuation reports from actuaries. The increase in gratuity provision is mainly on account of the increase in salaries.

Provision for Dividend as on March 31, 2011 is Rs.8.10 crore (against Rs.8.09 crore previous year), with a provision for corporate dividend tax of Rs.1.31 crore (Rs.1.34 crore as on March 31, 2010).

Risk Management Report

Risk Management involves instituting a comprehensive approach to managing risk throughout the business to mitigate risk and optimize business performance. This holistic approach enables organizations to reduce duplication of effort, increase efficiency, and make smarter business decisions.

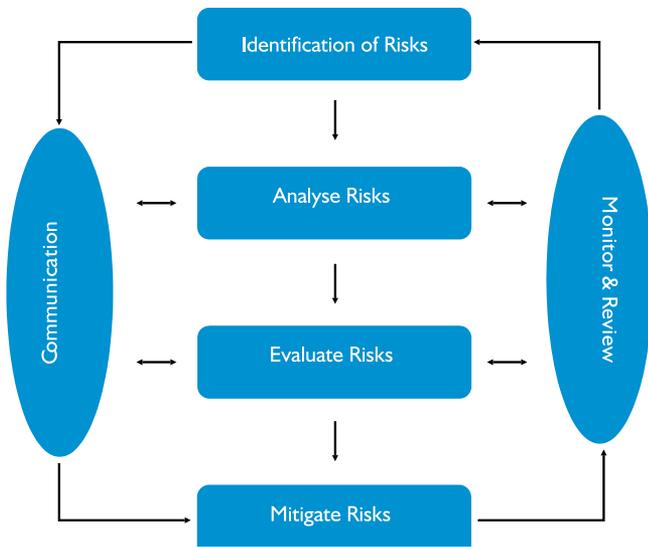


Figure 1

At Nucleus Risk Management is a structured way to deal with business uncertainty and the associated risk and opportunity. By utilizing disciplined risk and compliance management programs, the Company tries to manage unexpected outcomes and reduce the impact of risk events when they do occur. Risk Management empowers Management to take informed decisions under guidance of Board, that maximize value, reduce costs and balance risk with returns.

Risk Management Structure at Nucleus

Formal risk management processes at Nucleus include management level committees, policies and functional meetings. The Executive Committee (Ex-Com) of your Company, comprising of the Managing Director & CEO, the COO, CFO and HR Head, acts as the Nucleus

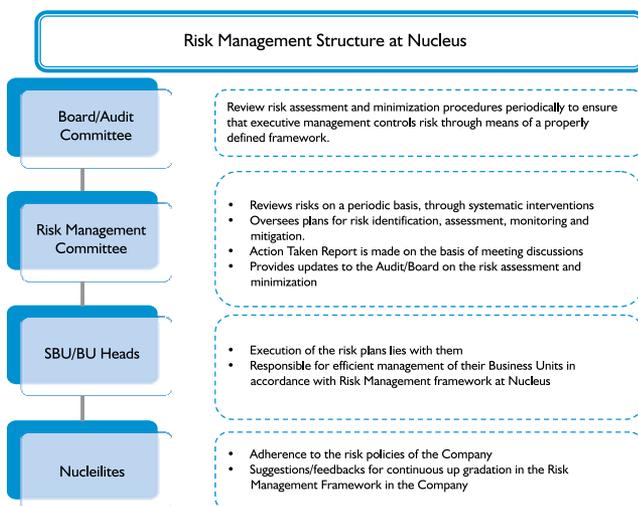


Figure 2

Risk Management Team. It utilizes both, formal and informal monitoring tools for risk assessment. The team meets periodically, reviews the risks and even an Action Taken Report on the same is made. The Ex-Com reports to the Board through the Audit Committee, in relation to Risk Management processes.

The Ex-com implements tailored risk methodologies to match the business operations. It enables the Company to incorporate risk management in everyday processes at all levels of the organization, making risk management a competitive advantage. This approach reduces duplication of effort, increase efficiency, and helps making smarter business decisions. Also it is a powerful mechanism to understand risks in the business and develop the right strategies to economically manage such exposures.

The Company's business operations are subject to various risks particular to the industry and certain generic risks including those described below, that could have an adverse effect on business.

Increased exposure with specific clients may impact our profitability. This may result in an increase in the credit risk and make us highly vulnerable to client negotiating positions at the time of contract renewal. Major revenue contribution by a few clients may pose a risk in the circumstances when:

- There is loss of business from those clients
- They decide to significantly reduce volume of business with us
- They cancel or defer significant projects with us
- They decide to move work in-house

At the same time, large clients help us scale up revenues quickly and repeat-business contributes to higher margins through lower marketing costs. We being in the product space, enjoy enduring long-term relationships with large customers. During the year, your Company derived 56% of revenues from top 5 clients against 67% of revenues from the top 5 clients in the previous year. Vendor consolidation and budgetary constraints at client end have also been partially responsible for this decreased exposure with certain clients.

For the Year Ended March 31,	2011	2010
% of Revenue from the top-five clients	56%	67%
Clients accounting for greater than 10% of revenues	3	3

Table 1

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.

Our prime focus on providing products and services only in the BFSI domain to large Banks and Financial Institutions exposes us to the risk of Industry concentration. This is linked to attendant risk of our performance being linked to the health of the financial system and the banking sector worldwide and may impact our operating results or financial condition. During the global financial crisis of 2009 wherein the crisis actually began at banks and investment banks and ultimately affected GDP worldwide, the BFSI segment was the hardest hit sector in the economic downturn. This created a tight credit squeeze and liquidity and most banks and financial institutions postponed their decisions on Lending systems. While acknowledging this risk, we continue to focus on this sector. Our focus now is on improving efficiency by maintaining the existing operations at a lower



cost. The present situation emphasizes the need for a strong risk management strategy to sense and avert systemic failures.

We face intense competition. We continue to experience intense competition across all markets for our products and services. Our competitors range in size from Fortune 100 companies to small, specialized single-product businesses. In addition, we also compete with numerous smaller local companies in the various geographic markets in which we operate. Although we believe our product robustness is our competitive advantage, our competitors may be more effective in devoting technical, marketing, and financial resources to compete with us. In addition, competitors offer a full suite of services and tend to focus on providing end to end solutions. 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, our products tend to complement other products being used by the customer. These competitive pressures may result in decreased sales volumes, price reductions, and/or increased operating costs, such as for marketing and sales incentives, resulting in lower revenue, gross margins, and operating income.

In response to competition, we rely on the following to compete effectively:

- a successful service delivery model;
- a well-developed recruiting, training and retention model;
- a broad referral base;
- continuing investments in process improvement and knowledge capture

Last but not the least, our constant focus on product development and differentiation to maintain the competitive edge over others of being a Leader in the retail loan solutions provider. As we continue to respond to market demand for additional functionality and products, we will continue to compete with additional vendors. We believe our products would compete effectively with all these vendors based on our strategy of providing flexible and technologically advanced solutions.

We may not be able to adequately protect our intellectual property rights. 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. Protecting our global intellectual property rights and combating unlicensed copying and use of software and other intellectual property is difficult. Reductions in the legal protection for software intellectual property rights could adversely affect revenue. Our inability to prevent violation or misuse of intellectual property could cause significant damage to our reputation and adversely affect our results of operations.

We have made and expect to continue making significant expenditures related to the use of technology and intellectual property rights as part of our strategy to manage this risk. 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. We have also implemented DLP (Data loss prevention) solution to safeguard / protect our IPR. Customized policies have been made to control data protection; this includes policies for different source codes, organizational process & assets etc. As a policy, the Company develops own IP at its own cost using own resources and is actively engaged in seeking maximum legal protection for the Intellectual Property through a combination of trademarks, confidentiality procedures and contractual provisions.

Our business depends on our ability to attract and retain talented employees. Our business is based on successfully attracting and retaining talented employees. The market for highly skilled workers and leaders in our industry is extremely competitive. Post-recession, the attrition rate in the IT industry has risen again and is one of the major challenges being faced by the industry. As the industry recovers almost fully from the economic downturn, lateral hiring has reached its peak which in turn has resulted in widespread attrition. If we are less successful in our recruiting efforts, or if we are unable to retain key employees, our ability to develop and deliver successful products and services may be adversely affected. Effective succession planning is also important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution.

Over the period of time, we have developed a recruiting system and database specific to our domain that facilitates rapid identification of skilled candidates. During the course of the year, we conducted extensive recruiting drives at many cities in the country besides our headquarter location, Noida. The recruitment events were held even in the tier two and three cities like Jaipur, Chandigarh, Kanpur, etc., along with the major cities of Delhi, Mumbai and Kolkata in India. We evaluate candidates based on academic performance, aptitude test measuring problem solving skills and a technical interview. Our limited ability to recruit internationally may further prove a roadblock in our measure to drive sales internationally by recruiting foreign nationals as our representatives in various parts of the world.

Additionally there exists a lacuna in higher education system in India. While India is perceived globally as a threat to western jobs, in reality it faces an intractable skills shortage that may inhibit economic progress. India's colleges graduate more than 750,000 science and engineering students every year. However, the National Association of Software and Services Companies (Nasscom), estimates that only 26 percent of those graduates are fit for employment in India's huge technology sector. The Company has taken an initiative in this regard and Nucleus School of Banking and Technology (NSBT) was launched, as a separate division of the Company, for providing role based training programs specializing in the Banking & Financial Service Industry (BFSI) Technology segment, to convert educated youth into employable staff. Over two hundred NSBT trained freshers have been inducted in the Company in the past one year. In the medium term we will offer these trained engineers to the industry.

The Company is constantly exposed to the risk of exchange rate fluctuations. With operations spanning world-wide and revenues earned 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. This exposes the Company to a constant risk of foreign exchange fluctuation, with over 85% of revenues in foreign currency, adverse fluctuations of exchange rate poses a threat to the profitability of the business. Fluctuations in foreign currency exchange rates can have a number of adverse effects on us. Changes in the value of the Indian Rupee against other currencies will affect our revenues and thereby our profit margins as well.

The company uses derivative financial instruments such as foreign exchange forward contracts to mitigate the risk of changes in foreign exchange rates on trade receivables and forecasted cash flows denominated in certain foreign currencies. The exchange rate between the rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. Appreciation

Risk Management Report

of the Indian Rupee against the major currencies of the world can adversely affect revenues and competitive positioning, and impact gross margins too.

The following table gives details in respect of the outstanding foreign exchange forward and option contracts:

	As at March 31,	
	2011	2010
Aggregate amount of outstanding forward and options contracts	\$ 13.75 million	\$ 10.40 million
Gain/(loss) on outstanding forward and options contracts	Rs. 1.62 crore	Rs. 1.37 crore

Table 2

Security vulnerabilities and business continuity risk poses a threat to successfully running our operations. Our inability to put in place a Business Continuity Plan (BCP) to ensure the maintenance or recovery of operations, including service delivery to 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.

To counter this risk, Nucleus Business Continuity Plan is being developed, taking into consideration several planned and unplanned catastrophic events that may lead to business failures. We are also in the process of setting up Disaster Recovery Sites and improving our Business Continuity Model. The Company is continuously investing in security of its operations & processes and evaluating the risks on periodic bases. On the security front, strict procedures are in place to control the level of access to Datacenters 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 redundant links to overseas destinations. Additionally, the Internet filtering tools prevent any type of non-business usage over Internet within office and outside office.

We are subject to Government and regulatory activity that affects how we design and market our products. Our customers are always subject to supervision by Central banks and financial regulatory authorities in every part of the world. Regulatory actions and court decisions may at times hinder our ability to provide the benefits of our software to consumers and businesses, thereby reducing the attractiveness of our products and the revenues that come from them. The outcome of such actions, or steps taken to avoid them, could adversely affect us in a variety of ways, including:

- We may have to choose between withdrawing products from certain geographies to avoid fines or designing and developing alternative versions of those products to comply with government rulings, which may entail a delay in a product release and removing functionality that customers want or on which developers rely.
- The rulings described above may be cited as a precedent in other competition law proceedings.

Our growth depends on our ability to innovate by offering new, and adding value to our existing, software and service offerings. Delay in product development schedules may adversely affect our revenues. The development of software products is a complex and time-consuming process. New products and enhancements to existing products can require long development and testing periods. Significant

delays in new product release or significant in creating new products could adversely affect our revenue.

We make substantial investments in new products to enrich their functionality. We will continue to make such investments in research, development, and marketing for new products and offerings. Investments in new technology have always been speculative, with commercial success depending on many factors, including innovation and effective distribution and marketing, to name a few. Our degree of success with FinnOne Pro™ our new version of the product, for example, will impact our ability to grow share of the lending software market. It will also be an important factor in supporting our strategy of delivering value to end users. If customers do not perceive our latest offerings as providing significant new functionality or other value, they may reduce their purchases of new software products or upgrades, unfavorably impacting revenue. Moreover, new products and services may not be profitable, and even if they are profitable, operating margins for new products and businesses may not be as high as the expected margins.

New products in the Company are being developed on the latest technology, based on multi layered architecture and latest JEE technology & SOA specification. The Multi Layered Architecture provides modular software with well-defined interfaces to bring them all seamlessly together to support the business strategy and mission, which enhances efficiency and effectiveness of the business to sell and service prospects to customers in chosen markets.

Adverse economic conditions may harm our business. Unfavorable changes in economic conditions, including inflation, recession, or other changes in economic conditions, may result in lower information technology spending and adversely affect our revenue. A similar condition of economic distress was experienced in the year 2009, when various business decisions got delayed due to the economic crisis felt along various parts of the world, and your Company's growth got affected.

If business spending for our products declines, our revenue will be adversely affected. Our product distribution system also relies on an extensive partner network. The impact of economic conditions on our partners, such as the bankruptcy etc., could result in sales channel disruption. Challenging economic conditions also may impair the ability of our customers to pay for products they have purchased. As a result, reserves for doubtful accounts and write-offs of accounts receivable may increase. Developing and emerging market countries are tightly clustered with respect to economic and asset bubble risks but to different degrees and may adversely affect our financial results.

We operate a global business that exposes us to additional risks. Your Company is incorporated in India, has overseas subsidiaries in, India, Japan, Netherlands, Singapore and USA and caters to customers operating in over a hundred countries and a significant part of the revenue is derived from international sales. BFSI is a very competitive space and there may be a pricing pressure which may require us to reduce our prices. Nucleus operations world-wide may be affected by changes in trade protection laws, policies and measures, and other regulatory requirements affecting trade and investment. Deterioration of social, political, labour, or economic conditions in a specific country or region and difficulties in staffing and managing foreign operations may also adversely affect our operations or financial results. Substantial fluctuations in exchange rates between the Indian Rupee and foreign currencies may also adversely affect our net revenues.



We are also 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.

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.

Acquisitions/strategic partnerships/investments/ joint ventures may have an adverse effect on our business. We expect to make some acquisitions as part of our long-term business strategy. These transactions involve significant challenges and risks including that the transaction does not advance our business strategy, that we don't realize a satisfactory return on our investment, or that we experience

difficulty in the integration of new employees, business systems, and technology, or diversion of management's attention from our other businesses. These events could harm our operating results or financial condition.

We have been actively scouting for some worthwhile acquisition deal and will continue to do so until it is finalized, since inorganic growth also is a vital element of our growth strategy. We are formulating a detailed Acquisition Policy to take care of the various effects of the activity, to minimize the setbacks that any possible acquisition may cause.

There is always an inherent risk of Insider Trading that may happen in the shares of your 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 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.

Nucleus School of Banking Technology

One of the largest challenges faced currently by the Indian IT industry is the shortage of employable talent. This shortage has resulted in increasing salaries and high attrition rates. Today, the Indian IT industry has lost its cost advantage and faces a serious threat to its global market share. On one side, the demand for capable IT professionals is on the rise, yet on the other side there is a scarcity of this talent pool. While the number of engineers graduating each year has grown substantially, as per a NASSCOM Report only 26% of them are employable. The need of the hour is to improve supply of productive fresh professionals.

To address this growing need, Nucleus School of Banking Technology (NSBT), a new division of the Company was launched in the year 2010-11, with a goal to provide World Class training. Building on the core competence of Nucleus Software, NSBT offerings are targeted at developing professionals in the area of Banking Technology.

The 3-Pronged Strategy

As a first step, an Academy was formed to train Engineering and MBA graduates to equip them with relevant professional skills for making them productive in the early stages their career. Under the NSBT ambit, two courses have been launched, the Nucleus Certified Software Professional (NCSP) and the Nucleus Certified Business Analyst (NCBA). The NCSP is aimed at transforming Engineering/MCA graduates into Software Professionals with specialization in Software Development, Testing or Administration. The NCBA targets MBA graduates and develops them to start their careers as Business Analyst in Banking. These courses focus on ensuring all round development on Domain, Technology, Tools & Methods, Product/Solution, Soft Skills and Ethics of budding professionals.

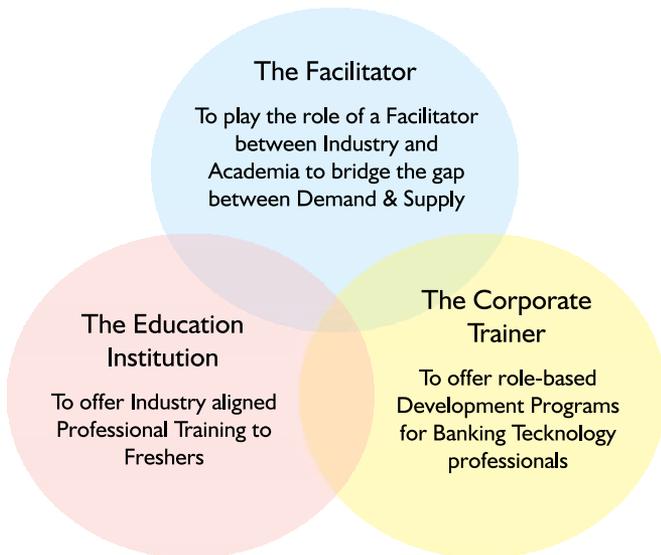


Figure 1

Additionally, NSBT is working with Institutions to improve learning within Colleges by providing exposure to students and faculty on real projects. Guest lectures are held regularly in the colleges and visit to the Nucleus Campus is organized for students to give them a feel of

the corporate operations.

NSBT also intends to offer short term Executive Development Programs, wherein mentoring would be done by industry practitioners with custom solutions for specific skill needs of working executives. Some suggested packages would be Business Analysis in Financial Services, Lending and Cash Management with focus on the business and supporting technology, Team Leader Role Development Program etc.



COMPLETE DEVELOPMENT PROGRAM

Figure 2

The Core Frame-work

All the Training Programs offered by NSBT for certification courses focus on the 6 NSBT Areas of Development .

1. Business Domain – BFSI domain
2. Product/Solution – Lending & Cash Management
3. Tools & Methods – Requirements specific to the role
4. Technology – Role aligned technologies
5. Soft Skills – Communication and Self Management
6. Values/Ethics – Professional ethics & values orientation

During the first year of its launch, over 250 students have successfully completed NCSP four month course in technologies like Oracle and Java. In the past one year, over 200 hundred NSBT trained freshers were inducted in your Company. In future too, more trained freshers would be hired from NSBT. As part of a NASSCOM initiative, NSBT also enrolled students for intensive summer training.



AUDITORS' REPORT

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

1. We have audited the attached Consolidated Balance Sheet of **Nucleus Software Exports Limited** ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at 31 March, 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries whose financial statements reflect total assets of Rs.221,864,450 as at 31 March, 2011, total revenues of Rs.554,475,059 and net cash inflows amounting to Rs.21,025,345 for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the reports of the other auditors.
4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of the separate audit reports on the individual financial statements of the Company and the aforesaid subsidiaries and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March, 2011;
 - b. in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date, and;
 - c. in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

**Gurgaon
May 1, 2011**

**for DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 015125N)
Sd/-
JITENDRA AGARWAL
Partner
(Membership No. 87104)**



Consolidated Balance Sheet as at 31 March 2011

(Amount in ₹)

	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	323,840,240	323,715,240
Advance Pursuant to Stock Option Schemes		2,182,720	3,451,740
Reserves and Surplus	2	2,555,690,825	2,386,980,001
		<u>2,881,713,785</u>	<u>2,714,146,981</u>
Deferred Tax Liability (refer note 2, schedule 16)		591,954	1,111,447
		<u>2,882,305,739</u>	<u>2,715,258,428</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	1,103,242,895	1,126,414,695
Less: Accumulated Depreciation		632,473,401	584,096,885
Net Block		<u>470,769,494</u>	<u>542,317,810</u>
Add: Capital Work in Progress (including capital advances)		28,164,559	5,199,458
		<u>498,934,053</u>	<u>547,517,268</u>
Investments	4	1,260,160,157	958,980,145
Deferred Tax Asset (refer note 2, schedule 16)		54,193,864	31,241,899
Current Assets, Loans and Advances			
Sundry Debtors	5	323,533,411	576,829,926
Cash and Bank Balances	6	617,467,102	667,453,589
Loans and Advances	7	371,715,930	293,467,588
Other Current Assets	8	359,602,107	309,511,774
		<u>1,672,318,550</u>	<u>1,847,262,877</u>
Less: Current Liabilities and Provisions			
Current Liabilities	9	387,350,845	465,989,117
Provisions	10	215,950,040	203,754,644
		<u>603,300,885</u>	<u>669,743,761</u>
Net Current Assets		<u>1,069,017,665</u>	<u>1,177,519,116</u>
		<u>2,882,305,739</u>	<u>2,715,258,428</u>

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

In terms of our report attached

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Registration No. 015125N)

Sd/-

Jitendra Agarwal

Partner

(Membership No. 87104)

Gurgaon
May 1, 2011

NOIDA (U.P.)
May 1, 2011

For and on behalf of the Board of Directors

Sd/-

Janki Ballabh

Chairman

Sd/-

Pramod K Sanghi
Chief Financial Officer

Sd/-

Vishnu R Dusad

Managing Director

Sd/-

Poonam Bhasin
Company Secretary

Consolidated Profit and Loss Account for the period ended 31 March 2011

(Amount in ₹)

	Schedule	For the Year ended 31 March 2011	For the Year ended 31 March 2010
Sales and Services	11	2,704,806,127	2,917,826,623
Software Development Expenses	12	1,834,007,562	1,961,659,740
Gross Profit		870,798,565	956,166,883
Selling and Marketing Expenses	13	302,140,399	226,660,258
General and Administration Expenses	14	263,850,026	188,721,272
Operating Profit Before Depreciation		304,808,140	540,785,353
Depreciation	3	92,806,435	113,346,204
Operating Profit After Depreciation		212,001,705	427,439,149
Other Income	15	94,002,948	96,202,601
Gain / (Loss) on Foreign Exchange Fluctuation (net)		(7,353,124)	(80,260,054)
Profit Before Taxation		298,651,529	443,381,696
Withholding Taxes Charged off		26,933,131	4,256,080
Provision for Tax - current income tax		64,249,645	89,830,448
- MAT credit entitlement (refer note 8, schedule 16)		(35,197,875)	(21,487,450)
- fringe benefit tax		-	332,155
- deferred tax credit (refer note 2, schedule 16)		(22,432,442)	(13,618,752)
- income tax for earlier year		1,693,181	-
Provision for Wealth Tax		31,038	61,714
Profit After Taxation		263,374,851	384,007,501
Profit Available for Appropriation			
Profit for the Period / Year		263,374,851	384,007,501
Add: Balance Brought Forward		1,602,858,186	1,359,320,935
Total Amount Available for Appropriation		1,866,233,037	1,743,328,436
Proposed Dividend		80,989,444	80,925,060
Corporate Dividend Tax		34,731,917	13,441,069
Transferred to General Reserve		45,762,230	46,104,121
Balance Carried Forward to the Balance Sheet		1,704,749,446	1,602,858,186
Earnings per Share (par value Rs.10 each) (refer note 13, schedule 16)			
Basic		8.13	11.86
Diluted		8.13	11.86
Number of Shares used in Computing Earnings per Equity Share			
Basic		32,381,700	32,370,024
Diluted		32,398,359	32,374,213

Significant accounting policies and notes to the accounts

16

The schedules referred to above form an integral part of the consolidated financial statements.

As per our report of even date attached

In terms of our report attached

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Registration No. 015125N)

Sd/-

Jitendra Agarwal

Partner

(Membership No. 87104)

Gurgaon
May 1, 2011

NOIDA (U.P.)
May 1, 2011

For and on behalf of the Board of Directors

Sd/-

Janki Ballabh

Chairman

Sd/-

Pramod K Sanghi

Chief Financial Officer

Sd/-

Vishnu R Dusat

Managing Director

Sd/-

Poonam Bhasin

Company Secretary



Consolidated Cash Flow Statement for the Year Ended 31 March 2011

(Amount in ₹)

	Year ended 31 March 2011	Year ended 31 March 2010
A. Cash Flow from Operating Activities		
Net profit before tax	298,651,529	443,381,696
Adjustment for:		
Depreciation	92,806,435	113,346,204
Exchange difference on translation of foreign currency accounts	8,191,442	14,401,934
Dividend received from non trade investments	(61,325,014)	(17,139,311)
Interest on fixed deposits	(25,965,711)	(51,763,376)
Loss / (profit) on sale of investments	27,625	(9,264)
Amortisation of employees compensation expenses	(1,973,593)	(4,160,326)
Profit/(loss) on sale of fixed assets (net)	229,281	(2,233,965)
Advances and other current assets written off	8,031,279	245,787
Provision for doubtful debts / advances	40,236,812	15,202,481
Operating profit before working capital changes	358,910,085	511,271,860
Decrease / (increase) in debtors	216,331,730	196,408,465
Decrease / (increase) in loans and advances	2,031,354	(18,736,668)
Decrease / (increase) in other current assets	(62,912,150)	(37,923,417)
(Decrease) / increase in current liabilities	(62,653,603)	(91,845,069)
	451,707,416	559,175,171
Direct taxes paid	(134,348,163)	(104,204,199)
Fringe benefit tax paid	-	(472,156)
Net cash from operating activities (A)	317,359,253	454,498,816
B. Cash Flow from Investing Activities		
Purchase of fixed assets/capital work in progress	(45,540,104)	(24,457,830)
Sale of fixed assets	592,508	4,810,649
Purchase of current investments	(5,340,842,827)	(2,532,727,268)
Proceeds on sale of current investments	5,039,722,690	1,736,659,362
Interest on fixed deposits	27,825,639	64,111,149
Tax paid	(8,759,536)	(17,449,748)
Dividend received from non trade investments	61,325,014	17,139,311
Net cash from/ (used in) investing activities (B)	(265,676,616)	(751,914,375)
C. Cash Flow from Financing Activities		
Dividend paid (including corporate dividend tax thereon)	(102,554,724)	(94,678,500)
Advance pursuant to employee stock option scheme	885,600	400,000
Net cash used in financing activities (C)	(101,669,124)	(94,278,500)
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(49,986,487)	(391,694,059)
Opening cash and cash equivalents	667,453,589	1,061,360,509
Effect of exchange rate change	-	(2,212,861)
Closing cash and cash equivalents (See note 2)	617,467,102	667,453,589

Notes:

- 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 Standard) Rules, 2006.
- Cash and cash equivalents consist of cash in hand, remittance in transit, balances in current accounts and fixed deposits with scheduled banks/non scheduled banks.

In terms of our report attached

For **DELOITTE HASKINS & SELLS**

Chartered Accountants
(Registration No. 015125N)

Sd/-

Jitendra Agarwal

Partner

(Membership No. 87104)

Gurgaon
May 1, 2011

NOIDA (U.P.)
May 1, 2011

For and on behalf of the Board of Directors

Sd/-

Janki Ballabh

Chairman

Sd/-

Pramod K Sanghi
Chief Financial Officer

Sd/-

Vishnu R Dusad

Managing Director

Sd/-

Poonam Bhasin
Company Secretary

Schedules forming part of the consolidated financial statements

	(Amount in ₹)	
	As at 31 March 2011	As at 31 March 2010
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		
32,385,324 (32,372,824) equity shares of Rs. 10 each	323,853,240	323,728,240
Subscribed and paid up		
32,382,524 (32,370,024) equity shares of Rs. 10 each, fully paid up	323,825,240	323,700,240
Add: 2,800 (2,800) forfeited equity shares pending for reissue	15,000	15,000
	323,840,240	323,715,240
SCHEDULE 2:		
RESERVES AND SURPLUS		
General reserve		
Balance as at 1 April	700,368,482	654,264,361
Add: Transferred from Profit and Loss Account	45,762,230	46,104,121
	746,130,712	700,368,482
Securities premium account		
Balance as at 1 April	20,953,189	20,953,189
Add : On conversion of stock options issued to employees	787,500	-
	21,740,689	20,953,189
Capital reserve account		
Balance as at 1 April	5,487,390	2,540,030
Add: Amount forfeited against employees stock option plan	1,242,120	2,947,360
	6,729,510	5,487,390
Employee stock options		
Balance as at 1 April	8,204,228	14,340,608
Less: Reversal on forfeiture of stock options granted	1,973,593	6,136,380
	6,230,635	8,204,228
Foreign currency translation reserve		
Balance as at 1 April	35,384,951	42,171,611
Add: Addition during the period / year	18,544,945	(6,786,660)
	53,929,896	35,384,951
Hedging reserve (refer note 4, schedule 16)		
Balance as at 1 April	13,723,574	(12,268,744)
Add: Movement during the period / year	2,456,363	25,992,318
	16,179,937	13,723,574
Profit and Loss Account	1,704,749,446	1,602,858,187
	2,555,690,825	2,386,980,001



Schedules forming part of the consolidated financial statements

SCHEDULE 3: FIXED ASSETS

(Amount in ₹)

	Gross block		Accumulated depreciation		Net block	
	As at 1 April 2010	Additions Deductions / adjustments 31 March 2011	As at 1 April 2010 Depreciation for the year adjustments 31 March 2011	As at 31 March 2011	As at 31 March 2010	As at 31 March 2011
Tangible assets						
Freehold land	3,360,720	-	-	-	3,360,720	3,360,720
Leasehold land	187,842,361	-	8,067,995	2,001,440	177,772,926	179,774,366
Leasehold improvement	12,539,955	218,328	9,107,036	2,414,280	1,236,967	3,432,919
Buildings	242,275,991	1,152,955	35,396,513	8,018,149	200,014,284	206,879,478
Plant and machinery (including Office equipment)	169,398,819	2,020,898	117,519,941	22,011,605	32,078,599	51,878,878
Computers	290,515,624	8,306,407	231,527,769	35,633,165	32,209,914	58,987,855
Vehicles	17,180,641	1,330,749	11,076,810	2,555,309	4,879,270	6,103,831
Furniture and fixtures	53,955,770	766,036	44,410,715	4,518,905	5,837,863	9,545,055
Intangible assets						
Software	149,344,814	7,260,851	126,990,106	15,653,582	13,378,951	22,354,708
Current year	1,126,414,695	21,056,224	584,096,885	92,806,435	44,429,919	632,473,401
Previous year	1,120,218,666	18,528,492	481,171,475	113,346,204	10,420,794	584,096,885

Schedules forming part of the consolidated financial statements

	(Amount in ₹)	
	As at 31 March 2011	As at 31 March 2010
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 Ujivan 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		
Nil (843,889) units of face value of Rs. 100 each of ICICI Prudential Flexible Income Plan - Premium - (D)	-	89,228,309
5,000,000 (Nil) units of HDFC FMP 370D March 2011 (4) - Growth - Series - XVI	50,000,000	-
6,434,615 (Nil) units of HDFC Liquid Fund Premium Plan-Dividend-Daily Reinvest	78,887,094	-
2,526,200 (Nil) units of ICICI Prudential Interval Fund II Quarterly Interval Plan A- Institutional Dividend	25,262,000	-
695,723 (Nil) units of ICICI Prudential Liquid- Super Institutional Plan-Div-Daily	69,587,478	-
2,486,226 (Nil) units of TATA Fixed Income Portfolio Fund Scheme C2 Inst Half-Yearly	25,000,000	-
Nil (6,446,666) units of face value of Rs. 10 each of Birla Sun Life Savings Fund-Inst-(D)		64,510,501
1,500,000 (Nil) units of Tata Fixed Maturity Plan Series 28 Scheme A Dividend	15,000,000	-
Nil (7,718,375) units of face value of Rs. 10 each of Fortis Money Plus Plan-Inst-(D)	-	77,207,676
Nil (5,958,385) units of face value of Rs. 10 each of HDFC Cash Management Fund-Treasury Advantage Plan-Wholesale-(D)	-	59,771,541
86,329 (Nil) units of Axis Liquid Fund- Institutional-Daily Dividend-Reinvestment	86,331,943	-
Nil (7,898,841) units of face value of Rs. 10 each of JP Morgan India Treasury Fund-Super Inst-(D)	-	79,058,710
Nil (4,475,934) units of face value of Rs. 10 each of Reliance Medium Term Fund - (D)	-	76,518,328
5,000,000 (Nil) units of Axis Fixed Term Plan - Series 13 (370 days) - Growth Plan	50,000,000	-
Nil (20,231) units of face value of Rs. 1,000 each of Reliance Money Manager Fund-Inst-(D)	-	20,253,632
5,105,720 (Nil) units of UTI- Fixed Income Interval Fund - Half Yearly Interval Plan-Series I - Institutional Dividend Plan -Reinvestment	51,057,350	-
Nil (9,954,857) units of face value of Rs. 10 each of LICMF Saving Plus Funds-D	-	99,548,567
32,174 UTI Liquid Cash Plan Institutional - Daily Income Plan - Re-Investment	32,799,307	-
Nil (9,899,960) units of face value of Rs. 10 each of Kotak Flexi Debt Scheme - Inst. (D)	-	99,469,852
5,000,000 (Nil) units of SBI Debt Fund Series-90 Days-42-Dividend	50,000,000	-
Nil (7,335,658) units of face value of Rs. 10 each of JM Money Manager Fund Super Plus Plan-(D)		73,395,456
4,000,000 (Nil) DSP BlackRock FMP-3M-Series 28-Dividend-Payout	40,000,000	-
10,975 (Nil) units of DSP BlackRock Money Manager Fund - Regular - Daily Dividend	11,000,000	-
Nil (47,849) units of face value of Rs. 1000 each of UTI Treasury Advantage Fund-Inst-(D)	-	47,859,307
Nil (4,497,335) units of face value of Rs. 10 each of S252 SBNPP Ultra ST Fund Super-Inst-(D)	-	45,139,750
Nil (1,999,606) units of face value of Rs. 10 each of TFLD TATA Floater Fund (D)	-	20,067,250
4,150,000 (Nil) units of SBI Debt Fund Series-90 Days-38-Dividend	41,500,000	-
Nil (47,295) units of face value of Rs. 100 each of ICICI Flexible Income Plan Premium -(D)	-	5,000,765
Nil (5,397,483) units of face value of Rs. 10 each of LICMF Income Plus Fund- (D)	-	53,974,829
Nil (4,545,267) units of face value of Rs. 10 each of LICMF Savings Plus Fund- (D)	-	45,452,672
5,000,000 (Nil) units of SBI Debt Fund Series-180 Days-14-Dividend	50,000,000	-



Nucleus Software Exports Limited

(Amount in ₹)

	As at 31 March 2011	As at 31 March 2010
5,761,098 (Nil) units of Birla Sun Life Cash Plus-Inst. Prem. -Daily Dividend-Reinvestment	57,723,320	-
7,00,000 (Nil) units of IDFC FMP Half Yearly-Series-12-Dividend	7,000,000	-
5,750,000 (Nil) units of SBI Debt Fund Series-180 Days-15-Dividend	57,500,000	-
6,000,000 (Nil) units of Birla SunLife Short Term FMP-Series 4 Dividend - Payout	60,000,000	-
2,165,001 (Nil) units of Birla Sun Life Short Term FMP - Series 6 Dividend - Payout	21,650,011	-
4,999,980 (Nil) units of Kotak FMP 6M Series 11 - Dividend	49,999,800	-
3,722,102 (Nil) units of Kotak Liquid (Institutional Premium) - Daily Dividend	45,514,242	-
3,499,055 (Nil) units of Kotak Quarterly Interval Plan Series 10-Dividend	35,000,000	-
2,218,899 (Nil) units of JM High Liquidity Fund-Super Institutional Plan -Daily Dividend	22,225,603	-
5,000,000 (Nil) units of Kotak Quarterly Interval Plan Series 5-Dividend	50,000,000	-
3,142,228 (Nil) units of Reliance Fixed Horizon Fund - XVIII - Series 1 - Dividend Plan	31,422,280	-
6,000,000 (Nil) units of DSP BlackRock FMP-3M-Series 29-Dividend-Payout	60,000,000	-
3,987,614 (Nil) units of DSP BlackRock FMP-3M-Series 33-Dividend-Payout	39,876,141	-
2,700,000 (Nil) units of Reliance Fixed Horizon Fund - XVIII - Series 7 - Dividend Plan	27,000,000	-
120,354 (Previous year Nil) units of face value of Rs.100 each of ICICI Prudential Liquid Super Institutional Plan -Daily Dividend Option	12,038,254	-
4,182 (Previous year Nil) units of face value of Rs.1,000 each of UTI Liquid Fund Cash Plan-Daily Dividend Option	4,262,334	-
	1,257,637,157	956,457,145
Investments in Government securities *		
- National savings certificates	23,000	23,000
	23,000	23,000
	1,260,160,157	958,980,145

Notes:

* provided as security to government authorities

1. Net asset value (NAV) of current investments Rs.1,262,905,944 (Rs.956,457,145) as at 31 March 2011
2. Refer note 7, schedule 16 for details of investments purchased and sold during the year ended 31 March 2011

SCHEDULE 5:

SUNDRY DEBTORS

(Unsecured)

Debts outstanding for a period exceeding six months

- Considered good	30,424,365	122,392,969
- Considered doubtful	53,470,916	16,946,831
	83,895,281	139,339,800
Less: Provision for doubtful debts	(53,470,916)	(16,946,831)
	30,424,365	122,392,969
Other debts (considered good)	293,109,046	454,436,957
	323,533,411	576,829,926

SCHEDULE 6:

CASH AND BANK BALANCES (refer note 6, schedule 16)

Cash in hand	8,068	162,242
Cheques in hand	-	8,121,930
Balances with scheduled banks:		
- in current accounts	79,289,156	101,665,923
- in fixed deposit accounts**	403,708,774	386,770,013

Schedules forming part of the consolidated financial statements

(Amount in ₹)

	As at 31 March 2011	As at 31 March 2010
Balance with non scheduled bank: *		
- in current account		
Citibank-U.K.	1,011,098	79,827
Citibank-UAE	1,265,987	926,456
Citibank-Singapore	72,624,240	42,826,097
Citibank-Korea	9,747,651	13,402,091
Citibank-Philippines	509,222	1,280,369
PNC Bank-USA	8,907,730	6,700,374
Bank of Tokyo Mitsubishi -Japan	6,226,743	5,860,080
Shinsei Bank - Japan	11,045,785	4,368,051
Citibank -Japan	20,491,893	93,574,154
Citibank -Singapore	701,417	810,893
Citibank -Netherlands	1,929,338	905,089
	617,467,102	667,453,589

*Maximum amount outstanding during the year

- in current accounts		
Citibank-U.K	1,502,934	2,148,871
Citibank-UAE	4,185,887	4,508,639
Citibank-Singapore	164,261,936	175,082,127
Citibank-Korea	15,884,270	23,863,462
Citibank-Philippines	1,856,859	1,513,351
PNC Bank-USA	20,849,128	11,971,661
Bank of Tokyo Mitsubishi -Japan	29,299,450	155,838,223
Shinsei Bank - Japan	39,014,220	49,552,493
Citibank -Japan	116,078,347	99,264,082
Citibank -Hong Kong	-	14,024
ANZ Bank - Australia	-	517,800
Citibank -Singapore	680,042	826,546
Citibank -Netherlands	1,842,975	6,877,379
- in fixed deposit accounts		
ANZ Bank - Australia		

*include fixed deposits amounting to Rs.7,608,764 (Rs.5,570,013) under lien with bank on account of guarantees issued on behalf of the Company.

SCHEDULE 7:

LOANS AND ADVANCES

(Unsecured, considered good)

Advances recoverable in cash or in kind or for value to be received	46,596,950	43,646,954
Security deposits	26,774,149	28,644,688
Mark to Market on Options/Forward contracts (refer note 3, schedule 16)	15,791,193	12,861,347
Advance income tax [net of provision Rs.149,261,649 (Rs.153,651,259)]	132,382,114	85,017,325
Advance fringe benefit tax [net of provision Rs.24,915,859 (Rs.24,915,859)]	2,732,275	2,732,275
MAT credit entitlement (refer note 8, schedule 16)	120,149,849	87,353,354
Prepaid expenses	27,289,402	33,211,646
	371,715,930	293,467,588



Nucleus Software Exports Limited

(Amount in ₹)

	As at 31 March 2011	As at 31 March 2010
SCHEDULE 8:		
OTHER CURRENT ASSETS		
Service income accrued but not due [net of provision of Rs.20,154,645 (Rs.18,763,212)]*	347,107,173	295,156,911
Interest accrued but not due	12,494,934	14,354,863
	<u>359,602,107</u>	<u>309,511,774</u>
SCHEDULE 9:		
CURRENT LIABILITIES		
Sundry creditors *	255,869,873	318,112,186
Advances from customers	83,136,713	114,705,126
Unclaimed dividend	1,771,309	1,467,148
Other liabilities	41,215,453	27,802,380
Book overdraft	5,357,497	3,902,277
	<u>387,350,845</u>	<u>465,989,117</u>
* 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.		
SCHEDULE 10:		
PROVISIONS		
Gratuity	80,156,025	62,565,402
Leave encashment	41,702,544	46,823,339
Proposed dividend	80,956,310	80,925,060
Corporate dividend tax	13,135,161	13,440,843
	<u>215,950,040</u>	<u>203,754,644</u>

Schedules forming part of the consolidated financial statements

	(Amount in ₹)	
	For the Year ended 31 March 2011	For the Year ended 31 March 2010
SCHEDULE 11:		
SALES AND SERVICES		
Software development services and products	2,704,806,127	2,917,826,623
	<u>2,704,806,127</u>	<u>2,917,826,623</u>
SCHEDULE 12:		
SOFTWARE DEVELOPMENT EXPENSES #		
Salaries and allowances	1,123,259,843	1,166,718,863
Contribution to provident and other funds	62,016,256	61,759,749
Directors' remuneration	4,616,000	10,232,000
Employee's stock compensation expenses (net)	-	-
Staff welfare	17,629,004	15,843,373
Conveyance	9,375,679	13,595,886
Communication	17,944,329	19,119,233
Rent	71,841,995	103,444,017
Rates and taxes	9,803	-
Legal and professional	48,070,631	32,727,100
Repair and maintenance	-	-
- Building	1,375,147	2,107,256
- Others	14,863,621	12,784,268
Training and recruitment	15,817,382	5,303,982
Printing and stationery	2,270,577	1,310,989
Insurance	6,024,824	6,570,942
Software and other development charges	127,817,188	76,265,562
Cost of software purchased for delivery to clients	61,257,869	114,579,188
Travelling	134,536,004	160,192,442
Advertisement	298,267	367,990
Consultancy charges	67,580,924	116,309,154
Power and fuel	23,269,643	22,820,835
Conference, exhibition and seminar	278,006	3,147
Information technology expenses	15,578,383	13,647,435
Miscellaneous expenses	8,276,187	5,956,329
	<u>1,834,007,562</u>	<u>1,961,659,740</u>
# refer note 18, schedule 16		
SCHEDULE 13:		
SELLING AND MARKETING EXPENSES		
Salaries and allowances	160,088,819	107,255,227
Contribution to provident and other funds	3,935,786	2,773,680
Directors' remuneration	4,616,000	10,232,000
Staff welfare	4,165,187	4,351,488
Conveyance	1,905,305	2,969,405
Communication	6,427,482	8,459,180
Rent	14,731,944	13,372,633
Legal and professional	29,566,112	13,253,214
Repair and maintenance	-	-
- Building	72,191	110,624
- Others	851,028	667,139
Training and recruitment	1,717,760	474,896
Printing and stationery	344,166	454,606
Insurance	732,467	443,064
Travelling	38,880,528	35,901,953
Advertisement and business promotion	8,163,496	5,291,412
Power and fuel	2,744,901	2,120,834
Conference, exhibition and seminar	10,597,169	8,927,827
Information technology expenses	1,152,355	699,152
Commission to channel partners	8,798,293	6,084,101
Miscellaneous expenses	2,649,410	2,817,823
	<u>302,140,399</u>	<u>226,660,258</u>



Nucleus Software Exports Limited

(Amount in ₹)

	For the Year ended 31 March 2011	For the Year ended 31 March 2010
SCHEDULE 14:		
GENERAL AND ADMINISTRATION EXPENSES #		
Salaries and allowances	118,162,348	91,855,189
Contribution to provident and other funds	7,301,729	4,893,107
Directors' remuneration	5,383,440	7,150,960
Staff welfare	2,779,826	2,817,231
Conveyance	2,185,806	2,290,177
Communication	2,966,268	3,280,479
Rent	3,296,589	2,360,063
Rates and Taxes	2,596,519	2,628,885
Legal and professional	17,348,241	29,049,702
Repair and maintenance		
- Building	3,456,513	991,680
- Others	3,441,793	3,971,822
Training and recruitment	1,668,286	1,454,764
Printing and stationery	1,806,964	1,539,899
Loss on sale of fixed assets (net)	229,281	-
Insurance	505,399	624,438
Bank charges	2,927,433	3,684,307
Travelling	3,785,051	2,915,266
Advertisement	830,969	555,269
Consultancy charges	1,036,773	-
Power and fuel	2,124,926	1,961,279
Conference, exhibition and seminar	425,651	346,794
Information technology expenses	1,387,357	1,366,960
Advances and other current assets written off	8,031,279	245,787
Provision for doubtful debts /advances / other current assets *	40,236,812	15,202,481
Customer claim	22,157,950	-
Miscellaneous expenses	7,776,823	7,534,733
	263,850,026	188,721,272

refer note 18, schedule 16

* includes bad debts written off Rs.5,417,241 (Rs.11,267,818)

SCHEDULE 15:

OTHER INCOME

Dividend received from non-trade investments	61,325,014	17,139,311
Interest on fixed deposits [gross of tax deducted at source Rs.440,385 (Rs.951,201; Rs.3,442,140; Rs.5,872,682)	25,965,711	51,763,376
Profit on sale of investments		
- Current non trade investments	-	9,264
Profit on sale of fixed assets (net)	-	2,233,965
Reversal of employee's stock compensation expense (net)	1,973,593	4,160,326
Miscellaneous income	5,839,276	18,261,928
Gain on foreign exchange fluctuation on consolidation (net)	(1,100,646)	2,634,431
	94,002,948	96,202,601

Schedules forming part of the consolidated financial statements

SCHEDULE 16:

Significant accounting policies and notes to the accounts

I. 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 Kaisha	100	Japan
Nucleus Software (Australia) Pty. Ltd.	100	Australia (de-registered on 5 April 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 comprises 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) 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) 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 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.

(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:

Asset category	Useful life (in years)
Building	30
Plant and machinery (including office equipment)	5
Computers	3-5
Vehicles	5
Furniture and fixtures	5-7
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.

(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.

Schedules forming part of the consolidated financial statements

(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.

Long-term employee benefits

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 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.

Netherlands

The Company's social security contributions 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:

	(Amounts in ₹)		
	Opening as at 31 March 2010	(Charged)/ Credited to P&L account	Closing as at 31 March 2011
Deferred tax asset			
Provision for doubtful debts and income accrued	9,961,175	11,045,958	21,007,133
Provision for retirement benefits	32,298,977	4,700,829	36,999,806
	42,260,152	15,746,787	58,006,939
Deferred tax liability			
Difference of depreciation as per Income-tax laws and books of accounts	(11,018,253)	7,205,178	(3,813,075)
Net deferred tax asset	31,241,899	22,951,965	54,193,864

Components of net deferred tax liability:

	(Amounts in ₹)		
	Opening as at 31 March 2010	(Charged)/ Credited to P&L account	Closing as at 31 March 2011
Deferred tax asset			
Provision for retirement benefits	40,121	(34,380)	5,741
	40,121	(34,380)	5,741
Deferred tax liability			
Fixed assets	(1,151,568)	553,873	(597,696)
Net deferred tax liability	(1,111,447)	553,873	(591,954)

3. Forward contracts

	As at 31 March 2011	As at 31 March 2010
Forward contract outstanding		
In USD	13,750,000	10,000,000
Equivalent amount in Rupees	614,350,000	450,900,000
Options contract outstanding		
In USD	-	400,000
Equivalent amount in Rupees	-	18,036,000

As at 31 March 2011, the Company has recorded marked to market gain of Rs. 16,179,937 (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 2011, the Company has recorded marked to market loss of Rs. Nil (Rs. 862,227) relating to foreign currency option which does not qualify for hedging and accordingly the loss has been recognised 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 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 option.

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.

Schedules forming part of the consolidated financial statements

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

	Year ended 31 March 2011	Year ended 31 March 2010
2002 Stock Option Scheme		
Options outstanding at the beginning of the year	73,300	126,050
Options granted	-	-
Options forfeited	(17,500)	(52,750)
Options exercised	(6,250)	-
	<u>49,550</u>	<u>73,300</u>
2005 Stock Option Scheme		
Options outstanding at the beginning of the year	85,400	142,000
Options granted	3,560	-
Options forfeited	(45,040)	(56,600)
Options exercised	-	-
	<u>43,920</u>	<u>85,400</u>
2006 Stock Option Scheme		
Options outstanding at the beginning of the year	101,074	189,860
Options granted	-	40,000
Options forfeited	(17,072)	(128,786)
Options exercised	-	-
	<u>84,002</u>	<u>101,074</u>

6. Bank Balances

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

		(Amounts in ₹)	
Name of Bank	As at 31 March 2011	As at 31 March 2010	
i Canara Bank	1,800	1,911	
ii Citi Bank	1,737,968	3,907,644	
iii Citi Bank – EEFC accounts in US dollar	62,443,157	88,834,300	
iv DBS Bank	94,338	43,594	
v HDFC Bank – EEFC accounts in US dollar	2,584,473	238,428	
vi HDFC Bank	9,021,822	4,988,884	
vii HDFC Bank - Unclaimed dividend accounts	1,436,667	1,082,364	
viii HSBC Bank - Unclaimed dividend accounts	339,775	389,917	
ix ICICI Bank	612,290	1,076,930	
x State Bank of India	1,016,866	1,101,951	
Total	<u>79,289,156</u>	<u>101,665,923</u>	

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

	(Amounts in ₹)	
	Year ended 31 March 2011	Year ended 31 March 2011
Balance brought forward	-	1,976,054
Add: Recognised during the year	-	-
Less: Amortisation expense*	-	1,893,895
Less: Reversal due to forfeiture	-	82,159
Balance carried forward	<u>-</u>	<u>-</u>

* excluding write back of stock compensation expense in respect of forfeited/ lapsed options of Rs. 1,973,593 (Rs. 6,136,380).

5. Managerial remuneration *

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
Perquisites	609,620	551,000
	<u>6,969,620</u>	<u>19,860,000</u>

B. Non executive directors

Commission	6,713,760	5,738,800
Sitting fees	1,680,000	2,320,000
	<u>8,393,760</u>	<u>8,058,800</u>

*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.



Nucleus Software Exports Limited

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

Name of Bank	(Amounts in ₹)	
	As at 31 March 2011	As at 31 March 2010
i HDFC Bank	892,774	9,446,013
ii Canara Bank	-	26,900,000
iii Citi Bank	7,016,000	5,024,000
iv Punjab National Bank	-	43,900,000
v ICICI Bank	-	29,700,000
vi State Bank of India	-	49,800,000
vii Corporation Bank	-	73,500,000
viii Bank of India	200,200,000	59,400,000
ix State Bank of Hyderabad	-	89,100,000
x State Bank of Travancore	165,900,000	-
xi State bank of Bikaner and Jaipur	9,900,000	-
xii Syndicate Bank	19,800,000	-
Total	403,708,774	386,770,013

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

Name of Bank	(Amounts in ₹)	
	As at 31 March 2011	As at 31 March 2010
i Citi Bank, U.A.E	1,011,098	926,456
ii Citi Bank, United Kingdom	1,265,987	79,827
iii Citi Bank-Singapore	72,624,240	42,826,097
iv Citi Bank-Korea	9,747,651	13,402,091
v Citi Bank-Philippines	509,222	1,280,369
vi PNC Bank-USA	8,907,730	6,700,374
vii Bankof Tokyo Mitshubishi-Japan	6,226,743	5,860,080
viii Shinsei Bank-Japan	11,045,785	4,368,051
ix Citi Bank- Japan	20,491,893	93,574,154
x Citi Bank-Singapore	701,417	810,893
xi Citi Bank-Netherlands	1,929,338	905,089
Total	134,461,104	170,733,481

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 2011

Name of the investment	Face value (Rs.)	Purchased during the year		Sold during the year	
		Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
i DSP BlackRock Money Manager Fund - Regular - Daily Dividend	1,000	10,975	11,000,000	-	-
ii DSP BlackRock Liquidity Fund-Institutional Plan-Daily Dividend	1,000	170,401	170,454,458	170,401	170,454,458
iii Birla Sun Life Cash Plus-Inst. Prem.-Daily Dividend-Reinvestment	10	23,028,037	230,729,412	17,266,939	173,006,092
iv UTI Liquid Cash Plan Institutional-Daily Income Option- Re-investment	1,000	182,246	185,790,307	150,073	152,991,000
v ICICI Prudential Liquid Super Institutional Plan-Div-Daily	100	3,715,044	371,587,826	3,019,321	302,000,347
vi Kotak Liquid (Institutional Premium)-Daily Dividend	10	16,266,156	198,904,188	12,544,054	153,389,946
vii HDFC FMP 370D March 2011 (4) - Growth - Series - XVI	10	5,000,000	50,000,000	-	-

Schedules forming part of the consolidated financial statements

	Name of the investment	Face value (Rs.)	Purchased during the year		Sold during the year	
			Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
viii	Birla Sun Life Floating Rate Fund-Long Term-Instl-Weekly Dividend-Reinvestment	10	5,062,003	50,691,959	5,062,003	50,650,011
ix	UTI Fixed Income Interval Fund-Quarterly Interval Plan Series I-Inst Dividend Plan-Reinvestment	10	3,100,938	31,009,382	3,100,938	31,009,382
x	UTI Fixed Income Interval Fund - Half Yearly Interval Plan-Series I - Institutional Dividend Plan -	10	5,105,720	51,057,350	-	-
xi	UTI Fixed Income Interval Fund - Series II - Quarterly Interval Plan IV - Institutional Dividend Plan -	10	4,183,868	41,838,678	4,183,868	41,838,678
xii	UTI Fixed Income Interval Fund-Series II-Quarterly Interval Plan VI-Inst Dividend Plan-Reinvestment	10	3,266,001	32,660,131	3,266,001	32,660,010
	HDFC Liquid Fund Premium Plan-Dividend-Daily Reinvest	10	36,698,326	449,914,140	30,263,711	371,027,046
xiii	Reliance Fixed Horizon Fund - XVIII Series I-Dividend Plan	10	3,142,228	31,422,280	-	-
xiv	Reliance Fixed Horizon Fund - XVIII Series 7-Dividend Plan	10	2,700,000	27,000,000	-	-
xv	Reliance Quarterly Interval Fund-Series III-Institutional Dividend Plan	10	5,158,064	51,613,834	5,158,064	51,619,330
xvi	Reliance Quarterly Interval Fund-Series II-Institutional Dividend Plan	10	2,538,342	25,394,335	2,538,342	25,394,335
xvii	Reliance Liquidity Fund-Daily Divided Reinvestment Option	10	22,733,390	227,449,837	22,733,390	227,449,837
xviii	Birla SunLife Short Term FMP-Series 4 Dividend - Payout	10	6,000,000	60,000,000	-	-
xix	Birla Sun Life Short Term FMP - Series 6 Dividend - Payout	10	2,165,001	21,650,011	-	-
xx	Kotak Quarterly Interval Plan Series 5-Dividend	10	5,000,000	50,000,000	-	-
xxi	Kotak Quarterly Interval Plan Series 8-Dividend	10	4,999,900	50,000,000	4,999,900	49,999,808
xxii	Kotak Quarterly Interval Plan Series 10-Dividend	10	8,838,050	88,389,946	5,338,995	53,389,946
xxiii	Kotak Quarterly Interval Plan Series 9-Dividend	10	4,999,612	50,000,000	4,999,612	50,000,089
xxiv	Kotak FMP 6M Series II - Dividend	10	4,999,980	49,999,800	-	-
xxv	DSP BlackRock FMP-3M-Series 33-Dividend-Payout	10	3,987,614	39,876,141	-	-
xxvi	DSP BlackRock FMP-3M-Series 29-Dividend-Payout	10	6,000,000	60,000,000	-	-
xxvii	DSP BlackRock FMP-3M-Series 28-Dividend-Payout	10	4,000,000	40,000,000	-	-
xxviii	DSP BlackRock FMP-3M-Series 24-Dividend-Payout	10	2,000,000	20,000,000	2,000,000	20,000,000
xxix	DSP BlackRock FMP-3M-Series 23-Dividend-Payout	10	5,000,000	50,000,000	5,000,000	50,000,000



Name of the investment		Face value (Rs.)	Purchased during the year		Sold during the year	
			Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
xxx	DSP BlackRock FMP-3M-Series 22-Dividend-Payout	10	4,000,000	40,000,000	4,000,000	40,000,000
xxxi	DSP BlackRock FMP-3M-Series 21-Dividend-Payout	10	1,006,969	10,069,690	1,006,969	10,069,690
xxxii	SBI Debt Fund Series-90 Days-36-Dividend	10	5,000,000	50,000,000	5,000,000	50,000,000
xxxiii	SBI Debt Fund Series-90 Days-38-Dividend	10	4,150,000	41,500,000	-	-
xxxiv	SBI Debt Fund Series-180 Days-15-Dividend	10	5,750,000	57,500,000	-	-
xxxv	SBI Debt Fund Series-90 Days-42-Dividend	10	5,000,000	50,000,000	-	-
xxxvi	ICICI Prudential Interval Fund III Quarterly Interval Plan Institutional Dividend	10	5,077,315	50,773,145	5,077,315	50,773,145
xxxvii	ICICI Prudential Interval Fund II Quarterly Interval Plan A- Institutional Dividend	10	2,526,200	25,262,000	-	-
xxxviii	JM High Liquidity Fund-Super Institutional Plan -Daily Dividend	10	7,709,839	77,225,604	5,490,940	55,000,000
xxxix	JP Morgan India Liquid Fund-Super Inst.-Daily Div Plan-Reinvest	10	21,196,936	212,136,820	21,196,936	212,136,820
xl	LIC MF Interval Fund-Series I-Quarterly Dividend Plan	10	1,525,040	15,250,399	1,525,040	15,250,399
xli	TATA Fixed Income Portfolio Fund Scheme C2 Inst Half-Yearly	10	2,486,226	25,000,000	-	-
xlii	Tata Fixed Maturity Plan Series 28 Scheme A Dividend	10	1,500,000	15,000,000	-	-
xliii	BNP Paribas Fixed Term Fund-Series-17-D-Dividend	10	1,000,000	10,000,000	1,000,000	10,000,000
xliv	Axis Liquid Fund- Institutional-Daily Dividend-Reinvestment	1,000	161,324	161,329,700	74,995	75,000,000
xlv	Axis Fixed Term Plan - Series 13 (370 days) - Growth Plan	10	5,000,000	50,000,000	-	-
xlvi	LICMF Liquid Fund-Dividend Plan	10	17,491,463	192,058,010	17,491,463	192,058,010
xlvii	SBI Debt Fund Series-180 Days-14-Dividend	10	5,000,000	50,000,000	-	-
xlviii	HDFC FMP 35D September 2010(1)-Dividend-Series XIV-Dividend-Payout	10	2,000,000	20,000,000	2,000,000	20,000,000
xliv	LIC MF Interval Fund-Series I-Monthly Dividend Plan	10	3,282,623	32,826,227	3,282,623	32,826,227
I	TATA Fixed Income Portfolio Fund Scheme B3 Inst Quarterly	10	2,080,455	20,804,548	2,080,455	20,804,548
li	IDFC FMP Half Yearly-Series-12-Dividend	10	700,000	7,000,000	-	-
lii	TATA Liquid Super High Investment Fund-Daily Dividend	1,000	18,388	20,493,255	18,388	20,493,255
liii	JM High Liquidity Fund Institutional Plan -Daily Dividend	10	7,441,421	74,532,525	7,441,421	74,532,525
liv	S252 SBNPP Ultra ST Fund Super Inst. Div Rein Daily	10	18,257	183,249	4,515,592	45,323,000

Schedules forming part of the consolidated financial statements

Name of the investment		Face value (Rs.)	Purchased during the year		Sold during the year	
			Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
iv	TFLD TATA Floater Fund-Daily Dividend	10	20,325	203,978	2,019,932	20,271,228
vi	Fortis Money Plus Institutional Plan Daily Dividend	10	65,208	652,283	7,783,583	77,859,959
vii	Kotak Flexi Debt Scheme Institutional-Daily Dividend	10	3,109,497	31,242,672	13,009,457	130,712,524
viii	Kotak Liquid (Institutional)-Daily Dividend	10	2,453,570	30,002,505	2,453,570	30,002,505
	Birla Sun Life Savings Fund-Instl.-Daily Dividend-Reinvestment	10	6,383,375	63,877,158	12,830,041	128,387,659
lix	ICICI Prudential Flexible Income Plan Premium Daily Dividend	106	46,330	4,898,740	890,219	94,127,308
lx	HDFC Cash Management Fund-Treasury Advantage Plan -Wholesale-Daily Dividend	10	8,552,496	85,794,366	14,510,881	145,565,908
lxi	Reliance Liquid Fund- Treasury Plan-Institutional Option-Daily Divided Option	10	11,024,580	168,537,170	11,024,580	168,537,170
lxii	Reliance Money Manager Fund-Institutional Option-Daily Dividend	1,000	207	206,903	20,437	20,465,291
lxiii	Reliance Medium Term Fund-Daily Dividend Plan	10	2,043,711	34,939,076	6,519,645	111,459,194
lxiv	LICMF Savings Plus-Dividend Plan	10	102,180	1,021,802	10,057,037	100,570,369
lxv	JP Morgan India Treasury Fund-Super Inst.-Daily Div Plan-Reinvest	10	56,074	561,237	7,954,915	79,619,947
lxvi	JM Money Manager Fund Super Plus Plan-Daily Dividend	10	73,983	740,220	7,409,641	74,135,676
lxvii	UTI Treasury Advantage Fund-Institutional Plan (Daily Dividend Option)-Re-investment	1,000	420	419,905	48,269	48,279,212
lxviii	ICICI Prudential Flexible Income Plan – Daily dividend	100	176,473	18,659,373	223,768	23,660,138
lxix	ICICI Quarterly Institutional Dividend	10	2,538,657	25,386,573	2,538,657	25,386,573
lxx	ICICI Prudential Liquid Super Institutional Plan – Daily Dividend Plan	100	1,439,846	144,017,016	1,319,491	131,977,759
lxxi	LIC Income Plus Fund- Daily Dividend Plan	10	-	-	5,406,334	54,063,336
lxxii	LIC Savings Plus Fund - Daily Dividend Plan	10	5,478,187	54,781,868	10,023,454	100,234,540
lxxiii	LIC Liquid Fund- Dividend Plan	10	11,339,714	124,511,195	11,339,714	124,511,195
lxxiv	Reliance Liquidity Fund	10	10,464,366	104,697,030	10,464,366	104,697,030
lxxv	Reliance Liquidity Fund - Treasury Plan	10	10,990,426	168,015,034	10,990,426	168,015,034
lxxvi	Reliance Medium Term Fund - Daily dividend Plan	10	4,139,166	70,762,767	4,139,166	70,762,767
lxxvii	UTI Liquid Cash Plan	1000	44,437	45,300,778	40,255	41,038,443
lxxviii	UTI Fixed Income Interval Fund	10	3,423,365	34,233,991	3,423,365	34,233,991
Total			395,140,945	5,340,842,827	369,438,952	5,039,722,690



Nucleus Software Exports Limited

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

	Name of the investment	Face value (Rs)	Purchased during the year		Sold during the year	
			Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
i	HDFC Cash Management Fund-Savings Plan-Dividend	10	2,921,152	31,070,542	5,749,621	61,155,268
ii	Kotak Liquid (Institutional)-Daily Dividend	10	6,461,219	79,008,430	6,461,219	79,008,430
iii	Birla Sun Life Cash Plus Fund-Institutional Premium Plan-Dividend	10	16,173,090	162,046,272	16,173,090	162,046,272
iv	UTI Treasury Advantage Fund-Institutional Plan (Daily Dividend Option)-Re-investment	1,000	57,847	57,859,307	9,998	10,000,000
v	ICICI Prudential Liquid Super Institutional Plan-Div-Daily	10	4,959,997	91,913,525	10,215,927	144,484,720
vi	Birla Sun Life Savings Fund-Inst-Dividend	10	7,945,647	79,510,501	1,498,981	15,000,000
vii	LICMF Liquid Fund-Dividend Plan	10	12,328,384	135,366,891	13,013,015	142,884,209
viii	LICMF Savings Plus Fund-Daily Dividend Plan	10	10,055,776	100,557,763	100,920	1,009,196
ix	Kotak Flexi Debt Scheme Institutional- Daily Dividend	10	9,999,488	100,469,852	99,527	1,000,000
x	HDFC Cash Management Fund-Treasury Advantage Plan-Wholesale-Daily Dividend	10	5,958,385	59,771,541	-	-
xi	TATA Floater Fund-Daily Dividend	10	1,999,606	20,067,250	-	-
xii	TATA Liquid Super High Investment Fund-Daily Dividend	1,000	9,870	11,000,866	9,870	11,000,866
xiii	Reliance Liquid Fund- Treasury Plan-Institutional Option-Daily Divided Option	10	9,004,771	137,657,728	10,971,583	167,724,784
xiv	Reliance Money Manager Fund-Daily Dividend-Reinvestment	1,000	20,231	20,253,632	-	-
xv	Reliance Medium Term Fund-Daily Dividend Plan	10	7,225,195	123,518,328	2,749,262	47,000,000
xvi	ICICI Prudential Flexible Income Plan Premium Daily Dividend	10	9,913,262	230,145,674	9,069,373	140,917,365
xvii	S252 SBNPP Ultra ST Fund Super Inst. Div Rein Daily	10	4,497,335	45,139,751	-	-
xviii	S130 SBNPP Money Fund Inst.-Daily Div Rein	10	4,457,851	45,003,343	4,457,851	45,003,343
xix	JM High Liquidity Fund Institutional Plan- Daily Dividend Plan	10	5,292,019	53,004,334	5,292,019	53,004,334
	JM Money Manager Fund Super Plus Plan- Daily Dividend	10	7,335,658	73,395,456	-	-
xx	JP Morgan India Treasury Fund-Super Inst. Daily Div Plan-Reinvest	10	24,331,630	243,532,852	16,432,789	164,474,142
xxi	JP Morgan India Liquid Fund-Super Inst-Dividend	10	6,895,225	69,006,725	6,895,225	69,006,725
xxii	Fortis Money Plus Institutional Plan Daily Dividend	10	8,418,158	84,207,676	699,783	7,000,000
xxiii	Fortis Overnight Fund-Institutional Daily Dividend	10	8,348,059	83,505,638	8,348,059	83,505,638
xxiv	UTI Liquid Cash Plan Institutional-Daily Income Option-Re-investment	1,000	75,728	77,200,992	75,728	77,200,992

Schedules forming part of the consolidated financial statements

	Name of the investment	Face value (Rs)	Purchased during the year		Sold during the year	
			Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
xxv	HDFC Liquid Fund Premium Plan-Dividend-Daily Reinvest	10	10,502,758	128,761,711	11,734,494	143,862,551
xxvi	Canara Robeco Treasury Advantage Institutional Daily Dividend Fund	10	2,734,439	33,926,459	2,734,439	33,926,459
xxvii	Canara Robeco Liquid Fund-Inst-Dividend	10	2,390,423	24,002,235	2,390,423	24,002,235
xxviii	ICICI Prudential Institutional Liquid Plan – Daily dividend plan	100	49,997	5,000,765	49,997	5,000,765
xxix	LIC Income Plus Fund- Daily dividend plan	10	1000,000	10,000,000	1000,000	10,000,000
xxx	LICMF Liquid Fund- dividend plan	10	14,190,257	155,810,446	14,190,257	155,810,446
xxxi	Reliance Medium Term Fund- Daily dividend plan	10	1,413,674	24,167,466	1,413,674	24,167,466
xxxii	Reliance Liquid fund- Treasury plan	10	4,893,411	74,806,559	4,893,411	74,806,559
	Total		211,860,542	2,670,690,510	156,730,535	1,954,002,765

8. Certain 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.

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. 120,149,849 (Rs.87,353,354) is carried forward and shown under "Loans and advances" in the balance sheet as at 31 March 2011.

9. Employee Benefit Obligations

Defined contribution plans

An amount of Rs.73,253,771 (Rs.69,426,536) 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:

(Amounts in ₹)

	As at 31 March 2011	As at 31 March 2010
Obligation at period beginning	62,565,402	54,471,069
Current service cost	12,341,356	13,225,036
Interest cost	5,057,006	4,215,791
Actuarial losses/(gains)	(2,899,852)	(5,879,975)
Past service cost	13,318,072	-
Benefits paid	(10,225,959)	(3,466,519)
Obligation at period end	80,156,025	62,565,402
Change in plan assets		
Plan Assets at period beginning, at fair value	-	-
Contributions	10,225,959	3,466,519
Benefits paid	(10,225,959)	(3,466,519)
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:

(Amounts in ₹)

	As at 31 March 2011	As at 31 March 2010
Current service cost	12,341,356	13,225,036
Interest cost	5,057,006	4,215,791
Actuarial losses/(gains)	(2,899,852)	(5,879,975)
Past service cost	13,318,072	
Net gratuity cost	<u>27,816,582</u>	<u>11,560,852</u>
Experience adjustment		
On plan liabilities	(1,206,489)	(3,924,021)
On plan assets	-	-
Assumptions		
Economic assumptions		
Discount rate	7.90%	7.30% p.a
Salary escalation rate	10% p.a for first 2 years & 7% p.a thereafter	10% p.a for first 3 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 2011	As at 31 March 2010
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”, issued by the ICAI. 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, South East Asia, 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

Schedules forming part of the consolidated financial statements

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 2011

(Amounts in ₹)

Description	India	Far East	South East Asia	Europe	Middle East	Others	Total
Revenue from external customers	408,695,433	977,575,958	551,731,859	311,384,389	303,497,335	151,921,153	2,704,806,127
Expenses	344,395,466	538,120,938	445,928,918	142,634,234	193,789,767	86,332,641	1,751,201,964
Segment result	64,299,968	439,455,019	105,802,941	168,750,155	109,707,568	65,588,512	953,604,163
Unallocated corporate expenditure							741,602,458
Operating profit before taxation							212,001,705
Other income							94,002,948
Foreign Exchange gain/(loss)							(7,353,124)
Profit before taxation							298,651,529
- Withholding taxes charged off							26,933,131
Provision for tax							
- current tax							64,249,645
- MAT credit entitlement							(35,197,875)
- fringe benefit tax							-
- deferred tax charge							(22,432,442)
- income tax for earlier years							1,693,181
Provision for wealth tax							31,038
Net profit after taxation							263,374,851

For the year ended 31 March 2010

(Amounts in ₹)

Description	India	Far East	South East Asia	Europe	Middle East	Others	Total
Revenue from external customers	368,007,704	1,243,939,584	611,184,970	169,066,772	379,104,402	146,523,191	2,917,826,623
Expenses	296,056,250	790,051,760	389,010,777	78,153,270	235,159,788	117,971,929	1,906,403,775
Segment result	71,951,454	453,887,824	222,174,193	90,913,502	143,944,614	28,551,262	1,011,422,847
Unallocated corporate expenditure							583,983,700
Operating profit before taxation							427,439,149
Other income							96,202,601
Foreign Exchange gain/(loss)							(80,260,054)
Profit before taxation							443,381,696
- Withholding taxes charged off							4,256,080
Provision for tax							
- 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



Nucleus Software Exports Limited

Assets and liabilities of reportable primary segment are as follows:

As at 31 March 2011

(Amounts in ₹)

Description	India	Far East	South East Asia	Europe	Middle East	Others	Total
Segment assets	112,186,414	234,688,879	295,515,286	56,601,656	64,792,229	94,589,984	858,374,448
Unallocated corporate assets							2,627,232,176
Total assets							3,485,606,624
Segment liabilities	127,648,478	120,297,574	100,200,044	34,216,207	49,675,191	34,200,360	466,237,854
Unallocated corporate liabilities							137,063,031
Total liabilities							603,300,885
Capital employed							2,882,305,739

As at 31 March 2010

(Amounts in ₹)

Description	India	Far East	South East Asia	Europe	Middle East	Others	Total
Segment assets	123,374,383	549,299,068	228,869,349	43,366,883	125,171,231	52,343,423	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	93,641,216	14,511,361	66,419,325	30,430,543	529,566,576
Unallocated corporate liabilities							140,177,185
Total liabilities							669,743,761
Capital employed							2,715,258,428

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 2011

(Amounts in ₹)

Description	India	Far East	South East Asia	Europe	Middle East	Others	Total
Capital expenditure	-	756,361	1,381,459	35,700	-	457,002	2,630,522
Capital expenditure (unallocated)							41,390,803
Total capital expenditure							44,021,325
Depreciation expenditure	-	4,128,442	6,226,659	99,762	-	62,498	10,517,361
Depreciation expenditure (unallocated)							82,289,075
Total Depreciation							92,806,436
Segment non-cash expense other than depreciation	(1,613,859)	43,738,547	11,014,276	(144,699)	(691,579)	(4,034,596)	48,268,091
Total non cash expenditure other than depreciation	(1,613,859)	43,738,547	11,014,276	(144,699)	(691,579)	(4,034,596)	48,268,091

Schedules forming part of the consolidated financial statements

For the year ended 31 March 2010

(Amounts in ₹)

Description	India	Far East	South East Asia	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)							99,283,892
Total Depreciation							113,346,206
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

b) Information in respect of secondary segment

For the year ended 31 March 2011

(Amounts in ₹)

Description	Products	Software projects and services	Total
Revenue	1,935,736,031	769,070,096	2,704,806,127
Carrying amount of segment assets	614,308,852	244,065,596	858,374,448

For the year ended 31 March 2010

(Amounts in ₹)

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	803,280,209	319,144,128	1,122,424,337

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)
- Kapil Gupta (Director, Subsidiary Company)

b) Transactions with related parties

(Amounts in ₹)

	Year ended 31 March 2011	Year ended 31 March 2010
Managerial remuneration		
Key managerial personnel	6,969,620	19,860,000



(Amounts in ₹)

	Year ended 31 March 2011	Year ended 31 March 2010
12. Legal and professional includes payment to auditors *		
Audit fees	5,887,794	5,728,127
Other services	350,000	633,561
Out of pocket expenses	45,000	143,532
	6,282,794	6,505,220

* excluding service tax.

13. Earnings per share

Profit after taxation available to equity shareholders (Rupees)	263,374,851	384,007,501
Weighted average number of equity shares used in calculating basic earnings per share	32,381,700	32,370,024
Add: Effect of dilutive issue of shares	16,659	4,189
Weighted average number of equity shares used in calculating diluted earnings per share	32,398,359	32,374,213
Basic earnings per share (Rupees)	8.13	11.86
Diluted earnings per share (Rupees)	8.13	11.86

14. Capital commitments and contingent liabilities

- Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances) Rs.26,752,469 (Rs. 1,404,533).
- Bank guarantee of Rs.2,000,000 issued in favour of Jaipur Nagar Nigam, for getting NOC from Fire Department.

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:

(Amounts in ₹)

	As at 31 March 2011	As at 31 March 2010
Not later than one year	19,920,134	18,185,939
Later than one year but not later than 5 years	20,559,733	3,334,857
Total	40,479,867	21,520,796

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:

(Amounts in ₹)

	Year ended 31 March 2011	Year ended 31 March 2010
Salaries and allowances	1,401,511,010	1,365,829,279
Contribution to provident and other funds	73,253,771	69,426,536
Directors' remuneration	14,615,440	27,614,960
Staff welfare	24,574,017	23,012,092
Training and recruitment	19,203,428	7,233,642
Software and other development charges	127,817,188	76,265,562
Cost of software purchased for delivery to clients	61,257,869	114,579,188
Travelling	177,201,583	199,009,661
Conveyance	13,466,790	18,855,468
Communication	27,338,079	30,858,892
Rent	89,870,528	119,176,713
Rates and taxes	2,606,322	2,628,885
Legal and professional	94,984,984	75,030,016
Consultancy charges	68,617,697	116,309,154
Power and fuel	28,139,470	26,902,948
Repair and maintenance		
- Building	4,903,851	3,209,560
- Others	19,156,442	17,423,229
Advertisement and business promotion	9,292,732	6,214,671
Conference, exhibition and seminar	11,300,826	9,277,768

Schedules forming part of the consolidated financial statements

	(Amounts in ₹)	
	Year ended 31 March 2011	Year ended 31 March 2010
Information technology expenses	18,118,095	15,713,547
Advances and other current assets written off	8,031,279	245,787
Provision for doubtful debts / advances / other current assets	40,236,812	15,202,481
Commission to channel partners	8,798,293	6,084,101
Printing and stationery	4,421,707	3,305,494
Insurance	7,262,690	7,638,444
Bank charges	2,927,433	3,684,307
Loss on sale of fixed assets (net)	229,281	-
Customer Claim	22,157,950	-
Miscellaneous expenses	18,702,420	18,308,885
Total	2,399,997,987	2,377,041,270

17. Following expenses are reimbursements from customers:

	(Amounts in ₹)	
Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Software support expenses		
Salaries and allowances	8,160,588	4,154,852
Staff welfare	625,910	512,504
Travelling & Conveyance	3,174,347	5,434,931
Communication expenses	3,580,185	4,053,063
Rent, rates and taxes	7,350,884	6,557,160
Assets hire charges	684,260	1,750,743
Legal and professional	1,082,415	4,582,225
Repair and maintenance	835,441	433,704
Training and recruitment	1,980,162	2,985,934
Insurance	522,125	1,199,493
Electricity and water	2,468,485	2,391,357
Miscellaneous expenses	2,165,127	1,358,415
Sub-total (A)	32,629,929	35,414,381
General and administration expenses		
Accounting charges	2,217,030	1,985,400
Bank charges	213,084	436,297
Sub-total (B)	2,430,114	2,421,697
Depreciation (C)	3,290,441	5,585,727
Grand Total (A+B+C)	38,350,484	43,421,805

18. Revenue recognised up to the reporting date in respect of contracts in progress at the reporting date aggregates Rs.1,042,722,714 (Rs.857,955,259).

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

20. During the year, Nucleus Software (Australia) Pty Ltd., one of the wholly owned subsidiaries of the Company, has been wound up with effect from 5 April, 2010

21. One of the subsidiaries of the Company has been granted a Letter of Approval (LOA) as Co- Developer from Board of Approvals (BOA) Ministry of Commerce and Industry, Department of Commerce (SEZ Section) in their meeting held on June 8, 2010, for providing infrastructure facilities in the Sector specific SEZ for IT/ITES at Jaipur, Rajasthan, being developed by M/s. Mahindra World City (Jaipur) Limited. Pursuant to approval granted, the Company will develop an area of 2.87 acres in the first phase.

For and on behalf of the Board of Directors

Sd/-
Janki Ballabh
Chairman

Sd/-
Pramod K Sanghi
Chief Financial Officer

Sd/-
Vishnu R Dusad
Managing Director

Sd/-
Poonam Bhasin
Company Secretary

NOIDA (U.P.)
May 1, 2011



Statement of Subsidiary Companies 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	Vishnu R. Dusad Kapil Gupta
Auditors	RSM Chio Lim

Financial Data

At the End of the Year	March 31, 2011		March 31, 2010	
	S \$	INR	S \$	INR
Share Capital	625,000	22,150,000	625,000	20,125,000
Reserves	4,083,086	144,704,568	5,937,324	191,181,833
Total Assets	6,868,885	243,433,284	11,116,772	357,960,058
Total Liabilities	2,160,799	76,578,717	4,554,448	146,653,226
Investments	–	–	–	–
For the Year Ended				
Turnover	18,422,561	652,895,562	26,031,092	838,201,162
Profit Before Taxation	(1,544,846)	(54,749,342)	145,291	4,678,370
Provision for Taxation (Credit/(Expense))	(314,297)	(11,138,686)	5,004	161,129
Profit After Taxation	(1,859,143)	(65,888,028)	150,295	4,839,499
Proposed Dividend	–	–	–	–

Note:

1. Above figures in INR have been calculated at 1S\$ = Rs.35.44 and 1S\$ = Rs.32.20 for the year ended March 31, 2011 and March 31, 2010 respectively.
2. General exemption has been granted (vide circular no. 2/2011) by the Ministry of Corporate Affairs, Government of India, from attaching the Directors' Report, Balance Sheet & Profit and Loss Account of subsidiary companies, hence they 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.

Statement under Section 212 (8)

Statement of Subsidiary Companies under Section 212 (8) of the Companies Act, 1956

Name of Subsidiary	Nucleus Software Inc. USA
Date of Incorporation	August 5, 1997
Business Address	197 Route 18 South, Suit 3000, East Brunswick, NJ 08816-1440, USA
Directors	Vishnu R. Dusad
Auditors	Jignesh N. Thakkar

Financial Data

At the End of the Year	March 31, 2011		March 31, 2010	
	US \$	INR	US \$	INR
Share Capital	350,000	15,638,000	350,000	15,781,500
Reserves	(931,680)	(41,627,462)	(562,694)	(25,371,872)
Total Assets	436,367	19,496,878	155,205	6,998,193
Total Liabilities	1,018,047	45,486,340	367,899	16,588,566
Investments	–	–	–	–
For the Year Ended				
Turnover	406,787	18,175,243	322,486	14,540,894
Profit Before Taxation	(365,758)	(16,342,067)	(135,284)	(6,099,956)
Provision for Taxation	3,229	144,272	–	–
Profit After Taxation	(368,987)	(16,486,339)	(135,284)	(6,099,956)
Proposed Dividend	–	–	–	–

Note:

1. Above figures in INR have been calculated at 1 US \$ = Rs.44.68 and 1 US \$ = Rs.45.09 for the year ended March 31, 2011 and March 31, 2010 respectively.
2. General exemption has been granted (vide circular no. 2/2011) by the Ministry of Corporate Affairs, Government of India, from attaching the Directors' Report, Balance Sheet & Profit and Loss Account of subsidiary companies, hence they 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.



Statement of Subsidiary Companies under Section 212 (8) of the Companies Act, 1956

Name of Subsidiary	Nucleus Software Japan Kabushiki Kaisha
Date of Incorporation	November 2, 2001
Business Address	Marunouchi Building, 23rd Floor, 4-1 Marunouchi 2 Chome, Chiyoda-ku, Tokyo 100-0005
Directors	Vishnu R. Dusad Niraj Vedwa Rajeev Sharma
Auditors	Deloitte Haskins & Sells

Financial Data

At the End of the Year	March 31, 2011		March 31, 2010	
	JPY	INR	JPY	INR
Share Capital	10,000,000	5,390,000	10,000,000	4,835,000
Reserves	(25,306,794)	(13,640,360)	(22,709,342)	(10,979,967)
Total Assets	129,797,100	69,960,637	388,722,359	187,947,261
Total Liabilities	145,103,891	78,210,997	401,431,701	194,092,227
Investments	–	–	–	–
For the Year Ended				
Turnover	642,600,482	346,361,660	912,091,591	440,996,284
Profit Before Taxation	(1,979,304)	(1,066,845)	(9,751,198)	(4,714,704)
Provision for Taxation	618,146	333,181	70,000	33,845
Profit After Taxation	(2,597,450)	(1,400,026)	(9,821,198)	(4,748,549)
Proposed Dividend	–	–	–	–

Note:

- Above figures in INR have been calculated at 1JPY=Rs.0.5390 and 1JPY= Rs.0.4835 for the year ended March 31, 2011 and March 31, 2010 respectively.
- General exemption has been granted (vide circular no. 2/2011) by the Ministry of Corporate Affairs, Government of India, from attaching the Directors' Report, Balance Sheet & Profit and Loss Account of subsidiary companies, hence they 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.

Statement under Section 212 (8)

Statement of Subsidiary Companies 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	Vishnu R. Dusad Sanjiv Sarin Ravi Pratap Singh Pramod K. Sanghi
Auditors	Deloitte Haskins & Sells

Financial Data

At the End of the Year	March 31, 2011	March 31, 2010
	INR	INR
Share Capital	10,000,000	10,000,000
Reserves	97,433,871	250,592,590
Total Assets	124,490,962	284,479,977
Total Liabilities	17,057,093	23,887,387
Investments	16,300,588	104,428,266
For the Year Ended		
Turnover	183,108,891	289,632,733
Profit Before Taxation	92,451,542	123,384,418
Provision for Taxation	(312,844)	(294,235)
Profit After Taxation	92,764,386	123,678,653
Dividend*	210,000,000	70,000,000

*The Company paid interim dividend of Rs.21 crore during the financial year 2010-11.

Note:

General exemption has been granted (vide circular no. 2/2011) by the Ministry of Corporate Affairs, Government of India, from attaching the Directors' Report, Balance Sheet & Profit and Loss Account of subsidiary companies, hence they 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.



Statement of Subsidiary Companies 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	Vishnu R. Dusad Niraj Vedwa Pramod K. Sanghi
Auditors	Deloitte Haskins & Sells

Financial Data

At the End of the Year	March 31, 2011		March 31, 2010	
	Euro	INR	Euro	INR
Share Capital	400,000	25,280,000	300,000	18,132,000
Reserves	(450,636)	(28,480,195)	(287,095)	(17,352,022)
Total Assets	297,708	18,815,146	37,051	2,239,362
Total Liabilities	348,344	22,015,341	24,146	1,459,384
Investments	–	–	–	–
For the Year Ended				
Turnover	247,208	15,623,546	–	–
Profit Before Taxation	(163,541)	(10,335,791)	(167,044)	(10,096,139)
Provision for Taxation	–	–	–	–
Profit After Taxation	(163,541)	(10,335,791)	(167,044)	(10,096,139)
Proposed Dividend	–	–	–	–

Note:

- Above figures in INR have been calculated at 1 Euro = Rs.63.20 and 1 Euro = Rs.60.44 for the years ended March 31, 2011 and March 31, 2010 respectively
- General exemption has been granted (vide circular no. 2/2011) by the Ministry of Corporate Affairs, Government of India, from attaching the Directors' Report, Balance Sheet & Profit and Loss Account of subsidiary companies, hence they 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.

Statement under Section 212 (8)

Statement of Subsidiary Companies 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	Vishnu R. Dusad Sanjiv Sarin Prithvi Haldea
Auditors	Deloitte Haskins & Sells

Financial Data

At the End of the Year	March 31, 2011	March 31, 2010
	INR	INR
Share Capital	100,000,000	100,000,000
Reserves	(9,758,940)	(5,310,297)
Total Assets	148,952,699	124,409,231
Total Liabilities	58,711,639	29,719,528
Investments	23,000	23,000
For the Year Ended		
Turnover	–	–
Profit Before Taxation	(4,448,643)	(2,943,020)
Provision for Taxation	–	–
Profit After Taxation	(4,448,643)	(2,943,020)
Dividend	–	–

Note:

General exemption has been granted (vide circular no. 2/2011) by the Ministry of Corporate Affairs, Government of India, from attaching the Directors' Report, Balance Sheet & Profit and Loss Account of subsidiary companies, hence they 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.



Statement of Subsidiary Companies 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	Vishnu R. Dusad Kapil Gupta
Auditors	RSM Chio Lim

Financial Data

At the End of the Year	March 31, 2011		March 31, 2010	
	S \$	INR	S \$	INR
Share Capital	200,000	7,088,000	200,000	6,440,000
Reserves	(782,422)	(27,729,036)	(777,031)	(25,020,398)
Total Assets	19,792	701,428	25,183	810,893
Total Liabilities	602,214	21,342,464	602,214	19,391,291
Investments	—	—	—	—
For the Year Ended				
Turnover	—	—	—	—
Profit Before Taxation	(5,391)	(191,057)	(6,586)	(212,069)
Provision for Taxation	—	—	—	—
Profit After Taxation	(5,391)	(191,057)	(6,586)	(212,069)
Proposed Dividend	—	—	—	—

Note:

- Above figures in INR have been calculated at 1S\$ = Rs.35.44 and 1S\$ = Rs.32.20 for the year ended March 31, 2011 and March 31, 2010 respectively
- General exemption has been granted (vide circular no. 2/2011) by the Ministry of Corporate Affairs, Government of India, from attaching the Directors' Report, Balance Sheet & Profit and Loss Account of subsidiary companies, hence they 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.

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 follows:

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 allotted 1,875,500 equity shares of Rs.10/- each on preferential basis to the promoter/ 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. The Board of Directors of the Company in their meeting held on January 22, 2011 decided to voluntary delist the Equity Shares of the Company from Madras Stock Exchange Limited and application for the same has been filed with the exchange in February, 2011. Communication from Madras Stock Exchange is awaited in this regard.
- 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.
- The Corporate Identity Number (CIN), allotted to the Company by the Ministry of Corporate Affairs, Government of India is L74899DL1989PLC034594.
- Face value of the Company's equity shares is Rs.10.
- Shares of the Company are compulsorily traded in demat form.
- 96.90% of the Company's equity shares are in demat form as on March 31, 2011.
- The Company had 19,123 shareholders as on March 31, 2011.
- 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 due for exercise under various plans as on March 31, 2011 are:

ESOP Plan	No. of Options
ESOP (2002) Plan	49,550
ESOP (2005) Plan	43,920
ESOP (2006) Plan	84,002

On exercise of stock options, 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.

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 Board meeting held on May 1, 2011. 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:

- Provisions of Companies Act and other applicable laws.
- Availability of funds in the Company

The Board of Directors review 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 ₹)	Pay Out (In ₹ crore)
2009-10	25%	2.50	8.10
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.

Shareholders Referencer

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 2010-2011:

(Share price in ₹)

Month	Open	High	Low	Close	Traded Qty
Apr. '10	138.10	177.60	138.10	152.10	2,085,422
May '10	149.00	159.50	119.05	135.35	398,711
Jun. '10	137.00	141.25	127.10	131.70	159,320
Jul. '10	133.50	156.50	129.50	142.30	1,247,644
Aug. '10	143.80	154.00	121.25	126.00	2,396,271
Sept. '10	128.00	149.75	125.80	134.95	723,330
Oct. '10	139.00	144.00	126.50	127.80	209,084
Nov. '10	130.45	137.65	112.60	117.20	284,589
Dec. '10	121.00	123.85	102.50	120.80	157,447
Jan. '11	122.00	132.50	96.20	102.90	258,581
Feb. '11	103.10	103.90	85.35	87.70	135,517
Mar. '11	87.65	90.80	72.60	84.00	795,717
Total Shares traded during the year					8,851,633

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 2010-2011:

(Share price in ₹)

Month	Open	High	Low	Close	Traded Qty
Apr. '10	139.10	177.90	137.25	152.15	5,050,561
May '10	150.20	159.15	118.20	133.20	1,159,426
Jun. '10	135.05	139.00	127.50	131.20	475,971
Jul. '10	132.75	155.80	129.35	142.10	2,301,107
Aug. '10	146.50	154.00	120.55	125.25	4,368,159
Sept. '10	125.55	150.60	125.55	135.45	1,609,015
Oct. '10	134.55	143.50	127.15	128.00	732,941
Nov. '10	128.00	138.85	112.30	116.65	1,043,522
Dec. '10	121.30	124.00	101.05	120.55	588,265
Jan. '11	121.80	132.80	96.50	103.35	760,320
Feb. '11	103.55	104.80	85.00	86.95	441,499
Mar. '11	89.40	89.40	72.50	85.55	1,864,472
Total Shares traded during the year					20,395,258

Note:

- The highest share price of the Nucleus scrip at Bombay Stock Exchange Ltd. was Rs.177.60 in April 2010 and the lowest share price was Rs.72.60 in March 2011.
- The highest share price of the Nucleus scrip at National Stock Exchange was Rs.177.90 in April 2010 and the lowest share price was Rs.72.50 in March 2011.

iii. Quarterly high -low price history of the Company's share for the year 2010-11

(Share price in ₹)

During the Quarter Ended	BSE		NSE	
	High	Low	High	Low
June 30, 2010	177.60	119.05	177.90	118.20
September 30, 2010	156.50	121.25	155.80	120.55
December 31, 2010	144.00	102.50	143.50	101.05
March 31, 2011	132.50	72.60	132.80	72.50

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. Since 2009, the Company started releasing the quarterly report, in the form of a soft copy only and uploads it on the Company website www.nucleussoftware.com. This has resulted not only in prompt information disposal to the shareholders but also contributes significantly in saving paper thereby saving trees and reducing costs too.

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 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. Any press release made by the Company is first sent to the stock exchanges and is also uploaded on Company website for investors' information.

vi. Your Company has been voluntarily sending soft copies of Annual reports to the shareholders who had registered their email id's with the Company or Depository participants. Further this year, as per the circular issued by the Ministry of Corporate Affairs, in accordance with the "Green Initiative in Corporate Governance", your Company has sent emails and letters to all the shareholders holding shares in demat, physical form respectively to exercise their option of receiving various notices and documents, including Annual Report through electronic mode.

This welcome initiative of MCA will reduce paper consumption to a great extent and enhance corporate contribution to a greener and safer environment. All shareholders of the Company can contribute to this initiative and reduce paper usage by opting to receive various notices and documents through electronic mode.



F. Investors' Services

i. Details of request/complaints received during the year:

Nature of complaints / requests	No. of complaints/requests		
	Received during the year	Resolved during the year	Pending at the year end
Non- Receipt of Dividend Warrant	23	23	Nil
Revalidation of Dividend warrants	42	42	Nil
Issue of duplicate share certificates	1	1	Nil
Non receipt of share certificate	3	3	Nil
Non-Receipt of Annual Report	4	4	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 2010-11.

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 Share Transfer Committee and Shareholders' 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 31,377,062 shares (96.90% of the paid up share capital) as at March 31, 2011.

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.

Report on shareholders' requests / grievances received and resolved during each quarter is placed before the Share Transfer and Shareholders' Grievance Committee on quarterly basis.

Investors are requested to correspond directly with Karvy, on all share related matters. 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. Reconciliation of Share Capital

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 are two legal proceedings pending against the Company in the Court.

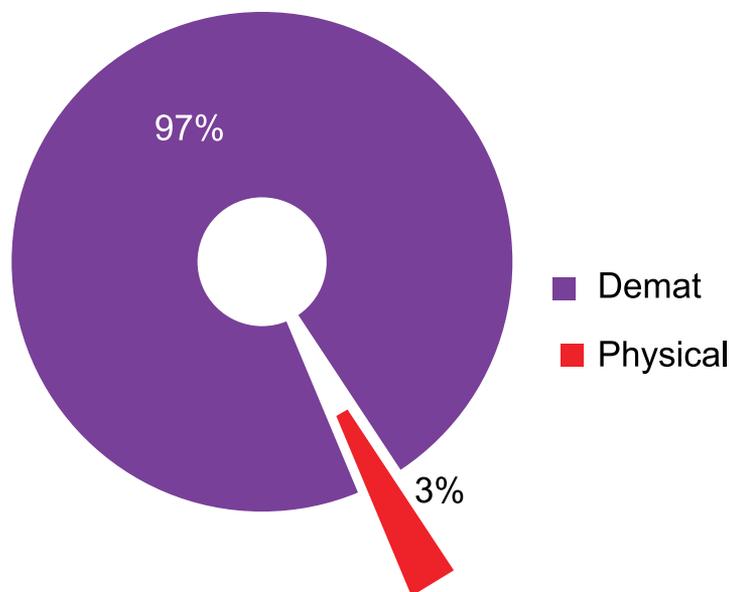
Shareholders Referencer

G. Shareholding Data

i. Distribution of Shareholding

No of Equity Shares Held	As at March 31, 2011				As at March 31, 2010			
	Share Holders		Shares		Share Holders		Shares	
	No.	%	No.	%	No.	%	No.	%
1 - 100	10,888	56.94	498,697	1.55	10,665	58.07	477,229	1.47
101 - 200	2,873	15.02	497,725	1.54	2,970	16.17	522,028	1.61
201 - 500	2,892	15.12	1,011,596	3.12	2,501	13.62	890,314	2.75
501 - 1000	1,457	7.62	1,069,590	3.30	1,256	6.84	921,882	2.85
1001 - 5000	826	4.32	1,674,768	5.17	757	4.12	1,610,672	4.98
5001 - 10000	98	0.51	690,998	2.13	108	0.59	770,095	2.38
10001 and above	89	0.47	26,939,150	83.19	109	0.59	27,177,804	83.96
TOTAL	19,123	100.00	32,382,524	100.00	18,366	100.00	32,370,024	100.00

Shares held in Physical and Dematerialised form as on March 31, 2011



ii. Categories of Shareholders

Category	As at March 31, 2011			As at March 31, 2010		
	No. of Share Holders	Voting Strength (%)	No. of Shares Held	No. of Share Holders	Voting Strength (%)	No. of Shares Held
Promoter and Promoter Group	9	57.44	18,601,866	10	59.55	19,276,990
Individuals	17,958	22.22	7,196,095	17,268	20.45	6,619,345
Bodies Corporates	617	3.14	1,014,728	732	3.71	1,201,417
OCBs and NRIs	517	2.08	672,111	334	1.70	551,174
FII's	4	4.29	1,390,598	10	7.88	2,550,111
Mutual Funds	17	10.82	3,504,246	12	6.71	2,170,987
Banks and Financial Institutions	1	0.01	2,880	-	-	-
TOTAL	19,123	100.00	32,382,524	18,366	100.00	32,370,024



iii. Shares under Lock-in

There are no shares under Lock in as on March 31, 2011.

iv. Share Transfers, Demat and Remat

The details of shares transferred in physical form, dematerialised and rematerialised during the year ended March 31, 2011 are given below:

No. of Shares	
- Transferred in physical form	6,600
- Dematerialised	27,804
- Rematerialised	2,100

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. Prithvi Haldea		Retirement by rotation
Mr. Sanjiv Sarin		Retirement by rotation

The Indian 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 and their respective positions with the Company are as follows:

i. Management Structure

Name	Designation	Age
Janki Ballabh	Chairman	68
Vishnu R Dusad	CEO & Managing Director	54
Arun Shekhar Aran	Non-Executive Director	52
Prithvi Haldea	Non-Executive Director	60
Sanjiv Sarin	Non-Executive Director	52
Pramod K Sanghi	President - Finance & Chief Financial Officer	56
Ravi Pratap Singh	President	50

Name	Designation	Age
Viveka Ragukumar	Executive Vice President	47
Anurag Bhatia	Senior Vice President	45
Deep Sanwarlal Singhania	Senior Vice President	42
Parminder Iqbal Bansil	Senior Vice President	42
Rajneesh Kumar Chadha	Senior Vice President	46
Sushil Tyagi	Senior Vice President	41
Alok Agarwal	Vice President	39
Anurag Mantri	Vice President	41
Kamal Nayyar	Vice Presedent	39
Parag Bhise	Vice President	46
Rajesh Garg	Vice President	40
Rajgopalan Venkatraman	Vice President	40
Renu Kaul Nehru	Vice Presiednt	48
Sanjeev Kulshreshtha	Vice President	47
Sourabh Palit	Vice President	42
Dr. Vishnu Rao Nandamuri	Vice President	47

ii. Employee Structure

I. Employee strength globally including employees of subsidiaries.

As at March 31,	2011		2010	
	No.	%	No.	%
- Technical Staff	1,455	84.59	1,201	77.09
- Non-Technical Staff including Business Development Group	265	15.41	357	22.91
Gender classification of employees :				
- Male	1,359	79.01	1,248	80.10
- Female	361	20.99	310	19.90
TOTAL	1,720	100.00	1,558	100.00

2. The age profile of employees

As at March 31,	2011		2010	
	No.	%	No.	%
Between 20 and 25 years	374	21.74	214	13.73
Between 26 and 30 years	632	36.74	648	41.66
Between 31 and 40 years	621	36.11	619	39.67
Between 41 and 50 years	79	4.59	62	3.98
Between 51 and 60 years	12	0.70	13	0.83
61 years & above	2	0.12	2	0.13
TOTAL	1,720	100.00	1,558	100.00

Shareholders Referencer

J. Financial Calendar for the year 2011-12

(Tentative and subject to change)

i. Financial Reporting

For the first quarter ending June 30, 2011	between 20th to 31st of July 2011
For the second quarter ending September 30, 2011	between 20th to 31st of October 2011
For the third quarter ending December 31, 2011	between 20th to 31st of January 2012
For the year ending March 31, 2012	between 21st to 30th of April 2012

ii. Annual General Meeting

For the year ending March 31, 2011	July 8, 2011
For the year ending March 31, 2012	July 2012

iii. Dividend

Date of Book Closure for AGM and payment of Dividend	July 1, 2011 to July 8, 2011 (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 & 2002-03 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
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

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:

- Shareholder need not make frequent visits to his bank for depositing the physical paper instruments.
- Prompt credit to the bank account of the investor through electronic clearing at no extra cost.
- Exposure to delays / loss in postal service avoided.
- As there can be no loss in transit of warrants, issue of duplicate warrants is avoided.
- 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 share holders /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 not 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 +91 (120) 4035000 vishnu@nucleussoftware.com
Pramod K Sanghi	President Finance & CFO +91 (120) 4031800 pksanghi@nucleussoftware.com
Poonam Bhasin	Company Secretary +91 (120) 4031400 poonam@nucleussoftware.com

Corporate Social Responsibility

As a responsible corporate citizen, your Company is committed to:

- act in an ethical and socially responsible manner and
- devise mechanisms to ensure adherence to law, ethical standards, and responsibility for impact of organizational activities on the environment, consumers, employees, communities, and stakeholders.

The Corporate Social Responsibility (CSR) programs at Nucleus are based on the above philosophy and the efforts for accomplishing the objectives of CSR are segregated into three main concern areas:

1. Society, 2. Environment and 3. Workplace

A number of initiatives in all these areas were taken during the year, building a culture of responsibility and paving the way for further contribution in the years ahead. Some of these initiatives are described below.

1. Society at large:

We are indebted to the society we live in. Since birth, we grow here and are also nurtured by the society. It is the society that extended its helping hand, while we were growing, and now grown, it's our turn to extend our helping hand to those who are still struggling.



Figure 1

Your Company recognizes the entitlement of Differently-abled persons to realization of human rights and fundamental freedom on equal terms with others in society, without discrimination of any kind. As per the Policy for Recruitment of Differently-abled Resources launched in the previous year, Differently-abled persons were hired for various business functions in the Company. Your Company also sponsors education of children of the office help staff who have stayed with the organization for more than five years and thirteen kids received such support during the year 2010-11.

Your Company has taken up several other initiatives also to help create a more friendly community where each one contributes to its welfare and sow the seeds of prosperity. Nucleites also proactively participated in blood donation camps organized during the year. Exhibitions were conducted in the office campus by some organizations to promote sale of products/ articles prepared by rural artisans and Differently-abled persons. Your Company also made some contribution to NASSCOM foundation.

2. Nucleus for Environment:

Our planet is soon destined to become a barren space, unless we wake up to the reality and take action NOW. We need to take active steps against deforestation and cruelty against animals.

Your Company initiated a go-green drive and took active measures to save water, paper and energy within the campus. The huge green lawn at our corporate headquarters in Noida is an effort to ensure rain water harvesting to replenish the water table. The building is well insulated and double glazed windows help in saving the electricity consumption. Also, the AC Plant being water cooled is almost 30% more efficient than air cooled reciprocator compressors, thereby saving on the electricity consumption. Upcoming office of Nucleus in Jaipur SEZ is being designed to ensure similar conservation of electricity.

3. Nucleus for Workplace:

At the Nucleus workplace, various initiatives were launched during the year to help employees lead a healthy and balanced life.

Your Company launched an initiative called Doctor@Nucleus, according to which the Company tied up with a Health & Fitness expert, who is available for consultation and guidance within the office campus. This initiative is one of the steps for providing general consultation or medical advice. Employees are also regularly provided health care tips through internal communication channels to safeguard against contagious diseases and to encourage a healthy lifestyle. Meditation & Yoga classes are arranged for Nucleites to cope up with normal urban stresses and live a healthy life.

Various fun-filled activities, large-scale celebrations of various festivals, regular inter-department competitions, active encouragement to various hobbies ensures that the human mind receives enough nourishment to refresh and rejuvenate. Nuc-Club, a voluntary cross-functional team takes care of regular events for sports, quizzes, literary events, music, dance and other performing arts, and helps maintain a youthful and collegial atmosphere in the company.

At Nucleus, we are conscious of our duties towards our 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 shareholder 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 profit (less tax) in excess of cost of capital employed to earn that profit.

EVA = Net Operating Profit after Taxes - Cost of Capital Employed.

(₹ in crore)

	FY 11	FY 10	FY 09
Cost of Capital			
Risk Free Debt Cost (%)	7.64	4.95	4.50
Market Premium	7.00	7.00	7.00
Beta Variant	0.63	0.73	0.62
Cost of Equity	12.05	10.06	8.86
Average Debt/Total Capital (%)	-	-	-
Cost of Debt-Net of Tax (%)	-	-	-
WACC	12.05	10.06	8.86
Average Capital Employed	279.79	256.16	228.45
PAT as a percentage of Average Capital Employed (%)	9.41	14.99	14.12
Economic Value Added (EVA)			
Operating Profit (excluding extraordinary income)	21.20	42.75	36.32
Less: Tax	3.53	5.94	9.86
Cost of Capital	33.71	25.77	20.24
Economic Value Added	(16.04)	11.04	6.22
Enterprise Value			
Market Value of Equity	277.05	446.38	162.98
Add: Debt	-	-	-
Less: Cash and Cash Equivalents	187.51	162.41	122.18
Enterprise Value	89.54	283.97	40.80
Ratios			
EVA as a percentage of average capital employed	(5.73)	4.31	2.72
Enterprise Value/Average Capital Employed	0.32	1.11	0.18

Notes:

1. Cost of equity = return on risk-free investment + expected risk premium on equity investment adjusted for our beta variant in India.
2. Figures above are based on consolidated financial statements.
3. Cash and cash equivalents includes investments in liquid mutual funds.

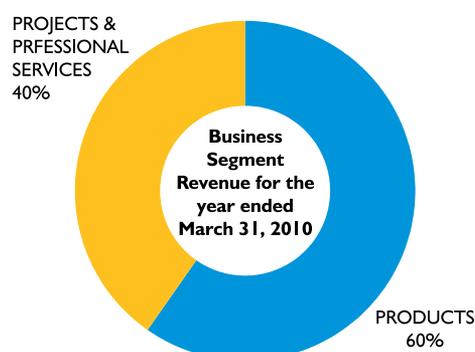
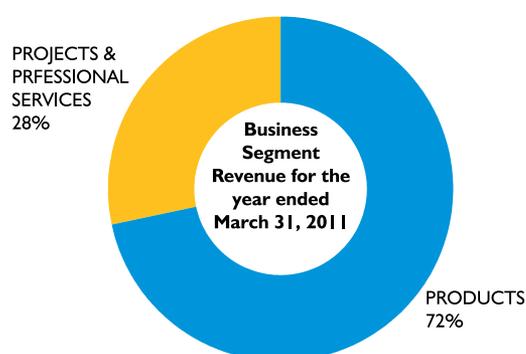
**SEGMENT INFORMATION, HISTORICAL PERSPECTIVE
AND RATIO ANALYSIS**



Consolidated Segment Information of Nucleus Software Group

(₹ in crore)

REVENUE BY	For the Year Ended March 31,			
	2011	% of Revenue	2010	% of Revenue
GEOGRAPHICAL SEGMENTS				
India	40.87	15.11	36.80	12.61
Far East	97.76	36.14	124.39	42.63
South East Asia	55.17	20.40	61.12	20.95
Europe/ U.K.	31.14	11.51	16.91	5.80
USA & Canada	1.38	0.51	1.06	0.36
Middle East	30.35	11.22	37.91	12.99
Africa	6.06	2.24	6.82	2.34
Rest of the World	7.75	2.87	6.77	2.32
TOTAL	270.48	100.00	291.78	100.00
CURRENCY SEGMENT				
Indian Rupee	40.87	15.11	36.80	12.61
Japanese Yen	17.30	6.40	13.67	4.69
Singapore \$	24.30	8.98	41.41	14.19
US \$	174.18	64.40	191.74	65.71
Malaysian Ringitt	5.53	2.04	0.40	0.14
South Korean Won	3.20	1.18	3.12	1.07
United Arab Emirates Dirham	0.67	0.25	4.64	1.59
Euro	4.43	1.64	-	-
TOTAL	270.48	100.00	291.78	100.00
BUSINESS SEGMENT				
Products	193.57	71.57	173.95	59.62
Own	181.33	67.04	151.12	51.80
Traded	12.24	4.53	22.83	7.82
Projects & Professional Services	76.91	28.43	117.83	40.38
TOTAL	270.48	100.00	291.78	100.00



A Historical Perspective

(₹ in crore, except per share data)

Consolidated Performance

For the Year Ended March 31,	2011	2010	2009	2008	2007
Revenue from Operations	270.48	291.78	328.40	288.72	221.19
Operating Profit (EBITDA)	30.48	54.08	49.60	73.41	63.28
Depreciation	9.28	11.33	13.28	11.85	6.88
Provision for Taxation	0.83	5.51	2.60	2.72	2.19
Profit after Tax (PAT)	26.34	38.40	32.26	61.74	55.15
Return on Average Networth (%)	9.42	15.02	14.16	32.45	39.29
Return on Average Capital Employed (PBIT/Average Capital Employed) (%)	10.68	17.31	18.43	35.93	44.07
As at March 31,					
Share Capital	32.38	32.37	32.37	32.37	16.16
Reserves and Surplus	255.56	238.70	207.93	182.95	149.03
Gross Block	110.32	112.64	112.02	95.03	68.54
Net Current Assets	106.90	117.75	158.89	66.26	42.11
Market Capitalisation	277.03	446.38	164.60	615.14	1,546.38
Per Share data					
Earning Per Share	8.13	11.86	9.97	19.08	17.09*
Dividend Per Share	2.50	2.50	2.50	3.00	3.50
Book Value Per Share	88.92	83.74	74.24	66.52	51.18*

* Adjusted for the issue of Bonus Shares in the ratio of 1:1 in 2007

Note: While calculating the figures of group, intergroup transactions have been ignored.

A Historical Perspective

All figures in USD'000 except per share data

Consolidated Performance

For the Year Ended March 31,	2011	2010	2009	2008	2007
Revenue from Operations	58,736	61,080	72,287	72,361	50,558
Operating Profit (PBIDT)	6,619	11,321	10,918	18,398	14,464
Depreciation	2,015	2,372	2,923	2,970	1,573
Provision for Taxation	180	1,153	572	682	501
Profit after Tax (PAT)	5,720	8,039	7,101	15,474	12,606
Return on Average Networth (%)	9.42	15.02	14.16	32.45	39.29
Return on Average Capital Employed (PBIT/Average Capital Employed) (%)	10.68	17.31	18.44	35.93	44.07
As at March 31,					
Share Capital	7,247	7,179	6,380	8,113	3,694
Reserves and Surplus	57,198	52,939	40,980	45,852	34,064
Gross Block	24,691	24,981	22,077	23,817	15,666
Net Current Assets	23,926	26,114	31,315	16,607	9,625
Market Capitalisation	62,004	98,998	32,440	154,169	353,458
Per Share data					
Earning Per Share	0.18	0.25	0.22	0.48	0.39*
Dividend Per Share	0.05	0.05	0.06	0.08	0.08
Book Value Per Share	1.93	1.75	1.63	1.67	1.17*

* Adjusted for the issue of Bonus Shares in the ratio of 1:1 in 2007

Note:

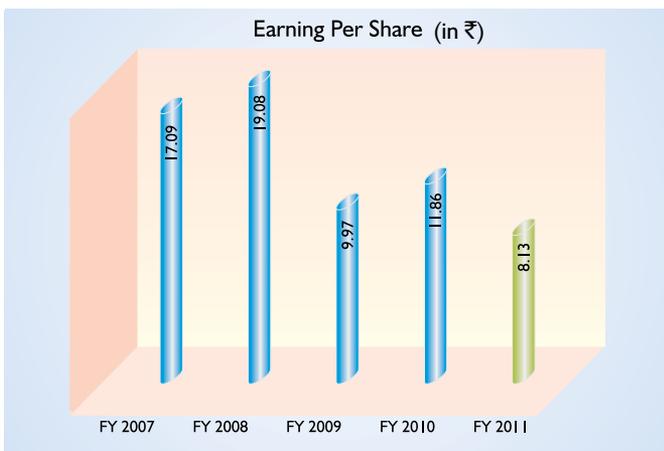
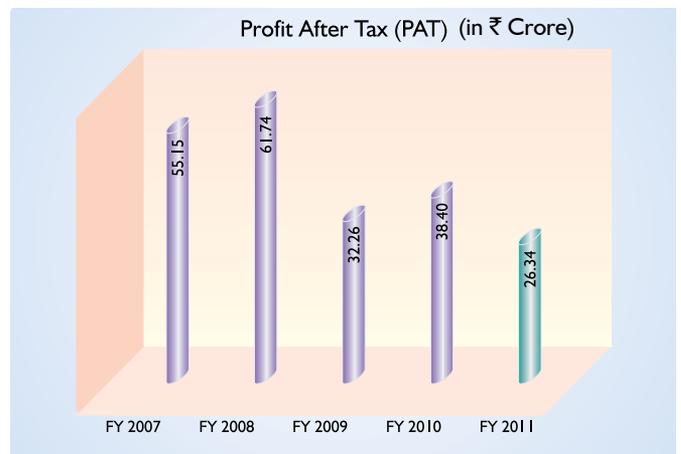
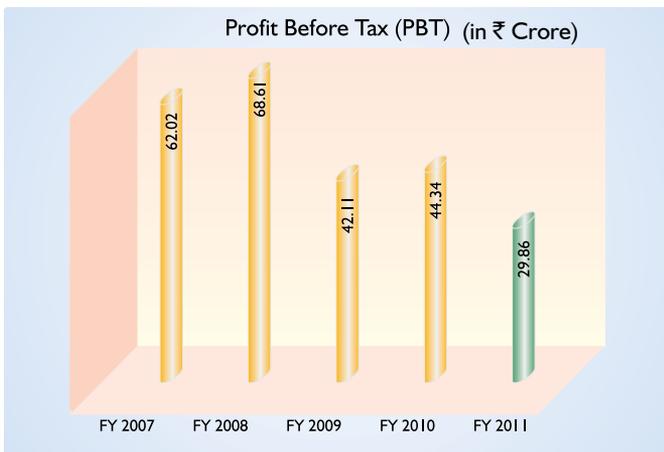
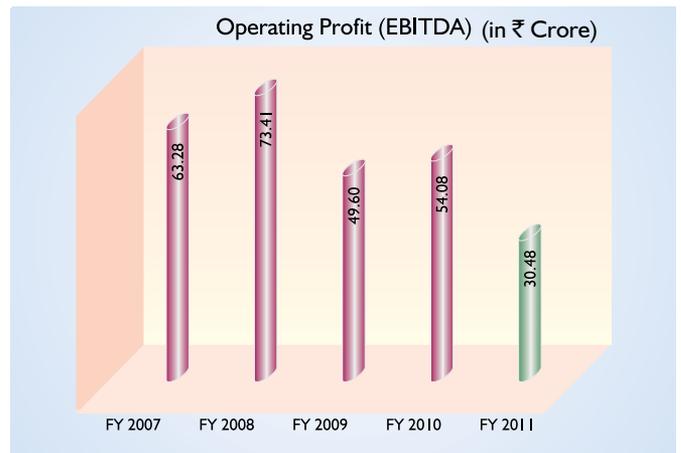
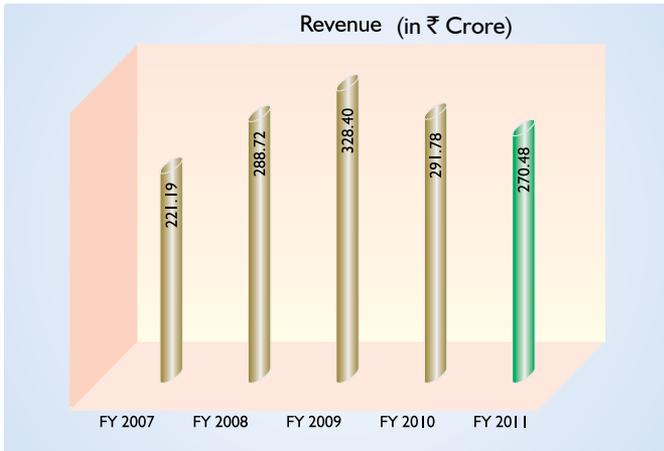
- While calculating the figures of group, intergroup transactions have been ignored.
- For the Year Ended March 31, 2011 the revenue and expenditure items have been translated at an average rate of Rs.46.05/ US\$ against Rs.47.77 / US\$ for March 31, 2010 and Balance Sheet items at year end rate of Rs.44.68/ US\$ against Rs.45.09 / US\$ for March 31, 2010.

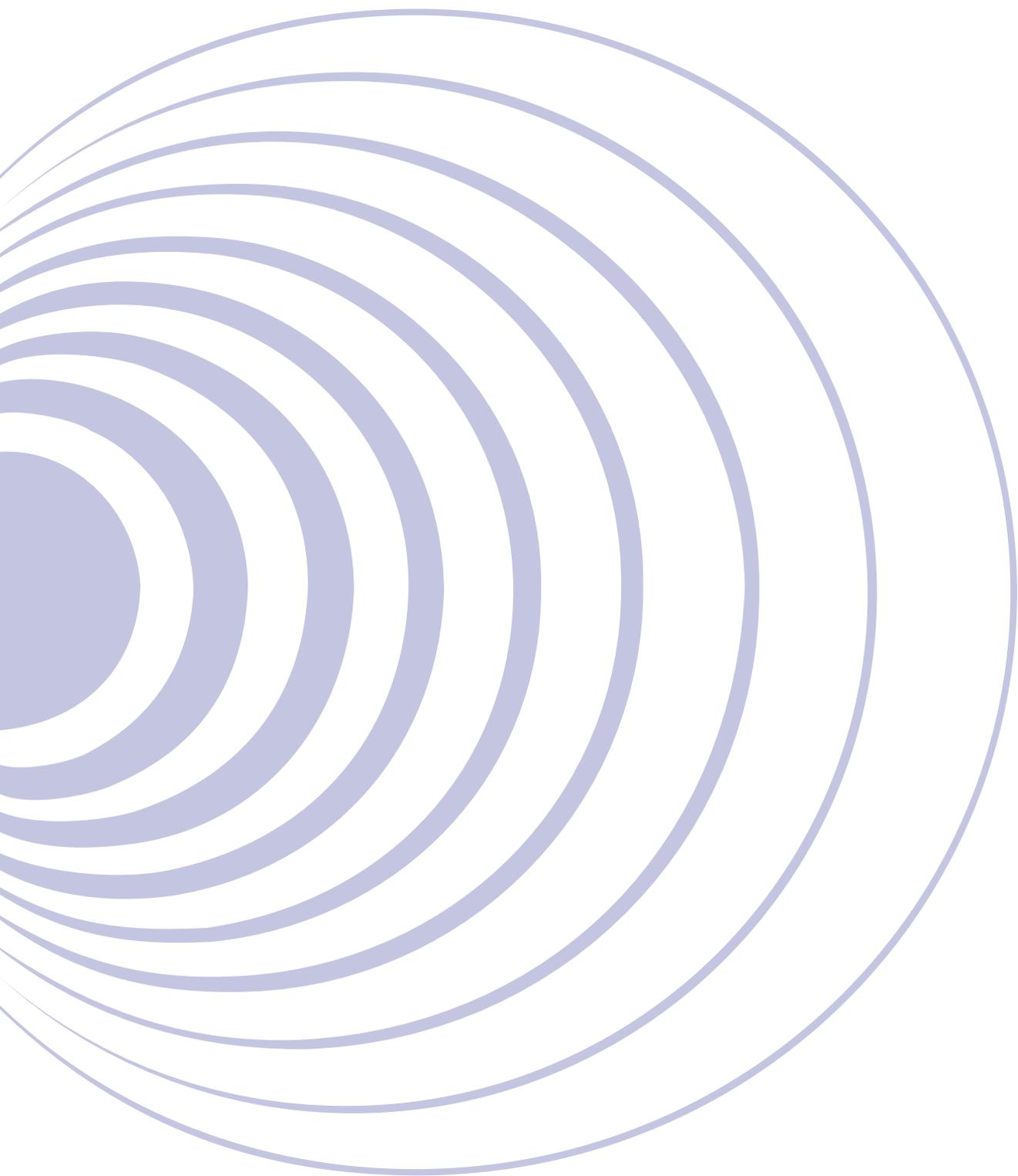
Ratio Analysis

Consolidated Performance

For the Year Ended March 31,	2011	2010	2009	2008	2007
Ratios- Financial Performance					
Export Revenue/ Revenue (%)	84.89	87.39	88.81	88.88	89.10
Domestic Revenue/ Revenue (%)	15.11	12.61	11.19	11.12	10.90
Gross Profit/ Revenue (%)	32.19	32.77	32.24	39.56	43.44
Software Development Expenses/ Revenue (%)	67.81	67.23	67.77	60.44	56.56
Selling and Marketing Expenses/ Revenue (%)	11.17	7.77	8.46	7.15	8.11
General and Administrative Expenses/ Revenue (%)	9.76	6.47	8.66	6.98	6.72
Total Operating Expenses/ Revenue (%)	88.73	81.47	84.90	74.57	71.39
Operating Profit/ Revenue (%)	11.27	18.53	15.11	25.43	28.61
Depreciation/ Revenue (%)	3.43	3.88	4.04	4.10	3.11
Other Income/ Revenue (%)	3.20	0.54	1.76	2.44	2.54
Tax/ Revenue (%)	1.30	2.04	3.00	2.38	3.11
Tax/ PBT (%)	11.79	13.40	23.39	10.01	11.09
PAT from Ordinary Activities/ Revenue(%)	6.26	9.86	5.65	18.87	22.39
PAT from Ordinary Activities/Net Worth(%)	5.88	10.62	7.72	25.31	29.98
ROCE(PBIT/Capital Employed) (%)	10.68	17.31	18.43	35.93	44.07
ROANW (PAT/Average Net Worth) (%)	9.42	15.02	14.16	32.45	39.29
Ratios Balance Sheet					
Debt-Equity Ratio	-	-	-	-	-
Debtors Turnover (Days)	44	72	84	79	83
Asset Turnover Ratio	0.94	1.07	1.36	1.34	1.33
Current Ratio	2.77	2.76	3.00	2.77	1.62
Cash and Equivalents/Total Assets (%)	65.06	59.81	50.66	43.53	49.28
Cash and Equivalents/ Revenue (%)	69.32	55.66	37.20	32.60	37.02
Depreciation/Average Gross Block(%)	8.32	10.09	12.82	14.49	11.59
Technology Investment/ Revenue (%)	-	0.18	2.13	3.08	3.02
Ratios - Growth					
Growth in Export Revenue (%)	(9.95)	(12.58)	13.66	30.01	47.89
Growth in Revenue (%)	(7.30)	(11.15)	13.74	30.53	49.40
Operating Expenses Growth (%)	0.96	(14.74)	29.49	36.34	53.42
Operating Profit Growth (%)	(43.64)	9.01	(32.43)	16.02	40.22
PAT Growth (%)	(31.41)	19.03	(47.76)	11.95	48.71
EPS Growth (%)	(31.45)	18.96	(47.75)	11.66	48.41
Per- Share Data (Period End)*					
Earning Per Share from Ordinary Activities (Rs.)	5.23	8.89	5.73	16.90	15.35
Earning Per Share (Including Other Income) (Rs.)	8.13	11.86	9.97	19.08	17.09
Cash Earning Per Share from Ordinary Activities (Rs.)	8.10	12.39	9.83	20.56	17.48
Cash Earning Per Share (Including Other Income)(Rs.)	11.00	15.36	14.07	22.74	19.22
Book Value (Rs.)	88.92	83.74	74.24	66.52	51.18
Price/Earning	10.52	11.62	5.05	9.96	28.00
Price/ Cash Earning	7.78	8.98	3.58	8.36	24.90
Price/Book Value	0.96	1.65	0.68	2.86	9.35

* Adjusted for the issue of Bonus Shares in ratio 1:1 in 2007





FinnOneTM

Customer Acquisition System
Loan Management System
Collections

CASH@WillTM

Payments/Collection
Liquidity Management

BankOneTM

Internet Banking



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