



**NUCLEUS
SOFTWARE**

Banking Technology **SIMPLIFIED**



ANNUAL REPORT 2011 - 12

Nucleus Software Awarded **Gold Shield** for **Excellence in Financial Reporting, 2011** for the Fourth Consecutive Year by Institute of Chartered Accountants of India (ICAI)



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 06, 2012 at Chennai, by Dr. M Veerappa Moily, Hon'ble Union Minister of Corporate Affairs, on January 06, 2012.

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Annual Report 2012 cover page theme

Nucleus Software, with its comprehensive array of solutions and services, provides its customers with opportunities to simplify, streamline and integrate their processes. Thereby optimizing each transaction flow resulting in cost reduction and quicker turnaround time. In brief, we at Nucleus are engaged in making Banking Technology Simplified.

Cautionary statement regarding forward-looking statements

Certain statements in this Annual Report are based on assumptions and expectations of future events and may be considered as forward-looking statements. Such statements must be reviewed in conjunction with the risks that the Company faces. Although the Management has considered future risks as part of the discussions, future uncertainties are not limited to the Management perceptions.



Janki Ballabh

Chairman's Message

Dear Shareholders,

At the onset of each new fiscal, I get this opportunity to re-connect with you and to share with you some of the challenges as well as the achievements during the year gone by and my thoughts on the current year, and beyond.

The Global Information Technology (IT) Industry Scenario

The global economy has been witnessing extraordinary instability. Governments and corporations across the globe are doing everything possible to reverse the trends and bring about new measures to infuse sustainable growth. In specific, the Euro Zone is passing through an unprecedented crisis and the US economy, though showing some improvement in recent times, still remains sluggish. This global uncertainty, rapidly changing business cycles and a flood of cutting edge technologies are now placing huge challenges on corporations to adapt, and do so quickly. A new progression is for the IT and business to converge; while IT was perceived as a support role earlier, corporations are now viewing it as a competitive differentiator, and almost a pre-requisite for the next leap ahead. This has opened up great opportunities for innovative and forward-looking companies like Nucleus to be even more agile, collaborative, and relevant.

Your Company fully recognizes more than ever before that the impact of IT on each one of us has become more far reaching as its transformational effect spreads to several sectors of the economy and society via innovations, the emergence of new industries, and the advent of the age of hyper-connectivity. We believe that in this new era, IT will be closely linked to continued economic growth worldwide. The importance of IT goes beyond its role as a driver of future economic growth as smart devices and cloud services are destined to become a greater part of our daily lives. By strategically integrating technology as part of overall economic growth plans, companies would do good to capitalize on the hyper connected global economy and increase their global competitiveness.

More importantly, IT will significantly reduce geographic limitations, allowing people around the globe to communicate and share information and ideas freely, in the emerging integrated and interwoven world. Technological innovations will propel global economic growth and that is where companies like Nucleus, who have chosen to develop products, will create a growth trajectory not only for themselves but for all their customers and other stakeholders.

The Year in Retrospect

We started off with a clear target of strengthening the Nucleus Management team with induction of high-caliber talent from the industry, in order to prepare the Company for future growth. We were able to achieve success with the technology functions, both Delivery and Development, though global positions in Sales and Marketing and HR remained open which we are now hoping to close in the first half of the current year. We achieved growth in both topline and operating margin in rupee terms with favorable exchange rate movement, while the Dollar revenues remained nearly flat. Challenges in the form of product development and time-to-market still remain; and these will be in focus in the current year.

I am pleased to inform you that our ongoing investments in differentiating our offerings and pursuing innovation to provide best solutions to the industry helped us maintain our Number One position in the Lending Solutions space. Your Company's flagship product FinnOne™ was recognized for the fourth consecutive year in 2011 as the best-selling lending solution in the global banking industry by IBS Publishing. The recognition reinforces FinnOne™'s global leadership in the banking and financial services industry.

On another front, it is a matter of great pride that in recognition of the transparency, compliance with accounting and secretarial standards, and investor-friendly disclosures, your Company won the Gold Shield for the fourth year in a row for Excellence in Financial Reporting from The Institute of Chartered Accountants of India.

It is also a matter of delight that Gartner, the Information Technology Research Company included Nucleus as a sample vendor for Packaged Retail Loan Origination Applications in one of its report released during the year. Gartner also evaluated FinnOne™ in an analysis focused on packaged commercial loan origination applications. Our high standards of quality and service and novel determination is reflected in our products; which continue to make banking easy and approachable for all across the globe.

Looking Ahead

Global trends are likely to expand the addressable market for technology and business services three-folds, from the current USD 500 billion to approximately USD 1.5 trillion by 2020. Today's core markets are expected to grow by more than one and a half times, contributing 20 percent of the incremental growth. The remaining 80 percent is likely to come from new verticals, customer segments and geographies. *(Source : Nasscom Perspective 2020 : Transform Business, Transform India).*

The changed landscape will unravel huge opportunities for technology companies. It therefore becomes imperative for your Company how best it is able to use this opportunity. With a more focused strategy for growth, your Company will continue to work with concerted efforts for obtaining enhanced global market share. This should lead to both topline and bottomline growth, with better realizations.

We do recognize that the next few years would be very challenging, especially with an acceleration of competitive dynamics. We are gearing up to meet these challenges by following a structured approach:

- Diversify across geographies, customers
- Make software solutions suit customer needs
- Achieve operational excellence
- Strategic investments and alliances

As we work to serve our customers better by building products based on mature and superior technology, we, as ever, will continue to keep paramount in our minds the importance of advancing our outstanding reputation through integrity and ethical business conduct.

Acknowledgments

I wish to express my sincere thanks to the various officials of the Central and State Governments, our bankers and financial institutions for their on-going support and assistance to the Company. I would also like to thank all our customers, dealers and vendors who we have been increasingly regarding as a part of the Nucleus Family.

Above all, our team at Nucleus is and shall remain our core strength. The Nucleites, with their competence and dedication, continue to navigate through highly challenging situations to provide our customers with analytical, flexible and tailor-made solutions.

I would also like to thank my fellow Board members, business associates and shareholders for supporting the Company through the year, as in the past.

Janki Ballabh

Chairman

April 29, 2012



CEO'S Message

Dear Shareholders,

It is my pleasure to present a brief report on the performance of your Company for the financial year 2011-12.

We continued to receive a good response from banks across the globe towards our lending solutions, which helped us maintain our Number One position in this space. Your Company's flagship product FinnOne™ was recognized **World's No. 1 Selling Lending Software Product for the fourth consecutive year in 2011** by IBS Publishing, UK. FinnOne™ emerged a winner with 14 global sales for year 2011 and has also been ranked fourth in global sales across all banking products. The recognition reinforces FinnOne™'s global leadership in the banking and financial industry. We are grateful to our customers for this honour and reposing trust in us which always makes us work harder to reach newer heights of success. Developing 'Made in India' software products is our dream which we have been pursuing and it makes me happy to report that our products continue to get global recognition.

Annual Report and Accounts of your Company for the year ended March 31, 2011, were adjudged as the BEST under the relevant Category XI of the 'ICAI Awards for Excellence in Financial Reporting' for the fourth consecutive year. A GOLD shield was presented to the Company. Our Annual Report and Corporate Governance Disclosures are not only recognized in India but are also getting international recognition; the Annual Report for the year 2011 also won the Platinum award under Technology-Software category and ranked fourth worldwide in the Top 100 Annual Reports in the Vision Awards by the League of American Communications Professionals (LACP), USA. South Asian Federation of Accountants (SAFA) adjudged Nucleus' Annual Report as the recipient of 'Certificate of Merit' for the Best Presented Accounts and Corporate Governance Disclosures Award 2010 in the category 'Communication & Information Technology' for 2010 Annual Report. Practicing Best principles of Corporate Governance is a way of life at Nucleus, and I am proud to share that your Company was **ranked amongst the Top 5 Companies** for Best Corporate Governance Practices in India by IR Global Rankings 2011.



These awards reinforce 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.

The year gone by was relatively a tougher one for banking solutions market, as banks continued to work with limited budgets and defer decision-making on implementation of new solutions. We are glad to have delivered a better financial performance for the financial year by registering a growth in revenue of 4 percent over the previous year, leading to consolidated revenues of ₹ 282 crore. We continued with our disciplined approach and focus on managing costs.

Consolidated net profit for the year is at ₹ 35.34 crore, higher by 34 percent over the previous year. Earnings per share for the year improved to ₹ 10.91 per share against ₹ 8.13 previous year. Your Company has been regularly paying dividend since 2000-01 and the Board of Directors have recommended a dividend for the twelfth consecutive year; of 25% (₹ 2.50 per equity share of ₹ 10 each), subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Our Product business revenue for the year registered a growth of 6 percent over the previous year, to ₹ 204.99 crore, which is 73 percent of the total revenue for the year. This Product revenue includes ₹197.35 crore of product revenue from own business, which registered a growth of 9 percent over the previous year. Revenue from projects and services is at ₹ 77.26 crore, which is 27 percent of the total revenue for the year. Revenue from this line of business has remained more or less static with respect to the previous year.

We are conscious of the need of overall revenue growth, which would enable us to sustain ourselves in this era of intense competition. The global economy was almost shaken with various events; crisis in Eurozone, slow recovery in the United States, political instability in the Middle East and subsequent rise in crude oil prices. Back home, amidst the given global scenario, the Indian economy retains enough resilience to be

a “leading engine of economic growth”. We believe that opportunities outnumber the threats, and it is for Management to lead and pursue aggressively. Banks and financial services corporates across all markets have been looking at better quality of loan portfolios, and technology could be the only Best solution to conduct profitable business anymore.

Operating cash flow for the year after working capital changes is ₹ 13.63 crore against ₹ 31.74 crore in the previous year. The Company continues to enjoy a high level of liquidity with ‘Cash and Bank balances’ and ‘Current Investments’ at ₹ 196.32 crore as on March 31, 2012 against ₹ 187.51 crore as on March 31, 2011. 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.

With risk appetite varying and the Dollar fluctuating inversely with higher risk appetite, most of the global currencies remained under pressure against the US Dollar. After a rather eventful year the Rupee ended the year on historically the lowest year ending level of 50.88, weakened by 14 percent against 44.68 on March 31, 2011. 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. At the year end, the Company had US\$ 12.00 million of hedges compared to US\$ 13.75 million at the beginning of the year.

Coming to marketing and sales, we won 22 product orders for implementing 58 product modules from all over the world, including Americas, Africa, Mediterranean region, Europe, Australia and the Middle East. With these orders, your Company added 13 new customers during the year. During the year under focus, besides other events, your Company participated in SIBOS, the world’s largest banking technology event, held in Toronto, Canada. Your Company also attended other global BFSI events like the 2nd Annual Islamic

Banking Conference at Malaysia, the 8th Annual CEE Retail Banking event at Budapest, IEA 14th Annual Conference etc.

Your Company operates in a space where Excellence matters, and technology advances take place at a lightning pace creating tremendous potential for improvement. We are looking ahead with great enthusiasm while working on FinnOne™ Pro Gold and FinnOne™ Transaction Banking System. The focus of product development is to build products on latest architecture & technology stack. They will have advanced feature & functionalities to support growing need of business. At Nucleus our strategy is to ultimately touch and improve lives of more and more people across the world by equipping Banks with superior technology products for managing lending operations. I am quite confident that with these new products, we will be able to do that.

Key focus of our new technology initiatives during the year was adoption of AGILE; a framework used for development of software applications in an iterative, incremental manner. With an objective to increase adherence to secure practices; your Company also took the initiative for obtaining ISO 27001-Information Security Standard compliance certification.

Critical functions of the organisation were strengthened with the hiring and realignment of senior members in Global Delivery, Product Development and Management. Total manpower numbers stood at 1,656 at the end of the year.


We continue to work towards concentrating on the long term, and to place bets on technology we believe will surely have a significant impact over time. Today the opportunities are greater than ever before and we continue to motivate and get encouraged by the relentless hard work of our Nucleites, our business associates, our shareholders, our customers all over the world, and all those who unite with us in realising our dream of making **Banking Technology Simplified.**

I am very excited about how we are going to accomplish this in the current year and beyond, I do hope that you will continue to provide us your support as always.

Vishnu R Dusad
Chief Executive Officer & Managing Director
April 29, 2012



Redefining Technology



*A*s we invest in intensive technology research and development, our aim is to identify the core concerns of our prospects and clients and create new products and enhancements to lead the industry into the new technology era.

Our products have been developed on established standards and technologies which are matured and widely accepted. Nucleus is committed to adapting emerging technologies that offer our client strategic business advantages. Along with functional enrichment, we are equally focused towards technology advancements by aligning our products on robust and flexible Service Oriented & Business Processes Driven Architecture.

Service Oriented Architecture (SOA) endows a business centric approach that enables our products to seamlessly integrate with the entire Enterprise Eco System. Our products provide business services and processes which can be configured in an enterprise business process thereby facilitating our clients to have business agility.

Service Orientation will help in moving our products on Cloud platforms as SaaS (Software as a Service). This enables Nucleus to offer subscription based business model for clients. Our solutions are designed on multi-layered approach that provides decoupling amongst different aspects of system i.e. Presentation Layer/ Channel Layer, Business Logic Layer and Database Layer. Our product's presentation layer is available on various hand-held devices like iPad, etc. to provide several cross-touch points for users to complete various business operations.

We, at Nucleus, believe technology is advancing at a very fast pace, and to continue as market leaders, it is imperative for us to stay ahead of our competition by conceptualizing innovative strategies.



Believing In Innovation

Nucleus continues to be as committed to innovation as it was when it started. Our customized and unique range of products and solutions help the banking and finance industry overcome key technological challenges pertaining to process automation and management. Our internationally proven product solutions assist effective introduction of quick-to-market products and schemes addressing this cut throat environment. Nucleus Software has been investing aggressively in creation of world-class Intellectual Property in India through research and development to ride the growth wave and meet the dynamic requirements of the banking sector.

Despite economic pressures, we won 22 new orders for implementations in FY 2012. This reiterates the confidence of our customers in our world class products. 13 new customers have been brought onboard this year and we hope to deliver the best and live up to their expectations.

Our lending and transaction banking solutions have marked its presence across the globe. We are proud to pronounce that our flagship product, FinnOne™, for the fourth consecutive year, has been ranked as the Number One selling lending software product by IBS Publishing, UK.

Our educational program, Nucleus School of Business Technology, continues to offer the NSBT Certified Software Professional program for engineering students and the NSBT Certified Business Analyst program for MBA students. This year, NSBT has introduced induction programs for our flagship product, FinnOne™, for functional as well as technical knowledge. NSBT is also actively involved in conducting mentorship programs, internship projects and organizing industrial visits to allow the students to experience real time working environment.

2012 saw a transition in the organization with process re-evaluations in different functions, establishment of new product boards etc. These strategic changes are a stepping stone towards our organizational growth and progress.



Strengthening Relationships

Strong and lasting relationships are the foundation for every successful organization. Nucleus' values share the same outlook as we focus on strengthening our associations with all our clients, partners and employees across the globe.

Our clients are our top most priority and we work closely with each and every customer to evaluate their requirements and expectations and deliver continuous support. We have a dedicated team who travel across multiple geographies to meet our clients and understand the 'Voice' of the Customer, in other words, to capture feedback and satisfaction level of the customers and identify their concerns. These are then highlighted to the Management to ensure that appropriate actions are taken to resolve these concerns. We aim to raise the Customer Satisfaction Index thereby taking our existing relationships to the next level.

Our organizational backbone is our extremely talented team of professionals who help us through the entire product lifecycle from sales to post implementation support. With employee strength of over 1650, it is essential for us to keep our employees encouraged and enthusiastic. Nucleus advocates several employee engagement programs, employee benefit schemes, product and service trainings to enhance their all round development.

We also have an established channel partner network with partners at strategic locations across the globe. With their support we have been able to expand our global footprint and create a renowned brand in the foreign markets.

We have received several recognitions from prestigious Technology research firms like Celent, Forrester, Gartner etc which is a testimony to our commitment to create world class products.



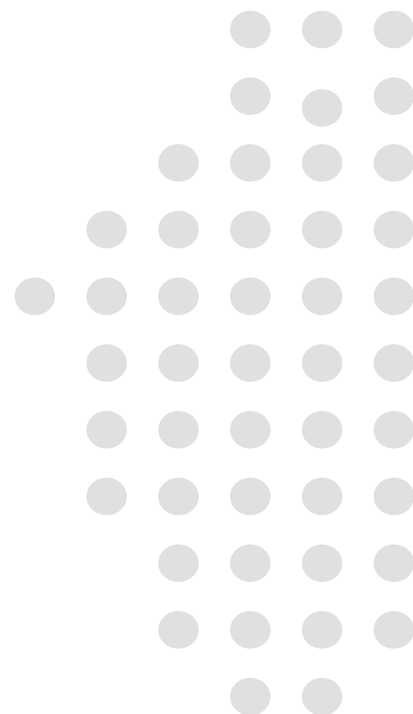
Unveiling Opportunities

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ith the start of the financial year 2012-13, Nucleus aspires to move into newer geographies and strengthen its position in the existing markets. We remain true to our mission of creating world class products for our valued customers. With a team of highly experienced professionals, the focus is on innovation; to create unique and customized solutions to meet today's dynamic industry requirements by creating a cutting edge technology platform for each of our customers to assist them in providing the best services to their clients.

Our marketing strategy is to increase our brand visibility and presence across the world by continuing to participate in premier industry events, and augmenting our presence on the World Wide Web to affirm Nucleus as a trusted brand, which all financial institutions can bank upon. Nucleus' solutions continue to encompass business critical processes and we stay ahead of competition by generating differentiating value for our clients, partners and employees. Our customer-focused solutions combined with the right balance of quality, reliability, delivery and price, empower our customers to bring in efficiency and transparency in their processes.

We are constantly investing in developing, implementing and expanding market-leading solutions and partnerships as we continue to create comprehensive yet simplified and user-friendly technology. As the economy recovers, Nucleus is paving the way for a simpler future.





Celebrating Success

*I*t is indeed an honor to be recognized by industry experts for our products and solutions. These accolades give us confidence to actualize effective new age solutions which will add value for our stakeholders.

- Nucleus Software's **FinnOne™** ranked once again for the fourth consecutive year as the '**World's No 1 Selling Lending Software Product**' (for year 2011) by IBS Publishing, UK. | 2012.
- Annual Report and Accounts of Nucleus Software for year ended March 31, 2011 adjudged as the **BEST** under the **Category XI** – Service Sector (other than financial services sector, transport services, Turn over less than ₹ 500 crore) of the '**ICAI Awards for Excellence in Financial Reporting**'. Nucleus Software won **GOLD SHIELD** for the **fourth** consecutive year. |2012
- Annual Report of the Company for the year ended March 31, 2011 won the **Platinum Award** under Technology-Software category and ranked fourth worldwide in the Top 100 Annual Reports in the Vision Awards by the **League of American Communications Professionals (LACP), USA.** | 2012
- **South Asian Federation of Accountants (SAFA)** adjudged Nucleus' Annual Report as the recipient of 'Certificate of Merit' for the Best Presented Accounts and Corporate Governance Disclosures Award 2010 in the category '**Communication & Information Technology**'. | 2011
- Nucleus Software **ranked amongst the Top 5 Companies** for **Best Corporate Governance Practices** in India by **IR Global Rankings.** | 2011



Left to right: **Mr. Arun Shekar Aran**, *Non-executive, Independent Director*, **Mr. Sanjiv Sarin**, *Non-executive, Independent Director*, **Mr. Janki Ballabh**, *Chairman, Non-executive, Independent Director*, **Mr. Prithvi Haldea**, *Non-executive, Independent Director* and **Mr. Vishnu R Dusad**, *CEO and Managing Director*.

Board of Directors

Board of Directors

Janki Ballabh

Chairman,

Non-executive, Independent Director

Vishnu R Dusad

CEO & Managing Director

Arun Shekhar Aran

Non-executive, Independent Director

Prithvi Haldea

Non-executive, Independent Director

Sanjiv Sarin

Non-executive, Independent Director

Company Secretary

Poonam Bhasin

Auditors

Deloitte Haskins & Sells

Chartered Accountants

Bankers

Citibank

HDFC Bank

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

Corporate Governance Committee

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

Nomination Committee

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

Remuneration Committee

- Janki Ballabh
- Prithvi Haldea
- Sanjiv Sarin

Review Committee

- Vishnu R Dusad
- Sanjiv Sarin

Share Transfer and Shareholder's Grievance Committee

- Vishnu R Dusad
- Sanjiv Sarin

Offices

Registered Office

Nucleus Software Exports Ltd.

33-35 Thyagraj Nagar Mkt, New Delhi - 110003, India

Ph: +91 - 11 - 24627552 Fax: +91 - 24620872

Corporate Office

Nucleus Software Exports Ltd.

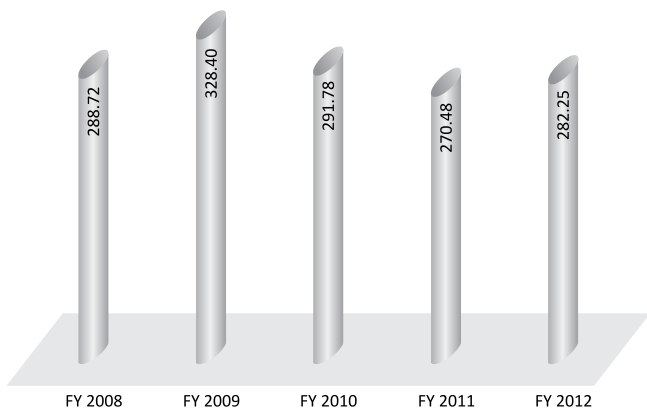
A-39, Sector 62, Noida - 201307, India

Ph: +91 - 120 - 4031400 Fax: +91 - 120 - 4031672

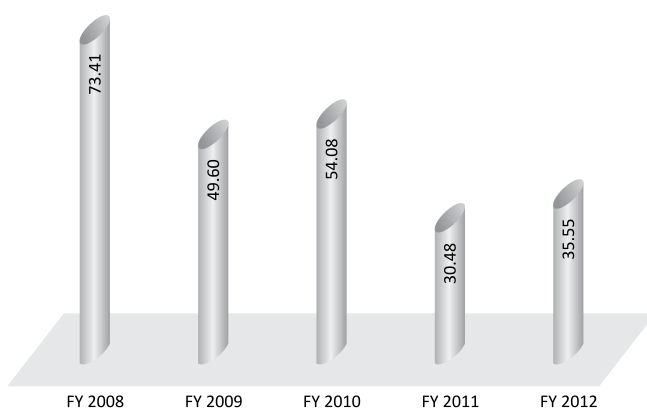
Email: investorrelations@nucleussoftware.com

Graphical Representation

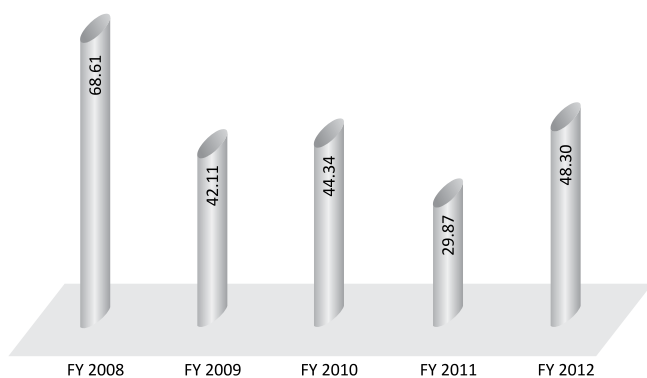
Revenue (in ₹ Crore)



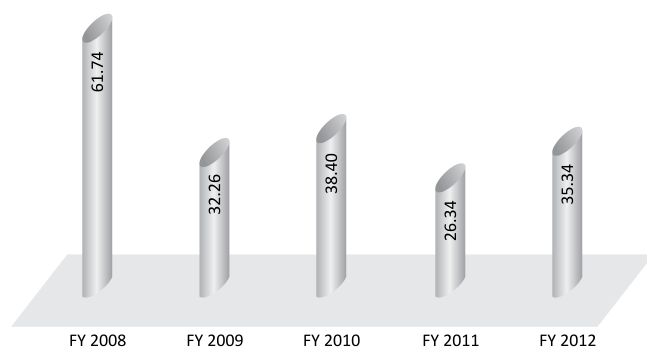
Operating Profit (EBITDA) (in ₹ Crore)



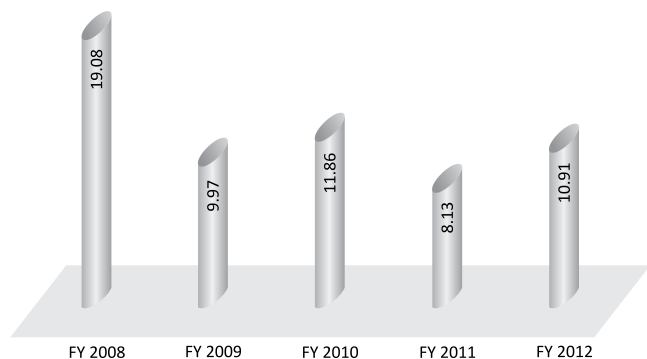
Profit Before Tax (PBT) (in ₹ Crore)



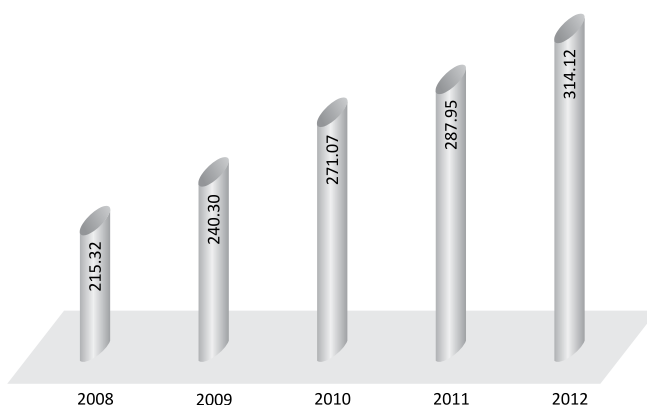
Profit After Tax (PAT) (in ₹ Crore)



Earning Per Share (in ₹)



Net Worth (in ₹ Crore)



Year at a Glance

(₹ in crore, except per share data)

Consolidated Performance

For the Year Ended March 31,	2012	2011
Revenue from Operations	282.25	270.48
Operating Profit (EBIDTA)	35.55	30.48
Profit After Tax (PAT)	35.34	26.34
EBITDA as a % of Revenue from Operations	13%	11%
PAT as a % of Revenue from Operations	13%	10%
EPS	10.91	8.13
Dividend Per Share	2.50	2.50
Dividend Payout	8.10	8.10

As at March 31,	2012	2011
Share Capital	32.38	32.38
Reserves and Surplus	281.74	255.57
Net Worth	314.12	287.95
Total Assets	409.09	364.49
Net Fixed Assets	48.91	47.08
Investments	104.38	126.02
Current Assets	333.05	285.06
Cash and Cash Equivalents	196.32	187.51
Working Capital	249.38	218.33
Market Capitalisation	200.29	277.03
No. of Shareholders	17,953	19,123
No. of Shares (Face Value of ₹ 10.00)	32,383,454	32,382,524

Notes:

1. Market Capitalisation is calculated by considering the closing market price of the scrip at the close of the year which is ₹ 61.85 at March 31, 2012 and ₹ 85.55 at March 31, 2011.
2. While calculating the figures of group, intergroup transactions have been ignored.
3. Previous year figures have been regrouped/ reclassified wherever necessary.
4. The above financial results for FY 2012 and FY 2011 have been prepared on the basis of Revised Schedule VI notified by Ministry of Corporate Affairs on February 28, 2011.

Year at a Glance

(US \$'000 except per share data)

Consolidated Performance

For the Year Ended March 31,	2012	2011
Revenue from Operations	58,999	58,736
Operating Profit (EBIDTA)	7,431	6,619
Profit After Tax (PAT)	7,387	5,720
EBITDA as a % of Revenue from Operations	13%	11%
PAT as a % of Revenue from Operations	13%	10%
EPS	0.23	0.18
Dividend Per Share	0.05	0.05
Dividend Payout	1,692	1,758
US \$ / ₹ Exchange Rate *	47.84	46.05
As at March 31,	2012	2011
Share Capital	6,364	7,247
Reserves and Surplus	55,373	57,200
Net Worth	61,737	64,447
Total Assets	80,403	81,578
Net Fixed Assets	9,613	10,537
Investments	20,515	28,205
Current Assets	65,458	63,800
Cash and Cash Equivalents	38,585	41,967
Working Capital	49,013	48,865
Market Capitalisation	39,365	62,004
US \$ / ₹ Exchange Rate #	50.88	44.68

Notes:

1. Market Capitalisation is calculated by considering the closing market price of the scrip at the close of the year which is ₹ 61.85 at March 31, 2012 and ₹ 85.55 at March 31, 2011.
2. While calculating the figures of group, intergroup transactions have been ignored.
3. Previous year figures have been regrouped/ reclassified wherever necessary.
4. The above financial results for FY 2012 and FY 2011 have been prepared on the basis of Revised Schedule VI notified by Ministry of Corporate Affairs on February 28, 2011.
5. * The Revenue and expenditure items have been translated at an average US \$ / ₹ rate, mentioned here for the respective years.
6. # The Balance Sheet items have been translated at year end US \$ / ₹ rate, mentioned here for the respective years.

DIRECTORS' REPORT



Directors' Report

Dear Members,

We have pleasure in presenting your Company's Twenty Third Annual Report, together with the Audited Statement of Accounts, for the year ended March 31, 2012.

I. RESULTS OF OPERATIONS - Financial Results

The financial statements of the Company are prepared in compliance with the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India and mandatory accounting standards issued by the Institute of Chartered Accountants of India ("ICAI"). The Company has six wholly-owned subsidiary companies across the world. 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 ₹ 282.25 crore, just 4% higher than ₹ 270.48 crore in the previous year. Overall operational expenses for the year remained under control at ₹ 246.70 crore, with a marginal increase of 3% over ₹ 240.00 crore in the previous year. Operating Profit (EBITDA) at ₹ 35.55 crore, 13% of revenue, is higher by ₹ 5.07 crore over ₹ 30.48 crore, 11% of revenue, in the previous year.

Profit after Tax for the year is at ₹ 35.34 crore, 13% of revenue, higher by 34% over ₹ 26.34 crore, 10% of revenue, in the previous year.

(₹ in crore)

For the Year Ended March 31,	2012	% of Revenue	2011	% of Revenue
Income from Operations	282.25	100.00	270.48	100.00
Expenses				
a) Employee benefit expense	157.08	55.65	150.74	55.73
b) Travel expenditure	19.54	6.92	17.72	6.55
c) Finance costs (Bank charges)	0.33	0.12	0.31	0.11
d) Other expenses	69.75	24.71	71.23	26.33
Total Expenses	246.70	87.40	240.00	88.73
Operating Profit (EBITDA)	35.55	12.60	30.48	11.27
Depreciation	7.45	2.64	9.28	3.43
Operating Profit after Interest and Depreciation	28.10	9.96	21.20	7.84
Other Income	16.87	5.98	9.40	3.48
Foreign Exchange Gain/ (Loss)	3.34	1.18	(0.74)	(0.27)
Profit Before Tax	48.31	17.12	29.86	11.04
Taxation				
– Withholding Taxes	0.92	0.33	2.69	0.99
– Current (Net of MAT credit entitlement)	11.45	4.06	2.90	1.07
– Other taxes	0.60	0.21	(2.07)	(0.77)
Profit After Tax	35.34	12.52	26.34	9.74

b. Standalone Operations

The total revenue from the standalone operations of your Company for the year is ₹ 204.85 crore, an increase of 3% over ₹ 199.55 crore in the previous year. Total operational expenses for the year are at ₹ 177.89 crore against ₹ 173.86 crore in the previous year, an increase of 2%. Operating Profit (EBITDA) is at ₹ 26.96 crore, 13% of revenue, against ₹ 25.69 crore, 13% of revenue, in the previous year.

Profit after Tax for the year is at ₹ 32.64 crore, 16% of revenue, against ₹ 45.76 crore, 23% of revenue, for the previous year. This is after considering dividend receipt of ₹ 3.60 crore from one of the subsidiaries of the Company (₹ 21.00 crore in the previous year).

A detailed analysis on the Company's performance, both consolidated and standalone, is included in the "Management's Discussion and Analysis Report", which forms part of this Annual Report.

Directors' Report

(₹ in crore)

For the Year Ended March 31,	2012	% of Revenue	2011	% of Revenue
Income from Operations	204.85	100.00	199.55	100.00
Expenses				
a) Employee benefit expense	115.52	56.39	106.06	53.15
c) Travel expenditure	16.74	8.17	15.66	7.85
b) Finance costs (Bank charges)	0.22	0.11	0.22	0.11
d) Other expenses	45.41	22.17	51.92	26.02
Total Expenses	177.89	86.84	173.86	87.13
Operating Profit (EBITDA)	26.96	13.16	25.69	12.87
Depreciation	6.10	2.98	8.10	4.06
Operating Profit after Interest and Depreciation	20.86	10.18	17.59	8.81
Other Income	19.48	9.51	29.61	14.84
Foreign Exchange Gain/ (Loss)	3.52	1.72	0.99	0.50
Profit Before Tax	43.86	21.41	48.19	24.15
Taxation				
– Withholding Taxes	0.89	0.43	1.33	0.67
– Current (Net of MAT credit entitlement)	9.58	4.68	3.10	1.55
– Other taxes	0.75	0.37	(2.00)	(1.00)
Profit after Tax	32.64	15.93	45.76	22.93
Dividend	8.10		8.10	
Tax on Dividend	0.73		(0.01)	
Transferred to General Reserve	3.26		4.58	
Profit Retained in Profit & Loss Account	20.55		33.09	
EPS (In ₹ for Equity Share of par value ₹ 10/- each)				
Basic	10.08		14.13	
Diluted	10.08		14.12	

2. DIVIDEND

The Dividend Policy of your Company mandates a dividend payout in the range of 15%-30% of the profits available for distribution, subject to:

- Provisions of The Companies Act, 1956 and other applicable laws and
- Cash flows

In accordance with the above Policy, we are pleased to state that your Company is recommending a dividend for the 12th consecutive year, this year of 25% (₹2.50 per equity share of ₹10 each), subject to the approval of the shareholders at the forthcoming Annual General Meeting. If approved, the total dividend payout will be ₹ 8.10 crore, being 25 % of standalone profits for the year against a payout of ₹ 8.10 crore, 18% of standalone profits in the previous year.

The Register of Members and Share Transfer Register shall remain closed during the period July 4- 11, 2012 (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 4, 2012, 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 July 03, 2012.

3. TRANSFER TO RESERVES

Your Company proposes to transfer ₹ 3.26 crore to the General Reserve out of the amount available for appropriation.

4. TRANSFER OF UNPAID AND UNCLAIMED AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

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

Dividend for the Year	Unpaid Dividend
2000-2001 – Interim Dividend	₹ 28,762
2000-2001 – Final Dividend	₹ 74,339
2001-2002 – 1st Interim Dividend	₹ 58,921
2001-2002 – 2nd Interim Dividend	₹ 50,979
2002-2003 – Final Dividend	₹ 50,142
2003-2004 - Final Dividend	₹ 131,363

5. SHARE CAPITAL

The paid-up share capital of the Company, as on March 31, 2012, is 32,383,454 equity shares of ₹ 10 each as against 32,382,524 equity shares of ₹ 10 each as on March 31, 2011. The increase in the paid-up share capital during the year is due to allotment of 930 shares on exercise of stock options under Employee Stock Option Plan 2005.



6. LISTING

Your Company is listed at National Stock Exchange of India Ltd. and the Bombay Stock Exchange Ltd. In absence of any trading activity, the Company applied for voluntary delisting of shares from Madras Stock Exchange Ltd. and was granted the same w.e.f. September, 2011.

7. LIQUIDITY AND CASH EQUIVALENTS

Your Company continues to retain its status of a debt-free Company and maintains sufficient cash and cash equivalents to meet its strategic initiatives. 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. The goal of cash management at Nucleus is to:

- Use cash to provide sufficient working capital to manage business operations of the Company to be able to add value to all our stakeholders and continuously enhance the same.
- Maintain sufficient cash as reserves that will aid the Company in capturing meaningful business opportunities.
- Invest surplus funds in low-risk bank deposits and debt mutual fund schemes with no mark-to-market exposure.

Cash and cash equivalents at a consolidated level constitute 48 % of the total assets at ₹ 196.32 crore, at the year end, against ₹ 187.51 crore, 51% of total assets at the close of the previous year.

An amount of ₹ 70.69 crore, as on March 31, 2012 was placed in bank fixed deposits (all in India) and ₹ 104.13 crore was invested 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.

8. 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.

The ongoing economic crisis in global markets has had a varied impact on the software products industry. Regulatory requirements on businesses, especially in matters of Corporate Governance, risk management, security and global accounting standards are only likely to intensify further. In this scenario, technology has a critical role to play. With its ever increasing relevance, it will enable companies, both traditional and modern, to further embrace Information Technology (IT) and achieve new levels of growth and success. In this process, technology will also evolve.

Our customers, banks and non-banking financial institutions, are becoming extremely alert to the need to increase efficiency

by using technologically superior products to reduce cost, earn better margins and, in turn, offer their customers value added services at lower costs. With aggressive pitching to this renewed focus, your Company was able to obtain orders from all over the world, including Americas, Africa, Mediterranean region, Europe, Australia and the Middle East during the year. With these orders, your Company also added 13 new customers.

We had mentioned in our Report for the previous year that in the coming year i.e FY 12, your Company was confident of reversing the downward trend of revenue growth and was gearing towards a higher revenue and profits in the ensuing years. We are pleased to state that we were able to fulfil our commitment and in fact were able to achieve growth, though marginal, over the previous year. This growth, in turn, led to an increase in margins and increased profits on a consolidated basis.

The future road-map of your Company will be based on how well the Company embraces emerging technologies, increases customer-centricity, deepens focus on new markets and adopts new and customer-centric business models. These growth strategies led by innovation and intellectual property are becoming more mainstream and we believe that your Company is now well poised for growth. This would be also achieved by laying a greater focus in the coming years on processes to improve productivity.

9. NOTABLE ACCOLADES RECEIVED DURING THE YEAR

- FinnOne™ ranked for the fourth consecutive year as the '**World's No 1 Selling Lending Software Product**' (for the year 2011) and ranked **fourth** in global sales across all banking products by IBS Publishing, UK.
- Annual Report and Accounts of the Company for the year ended March 31, 2011 adjudged as the **BEST** under the Category XI – Service Sector (other than financial services sector, transport services Turn over less than ₹ 500 crore) of the '**ICAI Awards for Excellence in Financial Reporting**'. A **GOLD SHIELD** was awarded to the Company, for the fourth consecutive year.
- Annual Report of the Company for the year ended March 31, 2011 won the Platinum Award under Technology-Software category and **ranked fourth worldwide** in the Top 100 Annual Reports in the Vision Awards by the League of American Communications Professionals (LACP), USA.
- South Asian Federation of Accountants (SAFA) adjudged Nucleus' Annual Report as the recipient of '**Certificate of Merit**' for the Best Presented Accounts and Corporate Governance Disclosures Award 2010 in the category 'Communication & Information Technology'
- Nucleus Software **ranked amongst the Top 5 Companies** for Best Corporate Governance Practices in India by IR Global Rankings 2011.

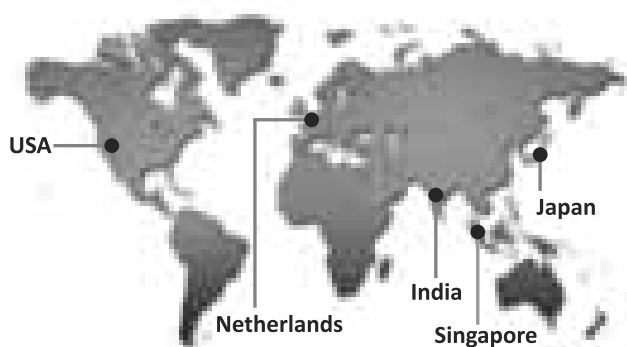
Directors' Report

10. SUBSIDIARY COMPANIES

Your Company has six wholly owned subsidiaries across the globe. It also has a step down subsidiary at Singapore. The following table provides a list of all these subsidiaries as on March 31, 2012 :

Name of Subsidiary	Location	Date of incorporation
Nucleus Software Solutions Pte. Ltd.	Singapore	February 25, 1994
Nucleus Software Inc.	USA	August 5, 1997
Nucleus Software Japan Kabushiki Kaisha	Japan	November 2, 2001
VirStra i- Technology Services Ltd.	India	May 6, 2004
Nucleus Software Netherlands B.V.	Netherlands	February 2, 2006
Nucleus Software Ltd.	India	April 21, 2008
Step Down Subsidiary of Nucleus Software Exports Ltd.		
VirStra i- Technology (Singapore) Pte. Ltd.	Singapore	December 17, 2004

There has been no material change in the nature of the business of the subsidiaries.



Nucleus Subsidiaries world- vide

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 the Company's business in South East Asia. Currently, it is the central entity for Asia- Pacific excluding Japan with full responsibility for business development, sales and delivery for 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 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 business presence in the European market. NSBV is a business development and sales hub for Nucleus in Europe.

f) Nucleus Software Ltd.

Nucleus Software Ltd. (NSL) is based in Jaipur, India with registered office in New Delhi, India. It was incorporated in the year 2008 for facilitating delivery of larger business through operations in a Special Economic Zone. NSL acquired 17.41 acre of land in the Mahindra World Special Economic Zone, Jaipur and, in the first phase, has co-developed a 250-seater facility, which commenced operations during the year.

As per General Circular No: 2/2011 issued by the Government of India, Ministry of Corporate Affairs, a general exemption was 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.



11. INFRASTRUCTURE

Your Company has offices at several locations across the globe. The office space and seating capacity of these offices as on March 31, 2012 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	4,200	40
Pune	9,573	120
Mumbai	3,250	31
Dubai	1,290	17
Jaipur	22,312	250
Tokyo, Japan	728	10
Amsterdam, Netherlands	561	7
New Jersey, USA	410	4
Total	270,071	2,460

NOIDA, and Delhi premises are owned by the Company. All other office premises are under lease. The Jaipur premise co-developed by Nucleus Software Limited, a wholly owned subsidiary, became ready for use during the year and was leased out to your Company for operational purposes. With the commencement of this centre, your Company added a capacity of 250 more seats.

12. 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 in India are eligible for a host of fiscal benefits, incentives and concessions both from the Central and State Governments.

It needs to be highlighted that the Minimum Alternate Tax at 18.5 % (plus applicable surcharge and cess) of book profits was made applicable to SEZ Units and SEZ Developers vide Finance Act 2011. A Company may claim set off of taxes paid under MAT against taxes payable under normal provisions in future years, but it is possible that the set off may not be available in its entirety. In such a scenario, taxes paid under MAT would become a cost for the Company. Further, Dividend Distribution Tax at 15% (plus applicable surcharge and cess) has also been made applicable to SEZ Developers. These developments have adversely impacted the prospective investments in the SEZ scheme.

NSL acquired the status of Co-Developer for the above land along with Mahindra World City, Jaipur Ltd. (MWCJL) in FY 11. This was pursuant to approval granted by Board of Approvals (BOA) of the Ministry of Commerce in their meeting held on June 8,

2010, for developing, operating and marinating the area of 17.41 acres in the SEZ. Your Company received the approval to set up a unit at 2,063 sq. meters and commenced operations from this 250-person facility, from August 2011.

13. QUALITY PROCESSES

This year, your Company further strengthened its focus on quality. Many new initiatives were launched which brought better than expected results. Key focus of the new initiatives was the adoption of AGILE which is a framework used for development of software applications in an iterative, incremental manner. This methodology is enabling your Company to get better aligned with its customers and is also fostering collaboration internally to provide maximum value to customer. In future, this will also aid the organization in reducing the 'time to market' and accelerate the launch of new Product Releases.

With an objective to increase adherence to secure practices and to mitigate risks/ vulnerabilities in project deliveries and to ensure business continuity; your Company took the initiative for obtaining a certification in ISO 27001-Information Security Standard compliance.

Your Company is continuously working on improving its processes by ensuring that these 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. Existing Processes are reviewed for their effectiveness. A few key internal processes like Knowledge Transfer Management, Delivery to Support Handover, Customer Communication have been revisited and strengthened. In addition, the concept of "Quality Index" was introduced in key process areas to ensure the effectiveness of Processes. Existing Product artifacts were also revisited and improvised to serve internal as well as external customers. To improve the productivity of developers and the quality of deliverables, Code Review Tools were also adopted and institutionalized.

14. NUCLEUS BRAND VISIBILITY

Your Company is constantly working towards strengthening Brand Nucleus. A strong brand represents a Company's commitment towards all its stakeholders. We believe that it is all about building a history of experiences and trusted relationships. To create Brand visibility and awareness, your Company participates in appropriate Global events, and even sponsors some of these.

During the year under focus, besides other events, your Company participated in SIBOS, the world's largest banking technology event, held in Toronto, Canada. SIBOS brings together influential leaders across the globe from financial institutions, multinational corporations and technology partners to do business and shape the future of the financial industry. Every year, Nucleus has been participating in this event which helps in making and nurturing existing relationships. In addition, your Company also attended the 2nd Annual Islamic Banking Conference in Malaysia and the 8th Annual CEE Retail Banking Event at Budapest. The latter event provided an insight into banking strategies, potential growth areas and profitability in the CEE region with the best case studies on business strategies and retail banking products in this region. Nucleus was also a part of the IEA's 14th Annual Conference, Future of Retail Banking and other global BFSI events by SWIFT, AFSA, IDG-Vietnam, Market Force, Fleming Gulf, etc.

Directors' Report

Participation at such events has helped the Company significantly in spreading its brand. As a matter of practice, Press releases were issued for major events which garnered press and online media coverage. Interviews and interactions with media, branding through website, social media updates etc. were also arranged.

15. HUMAN RESOURCES MANAGEMENT

With a global explosion in market opportunities in the Information Technology sector, the number of engineering colleges and other relevant institutions is on the rise in the country and so is the number of students passing out of them. Hiring employable resources and retaining them is the need of the hour for any growing organization.

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. In this scenario, your Company's HR function assumes a bigger role of an HR facilitator with continued focus on enhancing competency and talent development for the employees.

During the year, major highlights in the area of Hiring were:

- Special adherence to hiring quality manpower through strict education criteria.
- Most of the requirements were managed through internal resource movements, thereby improving productivity of the existing teams.
- Special hiring techniques were introduced like hiring through social networking sites, special drive for hiring women candidates etc.
- Hiring of Freshers was managed through campus recruitment drives. In addition, trained freshers were recruited through the Nucleus School of Banking and Technology (NSBT), which is a division of your Company established in the previous year to provide focused role-based training programs specializing in the Banking & Financial Service Industry Technology segment.

During the year, major highlights in the area of Training were:

- Training programs designed especially enhancing Project Management, Business Analysis, Product Knowledge and Role Realignment skills of resources.
- Resources were trained on Agile Software Development; a framework for development of software applications in an iterative, incremental manner.
- Such initiatives resulted in a noticeable rise in the per person training hours.

Various other initiatives were undertaken during the year to enhance personal development. The in-house MBA program in collaboration with a reputed Management Institute, continued to attract more number of resources and enrich their skills. NucOuting, a mammoth team bonding 3-day adventurous trip, was enjoyed by the Nucleites along with their families.

The global employee strength as at the end of the year stood at 1,656.

16. ADDITIONAL INFORMATION TO SHAREHOLDERS

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

17. 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 2011 to a professional Company Secretary firm. It is a matter of pride that the audit confirmed that your Company was materially compliant with all the applicable provisions of the Companies Act, 1956, Depositories Act 1996, Listing Agreements with all the stock exchanges where the Company is listed, all the applicable guidelines, rules and regulations of the Securities & Exchange Board of India (SEBI). The Certificate obtained in this regard is provided as Annexure A to the Report on Corporate Governance. The Auditor made certain recommendations for adopting some more Best Practices, which are now being implemented. This Secretarial Audit is a voluntary initiative undertaken by the Company and has been in existence for the past few years.

The Institute of Company Secretaries of India (ICSI), one of the premier professional bodies in India, has issued secretarial standards on Board meetings, general meetings, payment of dividend, maintenance of registers and records, minutes of meetings, transmission of shares and debentures, passing of resolution by circulation, affixing of common seal, forfeiture of shares and Board's report. While they are non-mandatory in nature, your Company endeavours to comply with them.

18. FOREIGN EXCHANGE RISK

With the global economy continuing to be in a highly uncertain zone, most of the global currencies remained under pressure against the US Dollar. Rupee also weakened amidst a mix of economic developments, both globally and domestically. Apart from lower capital inflows, uncertainty over domestic economy also made investors nervous about India which further fuelled depreciation pressures. India had been receiving capital inflows even amidst continued global uncertainty in 2009-11 as its domestic outlook was positive. However, with the domestic outlook also turning negative, Rupee depreciation was a natural outcome.

After a rather eventful year, the Rupee was unable to return as a strong currency and ended the year historically on the weakest year ending level of 50.88 to a Dollar, weakening by 14 percent over the previous year when it was 44.68 on March 31, 2011. While the weak Rupee has been a national concern, it proved beneficial for the export-oriented Information Technology (IT) companies.

On one hand, the exchange rate movement is being influenced globally by the fundamental challenges in the Euro Zone, the U.S. economic growth prospects and the dominance of the Chinese economy. On the other, domestic scenario in terms of the widening trade and fiscal deficits, limited FII & FDI inflows, high inflation and increasing political risks are impacting it.

It is incumbent upon the Management of your Company to follow a prudent policy to hedge the foreign currency risk, without taking



speculative positions. Your 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. At the year end, the Company had US\$ 12.00 million of hedges compared to US\$ 13.75 million at the beginning of the year.

19. 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.

20. 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.

21. INSIDER TRADING REGULATIONS

Based on the requirements under SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, the Code of Conduct for the Prevention of Insider Trading and the Code for Corporate Disclosures continued to be in operation. SEBI issued a notification on August 16, 2011, mandating disclosures of shareholding by the promoters and promoter group at the time of becoming the promoter or part of promoter group and at the time whenever there is a change in the shareholding of such persons in excess of the limits specified. This change was accordingly incorporated in the Company's Code of Conduct for Prevention of Insider Trading.

22. DIRECTORS

The Articles of Association of the Company provide that at least two-thirds of our Directors shall be subject to retirement by rotation and one third of these retiring Directors must retire from office at each Annual General Meeting of the shareholders. A retiring Director is eligible for re-election. Mr. Arun Shekhar Aran and Mr. Sanjiv Sarin, Directors of the Company, shall retire at the ensuing Annual General Meeting, and have offered themselves for re-appointment.

23. COMMITTEES OF THE BOARD

As it is not feasible for the full Board to meet very frequently, some of the Board functions are performed through specially

constituted Board Committees consisting of Executive and Independent Directors, which then report to the Board.

The Company currently has seven committees of the Board. A new Review Committee was formed as a Committee of the Board during the year with the basic objective of closely reviewing the operations and systems of the Company. Details of each of the committees along with their charter, composition and meetings held during the year is provided in the "Report on Corporate Governance", a part of this Annual Report.

24. CORPORATE GOVERNANCE

We, at Nucleus, believe that good and effective Corporate Governance is more of an organizational culture than a mere adherence to 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.

The Company is in compliance of all mandatory requirements of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the stock exchanges. For the year ended March 31, 2012, the compliance status is provided in the Corporate Governance section of the 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 exchanges forms part of this Directors' Report as Annexure C.

25. CORPORATE SOCIAL RESPONSIBILITY

Responsible corporate citizenship has been a part of your Company's core values and the driving force for many of its initiatives. Nucleus believes that responsible investments in this regard will generate long term value for all its stakeholders.

In order to strengthen this function, the Board guided the Management to earmark a fund specifically for strengthening and funding Corporate Social responsibility (CSR) activities. Employee participation in such CSR initiatives is being actively encouraged and supported through an organization-wide initiative called YES (Your Efforts to Society). A separate chapter detailing CSR activities of the Company is provided later in this Annual Report.

Directors' Report

26. EMPLOYEE STOCK OPTION PLAN

Particulars	2002 Plan	2005 Plan	2006 Plan
(a) Total number of options under the Plan	225,000	6,00,000	1,00,000
(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	–	–	–
(d) Options vested as of March 31, 2012	–	3,000	–
(e) (i) Options exercised during the year	–	930	–
(ii) Total number of shares arising as a result of exercise of above options during the year*	–	930	–
(f) Options forfeited during the year	5,250	1,290	57,640
(g) Option lapsed during the year	44,300	40,000	11,298
(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	–	1,700	15,064
(k) Details of options granted during the year ended March 31, 2012 to:			
(i) Senior managerial personnel of the Company	–	–	–
(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	
(m) Weighted average fair value of the options –		33.13	

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

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		The significant assumptions are:	
As Reported	₹ 32.64 crore	1. Risk free interest rate	8.37%
Less: Adjusted Amount	₹ 0.002 crore	2. Expected life	1 year
Adjusted Net Income	₹ 32.64 crore	3. Expected volatility	51.34%
Basic and Diluted EPS		4. Expected dividend yield	1.74%
As Reported		5. Market price grant wise,	
Basic	₹ 10.08	Plan wise on date of grant:	
Diluted	₹ 10.08	ESOP (2005)	₹ 144.00
After Adjustment			
Basic	₹ 10.08		
Diluted	₹ 10.08		

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



27. DISCLOSURES UNDER SECTION 217 OF THE COMPANIES ACT, 1956

Annexure A

- 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.
- Except, as disclosed elsewhere in the report, there have been no material changes and commitments, which can affect the financial position of the Company between the end of the financial year and the date of this report.
- 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, 2012 is annexed as Annexure-B.

Director's Responsibility

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

- in the preparation of the annual accounts for the year 2011-12, the applicable accounting standards have been followed and there is no departure;
- 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 year;
- 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;
- the Directors have prepared the annual accounts on a going concern basis.

28. ACKNOWLEDGMENTS

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

Your Directors would also like to thank all its bankers, customers, vendors and shareholders for their continued support to the Company. In specific, the Board would also record its sincere appreciation of the commitment and contribution made by all employees of the Company.

For and on behalf of the Board of Directors

New Delhi
April 29, 2012

Janki Ballabh
Chairman

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. CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The Company continues to use the latest technologies for improving the productivity and quality of its services and products. 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

Your Company is always in a look out for innovative and efficient energy conservation technologies and applies them prudently. Various eco-friendly green ideas have been put to use at the newly constructed SEZ facility at Jaipur like use of ground air-conditioning system, grid linked solar power etc.

B. RESEARCH AND DEVELOPMENT

Your Company continuously engages in research and development activities to build software products with advanced technologies for the future. We believe that delivering innovative, high-value solutions through our integrated software and services platforms is the key to meeting our customers' needs and to our future growth. We also believe that we will continue to grow by delivering compelling new products and services, creating new opportunities for partners, improving customer satisfaction, and improving our service excellence, business efficacy, and internal processes.

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 and hence we continue to invest in a broad range of research and product development efforts.

During the year, we hired a senior professional with versatile experience in software development and expertise in all aspects of Products, Operations and Business Management for spearheading our Product Development Group. This Group is responsible for the Research and Development initiatives of the Company.

Our innovation investments focus on the emerging technology trends and breakthroughs that we believe offer significant opportunities to deliver value to our customers and growth for the Company. 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. Our software products are developed internally, which allows us to maintain our competitive advantage. It also gives us the freedom to take appropriate call on modifications and enhancements at the suitable time.

Two major challenges associated with efforts relating to research and development are:

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

We maintain our long-term commitment to research and development across a wide spectrum of technologies, tools, and platforms. We also conduct research and develop advanced technologies to incorporate 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 are committed 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.

Your Company has a technology incubation unit. We have also created a centralized business analyst pool which interacts with customers to ensure that their requirements are 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, especially in these uncertain times.

2. Benefits of the above R&D & Future Plan of Action

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 the next phase of growth, Nucleus attempts to enhance the value delivered to clients, by exploring different avenues of non-linearity. We are also focusing on creating newer products and superior versions of the existing products. At the same time, we are also exploring novel pricing mechanism and building efficiencies into how we could best serve our customers.

New products FinnOne™ Pro Gold and FinnOne - Transaction Banking System are in development phase and our R&D efforts are being dedicated to formalize these products. To mitigate the risk of obsolescence and align with market needs, your Company decided to initiate new product development in the lending verticals of the banking space by initiating development of FinnOne™ Pro Gold and in the Cash Management verticals of the banking space by initiating development of FinnOne - Transaction Banking System. The focus of this product development is to build products based on latest architecture & technology stack. In addition new products will have advanced features and functionalities to support the growing need of the customers' business. Salient features that will differentiate these 2 new products are:

- J2EE technology
- SOA & multi-layer architecture
- Database independence
- Design to support Multi-entity
- Support for Gold & Educational loans
- Support for Fleet finance
- Hooks to plug-in standard workflow engine
- Policy frame work with factory supplied default
- Value dated transaction
- On-line process & bulk processing
- High performance & low bandwidth usage

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.



The research areas under focus in the future will be tools, performance and agility, security and privacy, customer experience, ubiquity and health. 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. The focus now 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.

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

Expenditure on R&D (Stand alone, un-audited)

	(₹ in crore)	
	2012	2011
Revenue expenditure	27.56	21.61
Capital expenditure	-	-
Total	27.56	21.61
R&D expenditure /total revenue	13.45 %	10.83%

C. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Your Company realizes the importance of innovation and constant improvements 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 upgradation 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 the grass-root level.

During the year, we focused our new initiatives on adoption of AGILE; a framework used for development of software applications in an iterative, incremental manner. This would enable the organization to get aligned to customer and foster

collaboration internally to provide maximum Value to customer. This would also aid the organization in reducing the 'time to market' and make new Product Releases faster.

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

During the year, your Company won 22 product orders for implementing 58 product modules from all over the world, including Americas, Africa, Mediterranean region, Europe, Australia and the Middle East. With these orders, your Company added 13 new customers during the year.

In FY 2012, foreign exchange earnings are at ₹ 153.80 crore, 75 % of total revenue against ₹ 158.33 crore, 79 % of total revenue in FY 2011.

2. Foreign Exchange Earned and Used

	(₹ in crore)	
For the Year ended March 31,	2012	2011
Foreign Exchange earnings	153.80	158.33
Foreign Exchange outgo	29.16	30.06
		(including capital goods)

For and on behalf of the Board of Directors

New Delhi
April 29, 2012

Janki Ballabh
Chairman

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

SI No.	Name	Designation	Qualification	Age in years	Date of Joining	Total Experience	Gross Remuneration (₹)	Designation - Previous Employment
1	Pramod K. Sanghi	President - Finance & Chief Financial Officer	B. Com(H), PGDM	57	15-Apr-02	34	8,126,052	Executive Director (Finance) - Pearl Global Limited
2	Vishnu R Dusad	CEO & Managing Director	B. Tech.	55	09-Jan-89	31	6,988,215	N.A

Notes:

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



CERTIFICATE

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 2012, as stipulated in Clause 49 of the Listing Agreement of the Company with 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
April 29, 2012

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. 015125N)
Sd/-
RASHIM TANDON
Partner
(Membership No. 95540)

REPORT ON CORPORATE GOVERNANCE



Report on Corporate Governance

“Corporate Governance is the system by which business corporations are directed and controlled. The Corporate Governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the Board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs.” The Organisation for Economic Co-operation and Development (OECD)

Good Corporate Governance practices are sine qua non for sustainable business that aims at generating long term value to all its stakeholders. Corporate Governance mainly involves the establishment of structures and processes, with appropriate checks and balances that enable the Board, to discharge their responsibilities in a manner which is beneficial to all stakeholders. It mainly involves the establishment of structures and processes, with appropriate checks and balances.

Company’s Philosophy on Corporate Governance

Corporate Governance is increasingly being recognized as a key component in the efficient functioning of every business, both globally as well as in India. Nucleus believes that effective Corporate Governance implies fair, transparent and equitable treatment to all stakeholders including shareholders, vendors, customers, employees. The Nucleus Management is committed to implement the best practices of Corporate Governance

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.



Figure 1

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.

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



Figure 2

Non Mandatory recommendations:

In addition to being compliant with all the statutory provisions of Clause 49 of the Listing Agreement, Nucleus has also adopted several non-mandatory recommendations including “Training of Board members”, “Whistle Blower Policy”, “Remuneration Committee”, “Board Evaluation” etc. A detail on the adoption of these non-mandatory recommendations is provided in the later portion of this Corporate Governance Report.

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 develops 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, 2012.

It is important to consider a diversity of personal attributes among Board candidates, including intellect, critical assessment, judgment, 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.

B. Size of the Board

An ideal Board should ensure an appropriate balance of power and authority on the Board for reaching at un-biased decision.

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.

Report on Corporate Governance

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

Name of Director	Position	Age in years
Mr. Janki Ballabh	Chairman, Independent, Non-Executive Director	69
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director	55
Mr. Arun Shekhar Aran	Independent, Non-Executive Director	53
Mr. Prithvi Haldea	Independent, Non-Executive Director	61
Mr. Sanjiv Sarin	Independent, Non-Executive Director	53

Table I

C. Board Membership Criteria

Our Board comprise of eminent professionals of integrity with relevant skills and experience to bring judgment to bear on the business of the Company. They are facilitated by:

- high quality board documentation;
- expert opinions wherever deemed necessary;
- healthy debate especially for complex, contentious or business critical issues;
- adherence of time-lines for achieving timely closure

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 Tata AIG General Insurance Company Ltd. and a member of 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 Bachelor's 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 26 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 – Independent, Non-Executive Director

Mr. Arun Shekhar Aran is a successful first generation entrepreneur with 29 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 - Independent, Non-Executive 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 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, 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 a visiting faculty at several institutions and has presented scores of papers at various conferences in India and abroad.

Mr. Haldea is presently the Central Government Nominee on the Governing Council of The Institute of Chartered Accountants of India, Member of the Board of Governors of Indian Institute of Corporate Affairs, Member of the Quality Review Board-ICAI and Member of the Advisory Board of the International College of Financial Planning. He is also a member of several committees including SEBI Primary Market Advisory Committee, SEBI Committee for Reviewing Disclosures and Application Form in Public Issues, 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 Invest India Micro Pension Services Pvt. Ltd. and is the Advisor to the Association of Investment Bankers of India.

In the past, Mr. Haldea has served, among others, as a Board Member of the Central Listing Authority-SEBI, First 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, SEBI Secondary Market Advisory Committee, SEBI Committee



on Disclosures & Accounting Standards, SEBI Committee for Review for MAPIN, MCA Committee on Review of Corporate Governance Norms, MCA Committee for Review of the Chartered Accountants Act, and Index Committee, Listing Committee and Delisting Committee of BSE. He was also on the board of UTI Mutual Fund as an Independent Director for nearly 6 years till end 2011.

As an investor protection activist and proponent of good corporate governance, Mr. Haldea regularly raises issues with regulators and in the media. In the pursuit of this objective, he has also launched several unique websites which include www.watchoutinvestors.com, aggregating information on economic defaulters which now lists over 1,40,000 cases, www.primedirectors.com: a databank of professionals for listed companies to select independent directors, now hosting profiles of over 20,000 professionals, and www.msmentor.in, a national skills registry of professionals for the benefit of MSMEs. He had earlier designed and maintained www.directorsdatabase.com, covering detailed profiles of directors of Indian listed companies and www.iepf.gov.in, an investor education initiative. Mr Haldea has also extended his skills of information management to other organizations, by creating www.bsepsu.com, a website dedicated to disinvestments, a new website www.divest.nic.in for the Department of Disinvestment, and the PE/VC Directory for the Indian Venture Capital Association.

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 – Independent, Non-Executive Director

Mr. Sanjiv Sarin is a postgraduate from IIT Delhi and has PGDBM from XLRI, Jamshedpur. He has 30 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 been associated with. He has extensive advisory experience on issues of strategy, driving performance improvement, change management, organization building and human capital development. He plays the role of a friend, advisor and mentor to start ups. He also works as a freelance editor.

D. Diversity in Board

The size and diversity of a Board help in making it effective and deliver value. Diversity may be with regard to academic qualifications, technical expertise, relevant industry knowledge, experience, nationality, age etc.

At Nucleus all our Directors with their relevant expertise and knowledge bring diversity to the overall structure of the Board.

E. Separation of the Office of Chairman and the Chief Executive Officer (CEO)

At Nucleus, the role and office of the Chairman and CEO are separate, this promotes balance of power and prevents unfettered decision making power with a single individual. Further, there is also a clear demarcation of the role and responsibilities of Chairman and 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 and influence 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.

F. 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, 2012 for a period of 5 years. His present term expires on December 31, 2016.

G. Compensation of the Board of Directors

Compensation of the Managing Director has been approved by the shareholders at the Annual General Meeting held on

Report on Corporate Governance

July 8, 2011. 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.

The following table gives details of compensation paid /payable to the Directors for the period April 2011 to March 2012.

(Amount in ₹)

Name of Director	Position	Fixed Salary	Commission	Sitting Fees	Total Compensation
Mr. Janki Ballabh	Chairman, Independent Non-Executive Director	–	950,000	220,000	1,170,000
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director	6,988,215	–	–	6,988,215
Mr. Arun Shekhar Aran	Independent Non-Executive Director	–	950,000	280,000	1,230,000
Mr. Prithvi Haldea	Independent Non-Executive Director	–	950,000	380,000	1,330,000
Mr. Sanjiv Sarin	Independent Non-Executive Director	–	950,000	1,540,000	2,490,000
TOTAL		6,988,215	38,00,000	24,20,000	13,208,215

Table 2

Detail of Equity Shares held by Non-Executive Directors as on March 31, 2012

Name of Director	Position	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, 2012.

H. Memberships of other Boards

The number of other Directorships and Chairmanship/ Memberships of Committees held by each of the Director as on March 31, 2012 is as mentioned in the table below :

Name of Director	Position	Relationship with Other Directors	Directorships Held of Other Companies		Committee Positions Held as a	
			Public	Private	Chairperson	Member
Mr. Janki Ballabh	Chairman, Independent Non-Executive Director	None	5	1	5	1
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director	None	2	6	–	2
Mr. Arun Shekhar Aran	Independent, Non-Executive Director	None	1	1	1	–
Mr. Prithvi Haldea	Independent, Non-Executive Director	None	1	5	–	2
Mr. Sanjiv Sarin	Independent, Non-Executive Director	None	2	1	–	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.

In accordance with Clause 49 of Listing Agreement, none of our Directors are members of more than ten Board level committees, or Chairman of more than five committees in Companies in which they are Directors.

All the Director are fully compliant with the requirement.



Furthermore all our Directors inform the Company annually about their Committee positions in other companies and also notify changes as and when they take place.

I. 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 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:

- o Annual operating plans and budgets and any updates.
- o Capital budgets and any updates.
- o Quarterly results of the Company and its operating divisions or business segments.
- o Minutes of meetings of Audit Committee and other Committees of the Board.
- o The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
- o Materially important show cause, demand, prosecution notices and penalty notices, if any.
- o Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems, if any.
- o Any material default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company.
- o 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.
- o Details of any joint venture or collaboration agreement.
- o Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- o 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.

- o Quarterly details of foreign exchange exposure and the steps taken by the management to limit the risks of adverse exchange rate movement, if material.
- o Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
- o Quarterly details of investments by the Company in liquid mutual funds and bank deposits and returns thereon.
- o Quarterly update on HR related activities.
- o Quarterly update on wholly owned Subsidiaries performance.
- o Quarterly update on important projects of the Company
- o Report on order book position.
- o Report on legal notices if any, received during the quarter.
- o Report on compliances under “Code of Insider Trading” of the Company.
- o Compliance certificates from SBU Heads, Global Managers, Department Heads for HR, Finance & Secretarial.

(iii) Board Agenda

- The Company Secretary in consultation with the Chairman of the Company and Chairman of the respective Board Committees, prepares the agenda and supporting papers for discussion at each Board and Committee Meeting 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 permission of the Chairman.
- Moreover, the Company also attaches 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 Institute of Company Secretaries of India (ICSI), one of the premier professional bodies in India, has issued secretarial standards on Board meetings, general meetings, payment of dividend, maintenance of registers and records, minutes of meetings, transmission of shares and debentures,

Report on Corporate Governance

passing of resolution by circulation, affixing of common seal, forfeiture of shares and board's report. While they are non-mandatory in nature, your Company endeavours to comply with them. 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 and Attendance During the Year 2011-12.

- A minimum of four Board Meetings are held in each year. As per the provision of Clause 49 of the Listing Agreement, the gap between two Board Meetings has not exceeded four months. Nine Board meetings were held during the year and the maximum gap between the two board meetings during the financial year 2010-11 was two months and twenty nine days.
- The dates on which these meetings were held during FY 2012 and attendance of members in the meetings is provided in Table 5 below.

Attendance of Directors					
Board Meeting Date	Mr. Janki Ballabh	Mr. Vishnu R Dusad	Mr. Arun Shekhar Aran	Mr. Prithvi Haldea	Mr. Sanjiv Sarin
April 03, 2011	√	√	√	√	√
April 30, 2011	√	√	√	√	√
May 01, 2011	√	√	√	√	√
May 29, 2011	√	√	√	√	√
July 08, 2011	√	√	√	√	√
July 23, 2011	√	√	√	√	√
Oct. 22, 2011	√	√	√	√	√
Nov. 26, 2011	√	√	√	√	√
Jan. 29, 2012	√	√	√	√	√

Table 5

- These meetings are scheduled in advance for the entire year and are held after the end of each financial quarter. A tentative schedule of Board Meetings to be held in FY 12-13 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 201 307.

(vii) Board Meeting via Video Conferencing

As a follow up to permitting notices to be served on members by electronic mode, the Ministry of Corporate Affairs ("MCA") took another 'Green Initiative in Corporate Governance' during the year by permitting participation by Directors in Board / Committee meetings through

video conference after considering relevant provisions of the Information Technology Act, 2000 and Companies Act, 1956.

E-presence of a Director ensures larger participation at Board/Committee meetings and enhances Board member interactions.

During the year, one Board meeting was held in which a Director volunteered to participate through video conferencing.

(viii) 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.

(ix) 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 .

(x) Action Taken Report on follow-up items

All follow up items from the Board meetings are recorded separately and circulated to the required personnel for requisite action. The action taken is then reported through an "Action Taken Report", which is placed at all subsequent Board 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 of Directors

As it is not feasible for the full Board to meet very frequently, some of the Board functions are performed through specially constituted Board Committees consisting of Executive and Independent Directors, which then report to the Board. Committees are a means of improving Board effectiveness in areas where more focused, specialized and technical discussions are required. Committees enable better management of full Boards time and allow in-depth scrutiny and focused attention.

The Company in this regard has constituted seven committees of the Board of Directors viz. Audit Committee, Share Transfer and Shareholders' Grievance Committee, Remuneration Committee, Compensation Committee, Nomination Committee, Corporate Governance and Review Committee. The committees have a combination of Executive and Non-Executive/Independent Directors. All the Board committees have formally established terms of reference/Charters and constitute an important element of the governance process.



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. As per the charter of respective committees, committees deliberate on the matters referred to it by the Board. The Company Secretary in consultation with the Chairman of the Company and Chairman of the respective Board Committee prepares the agenda and supporting papers for discussion at each Committee Meeting. Recommendations of the committees are submitted to the Board to take decision on the matter referred.

Nucleus Board Committees :

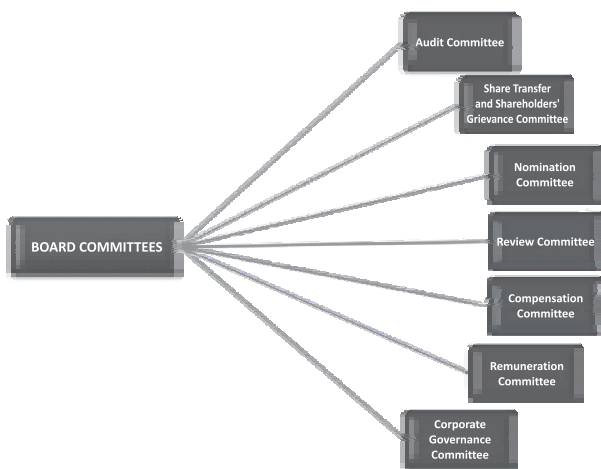


Figure 3

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 Company Secretary acts as the secretary to the committee.

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 is also 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 Board 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:

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- 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 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;
12. 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.
- The Audit Committee encourages the 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.
- (iii) Composition of the Audit Committee**
- The Committee comprises entirely of non-executive Directors who are also independent Directors. During the year eight meetings of the Committee were held and the maximum gap between two Audit Committee Meeting has not exceeded four months. The maximum gap between two meetings was three months and three days.



The Composition of the Audit Committee as on March 31, 2012 and a detail of attendance of members in the meetings are as follows:

Director	Position	No. of Meetings	
		Held	Attended
Mr. Arun Shekhar Aran	Committee Chairman, 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

The Chairman of the Audit Committee was present at the previous year Annual General Meeting held on July 8, 2011 to answer shareholder's queries.

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

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, internal audit reports relating to internal control weaknesses as required by Clause 49 of the Listing Agreement are reviewed by the Audit Committee.

(iv) Separate Meeting of the Audit Committee Members with the Auditors

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. These meetings are conducted with both Internal and Statutory Auditors.

(v) Audit Committee Report for the Year Ended March 31, 2012

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, 2013 and that the necessary resolutions for appointing them as Auditors be placed before the shareholders.

April 28, 2012
Noida

Sd/-
Arun Shekhar Aran

B. Remuneration Committee

The Remuneration Committee of the Board recommends remuneration payable to Directors. 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.

Report on Corporate Governance

(i) **The Composition of the Remuneration Committee as on March 31, 2012 and a detail of attendance of members in the meetings are as follows:**

Director	Position	No. of Meetings	
		Held	Attended
Mr. Janki Ballabh	Committee Chairman, 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 7

The Company Secretary of the Company acts as the Secretary to the Committee.

(ii) **Remuneration Policy**

The remuneration policy for members of the Board of Directors of the Company is in line with the interests of the shareholders and takes into consideration the role and responsibilities of the Directors.

- The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) and commission to its Managing Director (an Executive Director).
- The Remuneration Committee decides on the commission payable to the Managing Director and the Non- Executive Directors out of the profits for the financial year and within the ceilings prescribed under the Companies Act, 1956 and as approved by the shareholders at a General Meeting.
- Non-Executive Directors of the Company are paid sitting fee for attending meetings of the Board and meetings of Committees of the Board, as per the Companies Act, 1956 and as mandated by the Articles of Association of the Company.
- Employee Stock Options under various ESOP schemes launched by the Company may also be granted to the Directors in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.
- The Company also reimburses other related expenditure reasonably incurred by the Directors in the performance of duties as per provisions of the Companies Act, 1956 in conjunction with the Company rules and policies.

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

C. Nomination Committee

The Nomination Committee of the Board was constituted on July 8, 2009. Led by the Chairman, the Committee comprise of majority of Independent Directors of the Board and 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.

(i) **Criteria for appointment of Independent Directors**

An active, well-informed and independent Board is necessary to ensure highest standards of Corporate Governance. Getting the right people is crucial; as is the process of seeking, vetting and appointing such people. The Board as a whole decides the skill sets that are required, giving due consideration to the current and the desired composition of the Board in future; to achieve the vision and mission of the Company. The Nomination Committee then pursues the task of identifying such suitable persons.

The criteria or basis for appointing of Independent Directors at Nucleus may be summarized as below :

- Independent Directors must be capable of taking fair decisions without being influenced.
- Independent Directors are expected to balance the decision-making process of the Board by constructively challenging the Company's strategy and exercise due diligence
- Independent Directors should possess the requisite business and industry expertise in the domain we operate in.
- Independent Directors should be competent enough to work effectively like a team member as well as leader with the other directors of the Board and committees
- Independent Directors should contribute constructively in the Board's deliberations.

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.

No meeting of the Committee was held during the current year.



(ii) The Composition of Nomination Committee as on March 31, 2012 is as follows:

Director	Position
Mr. Janki Ballabh	Committee Chairman, Independent, Non-Executive Director
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director
Mr. Arun Shekhar Aran	Independent, Non-Executive Director
Mr. Prithvi Haldea	Independent, Non-Executive Director
Mr. Sanjiv Sarin	Independent, Non-Executive Director

Table 8

The Company Secretary of the Company acts as the Secretary to the Committee.

D. Share Transfer and Shareholders' Grievance Committee

The Share Transfer and Shareholders' Grievance Committee of the Board is 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 Committee meets as often as required to discharge its functions. The status on complaints and share transfers is reported to the full Board.

(i) The Composition of Share Transfer and Shareholders' Grievance Committee as on March 31, 2012 and a detail of attendance of members in the meetings are as follows:

Director	Position	No. of Meetings	
		Held	Attended
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director	7	7
Mr. Sanjiv Sarin	Independent, Non-Executive Director	7	7

Table 9

The Company Secretary of the Company acts as the Secretary to the Committee. The Company Secretary is the Compliance Officer of the Company.

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

(ii) Details of investor complaints/requests received and resolved during the year 2011-12 are as follows:

Nature of complaints	No. of complaints/requests		
	Received	Resolved	Pending
	Received during the year	during the year	at the year end
Non- Receipt of Dividend Warrant	20	20	Nil
Revalidation of Dividend warrants	158	158	Nil
Non receipt of Securities	1	1	Nil
Non receipt of Annual Report	12	12	Nil
Issue of Duplicate Share Certificate	Nil	Nil	Nil

Table 10

E. Corporate Governance Committee

The Corporate Governance Committee of the Board, consisting of majority of Independent Directors, was constituted to assist the Board of Directors by:

- Developing and recommending to the Board a set of Corporate Governance principles applicable to the Company and

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- Taking a leadership role in shaping the Corporate Governance Policies of the Company.

(i) Code of Conduct for Board members and senior Management of the Company

In accordance with Clause 49 of the Listing Agreement with Stock Exchanges, the Corporate Governance Committee approved a Code of Conduct for all Board members and senior management of the Company. The Committee also monitors the implementation and compliance of the Code. All Board members and senior management personnel have affirmed compliance with the code for the year 2011-12. The Annual Report contains a declaration to this effect signed by the Managing Director. The Code of Conduct is also posted on the website of the Company.

(ii) The Composition of Corporate Governance Committee as on March 31, 2012 and a detail of attendance of members in the meetings are as follows:

Director	Position	No. of Meetings	
		Held	Attended
Mr. Janki Ballabh	Committee Chairman, 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 Committee met once during the year to amend the Nucleus Code of Conduct for prevention of Insider Trading for employees in accordance with the notification issued by Securities Exchange Board of India (SEBI) in August 2011.

The Company Secretary of the Company acts as the Secretary to the Committee.

F. Compensation Committee

The Compensation Committee of the Board, consisting of a majority of Independent Directors, 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 :

- o For administration and superintendence of employee stock option schemes / restricted stock grant plans and other equity-based compensation award plans launched by the Company from time to time.
- o 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;
- o To determine at such intervals, as the Compensation Committee considers appropriate, the persons to whom shares or options may be granted;
- o 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;
- o To decide the conditions under which shares or options vested in employees may lapse in case of termination of employment for any reason;
- o 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;
- o 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;
- o To specify the grant, vest and exercise of shares/ option in case of employees who are on long leave;
- o 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;
- o To attend to any other responsibility as may be entrusted by the Board.

No Meeting of the Committee was held during the current year. A resolution for approving exercise of options by employees, was passed through a resolution by circulation by the Compensation Committee.



The Composition of the Compensation Committee as on March 31, 2012 is as follows:

Director	Position
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director
Mr. Arun Shekhar Aran	Independent, Non-Executive Director
Mr. Prithvi Haldea	Independent, Non-Executive Director
Mr. Sanjiv Sarin	Independent, Non-Executive Director

Table 12

The Company Secretary of the Company acts as the Secretary to the Committee.

G- Review Committee

Review Committee was formed as the seventh Committee of the Board during the year with the basic objective of reviewing the operations and systems of the Company.

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

- Review the operations of the Company in General
- Identify and assess key business risks; and to implement appropriate risk management policies, practices and plans to mitigate such risks to the Company
- Making recommendations to the Board in respect of needed changes to policies, procedures, budget allocations, financial management, risk management and operational management
- The Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.
- To seek information from any employee as considered necessary;
- To secure attendance of outsiders with relevant expertise; and
- To investigate any activity within terms of reference.
- To attend to any other responsibility as may be entrusted by the Board to investigate any activity within terms of reference.

The Composition of the Review Committee as on March 31, 2012 and the detail of the meetings held during the year are as follows:

Director	Position	No. of Meetings	
		Held	Attended
Mr. Vishnu R Dusad	Committee Chairman, Managing Director, Promoter, Executive Director	51	51
Mr. Sanjiv Sarin	Independent, Non-Executive Director	51	51

Table 13

The Company Secretary of the Company acts as the Secretary to the Committee.

3. Shareholder Information

A. Means of Communication

(i) Quarterly/Annual Results

- The Company has been sending quarterly results in the form of a Quarterly Report to the shareholders since December 1999. This report contains audited financials of the Company along with the Auditors Report thereon; unaudited consolidated financials of the Company and subsidiaries. It also contains a detailed analysis of results under "Management Discussion and Analysis" and other financial representations in the form of ratios, graphs etc.
- While the Company used to send printed quarterly reports to shareholders earlier, from the financial year 2009, the Company started releasing a soft copy of the report on the Company website www.nucleussoftware.com. This not only ensures prompt disposal of useful information to the shareholders, but also serves as a means to contribute significantly in saving paper thereby saving trees and reducing costs too.
- 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.
- During the year, the Company also initiated the practice of sending results via email to all its shareholders who have valid e-mails ids registered with their Depository Participants (DP).
- The Company also sends an instant alert of the results, to all those who register themselves on the corporate website.

(ii) Newspapers wherein financial results are normally published

The Company's financial results are normally published in Business Standard and Financial Express, the leading national financial dailies and in the Hindi edition of Business Standard for regional circulation.

(iii) Company website where results are displayed

- The Company website www.nucleussoftware.com has an 'Investors' section with descriptive information on Company overview, Financials, Stock Exchange filings, Shares, Corporate Governance, Awards, Investor contact and investor related Frequently Asked Questions (FAQ) and Various forms for shareholder assistance.
- The important events such as AGM etc. and official press releases of the Company are also updated on the Company's website regularly.

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- Interested persons may register on the Company website to receive alerts and updates on financial events, financial results, press release and annual and quarterly reports. They may create unique ID and password and change their preferences for receiving alerts from time to time.

(iv) Interaction with institutional investors, analysts etc.

- The Investor Relation team co-ordinates and conducts regular meetings and conference calls between the Company Management and the institutional investors, analysts etc.
- Financial results and Press releases are sent to all institutional investors, analysts who are registered in the Company data-base, to keep them abreast of any significant developments and instances.
- The investor presentations at each quarter end are displayed on the Company's website www.nucleussoftware.com
- Various investors related financial information is presented in portable document format (pdf) as well as Microsoft excel downloadable formats on the Investor section of the website for the convenience of user.

(v) Annual Report

Annual Report containing, inter alia, Letter from the Chairman, Letter from the CEO, Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report, Report on Corporate Governance and Risk Management, Financial Highlights, Management Discussion and Analysis and other important information is circulated to members. The Annual Report of the Company is also available on the Company's website in a downloadable pdf format.

B. Corporate Identity Number (CIN) :

The Corporate Identity Number (CIN), allotted 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. Shareholder Education

Shareholders are provided with timely information on all Company related matters including recruitment/appointment of Directors and other important events through Press Releases.

- During the year, the Company initiated practice of sending results via email to all its shareholders who have valid e-mails ids registered with their Depository Participants (DP).
- 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, promoters, the public issue, employees, share transfers, dematerialisation etc. All such material information is also available on the website under "FAQs".
- A shareholder satisfaction survey is conducted through a shareholder feedback form uploaded on investors section of the Company website, for online filing. It is our constant endeavor to provide efficient and prompt services to the shareholders. Responses received through this survey help us :
 - o to assess the level of satisfaction among Nucleus shareholders and
 - o identify areas of strengths and weakness of Nucleus as perceived by the shareholders.



D. General Body Meetings

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

Financial Year, Date Time	Venue	Ordinary Resolution	Special Resolution
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. 	
FY 10-11 July 08, 2011, 11.30 a.m.	Sri Sathya Sai International Centre	<ul style="list-style-type: none"> Adoption of Annual Accounts for the year ended March 31, 2011 Re-appointment of Mr. Janki Ballabh and Mr. Prithvi Haldea as Directors. Appointment of M/s Deloitte Haskins & Sells as the Statutory Auditors. Declaration of Dividend on equity shares. 	<ul style="list-style-type: none"> Re-appointment of Mr. Vishnu R Dusad as Managing Director of the Company with effect from January 01, 2012.

(ii) Detail of Attendance at the AGM held for FY 10-11

AGM Date	Attended by Directors				
	Mr. Janki Ballabh	Mr. Vishnu R Dusad	Mr. Arun Shekhar Aran	Mr. Prithvi Haldea	Mr. Sanjiv Sarin
July 8, 2011	√	√	√	√	√

No Extraordinary general meeting was held by the Company during the financial year ended March 31, 2012.

No Resolution was passed during the year through Postal Ballot.

E. Corporate Governance Voluntarily Guidelines 2009

The Ministry of Corporate Affairs (MCA), released in December 2009, the voluntary guidelines on Corporate Governance, drawn from best practices. Although voluntary in nature, listed companies are expected to be proactive in compliance. The Company is already compliant with most of the sections of these Guidelines. The only suggestion with which the Company is not compliant, and may not be compliant in the future also, is with regard to the tenure of the Independent Directors. It suggests that an Individual may not remain as an Independent Director in a Company for more than six years. The Board considered and deliberated on the voluntary guidelines, and is of the view that the continuation of the three Independent Directors (who have been with the Company beyond the tenure of six years) is critical for the growth of the Company given the diverse knowledge, experience and expertise that they have brought to the Board, the deep understanding of the Company and the industry, their intense involvement in the deliberations and decisions of the Board. It would in fact be detrimental to the Company's interests to retire any of these Directors.

Report on Corporate Governance

4. Disclosures

(i) Related Party Transactions

The details of transactions with related parties or others, if any, are being placed before the Audit Committee from time to time. They are also disclosed under notes which forms part of the financial statements. During the year under review, the Company has not entered into any transaction of a material nature with its subsidiaries promoters, Directors or the management, their relatives, etc., that may have any potential conflict with the interest of the Company at large.

(ii) Compliances by the Company

The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the Stock Exchanges, SEBI or any other statutory authorities relating to the above.

(ii) 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

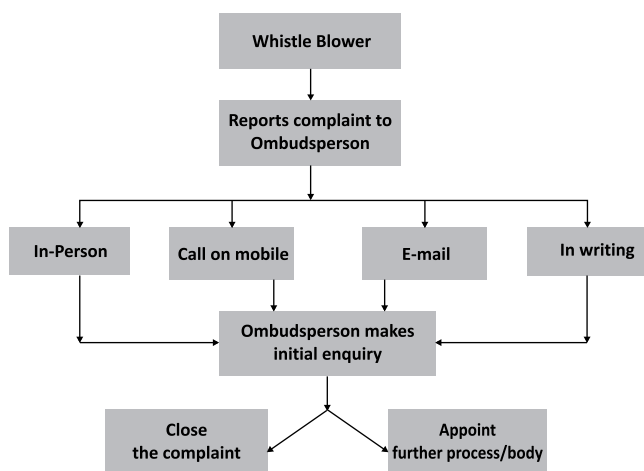


Figure 4

During the year, no complaint was received under the Policy, We affirm that :

- adequate safeguards were provided to employees against their victimisation on reporting to the Ombudsperson and
- no personnel was denied access to the Audit Committee .

(iii) 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 an annual 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 later as a separate chapter 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 2011-12 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 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 Annual Report.

(ix) Subsidiary Companies

The Company has six subsidiaries across the globe; all of which are wholly owned subsidiaries. It also has a step down subsidiary at Singapore.

The following table provides a list of all these subsidiaries as on March 31, 2012.

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

Table 14

(x) Un-listed Indian Subsidiary Companies

The Company has two Indian subsidiaries; Nucleus Software Ltd. and VirStra i- Technology Services Ltd. Both of them are materially un- listed Indian subsidiary Companies. Their turnover or net worth (paid up capital and free reserves) does not exceed 20% of the consolidated turnover or net worth of the parent 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.

- 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. the 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.

5. General Shareholder Information

• Date of incorporation	9th January, 1989
• Registered Office	33-35, Thyagraj Nagar Market New Delhi-110003 India
• Corporate Office	A-39, Sector 62 Noida, 201307 India
• Date and time of Annual General Meeting	July 11, 2012, 11.30 a.m
• Venue of Annual General Meeting	Sri Satya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi-110003
• Date of Book Closure for AGM	July 4 to 11, 2012 (both days inclusive)
• Financial Calendar for the financial year 2012-13 (tentative and subject to change)	
Financial reporting for :	Tentative dates
The first quarter ending June 30, 2012	between July 20-31, 2012
The second quarter ending September 30, 2012	between October 20-31, 2012
The third quarter ending December 31, 2012	between January 20-31, 2013
The year ending March 31, 2013	between April 20- 30, 2013
• Listing on Stock Exchanges	Scip 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	531209
• International Securities Identification Number	INE096B01018
• Registrars of Company & Share Transfer Agents	Karvy Computershare Private Limited Plot No. 17-24, Vithal Rao Nagar, Madhapur, Hyderabad-500 081 Tel: 040-23420815-18 Fax: 040-23420814 mailmanager@karvy.com

The annual fees for 2012-13 have been paid to all the Stock Exchanges. In absence of any trading activity, the Company applied for voluntary delisting of shares from Madras Stock Exchange Ltd. and was granted the same w.e.f. September, 2011.

Report on Corporate Governance

- **Dividend payment date :**

The Board has recommended a final dividend of ₹ 2.50 per share to the shareholders. 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 4, 2012, 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 July 03, 2012.

- (i) **Market Price data on NSE & BSE for the financial year 2011-12**

Month	NSE			BSE		
	High (₹)	Low (₹)	Total Volume	High (₹)	Low (₹)	Total Volume
April'11	115.00	85.00	1,310,798	115.25	84.75	613,075
May'11	95.80	80.05	1,209,855	96.60	80.05	446,502
June'11	88.95	78.70	743,573	89.35	76.70	251,666
July'11	87.00	73.20	519,879	86.20	73.60	128,885
August'11	75.65	60.15	387,775	74.90	60.20	128,320
September'11	73.20	60.00	306,425	72.45	60.35	111,202
October'11	77.30	62.25	350,022	76.90	64.45	122,925
November'11	74.80	59.55	387,793	77.00	60.00	173,021
December'11	69.90	55.45	864,788	71.45	55.65	257,995
January'12	73.95	60.20	373,592	74.00	60.50	118,365
February'12	80.45	63.75	1,449,375	80.65	66.65	677,953
March'12	71.70	60.50	349,202	72.00	61.00	138,066
Total Shares traded during the year			8,253,077			3,167,975

Table 15

- The equity shares of the Company are traded in "Group B" category on the Bombay Stock Exchange Ltd.
- The equity share of the Company is a constituent of the Small Cap Index on Bombay Stock Exchange Ltd.

- (ii) **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 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 as and when required.

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.

- (iii) **Dematerialization of Shares**

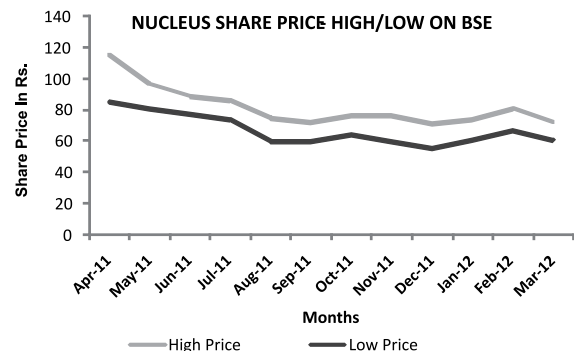
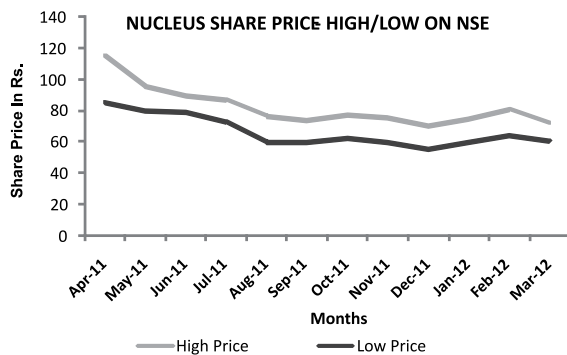
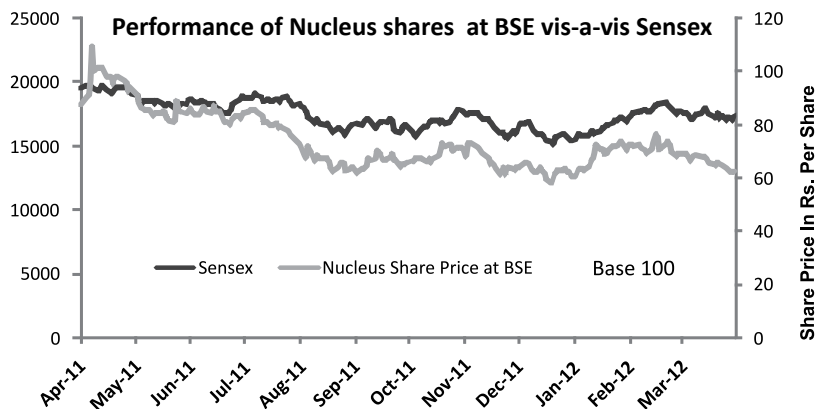
Shares of the Company are under compulsory dematerialization ("Demat") category and can be traded

only in electronic form. The Company has De-materialised 31,995,987 shares (98.80 % of the paid up share capital) as at March 31, 2012.

The procedure for converting the shares in dematerialized mode is as under:

- Share certificate(s) along with Demat Requisition Form (DRF) is to be submitted by the shareholder to his Depository Participant (DP)
- DP processes the DRF and generates a unique number viz. DRN.
- DP forwards the DRF and share certificates to the Company's Registrar & Shares Transfer Agent.
- The Company's Registrar & Shares Transfer Agent after processing the DRF confirm or reject the request to the Depositories.
- Upon confirmation, the Depository gives the credit to shareholder in his/her depository account maintained with DP.

The process of dematerialization takes around 15 days from the date of receipt of DRF by the Registrar & Shares Transfer Agent of the Company.



Since the trading in the shares of the Company can be done only in electronic form, it is advisable that the shareholders who have the shares in physical form get their shares dematerialized.

(iv) Electronic Clearing Services (ECS)/National Electronic Clearing Services (NECS) facility

The divided remittances to shareholders happen predominantly through ECS / NECS as per the locations approved by RBI from time to time. If the shareholders are located at any of the ECS/NECS centers and have not registered their ECS/NECS, they may forward their ECS/NECS mandate to their depository participant if the shares are held in demat form, or to the Company/Registrars, if the shares are held in physical form, immediately.

(v) Shareholding Pattern of the Company as at March 31, 2012

Category	As on March 31, 2012		
	Share Holders	Share Holding	Share Holding (%)
Promoter and Promoter Group	9	18,601,866	57.44
Public Share Holding			
Mutual Funds	13	3,505,827	10.83
Foreign Institutional Investors	3	1,360,039	4.20
Individuals	16,954	7,229,972	22.32
Bodies Corporate	462	992,179	3.06
Overseas Corporate Bodies/Non Resident Indians/Clearing Members Trusts	512	693,571	2.15
TOTAL	17,953	32,383,454	100.00

Table 16

Report on Corporate Governance

(vi) Distribution of Shareholding

No. of Equity Shares Held		As on March 31, 2012				As on March 31, 2011			
		Share Holders		Shares		Share Holders		Shares	
From	To	(No.)	%	(No.)	%	(No.)	%	(No.)	%
1	100	10,603	59.06	485,880	1.50	10,888	56.94	498,697	1.55
101	200	2,601	14.49	445,824	1.38	2,873	15.02	497,725	1.54
201	500	2,396	13.35	855,170	2.64	2,892	15.12	1,011,596	3.12
501	1,000	1,324	7.37	1,009,676	3.12	1,457	7.62	1,069,590	3.30
1,001	5,000	834	4.65	1,780,607	5.50	826	4.32	1,674,768	5.17
5,001	10,000	102	0.57	741,594	2.29	98	0.51	690,998	2.13
10,001 and above.		93	0.51	27,064,703	83.57	89	0.47	26,939,150	83.19
TOTAL		17,953	100.00	32,383,454	100.00	19,123	100.00	32,382,524	100.00

Table 17

(vii) Depository Receipts / Global Depository Receipts / Warrants

As on March 31, 2012, 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 2011-12.

(viii) Employee Stock Option Plans (ESOP)

Your Company has four Employee Stock Option Plans prevalent in the organisation. During the year, the Company allotted 930 equity shares to employees, in pursuance of the stock options exercised by them in July 2011.

(ix) 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). The Noida Centre is 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.

A wholly-owned subsidiary, Nucleus Software Limited (NSL), was incorporated in April 2008 in India, for facilitating business through operations in a Special Economic Zone. The registered office of Nucleus Software Limited is in New Delhi. The subsidiary acquired 17.41 acre of land in the Mahindra World Special Economic Zone, Jaipur and acquired the status of Co-Developer for the above land along with Mahindra World City, Jaipur Ltd. (MWCJL) in FY 11. The parent Company i.e. Nucleus Software Exports Ltd., received the approval to set up a unit at 2,063 sq. meters and commenced operations from this facility in August 2011.

PARENT COMPANY

Nucleus Software Exports Ltd.

Registered Office

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.

3086 Congressional Office Park,
Suite 10, Kendall Park, NJ 08824

USA

Nucleus Software Netherlands B.V.

Strawinskylaan 921 Tower A
(World Trade Center) 1077 XX
Amsterdam

Netherlands

VirStra i- Technology Services Limited

Marisoft 1, 6th Floor, Marigold Premises,
Vadgaon Sheri
Pune 411 014

India

Nucleus Software Ltd.

Plot No. IT- A - 017,
Mahindra World City (Jaipur) Ltd.
IT/ITES Special Economic Zone
Jaipur 302 037

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

B. Chennai

Plot No. 38,
Building No. 40,
II Main Road
Ambattur Industrial Estate Ambattur
Chennai 600 058

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.

(x) 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)-4031400
Fax: +91-(120)-4031672
Email: investorrelations@nucleussoftware.com

(xi) Other General Shareholder Information

The other mandatory and additional information of interest to investors is voluntarily furnished in a separate chapter "Shareholders' Referencer" of this Annual Report.

(xii) CEO/CFO Certification

As required by Clause 49 of the listing agreement, the CEO/CFO certification is provided as Annexure B to the report on Corporate Governance, in this Annual Report.

(xiii) Secretarial Audit

The Company has always advocated and practiced best principles of Corporate Governance. 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 2011, to a professional Company Secretary firm. The audit confirmed that your Company was materially compliant with all the applicable provisions of the Companies Act, 1956, Depositories Act 1996, Listing Agreements with all the stock exchanges where the Company is listed, all the applicable guidelines, rules and regulations of the Securities & Exchange Board of India (SEBI). The Auditor also made certain recommendations for adopting Best Practices, which are being implemented.

This secretarial audit is a voluntary initiative undertaken by the Company and has been in existence for the past few years. Certificate obtained in this regard has been published as Annexure A to this Report on Corporate Governance.

(xiv) Declaration as required under Clause 49(i)(D)(ii) of the Stock Exchange Listing Agreement

All Directors and Senior Management personnel of the Company have affirmed compliance with the code for the financial year ended March 31, 2012. A declaration to this effect signed by the Managing Director has been published as Annexure C to this report on Corporate Governance.

(xv) Green Initiatives by the Ministry of Corporate Affairs, Government of India

Responsible corporate citizenship has been a part of the Company's core values and the driving force for many of our initiatives. Nucleus believes that responsible investments in this regard will generate long term value for all our stakeholders by improving competitiveness and reducing risk.

The Company whole-heartedly supported the 'Green Initiative' of the Ministry of Corporate Affairs, Government of India enabling electronic delivery of documents to the shareholders at their e-mail addresses registered with the Depository participants/Registrar & Share Transfer Agent. The Company sent relevant communication to the shareholders by email in the previous year 2010-11. This year also the Company is actively pursuing this initiative by sending Annual Reports in a soft copy form.

6. Compliance with Non-Mandatory Requirements of Clause 49 of the Listing Agreement

Compliance Certificate on the Corporate Governance from the Auditors

Clause 49 of the Listing Agreement mandates us to obtain a certificate from either the statutory auditors or practicing Company secretaries regarding compliance of conditions of Corporate Governance as stipulated in the Clause and annex the certificate with the Directors' report, which is sent annually to all our shareholders. We have obtained a certificate to this effect and the same is given as Annexure C to the Directors' report.

The Clause further states that the non-mandatory requirements may be implemented as per our discretion. We comply with the following non-mandatory requirements:

a. Remuneration Committee

We have instituted a Remuneration Committee, which recommends the remuneration payable to Directors and Senior Management. A detailed note on the committee has been provided under 'Remuneration Committee' 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, Company visits or during road-shows.

Report on Corporate Governance

We also leverage the Internet in communicating with our investor base.

- The announcement of quarterly/annual results is followed by :
 - o Media interactions, wherein business television channel in India telecasts discussions with our CEO.
 - o 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.
 - o During the year, the Company also initiated the practice of sending results via email to all its shareholders who have valid e-mails ids registered with their Depository Participants (DP).
 - o The Company also sends an instant alert of the results, to all those who register themselves on the corporate website.
 - o 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. Audit Qualifications

There is no audit qualification in the Company's financial statements for the year ended March 31, 2012.

d. Training of Board Members

The Company believes that it is in the best interest of the Company to train the Board members :

- in the business model of the Company
 - risk profile of the business parameters of the Company,
 - their responsibilities as Directors, and the best ways to discharge them.
- Training of Board Members conveys the knowledge and understanding needed in order to be effective as a member of the Board of Directors.
- The Management makes comprehensive presentations on business model, regulatory updates, new initiatives, business scenario, Company positioning etc. and also sends relevant material to the Board on an overview of latest happenings in the corporate world.
 - During the past years 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.

e. Mechanism for Evaluating Non-Executive Board Members

There is a formal Policy for Board Performance Evaluation which suggests process for evaluation of the performance of both the Board and individual Directors. The purpose of the Policy is :

- To ensure the overall performance evaluation process of Directors
- Maximize strengths and identify and address the weaknesses.
- Maintain an energised, proactive and effective Board.

A reputed, independent external facilitator conducted the formal Board performance evaluation during the year 2010-11. 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.

f. Whistle Blower Policy

The Company 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.

A detail on the Whistle Blower Policy has already been provided in the Disclosures section earlier in this Report on Corporate Governance.

g. Code for Prevention of Insider Trading

Based on the requirements under SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, there exists a Code of Conduct for prevention of Insider Trading in the Company. During the year SEBI issued a notification on August 16, 2011, mandating disclosures of share-holding by the promoters and promoter group at the time of becoming the promoter or part of promoter group and at the time whenever there is a change in the shareholding of such persons in excess of the limits specified. This was included in the Company's Code of Conduct for prevention of insider trading by the way of an amendment brought about during the year.

h. Secretarial Standards

The Institute of Company Secretaries of India (ICSI), one of the premier professional bodies in India, has issued secretarial standards on board meetings, general meetings, payment of dividend, maintenance of registers and records, minutes of meetings, transmission of shares and debentures, passing of resolution by circulation, affixing of common seal, forfeiture of shares and Board's report. While they are non-mandatory in nature, the Company endeavours to comply with them.



SECRETARIAL AUDIT CERTIFICATE

Annexure A

To the Board of Directors

Nucleus Software Exports Limited

We have examined the statutory records and documents of Nucleus Software Exports Limited ("the Company") for the calendar year ended 31st December 2011 in light of the provisions specified herein:-

1. The Companies Act, 1956 and the Rules made under there under;
2. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under ;
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 r/w Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (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
 - (d) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder ; and
 - (e) The Equity Listing Agreements with Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

Based on our examination and verification of the documents along with exerting reliance upon the Legal Due-Diligence Report from, an eminent Delhi based Law Firm, produced to us and according to the information and explanations given to us by the Company, we report that:-

The Company has, in our opinion, materially complied with the provisions of the Companies Act, 1956 and the Rules made there under along with various circulars and notifications issued from time to time and also the provisions contained in its Memorandum and Articles of Association 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;

- (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;
- (k) Payment of remuneration to the Directors including the Managing Director;
- (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) Investment of the Company's funds including inter corporate loans and investments and loans to others;
- (q) 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;
- (r) Generally, other applicable provisions of the Act and the Rules made under that Act.

We 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) 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,

Further we 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.

We further report that:

- (a) the Company has complied with the requirements under the Equity Listing Agreements entered into with the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited with regard to the following:-
 - Closure of transfer books and fixation of record date
 - Compliances relating to approval of quarterly and annual results

-
- Notifying the change in directorate of the company
 - Submission of Shareholding pattern
 - Payment of Annual Listing Fees to BSE and NSE and custodial fees to NSDL and CDSL
 - Maintenance of minimum level of public shareholding
 - Appointment of Company Secretary as Compliance Officer
 - Compliances regarding Corporate Governance Intimation regarding agreements entered into with media companies
 - Maintenance of a functional website of the Company
 - Generally, other applicable provisions of the Listing Agreement with reference to the Company
- (b) the Company has complied with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 with regard to the following::
- Requisite periodic and continual disclosures of shareholding or voting rights
 - Maintenance of statutory register of requisite disclosures
 - Generally, other provisions of law as applicable upon the Company
- (c) the Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 with regard to the following:
- Initial Disclosures and Annual disclosures by concerned person
 - Framing of Code of Conduct for Insider Trading and Code of Conduct for Corporate Disclosures.
 - Generally, other provisions of law as applicable upon the Company
- (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 P. Kansal & Associates
Company Secretaries**

**Sd/-
Priyanka Kansal
Proprietor
CP No. 10667
Date: April 29, 2012
Place: New Delhi**



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

Annexure B

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, 2012 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.

New Delhi
April 29, 2012

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

Annexure C

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, 2012, received from its Board members as well as senior management personnel affirmation as to compliance with the Code of Conduct.

New Delhi
April 29, 2012

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, 2012



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 Development

Globally macroeconomic conditions worsened during the year with the Eurozone creating headlines every day. US GDP growth was muted and unemployment across Europe and the US remained a huge concern. The bailout of Greece is not succeeding and talks of Greece exiting the euro caused turmoil in bond and currency markets and 10 year bond yields were at dangerous levels in Spain and Italy, the 3rd and 4th biggest economies in the euro zone after Germany and France. Sovereign debt crisis transmits instantly to banks which hold large quantities of sovereign bonds and affects their spending decisions adversely.

The India growth story was dampened by slower GDP growth, persistent deflation and fiscal and current account deficits. In our view, while Indian companies in IT will continue to grow, there is a need to be watchful and manage risk proactively.

Indian IT industry would also have to undergo a change in its business model; creating more Value for its clients by facilitating business process transformation, using technology innovations. This would be a paradigm shift requiring IT companies to acquire in-depth understanding of their customers' business and skills to facilitate business process changes.

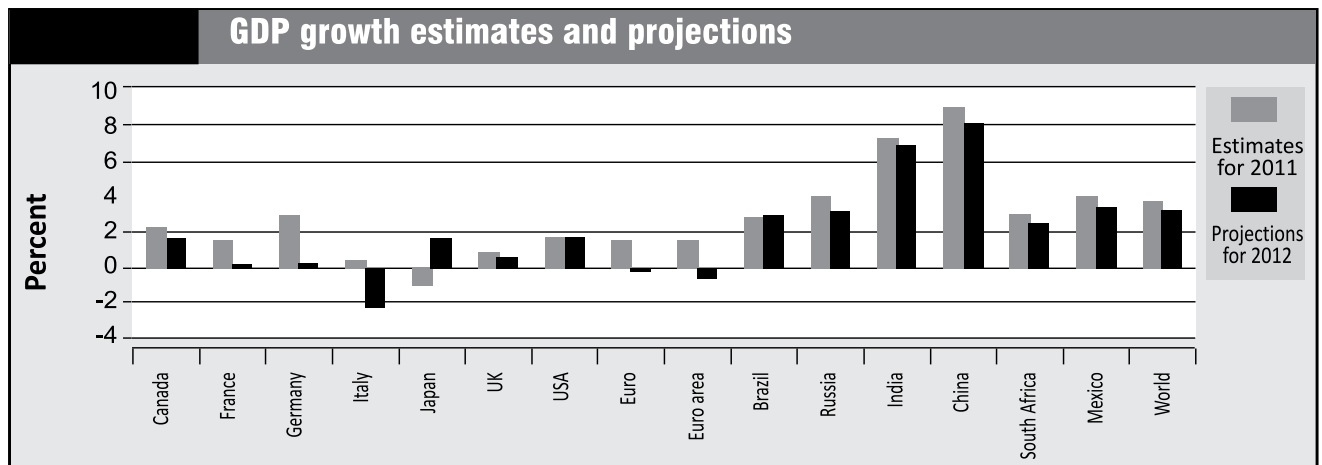
While the Indian products growth story is a relatively recent phenomenon, achieving momentum in the last decade; more and more Indian IT Companies are recognizing the need to invest and grow their product portfolio to match global peers. At another level, the software products revolution is being led by smaller firms investing and working in emerging areas such as mobile applications, social media, online gaming etc.

Given the huge transformation that will be required Indian IT Companies will need involvement of the other ecosystem

A few interesting facts regarding the Indian Software Product Industry may be summed up as below:

- **Indian Software Product Industry**
 - USD 2 Billion (2011)
 - USD 9.5-12 Billion (2015)
- **Global addressable market for Indian software product companies**
 - USD 290 – 315 Billion
- **Domestic Indian market opportunity**
 - USD 3.36 Billion (2011); growing at CAGR of 14 percent

Source: Nasscom's 'India Product Conclave' 2011, Nasscom Strategic Review 2010, Nasscom - Zinnov study on India Software Product Business, published August 2008



Source – Economic Survey 2011-12

Information technology is the key to boost a country's global competitiveness. 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. In India, IT has directly contributed to the GDP numbers and exports, and has had a multiplying effect too. As per the Strategic Review for 2012, Nasscom estimated the software services and BPO revenues of Indian companies likely to cross \$101 billion mark.

Considering the technological innovations, there is an increase in demand for software products in banking, healthcare, telecom, e-Government and ERP. Changing trends in technology such as Cloud computing and virtualization are acting as enablers of idea realization and act as driving forces in product development.

entities consisting of government institutions, industry bodies and academia too. 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.

Management's Discussion and Analysis

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. Subsequently in October 1994, it was converted into a Public Limited Company. In August 1995, Nucleus made an Initial Public Offer and is currently listed at National Stock Exchange of India Ltd. and the Bombay Stock Exchange Ltd. In absence of any trading activity, the Company applied for voluntary delisting of shares from Madras Stock Exchange Ltd. and was granted the same w.e.f. September, 2011.

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. 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 table I below.

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

Table I

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, UK and Dubai. The Singapore subsidiary

has branch offices in Seoul in Korea and Manila in Philippines. These Subsidiaries/branch offices help the Company in providing front-end support to clients and explore new opportunities.

C. The Way Forward

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 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.

In the next phase of growth, we attempt to enhance customer satisfaction, by focusing on creating new products and superior versions of existing products. At the same time we are also exploring novel pricing mechanisms; building efficiencies to serve our customers in the best possible way. We would continue to focus our new initiatives on adoption of AGILE; a framework used for development of software applications in an iterative, incremental manner. This would enable the organization to be aligned to customer ,foster collaboration internally, reduce 'time to market' and speed up new Product Releases.

Lack of revenue growth in the past few years requires strategic thinking to conceptualise and implement growth plans for both the short term and the medium term. We continue focusing on :

- Higher top line growth coupled with higher productivity to generate better margins
- 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.

Our ongoing investments in differentiating our offerings and pursuing innovation to provide best solutions to the industry, helped us win some notable accolades over the years:

- FinnOne™ ranked for the fourth consecutive year as the '**World's No 1 Selling Lending Software Product**' (for the year 2011) and ranked **fourth** in global sales across all banking products by IBS Publishing, UK.
- Annual Report and Accounts of the Company for the year ended March 31, 2011 adjudged as the **BEST** under the Category XI – Service Sector (other than financial services sector, transport services, Turn over less than ₹ 500 crore of the '**ICAI Awards for Excellence in Financial Reporting**'. A GOLD SHIELD was awarded to the Company, for the fourth consecutive year.
- Annual Report of the Company for the year ended March 31, 2011 won the Platinum award under Technology-Software category and has been **ranked fourth worldwide** in the Top 100 Annual Reports in the Vision Awards by the League of American Communications Professionals (LACP), USA.



- South Asian Federation of Accountants (SAFA) adjudged Nucleus' Annual Report as the recipient of '**Certificate of Merit**' for the Best Presented Accounts and Corporate Governance Disclosures Award 2010 in the category 'Communication & Information Technology'
- Nucleus Software has been **ranked amongst the Top 5 Companies** for Best Corporate Governance Practices in India by IR Global Rankings 2011.
- 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.
- 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.
- 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

An active and well-informed Board is necessary to ensure highest standards of Corporate Governance. At Nucleus, a well qualified

Board consisting of five members with Mr. Janki Ballabh as the Chairman and Mr. Vishnu R Dusad 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 took some major decisions during the year to reorganize the Company's top management team, necessary to take a major leap forward. Critical functions of the organisation were strengthened with the hiring of senior members in Global Delivery and Product Development.

Another major initiative during the year was the formation of Review Committee; as the seventh Committee of the Board during the year with the objective of reviewing the operations and systems of the Company. The Committee conducted weekly reviews with the Management and also made recommendations to the Board in respect of required changes to policies, procedures, budget allocations, financial management and operational management. 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.

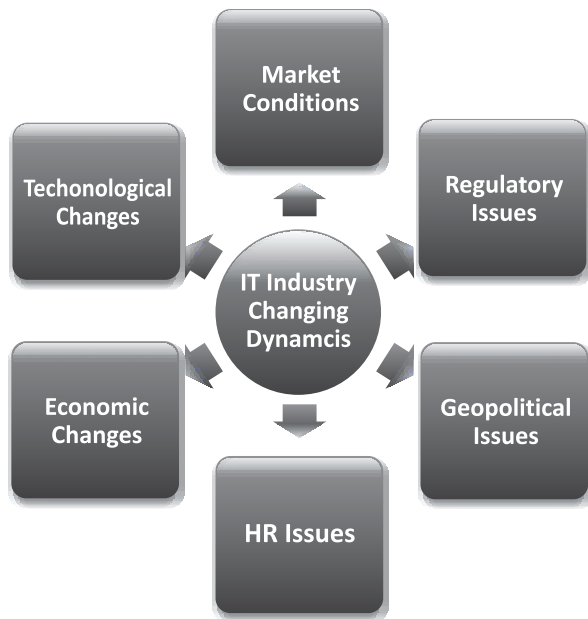
E. OPPORTUNITIES AND THREATS

India is in an advantageous position because of its large domestic market, its robust investments and demographic advantage. On the other hand, Euro zone is passing through a crisis and the US economy, though having shown some improvement in recent times, remains sluggish.

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 applications to improve cost efficiency. The IT industry has had its own share of turbulent times; with adverse protectionist policies, visa regulations, falling discretionary spends and slower scale of adoption in newer geographies. Market conditions seem to have got tougher due to increased competition among vendors, emergence of other low-cost destinations and increasing maturity of clients; demanding more accountability. Domestic regulatory environment comprising of issues of taxation, transfer pricing and lax IP Protection laws are further adding to woes. With rising attrition, wage inflation and non-availability of skilled employable talent pool, companies are at a loss in figuring out their strategy; in an industry which has traditionally been highly people-dependent. At this critical juncture, the industry needs to look beyond the conventional linear growth models and turn to innovative non-linear forms of growth. Product companies are by definition well placed for non linear growth and herein lies the opportunity

While the consolidated revenues of the Company have recorded growth with respect to the previous year, growth at targeted levels remains a challenge.

Management's Discussion and Analysis



This year we won 22 product orders for implementing 58 product modules from all over the world, including Americas, Africa, Mediterranean region, Europe, Australia and the Middle East. These wins indicate availability of a ready market and the increased acceptance of Nucleus products therein. There is an opportunity created by years of hard-work and dedication, and the focus now is to convert this opportunity into 'Growth' for the Company.

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

We believe that at our current levels of revenue, there is large room for growth in our specialised Product Categories even with macroeconomic conditions being adverse. We have strong branding and customer base and need to market and sell more effectively to increase shareholder value

G. RISKS AND CONCERNS

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

H. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Internal control systems include the policies and procedures maintained by an organization to address risk-prone areas. It may also be defined as the processes designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations,

- reliability of financial reporting, and
- compliance with applicable laws and regulations

Your Company continues to lay focus on 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 Corporate Governance standards create greater value for all their stakeholders.

During the year, the Internal Control function was further strengthened. Authority matrix for Global Heads of Functions, Strategic Business Unit (SBU) Heads and Business Unit (BU) Heads was formalized to further strengthen the Internal Control function. This helped in not only assigning responsibility at various levels but also ensured a sense of accountability. Furthermore, the HR and Administration department policies of the organization were reviewed and improved to best reflect the intent of those policies.

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 as Annexure B to the report on Corporate Governance also places responsibility on the CEO and CFO to continuously ensure adequacy of our internal control systems and procedures.

I. Material developments in Human Resources

Indian IT industry continues to face challenges from an HR perspective in hiring, managing and retaining talent in current environment. Availability of abundant opportunities has led to rapid job switches among professionals leading to attrition levels, which of course vary with the state of economy. Attracting quality manpower still remains an issue and to address this issue, we invested proactively in hiring, training, cross skill development,



managing motivation and paying reasonable level of salaries to employees. An effect of this is wage inflation which adds to pressure on operating margins.

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 was done to drive greater efficiency
- Regular communication with employees was facilitated through regular "Open House" sessions, and through the business HR representatives.

Your Company's HR function assumed a bigger role of an HR facilitator and continued its focus in the strategic direction of enhancing competency and talent development for the employees.

J. FINANCIAL PERFORMANCE

Financial statements of the Company are 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 Company has six subsidiary companies, all of which are wholly-owned subsidiaries. The Company discloses 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. 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, discussed in this chapter and
- Nucleus Software Exports Limited (Consolidated) including performance of subsidiaries of Nucleus Software, and has been discussed in the later chapters of this Annual Report.

The Company has prepared its financials for the year, as per the Revised Schedule VI notified by Ministry of Corporate Affairs vide Notification number S.O. 447(E) dated 28 February, 2011. This has significantly impacted the disclosure and presentation made in the financial statements. Previous period/year figures also have been regrouped/ reclassified wherever necessary to make them comparable with the current period figures.

The standalone financial results are as below:

(₹ in crore)					
For the Year Ended March 31,	2012	% of Revenue	2011	% of Revenue	Growth (%)
Revenue from Operations	204.85	100.00	199.55	100.00	2.66
Expenses					
a) Employee benefit expense	115.52	56.39	106.06	53.15	8.92
c) Travel expenditure	16.74	8.17	15.66	7.85	6.90
b) Finance costs (Bank charges)	0.22	0.11	0.22	0.11	–
d) Other expenses	45.41	22.17	51.92	26.02	(12.54)
Total Expenses	177.89	86.84	173.86	87.13	2.32
Operating Profit (EBITDA)	26.96	13.16	25.69	12.87	4.94
Depreciation	6.10	2.98	8.10	4.06	(24.69)
Operating Profit after Interest and Depreciation	20.86	10.18	17.59	8.81	18.59
Other Income	19.48	9.51	29.61	14.84	(34.21)
Foreign Exchange Gain/ (Loss)	3.52	1.72	0.99	0.50	NA
Profit Before Tax	43.86	21.41	48.19	24.15	(8.99)
Taxation					
– Withholding Taxes	0.89	0.43	1.33	0.67	(33.08)
– Current (Net of MAT credit entitlement)	9.58	4.68	3.10	1.55	N.A.
– Other Taxes	0.75	0.37	(2.00)	(1.00)	N.A.
Profit After Tax	32.64	15.93	45.76	22.93	(28.67)

Management's Discussion and Analysis

Revenue from Operations

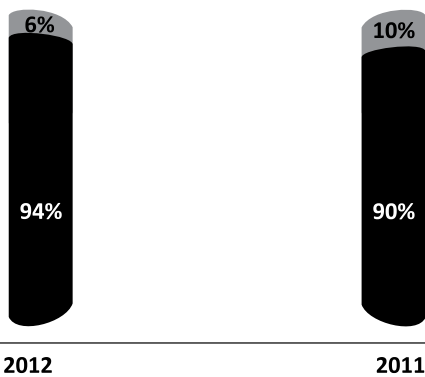
Our revenues from software development comprise of income from time and material and fixed price contracts. Revenue from time and material contracts is recognised as the services are rendered and revenue from fixed price contracts comprises of sale of license, related customisation and implementation is recognised in accordance with the output method based on percentage completion. Revenue from annual technical service contracts is recognised on a pro rata basis over the period in which such services are rendered.

During the year, the total revenue from operations is ₹ 204.85 crore, registering a growth of 2.66% over ₹ 199.55 crore, total revenue for the previous year.

Revenue from Products

Revenue from Business Segments

■ Products ■ Projects & Services



We are a Product Company and derive most of our revenues from Products and related services, categorized under revenue from "Products". It basically comprise of license fees, revenue from customization and implementation of products and postproduction maintenance support. Product revenue for the year is ₹ 192.00 crore, 93.73 % of the total revenue, which is an increase of 6.96 % over Product revenue of ₹ 179.51 crore, 89.96% of total revenue, in the previous year.

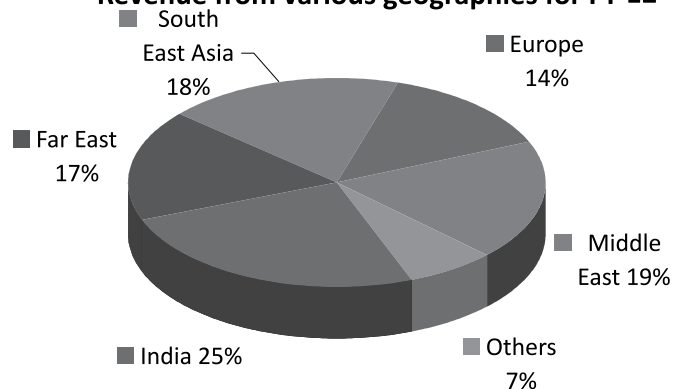
Revenue from Projects and Services

Software services rendered by the Company, classified under this segment, typically consist of development of software to meet specific customer requirements. These services consist of application development & maintenance, testing, consulting and infrastructure management services with a strong banking domain focus. Software projects and services revenue for the year is ₹ 12.85 crore, 6.27 % of the total revenue, revenue from this line of business has declined by 39.17 % for this year. Software projects and services revenue for the previous year was ₹ 20.04 crore, 10.04% of total revenue.

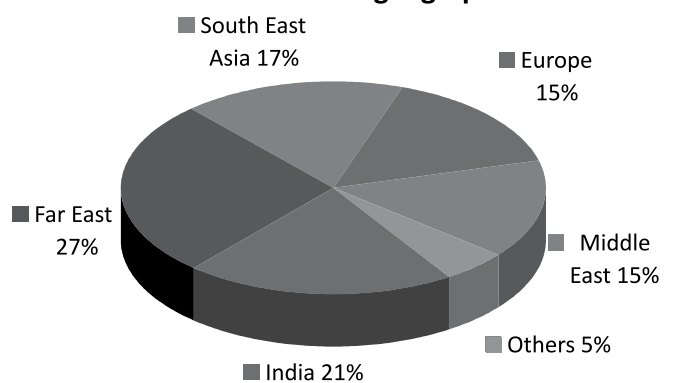
Revenue from Various Geographies

Your Company is incorporated in India, caters to customers situated all across the globe and hence significant part of the revenue is derived from international sales. For the year 75% revenue was derived from other than domestic locations. The graph below presents a geography-wise distribution for the year as well as the previous year.

Revenue from various geographies for FY 12



Revenue from various geographies for FY 11



EXPENSES

Employee Benefit Expenses

Employee benefit expenses includes salaries paid to employees in India which have fixed and variable components; provision for gratuity and contribution to provident fund and expense on staff welfare activities. The employee benefit expenses have increased by 8.92 % to ₹ 115.52 crore, 56.39 % of revenue against ₹ 106.06 crore, 53.15% of revenue in the previous year.



Employee Benefit Expenses

(₹ in crore)					
For the Year Ended March 31,	2012	% of Revenue	2011	% of Revenue	Growth (%)
Salaries	105.90	51.70	96.05	48.13	10.26
Contribution to provident and other funds	5.83	2.85	5.36	2.69	8.77
Gratuity	1.79	0.87	2.65	1.33	(32.45)
Staff welfare	2.00	0.98	2.00	1.00	–
Total Employee Benefit Expenses	115.52	56.39	106.06	53.15	8.92
REVENUE	204.85	100.00	199.55	100.00	2.66

Employee costs have risen and we are taking steps to optimize utilization and productivity.

Operating and Other Expenses

Operating and other expense primarily consist of expenses on travel to execute work at client site and for other related activities, consultancy charges, cost of software purchased for delivery to clients, bandwidth and communication expense, infrastructure charges, expenses on account of brand building activities. The other expenses included here are training and recruitment costs, legal and professional charges, repairs and maintenance charges, insurance, provision for doubtful debts, bad debts, finance costs and other miscellaneous charges.

Operating and other expenses at ₹ 62.37 crore, 30.44% of revenue for the year remained under control, with a marginal decrease of 8.01 % against ₹ 67.80 crore, 33.98% of revenue in the previous year.

(₹ in crore)					
For the Year Ended March 31,	2012	% of Revenue	2011	% of Revenue	Growth %
Software and other development charges (out sourced)	12.69	6.20	13.86	6.94	(8.40)
Travelling	16.74	8.17	15.66	7.85	6.90
Cost of software purchased for delivery to clients	4.61	2.25	6.30	3.16	(26.78)
Power and fuel	2.96	1.45	2.65	1.33	11.92
Rent	2.92	1.43	1.93	0.97	51.56
Repair and maintenance	1.92	0.94	1.88	0.94	2.13
Legal and professional	4.07	1.99	6.03	3.02	(32.51)
Conveyance	1.11	0.54	1.06	0.53	4.43
Communication	1.37	0.67	1.54	0.77	(10.92)
Information technology expenses	1.52	0.74	1.69	0.85	(10.10)
Provision for doubtful debts/advances/other current assets	3.80	1.86	4.94	2.48	(23.03)
Commission to channel partners	1.83	0.89	0.66	0.33	179.21
Training and recruitment	0.96	0.47	1.67	0.84	(42.65)
Conference, exhibition and seminar	0.93	0.45	1.08	0.54	(14.25)
Advertisement and business promotion	0.73	0.35	0.66	0.33	9.31
Insurance	0.39	0.19	0.49	0.24	(19.46)
Finance Cost (Bank Charges)	0.22	0.11	0.22	0.11	–
Miscellaneous expenses	3.60	1.76	5.48	2.75	(34.31)
Total Operating and Other Expenses	62.37	30.44	67.80	33.98	(8.01)
REVENUE	204.85	100.00	199.55	100.00	2.66

- Software and other development charges relate to outsourced work for software development and is lower than previous year by 8.40%.
- Cost of software purchased for delivery to clients has also recorded a fall of 26.78 % for the year against the previous year.
- Rent for the year includes payment of ₹ 0.62 crore to Nucleus Software Ltd., a subsidiary of the Company for using their facility at Jaipur for the Company's SEZ unit.

Management's Discussion and Analysis

- Provisions for doubtful debts include bad debts written off and 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. This figure is reduced to ₹ 3.80 crore against ₹ 4.94 crore previous year.
- Finance cost includes bank charges and fee for issuance of bank guarantees to customers.

We have taken a number of steps to improve our operational efficiency and there has been a very strong control and focus on costs.

Operating Profit (EBITDA)

Operating Profit marginally improved to ₹ 26.96 crore, 13.16 % of revenue against ₹ 25.69 crore, 12.87% of revenue in the previous year. We achieved operating margin growth in rupee terms with favourable exchange rate movement, with Dollar revenues remaining flat.

Depreciation

Depreciation on fixed assets is ₹ 6.10 crore, 2.98% of revenue for the year against ₹ 8.10 crore, 4.06% 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.

	(₹ in crore)	
For the Year Ended March 31,	2012	2011
On Investments		
Capital Gain- Mutual Funds	1.02	-
Dividend on investment in Mutual fund units	8.75	5.64
Dividend from Subsidiary	3.60	21.00
Interest Income	4.01	2.58
Provisions written back	0.84	0.12
Others	1.26	0.27
Total	19.48	29.61

Other income for the year is ₹ 19.48 crore against ₹ 29.61 crore for the previous year.

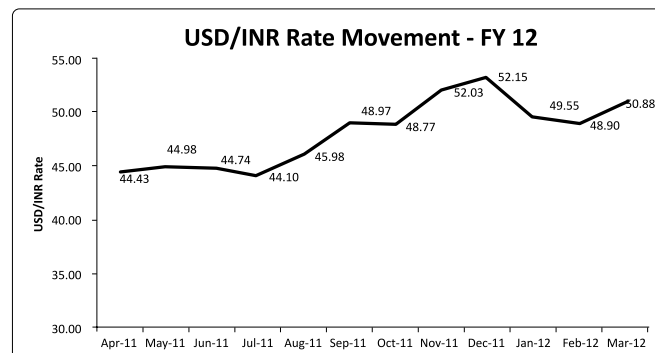
The Company maintained a prudent investment mix by investing funds into both Mutual Funds and Fixed Deposits. The Company had an investment of ₹ 100.94 crore in Mutual Funds and ₹ 70.66 crore in Fixed Deposits, against ₹ 124.13 crore in Mutual Funds and ₹ 40.34 crore in Fixed Deposits as on March 31, 2011.

The Company received an Interim dividend of ₹ 3.60 crore from a subsidiary of the Company (₹ 21.00 crore in the previous year).

Foreign Exchange Gain/ (Loss)

Foreign Exchange Gain (Loss) includes gain (loss) from translation of current assets and liabilities at quarter end rates, those arising from realization/payments of receivables/payables and from cancellation of options and forward contracts, respectively. During the year, the Company had a foreign exchange gain of ₹ 3.52 crore against ₹ 0.99 crore for the previous year.

Foreign Exchange continues to be volatile, as depicted in the below mentioned chart.



With risk appetite varying and the Dollar fluctuating inversely with higher risk appetite, most of the global currencies remained under pressure against the US Dollar. After a rather eventful year, the Indian Rupee ended the year on historically the lowest year ending level of 50.88, weakened by 14 percent against 44.68 on March 31, 2011.

Taxation

It represents the provision for corporate & income taxes in various countries where the Company and subsidiaries operate.

	(₹ in crore)	
For the Year Ended March 31,	2012	2011
- Withholding taxes charged off	0.89	1.33
- Current Tax	9.58	4.88
- MAT Credit Entitlement	-	(1.78)
- Deferred Tax Expense	(0.17)	(2.25)
- Earlier Year Tax	0.92	0.25
Total	11.22	2.43

Total effective tax for the year is 25.58% of Profit Before Tax, in comparison to 5.04% of Profit Before Tax for the previous year. The tax holiday enjoyed by units in STP/ FTZ under Section 10A of the IT Act expired on April 1, 2012, which resulted in an increase in tax implication for all our units in India w.e.f the financial year 2011-12. During the year, a unit of the Company commenced operations from the SEZ in Jaipur. SEZ's in India are eligible for tax exemptions and a host of other fiscal benefits, incentives and concessions both from the State and Union Government.

Minimum Alternate Tax at 18.50 % (plus applicable surcharge and cess) of book profits was made applicable to SEZ Units and SEZ Developers vide Finance Act 2011. Company may claim set off of taxes paid under MAT against taxes payable under normal provisions in future years, but it is possible that the set off may not be available in its entirety. In such a scenario, taxes paid under MAT would become a cost for the Company. Further, Dividend Distribution Tax at 15% (plus applicable surcharge and cess) has also been made applicable to SEZ Developers. These developments have adversely impacted the prospective investments in the SEZ scheme.



Nucleus Software Exports Limited

Profit After Tax

Our profit after tax for the year is ₹ 32.64 crore, 15.93% of revenue against ₹ 45.76 crore, 22.93% of revenue, during the previous year. Excluding dividend from subsidiary, the profit after tax for the year is ₹ 29.04 crore, 14.18% of revenue against ₹ 24.76 crore, 12.41% 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, 2012 is 32,383,454 equity shares of ₹ 10 each as against 32,382,524 equity shares of ₹ 10 each as on March 31, 2011. The increase in the paid-up share capital of the Company during the year has been due to allotment of 930 shares on exercise under Employee Stock Option Plan 2005.

Retained Earnings

During the year Company earned net profit of ₹ 32.64 crore. Your Directors have proposed a dividend of ₹ 8.10 crore and transferred ₹ 3.26 crore to General Reserve. During the previous year the Company paid dividend of ₹ 8.10 crore and transferred ₹ 4.58 crore to general reserve. Dividend tax for the year is ₹ 0.73 crore (a negative of ₹ 0.01 crore for the previous year) after set off against taxes paid by subsidiary Company 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)

Particulars	Opening Balance as on April 1, 2011	Additions/ (Deletions) during the year	Closing Balance as on March 31, 2012
Capital Reserve	0.67	0.20	0.87
Securities Premium	2.17	0.02	2.19
Employee Stock Options (net of deferred employee compensation)	0.62	(0.62)	–
General Reserve	69.79	3.26	73.05
Hedging Reserve	1.46	(1.47)	(0.01)
Profit and Loss	163.56	20.55	184.11
Account Balance			
Total	238.27	21.94	260.21

Fixed Assets

As at March 31, 2012, gross block of fixed assets including investment in technology assets is ₹ 87.29 crore (₹ 85.62 crore as on March 31, 2011).

(₹ in crore)

As at March 31,	2012	2011	% Inc/Dec
Gross Block			
Freehold land	0.34	0.34	–
Leasehold land	6.64	6.64	–
Building	24.23	24.23	–
Office and other equipment	14.18	13.92	1.87
Computers	22.58	22.26	1.44
Vehicles	1.51	1.67	(9.58)
Furniture and fixtures	3.75	3.66	2.46
Software	12.79	11.62	10.07
Leasehold improvement	1.27	1.28	(0.78)
Total	87.29	85.62	1.95
Less: Accumulated Depreciation	56.35	51.46	9.50
Net Block	30.94	34.16	(9.43)

There are fresh additions of ₹ 2.93 crore during the year, consisting of ₹ 2.54 crore in technology assets. The net fixed assets after depreciation are ₹ 30.94 crore as on March 31, 2012 against ₹ 34.16 crore as on March 31, 2011.

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,	
	2012	2011
Nucleus Software Solutions Pte. Ltd. Singapore.	1.63	1.63
Nucleus Software Inc., USA.	–	–
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	2.42
Nucleus Software Ltd., India	10.00	10.00

Management's Discussion and Analysis

Other investments of the Company are in low risk liquid mutual funds, as detailed below :

(₹ in crore)	
Name of the Mutual Fund Scheme	Value of units as at March 31, 2012
Axis Liquid Fund- Institutional-Daily Dividend-Reinvestment	11.44
HDFC Liquid Fund Premium Plan-Dividend-Daily Reinvest	4.50
ICICI Prudential Liquid Super Institutional Plan-Div-Daily	0.13
Kotak Liquid (Institutional Premium)-Daily Dividend	4.87
JP Morgan India Liquid Fund-Super IP-Daily Dividend-Reinvestment	1.98
Reliance Liquidity Fund-Super IP-Daily Dividend-Reinvestment	3.09
BSL Quarterly Interval Fund-Series 4 -Dividend Payout Option	5.00
BSL Short Term FMP-Series 31 Dividend-Payout Option	9.98
DSP BlackRock FMP-Series 42-3M-Dividend-Payout Option.	3.96
DSP BlackRock FMP-Series 40-3M-Dividend-Payout Option.	5.00
HDFC FMP 92 D March 2012 (1) - Dividend-Series XIX	5.00
HDFC FMP 92 D March 2012 (2) - Dividend-Series XXI	5.00
HDFC FMP 366D March 2012 (1) - Growth - Series XXI	5.00
ICICI Prudential FMP -Series 63 - 1 Year Plan C-Growth Option	5.00
IDFC Fixed Maturity Plan-Quarterly Series 72-Dividend Option	4.60
IDFC Fixed Maturity Plan-Quarterly Series 74-Dividend Option	4.00
Kotak Quarterly Interval Plan Series 4-Dividend Option	5.00
SBI Debt Fund Series-90 Days-59-Dividend-Payout Option	5.40
SBI Debt Fund Series-90 Days-60-Dividend-Payout Option	6.00
JP Morgan India FMP -Series 9-Dividend Plan-Payout Option	6.00
Total	100.94

Other Long Term Investments

Other Long term investment comprise of investment in 2,50,000 Equity Shares of face value of ₹ 10/- 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, 2012 the cash and bank balances (including fixed deposits) stood at ₹ 73.74 crore (₹ 46.49 crore on March 31, 2011) and current investments in liquid schemes and Fixed Maturity Plans of mutual funds are ₹ 100.94 crore (₹ 124.13 crore on March 31, 2011). Total cash and cash equivalents are thus at ₹ 174.68 crore on March 31, 2012 against ₹ 170.62 crore as on March 31, 2011.

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,	2012	2011
Cash and cheque in hand		
Balances with Bank		
In Current Accounts	3.08	6.15
In Fixed Deposit Account	70.66	40.34
Remittance in transit		
Investments in Mutual Funds	100.94	124.13
Total	174.68	170.62

Our net cash flow from operating activities before working capital changes is ₹ 31.63 crore for the financial year, against ₹ 30.75 crore in the previous year. After considering working capital changes, operating cash flow is ₹ 44.36 crore against ₹ 25.40 crore in the previous year.

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

As at March 31,	2012	2011
Operating cash flow as % of revenue	15.44%	15.41%
Days of sale receivable	139	74
Cash and Equivalents as % of assets	47.04%	50.53%
Cash and Equivalents as % of revenue	85.27%	85.50%
Current investments as % of assets	27.18%	36.76%
Current investments as % of revenue	49.28%	62.20%



Nucleus Software Exports Limited

Trade Receivables

(₹ in crore)

Our trade receivables (net of provision) as on March 31, 2012 are ₹ 77.74 crore against ₹ 40.67 crore on March 31, 2011. In the opinion of Management, all the trade receivables are recoverable. We have modified the grouping of receivables this year and have reported as below :

(₹ in crore)		
As at March 31,	2012	2011
Gross Receivables	77.74	40.67
Advances from customers and unearned income	20.72	14.55
Net receivables	57.02	26.12

In 2011 and in earlier years, we reported net receivables. In 2012, we have reported gross receivables and moved customer advances and unearned income under current liabilities and also regrouped 2011 figures. Days of sales receivables (DSR) is higher at 139 days as on March 31, 2012 against 74 days on March 31, 2011.

A table reflecting the details is as below:

(₹ in crore)		
As at March 31,	2012	2011
Due From		
- Subsidiaries	11.28	9.06
- Others	66.46	31.61
Total	77.74	40.67

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

As at March 31,	2012	2011
Less than 6 months	96.86 %	97.74 %
More than 6 months	3.14 %	2.26 %

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.

Loans and Advances

In accordance with the revised Schedule VI notified by MCA, Loans and Advances have been classified into long-term and short-term based on their period of realization.

As at March 31,	2012	2011
Long term Loans and advances		
Loans and advances to subsidiaries	10.62	6.70
Security deposits	1.10	1.07
Advance income tax	10.48	13.20
Prepaid expenses	0.66	1.26
MAT credit entitlement	-	1.27
Staff Loans	0.61	0.25
Total	23.47	23.75
Short term Loans and advances		
Prepaid expenses	1.51	0.95
Supplier advances	1.72	1.37
MAT credit entitlement	2.09	4.80
Employee advances	1.82	0.95
Loans to subsidiaries	0.51	0.45
Others	1.68	3.66
Total	9.33	12.18
Total Loans and Advances	32.80	35.93

During the year, Company provided a loan of ₹ 4.18 crore to NSL, a wholly owned subsidiary for construction of its facility at SEZ Jaipur.

Outstanding amounts from wholly owned subsidiaries at the end of FY 2012 and FY 2011 both in Indian Rupees and foreign currency are as below:

As at March 31,	2012		2011	
	₹ Crore	US \$ Million	₹ Crore	US \$ Million
Long Term				
Nucleus Software Ltd.	9.09	-	4.91	-
Nucleus Software Inc.	1.53	0.30	1.79	0.40
	10.62	0.30	6.70	0.40
Short Term				
Nucleus Software Inc.	0.51	0.10	0.45	0.10
	0.51	0.10	0.45	0.10

Security Deposits, utilised primarily for hiring of office premises and staff accommodation, amounts to ₹ 1.10 crore as on March 31, 2012 (₹ 1.07 crore as on March 31, 2011).

Advance income tax is ₹ 10.48 crore as on March 31, 2012 (₹ 13.20 crore as on March 31, 2011)

Current Liabilities

Current liabilities represent trade payables, short-term provisions and other current liabilities. As on March 31, 2012 the Current liabilities are ₹ 69.06 crore (₹ 57.97 crore as on March 31, 2011)

	(₹ in crore)	
As at March 31,	2012	2011
Trade Payables	19.88	20.71
Advances from customers	12.99	7.95
Deferred revenue	20.56	13.56
Unclaimed dividend	0.19	0.18
Book Overdraft	-	0.53
Other statutory dues	2.58	3.06
Short term provisions		
Leave encashment	1.37	1.00
Gratuity	2.08	1.57
Proposed dividend	8.10	8.10
Tax on dividend	1.31	1.31
Total	69.06	57.97

Trade payables represent the amount payable for providing goods and services and is ₹ 19.88 crore as on March 31, 2012 (₹ 20.71 crore as on March 31, 2011)

Advances from customers as on March 31, 2012 is ₹ 12.99 crore (₹ 7.95 crore as on March 31, 2011). These consist of advance payments received from customers for which related costs have not been yet incurred or product license delivery is at later date.

Deferred revenue represents the advance invoicing for annual maintenance charges for which services are to be rendered in the future. As of March 31, 2012 it is ₹ 20.56 crore (₹ 13.56 crore as on March 31, 2011)

Statutory dues are the amounts accrued for taxes deducted at source by the Company, staff provident fund, employee state insurance liabilities, sales tax, etc. As on March 31, 2012 it is ₹ 2.58 crore (₹ 3.06 crore as on March 31, 2011).

Short term provisions for leave encashment and gratuity are those for which liability is expected to arise in near future. A sum total of all these short-term provisions as on March 31, 2012 is ₹ 12.86 crore (₹ 11.98 crore as on March 31, 2011).

Long-term Provisions

Long term provisions as on March 31, 2012 were ₹ 9.63 crore (₹ 8.83 crore as on March 31, 2011). The break-up of provision at the year-end is given below:

	(₹ in crore)	
As at March 31,	2012	2011
Gratuity	6.27	6.00
Leave encashment	3.36	2.83
Total	9.63	8.83

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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.



AUDITORS' REPORT

For the Financial Statements for the year ended March 31, 2012

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, 2012, the Statement of Profit and Loss 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 Statement of Profit and Loss 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 Statement of Profit and 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 financial statements 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, 2012 and
 - ii. in the case of the Statement of Profit and Loss, 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, 2012, and taken on record by the Board of Directors, we report that, none of the directors is disqualified as on 31 March, 2012 from being appointed as a director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956.

New Delhi,
29 April, 2012

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 015125N)
Sd/-
RASHIM TANDON
Partner
(Membership No. 95540)



ANNEXURE TO THE AUDITORS' REPORT

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

1. 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.
2. 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 year, which in our opinion is reasonable having regard to the size of the Company and nature of its business. In accordance with this program, the fixed assets 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.
3.
 - 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 is Rs. 116,961,318 and the year-end balance of such loan as at 31 March 2012 is Rs. 111,298,318. 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.
 - b. 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.
 - c. Out of abovementioned two loans, one loan aggregating to Rs. 90,946,318 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.
 - d. According to the terms of the loan agreement, no installment of principal amount was repayable during the current year.
- e. There are no amounts overdue as at 31 March, 2012 in respect of loan granted in accordance with the terms of the loan agreement.
4. In our opinion and according to the information and explanations given to us and having regard to the explanation that services rendered are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of services. The Company's operations did not give rise to purchase of inventory and sale of goods during the current year.
5. Based on the examination of the books of account and related records and according to the information and explanations provided to us, there are no contracts or arrangements with companies, firms or other parties which need to be entered in the register required to be maintained under Section 301 of the Companies Act, 1956.
6. 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.
7. 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.
8. According to the information and explanations provided to us in respect of statutory dues:
 - (a) The Company has generally been regular in depositing undisputed statutory dues including Provident Fund, Employees' State insurance, Income Tax, Wealth 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 as at 31 March, 2012 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 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 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)

9. 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.
10. 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.
11. 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.
12. 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.
13. 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.
14. Attention is invited to Note 2.27 of notes forming part of the financial statements, wherein the Company noted that an employee of the company had misappropriated funds aggregating to approximately Rs. 2 lakhs during the year under audit. The Company after investigation dismissed the said employee after part recovery and is taking steps to recover the balance. According to the information and explanation given to us and to the best of our knowledge and belief, no other fraud on or by the Company has been noticed or reported during the year.

New Delhi,
29 April, 2012

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 015125N)
Sd/-
RASHIM TANDON
Partner
(Membership No. 95540)



Balance Sheet as at 31 March, 2012

(Amount in ₹)

	Notes Ref.	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
I. SHAREHOLDERS' FUNDS			
a. Share capital	2.1	323,849,540	323,840,240
b. Advance pursuant to stock option plan	2.2	167,640	2,182,720
c. Reserves and surplus	2.3	2,602,137,843	2,382,782,277
		<u>2,926,155,023</u>	<u>2,708,805,237</u>
2. NON-CURRENT LIABILITIES			
Long-term provisions	2.4	<u>96,392,299</u>	<u>88,272,006</u>
3. CURRENT LIABILITIES			
a. Trade payables	2.5	198,792,722	207,156,956
b. Other current liabilities	2.6	363,158,670	252,719,441
c. Short-term provisions	2.7	128,612,757	119,858,010
		<u>690,564,149</u>	<u>579,734,407</u>
		<u>3,713,111,471</u>	<u>3,376,811,650</u>
ASSETS			
4. NON-CURRENT ASSETS			
a. Fixed assets			
- Tangible assets	2.8	293,787,001	328,506,588
- Intangible assets	2.8	15,583,028	13,111,259
		<u>309,370,029</u>	<u>341,617,847</u>
b. Non-current investments	2.9	157,154,212	157,154,212
c. Deferred tax assets (net)	2.10	52,050,122	50,345,216
d. Long-term loans and advances	2.11	234,686,263	237,595,120
e. Other non current assets	2.12	10,457,053	-
		<u>763,717,679</u>	<u>786,712,395</u>
5. CURRENT ASSETS			
a. Current investments	2.13	1,009,413,967	1,241,336,570
b. Trade receivables	2.14	777,422,303	406,746,336
c. Cash and cash equivalents	2.15	737,410,265	464,933,173
d. Short-term loans and advances	2.16	93,368,199	121,736,822
e. Other current assets	2.17	331,779,058	355,346,354
		<u>2,949,393,792</u>	<u>2,590,099,255</u>
		<u>3,713,111,471</u>	<u>3,376,811,650</u>

See accompanying notes forming part of the financial statements | & 2

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Sd/-

RASHIM TANDON
Partner

Place : New Delhi
Date : 29 April, 2012

Place : New Delhi
Date : 29 April, 2012

For and on behalf of the Board of Directors
NUCLEUS SOFTWARE EXPORTS LIMITED

Sd/-

JANKI BALLABH
Chairman

Sd/-

P K SANGHI
Chief Financial Officer

Sd/-

VISHNU R DUSAD
Managing Director

Sd/-

POONAM BHASIN
Company Secretary

Statement of Profit and Loss for the Year Ended 31 March, 2012

(Amount in ₹)

	Notes Ref.	Year ended 31 March 2012	Year ended 31 March 2011
1. REVENUE FROM OPERATIONS			
Income from software services and products	2.18	2,048,546,368	1,995,503,783
2. OTHER INCOME	2.19	229,976,005	306,060,064
3. TOTAL REVENUE (1+2)		2,278,522,373	2,301,563,847
4. EXPENSES			
a. Employee benefits expense	2.20	1,155,150,579	1,060,576,832
b. Operating and other expenses	2.21	621,491,482	675,837,088
c. Finance cost	2.22	2,232,483	2,214,820
d. Depreciation and amortisation expense	2.8	61,025,968	81,000,759
Total Expenses		1,839,900,512	1,819,629,499
5. PROFIT BEFORE TAX (3-4)		438,621,861	481,934,348
6. TAX EXPENSE			
a. Current tax expense for current year		95,800,000	48,758,116
b. MAT Credit Entitlement		-	(17,800,000)
c. Tax expense relating to prior year		9,225,898	2,530,306
d. Provision for wealth tax		18,793	31,038
e. Withholding taxes charged off		8,860,814	13,290,292
f. Deferred tax credit	2.10	(1,704,906)	(22,497,707)
7. PROFIT FOR THE YEAR		326,421,262	457,622,303
8. EARNINGS PER EQUITY SHARE	2.31		
Equity shares of ₹ 10 each			
a. Basic		10.08	14.13
b. Diluted		10.08	14.12
Number of shares used in computing earnings per share			
a. Basic		32,382,995	32,381,700
b. Diluted		32,382,995	32,398,359
See accompanying notes forming part of the financial statements	I & 2		

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Sd/-

RASHIM TANDON
Partner

Place : New Delhi
Date : 29 April, 2012

Place : New Delhi
Date : 29 April, 2012

For and on behalf of the Board of Directors
NUCLEUS SOFTWARE EXPORTS LIMITED

Sd/-

JANKI BALLABH
Chairman

Sd/-

P 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 2012

	Notes Ref.	Year ended 31 March 2012	(Amount in ₹) Year ended 31 March 2011
A. Cash flow from operating activities			
Net profit before tax		438,621,861	481,934,348
Adjustment for:			
Depreciation		61,025,968	81,000,759
Exchange Loss/(gain) on translation of foreign currency accounts		(33,205,498)	(9,834,009)
Dividend received from non-trade investments		(87,450,249)	(56,384,965)
Dividend received from subsidiary		(36,000,000)	(210,000,000)
Interest on fixed deposits and others		(40,152,332)	(25,798,546)
Profit on sale of investments		(10,222,787)	27,625
Amortisation of employees stock compensation expenses		(6,230,635)	(1,973,593)
Loss / (profit) on sale of fixed assets (net)		256,326	229,281
Advances and other current assets written off		14,944,394	8,031,279
Provision for doubtful debts / advances / other current assets		23,101,612	41,395,249
Provisions written back		(8,355,612)	(1,156,410)
Operating profit before working capital changes		316,333,048	307,471,018
Adjustment for (increase) / decrease in operating assets			
Trade receivable		(365,217,121)	166,329,926
Short-term loans and advances		(11,679,952)	(18,165,249)
Long-term loans and advances		2,130,278	(4,495,774)
Other current assets		29,571,243	(77,456,881)
Other non-current assets		(10,457,053)	-
Adjustment for (increase) / decrease in operating liabilities			
Trade payables and other current liabilities		104,209,186	(19,761,734)
Short-term provisions		8,754,068	4,355,294
Long-term provisions		8,120,293	7,806,045
		81,763,990	366,082,645
Income tax paid (net)		(37,380,465)	(112,052,209)
Wealth tax paid		(18,793)	(31,038)
Net cash from operating activities (A)		44,364,732	253,999,398
B. Cash flow from investing activities			
Purchase of fixed assets/capital work in progress		(29,433,165)	(17,767,842)
Sale of fixed assets		260,340	382,253
Purchase of current investments		(4,400,303,991)	(4,550,477,202)
Proceeds from sale of current investments		4,632,204,680	4,161,141,885
Investments in shares of subsidiaries		-	(5,663,000)
Loans and advances to subsidiaries (net)		(35,458,642)	(17,810,968)
Interest on fixed deposits and others		21,907,007	27,398,126
Income tax paid		(9,487,421)	(8,768,926)
Dividend received from non-trade investments		87,450,249	56,384,965
Dividend received from subsidiary		36,000,000	210,000,000
Profit on Sale of Long term non trade investment		10,072,500	-
Net cash from / (used in) investing activities (B)		313,211,557	(145,180,709)
C. Cash flow from financing activities			
Dividend paid (including corporate dividend tax)		(88,251,778)	(81,117,418)
Advance pursuant to employee stock option scheme / proceeds from employee stock option exercised		124,620	885,600
Net cash used in financing activities (C)		(88,127,158)	(80,231,818)
Net increase / (decrease) in cash and cash equivalents (A+B+C)		269,449,131	28,586,871
Opening cash and cash equivalents		464,933,173	437,777,347
Exchange difference on translation of foreign currency bank accounts		3,027,961	(1,431,045)
Closing cash and cash equivalents (Refer note 2.15)		737,410,265	464,933,173
See accompanying notes forming part of the financial statements			

I & 2

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Sd/-

RASHIM TANDON
Partner

Place : New Delhi
Date : 29 April, 2012

Place : New Delhi
Date : 29 April, 2012

For and on behalf of the Board of Directors
NUCLEUS SOFTWARE EXPORTS LIMITED

Sd/-

JANKI BALLABH
Chairman

Sd/-

P K SANGHI
Chief Financial Officer

Sd/-

VISHNU R DUSAD
Managing Director

Sd/-

POONAM BHASIN
Company Secretary

Notes forming part of the financial statements

Note I:

I.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 2012, the Company is listed on two stock exchanges in India namely National Stock Exchange and Bombay 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.

The shares of the Company have been voluntarily delisted from Madras Stock Exchange w.e.f. 16 September, 2011.

I.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) Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

(iv) Depreciation and amortisation

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 ₹ 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.

(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 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.

(vi) Other Income

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.



(vii) 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.

(viii) 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.

(ix) 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.

(x) 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 Statement of Profit and Loss. 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 Statement of Profit and Loss.

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.

(xi) 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.

(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

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 Statement of Profit and Loss 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 Statement of Profit and Loss 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 Statement of Profit and Loss.

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 Statement of Profit and Loss.

(xiv) Operating leases

Lease payments under operating lease are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

(xv) 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.

Notes forming part of the financial statements

(xvi) 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.

(xvii) 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.

(xviii) Provision and 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.

(xix) Hedge Accounting

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The Company designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in "Accounting Standard 30 Financial Instruments: Recognition and Measurement". These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognised directly in "Hedging reserve account" under Reserves and surplus, net of applicable deferred income taxes and the ineffective portion is recognised immediately in the Statement of Profit and Loss. Amounts accumulated in the "Hedging reserve account" are reclassified to the Statement of Profit and Loss in the same periods during which the forecasted transaction affects profit and loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in "Hedging reserve account" is retained until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in "Hedging reserve account" is immediately transferred to the Statement of Profit and Loss.

(xx) Derivative Contracts

The Company enters into derivative contracts in the nature of forward contracts with an intention to hedge its existing assets and liabilities, firm commitments and highly probable transactions. Derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the policy stated for Foreign Currency Transactions and Translations.

Derivative contracts designated as a hedging instrument for highly probable forecast transactions are accounted as per the policy stated for Hedge Accounting.

All other derivative contracts are marked-to-market and losses are recognised in the Statement of Profit and Loss. Gains arising on the same are not recognised, until realised, on grounds of prudence.



Notes forming part of the financial statements for the Year Ended 31 March, 2012

2.1 SHARE CAPITAL

(Amount in ₹)

a. Particulars	As at 31 March 2012	As at 31 March 2011
Authorized		
Equity shares		
40,000,000 (40,000,000) equity shares of ₹ 10 each	400,000,000	400,000,000
Issued, Subscribed and Paid-Up		
Issued		
32,386,254 (32,385,324) equity shares of ₹ 10 each	323,862,540	323,853,240
Subscribed and Paid-Up		
32,383,454 (32,382,524) equity shares of ₹ 10 each, fully paid up	323,834,540	323,825,240
Add: 2,800 (2,800) forfeited equity shares pending reissue	15,000	15,000
	323,849,540	323,840,240

b. Subscribed and paid up Share capital includes 16,185,012 equity shares of ₹ 10 each issued as bonus shares by capitalisation of securities premium account during the year ended 31 March 2008.

c. **Number of shares held by each Share Holders holding more than 5% shares:**

Karmayogi Holdings Private Ltd	9,000,000	9,000,000
Vishnu R Dusad	3,603,492	3,603,492
Nucleus Software Engineers Pvt Ltd	2,385,882	2,385,882
Madhu Dusad	2,036,248	2,036,248

d. Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting year :

Particulars	Opening Balance	Allotted under Employee Stock Option Plans	Closing Balance
Year ended 31 March, 2012			
– Number of shares	32,382,524	930	32,383,454
– Amount	323,825,240	9,300	323,834,540
Year ended 31 March, 2011			
– Number of shares	32,370,024	12,500	32,382,524
– Amount	323,700,240	125,000	323,825,240

2.2 EMPLOYEES STOCK OPTION PLAN (“ESOP”)

- Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999, issued by the SEBI, 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 grant of options over the exercise price of the option, including up-front payments, if any, is to be recognized 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.

Notes forming part of the financial statements

c. Details of options granted, exercised, forfeited and closing balance in the above mentioned scheme are as follows:

Particulars	As at 31 March 2012	Weighted Average	As at 31 March 2011	Weighted Average
2002 Stock Option Scheme				
Options outstanding at the beginning of the year	49,550	360	73,300	337
Options granted	–	–	–	–
Options forfeited	(49,550)	360	(17,500)	339
Options exercised	–	–	(6,250)	146
Balance carried forward	–	–	49,550	360
2005 Stock Option Scheme				
Options outstanding at the beginning of the year	43,920	341	85,400	356
Options granted	–	–	3,560	144
Options forfeited	(41,290)	355	(45,040)	290
Options exercised	(930)	144	–	–
Balance carried forward	1,700	144	43,920	341
2006 Stock Option Scheme				
Options outstanding at the beginning of the year	84,002	302	101,074	365
Options granted	–	–	–	–
Options forfeited	(68,938)	263	(17,072)	405
Options exercised	–	–	–	–
Balance carried forward	15,064	509	84,002	302
Total stock options outstanding at end of the period (in Nos)	16,764		177,472	
Total advance pursuant to stock option plan (in ₹)	167,640		2,182,720	

- d. During the year ended 31 March, 2012, 159,778 shares (79,612 shares) respectively were forfeited and the amount paid up as application money aggregating to ₹ 2,005,780 (₹ 1,242,120) respectively has been transferred to the Capital reserve account. Also refer note 2.3(a)
- e. The Share based compensation expense reversal for the year ended 31 March, 2012 is ₹ 6,230,635 (₹ 1,973,593) respectively. Also refer note 2.3(c)



(Amount in ₹)

Particulars	As at 31 March 2012	As at 31 March 2011
2.3 RESERVES AND SURPLUS		
a. Capital reserve		
Opening balance	6,729,510	5,487,390
Add: Amount forfeited against employees stock option plan	2,005,780	1,242,120
Closing balance	8,735,290	6,729,510
b. Securities premium reserve		
Opening balance	21,740,689	20,953,189
Add : Premium on conversion of stock options issued to employees	124,620	787,500
Closing balance	21,865,309	21,740,689
c. Employee stock options outstanding account		
Opening balance	6,230,635	8,204,228
Less: Reversal on forfeiture of stock options granted	6,230,635	1,973,593
Closing balance	–	6,230,635
d. General reserve		
Opening balance	697,890,345	652,128,115
Add: Transferred from surplus in statement of Profit and Loss	32,642,126	45,762,230
Closing balance	730,532,471	697,890,345
e. Hedging reserve [see note 2.35]		
Opening balance	14,565,858	11,064,760
Add / (Less) : Effect of foreign exchange rate variations on hedging instruments outstanding at the end of the year	(14,713,004)	3,501,098
Closing balance	(147,146)	14,565,858
f. Surplus in Statement of Profit and Loss		
Opening balance	1,635,625,240	1,304,608,153
Add: Profit for the Year	326,421,262	457,622,303
Less: Transferred to general reserve	32,642,126	45,762,230
Less: Proposed dividend	80,960,696	80,989,444
Less/Add : Corporate dividend tax charge/(credit) [see note 2.38]	7,291,761	(146,458)
Closing balance	1,841,151,919	1,635,625,240
	2,602,137,843	2,382,782,277

For the year ended 31 March 2011, the Company had declared Dividend of ₹ 2.50 per Share (25% on equity share of par value of ₹ 10) which was approved by shareholder poll in Annual General Meeting held on 08 July 2011.

The Board of Directors has recommended a final dividend of ₹ 2.50 per share (25% on equity share of par value of ₹ 10 each) at their Board meeting held on April 29, 2012. The payment is subject to approval of the shareholders at the Annual General meeting.

2.4 LONG-TERM PROVISIONS

a. Provision for compensated absences	33,642,649	28,289,048
b. Provision for gratuity	62,749,650	59,982,958
Total	96,392,299	88,272,006

Notes forming part of the financial statements

(Amount in ₹)

Particulars	As at 31 March 2012	As at 31 March 2011
2.5 TRADE PAYABLES		
a. Trade Payables		
– Micro and small enterprises		
– Others	190,157,677	192,512,862
b. Due to Subsidiaries	8,635,045	14,644,094
Total	198,792,722	207,156,956
c. 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 on the basis of information collected by the Management. This has been relied upon by the auditors.		
2.6 OTHER CURRENT LIABILITIES		
a. Advances from customers	129,881,255	79,491,662
b. Deferred revenue	205,606,560	135,544,448
c. Unpaid dividends	1,911,894	1,771,309
d. Book overdraft	–	5,357,497
e. Other payables - statutory remittances	25,758,961	30,554,525
Total	363,158,670	252,719,441
2.7 SHORT-TERM PROVISIONS		
a. Provision for employee benefits	13,712,641	10,080,713
– Provision for compensated absences	20,807,966	15,685,826
– Provision for gratuity		
b. Provision for proposed equity dividend	80,958,635	80,956,310
c. Provision for tax on proposed dividend	13,133,515	13,135,161
Total	128,612,757	119,858,010



Nucleus Software Exports Limited

2.8 Fixed Assets (At Cost)

(Amount in ₹)

	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK	
	As at 1 April 2011	Additions	Deductions / adjustments	As at 31 March 2012	As at 1 April 2011	Depreciation for the year	Deductions / adjustments	As at 31 March 2012	As at 31 March 2012	As at 31 March 2011
Tangible assets										
Freehold land	3,360,720	-	-	3,360,720	-	-	-	-	3,360,720	3,360,720
Leasehold land	66,395,000	-	-	66,395,000	6,631,849	751,558	-	7,383,407	59,011,593	59,763,151
Leasehold improvements	12,758,283	-	-	12,758,283	11,521,316	1,236,967	-	12,758,283	-	1,236,967
Buildings	242,275,991	-	-	242,275,991	43,376,230	8,001,772	-	51,378,002	190,897,989	198,899,761
Plant and equipment	113,717,275	135,942	-	113,853,217	91,457,794	14,161,270	-	105,619,064	8,234,153	22,259,481
Office equipment	25,506,875	2,566,727	173,600	27,900,002	18,957,911	3,090,362	16,618	22,031,655	5,868,347	6,548,964
Computers	222,661,164	13,748,559	10,578,128	225,831,595	196,064,885	17,961,061	10,578,128	203,447,818	22,383,777	26,596,279
Vehicles	16,752,729	-	1,636,276	15,116,453	11,873,459	2,281,904	1,502,092	12,653,271	2,463,182	4,879,270
Furniture and fixtures	36,608,233	1,154,317	262,096	37,500,454	31,646,238	4,323,572	36,596	35,933,214	1,567,240	4,961,995
	740,036,270	17,605,545	12,650,100	744,991,715	411,529,682	51,808,466	12,133,434	451,204,714	293,787,001	328,506,588
Intangible assets										
Softwares	116,229,087	11,689,271	-	127,918,358	103,117,828	9,217,502	-	112,335,330	15,583,028	13,111,259
	116,229,087	11,689,271	-	127,918,358	103,117,828	9,217,502	-	112,335,330	15,583,028	13,111,259
Total	856,265,357	29,294,816	12,650,100	872,910,073	514,647,510	61,025,968	12,133,434	563,540,044	309,370,029	341,617,847
Previous year	889,880,166	17,272,747	50,887,556	856,265,357	483,922,774	81,000,759	50,276,023	514,647,510	341,617,847	

Notes forming part of the financial statements

Particulars	(Amount in ₹)	
	As at 31 March 2012	As at 31 March 2011
2.9 NON CURRENT INVESTMENTS (at cost)		
Trade (unquoted)		
250,000 (250,000) equity shares of ₹ 10 (₹ 10) each, fully paid up, in Ujjivan Financial Services Private Limited	2,500,000	2,500,000
Others (unquoted)		
Investments in equity instruments of subsidiaries		
a. 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
b. 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
c. Less: Provision for diminution in value of investment in Nucleus Software Inc., USA	(16,293,150)	(16,293,150)
d. 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
e. 1,000,000 (1,000,000) equity shares of ₹ 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
f. 4,000 (4,000) equity shares of Euro 100 each, fully paid up, in Nucleus Software Netherlands B.V., Netherlands, a wholly owned subsidiary	24,242,000	24,242,000
g. 10,000,000 (10,000,000) equity shares of ₹ 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
Total	154,654,212	154,654,212
Aggregate amount of non current investments	157,154,212	157,154,212

Particulars	(Amount in ₹)		
	Opening as at 1 April 2011	(Charged)/ Credited during the year	Closing as at 31 March 2012
2.10 DEFERRED TAX ASSET (Net)			
a. Deferred tax assets			
Provision for compensated absences, gratuity and other employee benefits	36,999,806	3,595,568	40,595,374
Provision for doubtful debts / advances	18,480,918	(5,394,665)	13,086,253
	55,480,724	(1,799,097)	53,681,627
b. Deferred tax liabilities			
On difference between book balance and tax balance of fixed assets	5,135,508	3,504,003	1,631,505
c. Net deferred tax (liability) / asset	50,345,216	1,704,906	52,050,122



Nucleus Software Exports Limited

(Amount in ₹)

Particulars	As at 31 March 2012	As at 31 March 2011
2.11 LONG-TERM LOANS AND ADVANCES		
(Unsecured, considered good)		
a. Security Deposits	10,971,675	10,723,783
b. Loans to subsidiaries (see note 2.32)*	106,210,318	67,032,356
c. Advance tax [net of provision of ₹ 204,312,932 (₹ 148,497,708)] (see note 2.25)	104,758,287	132,016,209
d. Mat Credit Entitlement (see note 2.25)	–	12,698,619
e. Prepaid expenses	6,633,045	12,594,047
f. Staff Loans	6,112,938	2,530,106
Total	234,686,263	237,595,120

*Disclosure under section 370 (1B) of the companies Act, 1956 is given below

Amount outstanding at the end of year

– **Long Term**

a. Nucleus Software Limited, India	90,946,318	49,160,356
b. Nucleus Software Inc., USA	15,264,000	17,872,000

– **Short Term**

a. Nucleus Software Limited, India	–	–
b. Nucleus Software Inc., USA	5,088,000	4,468,000

Maximum amount outstanding during the year

a. Nucleus Software Limited, India	90,946,318	49,160,356
b. Nucleus Software Inc., USA	26,015,000	22,340,000

*Disclosure as per Clause 32 of the Listing Agreements with the Stock Exchanges

Loans and advances in the nature of loans given to subsidiaries :

(Amount in ₹)

Name of the party	“Interest Rate”	Repayment Schedule	Amount outstanding as at 31 March, 2012	Maximum balance outstanding during the year
a. Nucleus Software Limited, India	Interest free	Payable on demand after three years from 16 August, 2011 (Commencement of operations)	90,946,318	90,946,318
			(49,160,356)	(49,160,356)
b. Nucleus Software Inc., USA	3% over six months Libor	“5 yearly installments (Dec 11 - Dec 15)”	20,352,000	22,340,000
			(26,015,000)	(22,340,000)

2.12 OTHER NON CURRENT ASSETS

(Unsecured, considered good)

Service Income accrued but not due

10,457,053 –

Notes forming part of the financial statements

2.13 Current investments - (At the lower of cost and fair value)

Investments in bonds and mutual funds - Non trade

Name of the Mutual Fund Scheme	No. of units as at 31 March 2012	Value of units as at 31 March 2012	No. of units as at 31 March 2011	Value of units as at 31 March 2011
		(₹)		(₹)
Liquid Schemes of Mutual Funds (Quoted)				
a. Axis Liquid Fund- Institutional-Daily Dividend-Reinvestment	114,366	114,377,238	86,329	86,331,943
b. Birla Sun Life Cash Plus-Inst. Prem. -Daily Dividend-Reinvestment	–	–	5,761,098	57,723,320
c. DSP BlackRock Money Manager Fund-Regular-Daily Dividend	–	–	10,975	11,000,000
d. HDFC Liquid Fund Premium Plan-Dividend-Daily Reinvest	3,673,228	45,033,042	6,434,615	78,887,094
e. ICICI Prudential Liquid Super Institutional Plan-Div-Daily	12,649	1,264,658	695,723	69,587,478
f. JM High Liquidity Fund-Super Institutional Plan -Daily Dividend	–	–	2,218,899	22,225,603
g. Kotak Liquid (Institutional Premium)-Daily Dividend	3,981,247	48,683,081	3,722,102	45,514,242
h. UTI Liquid Cash Plan Institutional- Daily Income Option- Re-investment	–	–	32,174	32,799,307
i. JP Morgan India Liquid Fund-Super IP-Daily Dividend-Reinvestment	1,976,926	19,784,881	–	–
j. Reliance Liquidity Fund-Super IP-Daily Dividend-Reinvestment	3,086,549	30,881,230	–	–
Fixed Maturity Plans/Interval Plans (Quoted)				
a. Axis Fixed Term Plan- Series 13 (370 Days)-Growth Plan	–	–	5,000,000	50,000,000
b. Birla Sun Life Short Term FMP Series 4 Dividend-Payout	–	–	6,000,000	60,000,000
c. Birla Sun Life Short Term FMP Series 6 Dividend-Payout	–	–	2,165,001	21,650,011
d. BSL Quarterly Interval Fund-Series 4 -Dividend Payout Option	4,998,351	50,000,000	–	–
e. BSL Short Term FMP-Series 31 Dividend-Payout Option	9,981,527	99,815,270	–	–
f. DSP BlackRock FMP-3M-Series 28-Dividend-Payout	–	–	4,000,000	40,000,000
g. DSP BlackRock FMP-3M-Series 29-Dividend-Payout	–	–	6,000,000	60,000,000
h. DSP BlackRock FMP-3M-Series 33-Dividend-Payout	–	–	3,987,614	39,876,141
i. DSP BlackRock FMP-Series 42-3M-Dividend-Payout Option.	3,959,080	39,590,798	–	–
j. DSP BlackRock FMP-Series 40-3M-Dividend-Payout Option.	5,000,000	50,000,000	–	–
k. HDFC FMP 370D March 2011(4)-Growth-Series XVI	–	–	5,000,000	50,000,000
l. HDFC FMP 92 D March 2012 (1) - Dividend-Series XIX	5,000,000	50,000,000	–	–
m. HDFC FMP 92 D March 2012 (2) - Dividend-Series XXI	5,000,000	50,000,000	–	–
n. HDFC FMP 366D March 2012 (1) - Growth - Series XXI	4,998,377	49,983,770	–	–
o. ICICI Prudential Interval Fund II Quarterly Interval Plan A Institutional Dividend	–	–	2,526,200	25,262,000
p. ICICI Prudential FMP -Series 63 - 1 Year Plan C-Growth Option	5,000,000	50,000,000	–	–
q. IDFC FMP Half Yearly-Series-12-Dividend	–	–	700,000	7,000,000
r. IDFC Fixed Maturity Plan-Quarterly Series 72- Dividend Option	4,600,000	46,000,000	–	–
s. IDFC Fixed Maturity Plan-Quarterly Series 74- Dividend Option	4,000,000	40,000,000	–	–
t. Kotak FMP 6M Series 11-Dividend	–	–	4,999,980	49,999,800
u. Kotak Quarterly Interval Plan Series 10-Dividend	–	–	3,499,055	35,000,000
v. Kotak Quarterly Interval Plan Series 5-Dividend	–	–	5,000,000	50,000,000
w. Kotak Quarterly Interval Plan Series 4-Dividend Option	4,996,453	50,000,000	–	–
x. Reliance Fixed Horizon Fund-XVIII Series- 1-Dividend Plan	–	–	3,142,228	31,422,280
y. Reliance Fixed Horizon Fund-XVIII Series- 7-Dividend Plan	–	–	2,700,000	27,000,000
z. SBI Debt Fund Series-180 Days-14-Dividend	–	–	5,000,000	50,000,000
aa. SBI Debt Fund Series-180 Days-15-Dividend	–	–	5,750,000	57,500,000
ab. SBI Debt Fund Series-90 Days-38-Dividend	–	–	4,150,000	41,500,000
ac. SBI Debt Fund Series-90 Days-42-Dividend	–	–	5,000,000	50,000,000
ad. SBI Debt Fund Series-90 Days-59-Dividend-Payout Option	5,400,000	54,000,000	–	–
ae. SBI Debt Fund Series-90 Days-60-Dividend-Payout Option	6,000,000	60,000,000	–	–
af. TATA Fixed Income Portfolio Fund Scheme C2 Inst Hal Yearly	–	–	2,486,226	25,000,000
ag. TATA Fixed Maturity Plan Series 28 Scheme A Dividend	–	–	1,500,000	15,000,000
ah. UTI Fixed Income Interval Fund - Half Yearly Interval Plan-Series I - Institutional Dividend Plan	–	–	5,105,720	51,057,350
ai. JP Morgan India FMP -Series 9-Dividend Plan-Payout Option	6,000,000	60,000,000	–	–
Aggregate amount of current investment	87,778,753	1,009,413,967	102,673,939	1,241,336,570
Market Value of quoted investment		1,011,292,717		1,246,605,356



Nucleus Software Exports Limited

(Amount in ₹)

Particulars	As at 31 March 2012	As at 31 March 2011
2.14 TRADE RECEIVABLES *		
Debts outstanding for a period exceeding six months from the date they were due for payment		
a. Unsecured		
– Considered good	24,439,872	9,252,107
– Considered doubtful	26,236,921	49,906,099
	<u>50,676,793</u>	<u>59,158,206</u>
b. Less: Provision for doubtful debts	(26,236,921)	(49,906,099)
	<u>24,439,872</u>	<u>9,252,107</u>
c. Other debts (Unsecured, Considered good)	752,982,431	397,494,229
Total	<u>777,422,303</u>	<u>406,746,336</u>
* includes debt due from companies under the same management within the meaning of section 370(1B) of Companies Act, 1956.		
a. Nucleus Software Japan Kabushiki Kaisha, Japan	55,712,666	59,745,455
b. Nucleus Software Solutions Pte Ltd., Singapore	9,984,233	7,287,560
c. VirStra i -Technology Services Limited, India	–	328,087
d. Nucleus Software Inc., USA	18,662,145	625,609
e. Nucleus Software Netherlands B.V, Netherlands	28,421,047	22,673,628
f. Nucleus Software Limited, India	21,580	–
2.15 CASH AND CASH EQUIVALENTS		
a. Cash on hand	–	–
b. Balances with scheduled banks:		
– in current accounts	28,028,222	59,247,314
c. Balances with scheduled banks:		
– in deposit accounts (Original maturity of more than 12 months)	656,598,987	403,408,774
– in deposit accounts (Original maturity of less than 12 months)	50,000,000	–
d. Balance with non scheduled banks:		
– in current account (Citibank, United Kingdom)	837,721	1,011,098
– in current account (Citibank, U.A.E)	1,142,091	1,265,987
– in current account (Citibank, Spain)	803,244	–
Total	<u>737,410,265</u>	<u>464,933,173</u>
Details of balances as on balance sheet dates with scheduled banks in current accounts:-		
– Canara Bank	–	1,800
– Citi Bank	1,299,526	1,075,116
– Citi Bank *	14,249,561	46,308,360
– DBS Bank	994,306	94,338
– HDFC Bank *	7,574,863	2,582,072
– HDFC Bank	1,022,338	5,780,030
– HDFC Bank **	1,728,851	1,436,667
– HSBC Bank **	188,176	339,775
– ICICI Bank	747,617	612,290
– State Bank of India	222,984	1,016,866
Total	<u>28,028,222</u>	<u>59,247,314</u>

* EEFC account

** Earmarked for unclaimed dividend

Notes forming part of the financial statements

(Amount in ₹)

Particulars	As at 31 March 2012	As at 31 March 2011
Details of fixed deposit as on balance sheet dates with scheduled banks :-		
– HDFC Bank	958,987	892,774
– Citi Bank	4,125,000	6,716,000
– Bank of India	200,200,000	200,200,000
– State Bank of Travancore	200,000,000	165,900,000
– State bank of Bikaner and Jaipur	–	9,900,000
– Syndicate Bank	–	19,800,000
– Corporation Bank	199,000,000	–
– State Bank of India	2,215,000	–
– Punjab national Bank	100,100,000	–
Total	706,598,987	403,408,774
Detail of fixed deposit under lien		
– HDFC Bank	958,987	892,774
– Citi Bank	4,125,000	6,716,000
– State Bank of India	2,215,000	–
Total	7,298,987	7,608,774

2.16 SHORT-TERM LOANS AND ADVANCES

Unsecured, considered good

a. Prepaid expenses	15,068,180	9,524,733
b. Supplier advances	17,230,247	13,679,446
c. Advance fringe benefit tax [net of provision ₹ 24,915,859 (₹ 24,915,859)]	2,732,275	2,732,275
d. Service tax credit receivable	1,808,055	2,294,985
e. Mat credit entitlement (see note 2.25)	20,937,715	48,000,000
f. Security deposit	643,145	730,661
g. Staff loans	3,392,018	16,587,998
h. Employee advances	18,208,165	9,513,491
i. Mark-to-market gain on forward and options contracts (see note 2.35)	598,943	14,205,233
j. Expenses recoverable from Customers	7,661,456	–
l. Loans to subsidiaries (see note 2.32)	5,088,000	4,468,000
Total	93,368,199	121,736,822

2.17 OTHER CURRENT ASSETS

a. Service Income accrued but not due		
Unsecured		
– Considered good	300,837,347	342,649,968
– Considered doubtful	14,096,726	16,799,742
	314,934,073	359,449,710
Less : Provision for service income accrued but not due	14,096,726	16,799,742
	300,837,347	342,649,968
b. Interest accrued but not due	30,941,711	12,696,386
Total	331,779,058	355,346,354



(Amount in ₹)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
2.18 INCOME FROM SOFTWARE SERVICES AND PRODUCTS		
Software development services and Products		
a. Domestic	511,351,372	412,445,433
b. Overseas	1,537,194,996	1,583,058,350
Total	2,048,546,368	1,995,503,783
2.19 OTHER INCOME		
a. Interest on deposits with banks and others	40,152,332	25,798,546
b. Dividend on investment in mutual fund units	87,450,249	56,384,965
c. Dividend from subsidiary	36,000,000	210,000,000
d. Profit on sale of investments		
– Current, non trade investments	10,222,787	(31,314)
e. Provisions written back	8,355,612	1,156,410
f. Reversal of employee's stock compensation expense (net)	6,230,635	1,973,593
g. Miscellaneous income	6,335,803	810,417
h. (Loss) / gain on foreign currency (net)		
– Gain on exchange fluctuation	34,582,508	9,967,447
– Gain on ineffective hedges (see note 2.35)	646,079	–
Total	229,976,005	306,060,064
2.20 EMPLOYEE BENEFITS EXPENSES		
a. Salaries and bonus including to overseas staff	1,059,020,798	960,519,392
b. Contribution to provident and other funds (see note 2.34)	58,330,038	53,634,569
c. Gratuity expense (see note 2.34)	17,934,823	26,496,539
d. Staff welfare expenses	19,864,920	19,926,332
Total	1,155,150,579	1,060,576,832
Employee benefit expenses include Managing Director remuneration as follows :		
a. Salary	6,000,000	6,000,000
b. Contribution to provident and other funds	360,000	360,000
Total	6,360,000	6,360,000
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.		
2.21 OPERATION AND OTHER EXPENSES		
a. Software and other development charges	126,920,264	138,554,333
b. Cost of software purchased for delivery to clients	46,140,126	63,016,194
c. Power and fuel	29,605,014	26,452,364
d. Rent (see note 2.23)	29,224,530	19,282,531
e. Repair and maintenance		
– Buildings	1,449,512	1,804,350
– Others	17,758,733	17,038,313
f. Insurance	3,935,239	4,886,321
g. Rates and taxes	2,558,308	2,277,454

Notes forming part of the financial statements

(Amount in ₹)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
h. Travelling		
– Foreign	154,839,187	148,730,820
– Domestic	12,547,211	7,870,931
i. Advertisement and business promotion	7,262,626	6,643,987
j. Legal and professional (see note 2.28)	40,714,795	60,327,814
k. Directors remuneration	6,220,000	6,480,000
l. Conveyance	11,094,776	10,623,738
m. Communication	13,714,899	15,395,661
n. Training and recruitment	9,600,522	16,739,143
o. Loss on sale of fixed assets (net)/Loss on Discarded Assets	256,326	229,281
p. Conference, exhibition and seminar	9,273,702	10,814,370
q. Information technology expenses	15,204,151	16,913,020
r. Provision for doubtful debts/advances/other current assets	38,046,006	49,426,528
s. Commission to channel partner	18,315,556	6,559,712
t. Customer claim	–	22,157,950
u. Miscellaneous expenses	26,809,999	23,612,273
Total	621,491,482	675,837,088
Directors Remuneration includes		
Non Executive Directors		
a. Commission	3,800,000	4,800,000
b. Sitting fees	2,420,000	1,680,000
Total	6,220,000	6,480,000
2.22 FINANCE COST		
Bank Charges	2,232,483	2,214,820

2.23 Operating Lease

Obligations on long-term, non-cancelable operating leases

The Company has acquired office premises under cancellable and non-cancellable operating lease. Operating lease rentals paid during the year ended 31 March, 2012 is ₹ 29,224,530 (₹ 19,282,531) respectively. The future minimum lease payments in respect of non-cancellable leases is as follows: (Amount in ₹)

Particulars	As at 31 March 2012	As at 31 March 2011
Future minimum lease payments		
a. Not later than 1 year	875,000	2,900,900
b. Later than 1 year but not later than 5 years	–	–
Total	875,000	2,900,900

2.24 Tax Expense

- Majority of the operations of the company are conducted through units under Software Technology Park ('STP') scheme and additionally one SEZ unit has commenced operations during the year. Income from STP was exempt from Income tax for 10 years commencing from the fiscal year in which the unit commences software development or 31 March 2011, whichever is earlier. The income tax holiday for all of STP units of the Company expired on 31 March, 2011. This has resulted in an increase in tax liability as significant income is subject to normal tax under Income tax Act, 1961.
- During earlier years, the Company had calculated its tax liability under Minimum Alternative Tax (MAT) as its liability under MAT was higher than normal tax liability. The excess of tax payable under MAT over normal tax payable (MAT Credit entitlement) was carried forward to be set off against the future tax liabilities. During the year ended 31 March, 2012, the Company is liable to Normal Tax as its normal tax is higher than MAT tax liability. The Company has utilised MAT Credit Entitlement of ₹ 29,100,000 in the current period, to set off its liability for payment of Income Tax.



2.25 Advance Tax (Net of provision) and MAT Credit Entitlement

- a. Advance Tax (Net of provision) aggregating to ₹ 104,758,287 (Previous year ₹ 132,016,209) has been classified as Long-Term Loans and Advances as the same represents amount recoverable from Income Tax Department after the completion of Income Tax Assessments.
- b. MAT Credit Entitlement balance aggregating to ₹ 20,937,715 (Previous year ₹ 48,000,000) which the Company expects to set off against Income Tax payable for the year ending 31 March, 2013 has been considered to be Short-Term Loans and Advances. The remaining balance ₹ Nil (Previous year ₹ 12,698,619) has been classified as Long-Term Loans and Advances.

2.26 Commitments

(Amount in ₹)

Particulars	As at 31 March 2012	As at 31 March 2011
a. Capital Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances).	4,893,234	1,798,667
b. Other Commitments		
Company has committed to provide financial support to its subsidiaries -Nucleus Software Neitherlands B.V, Neitherlands & Nucleus Software Solutions Ple Ltd , Singapore.		

- 2.27 The Company noted that an employee had misappropriated funds aggregating to approximately Rs. 2 Lacs during the year. The Company after investigation dismissed the said employee after part recovery and is taking steps to recover the balance. The Company does not expect any material lose from the same and has taken steps to further strengthen controls and processes to ensure that such instances do not recur.

2.28 Auditors Remuneration (excluding service tax)

(Amount in ₹)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
a. As auditors - statutory audit	1,800,000	1,825,000
b. For other services	684,165	350,000
c. Reimbursement of expenses	399,166	45,000
Total	2,883,331	2,220,000

2.29 CIF value of imports

Capital goods	13,316,249	1,383,592
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2.30 Earnings and Expenditure in foreign currency

Earning in foreign currency

a. Software development services and products	1,537,194,996	1,583,058,350
b. Others	821,862	256,148
Total	1,538,016,858	1,583,314,498

Expenditure in foreign currency

a. Travel expenses	115,134,978	108,647,813
b. Legal and professional	8,213,978	7,028,176
c. Cost of software purchased for delivery to clients	19,436,639	16,737,853
d. Conference, exhibition and seminar	8,684,282	10,477,908
e. Software and other development charges	64,693,143	99,602,221
f. Salary in foreign currency	37,386,635	36,485,488
g. Commission to channel partner	18,315,556	6,559,712
h. Others	19,766,813	15,067,593
Total	291,632,024	300,606,764

2.31 Earnings per share

a. Profit after taxation available to equity shareholders (₹)	326,421,262	457,622,303
b. Weighted average number of equity shares used in calculating basic earnings per share	32,382,995	32,381,700
c. Effect of dilutive issue of shares	–	16,659
d. Weighted average number of equity shares used in calculating diluted earnings per share	32,382,995	32,398,359
e. Basic earnings per share (₹)	10.08	14.13
f. Diluted earnings per share (₹)	10.08	14.12

Notes forming part of the financial statements

2.32 RELATED PARTY TRANSACTIONS

List of related parties – where control exists

a. Wholly owned subsidiary companies

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

b. Other subsidiary company (wholly owned subsidiary of VirStra i Technology Services Limited)

- VirStra i -Technology (Singapore) Pte Ltd., Singapore

c. Other related parties:

Key managerial personnel:

- Vishnu R Dusad (Managing director)

(Amount in ₹)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Transactions with related parties		
a. Software development, services and products		
– Nucleus Software Japan Kabushiki Kaisha	125,593,043	132,868,014
– Nucleus Software Solutions Pte Ltd.	51,344,570	56,377,571
– Nucleus Software Netherlands B.V	56,557,519	10,559,351
– Nucleus Software Inc.	10,892,196	–
– VirStra i -Technology Services Limited	–	3,750,000
b. Other income		
Dividend income		
– VirStra i -Technology Services Limited	36,000,000	210,000,000
Others		
– VirStra i -Technology Services Limited	–	40,170
c. Managerial remuneration (including perquisite value of ₹ 628,215 (Previous year ₹ 609,620))		
– Vishnu R Dusad (Managing director)	6,988,215	6,969,620
d. Reimbursement of expenses		
From wholly owned subsidiary companies :		
– VirStra i -Technology Services Limited	241,476	333,387
– Nucleus Software Solutions Pte Ltd	6,948,004	8,822,083
– Nucleus Software Japan Kabushiki Kaisha	103,171	363,914
– Nucleus Software Inc.	6,182,401	709,995
– Nucleus Software Limited	33,145	45,507
– Nucleus Software Netherlands B.V	3,483,694	577,629
To wholly owned subsidiary companies:		
– Nucleus Software Solutions Pte Ltd.	1,945,394	2,286,731
– Nucleus Software Japan Kabushiki Kaisha	570,270	5,406,471
– VirStra i -Technology Services Limited	471,694	–



Nucleus Software Exports Limited

(Amount in ₹)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
e. Cost of services hired		
– Nucleus Software Solutions Pte Ltd.	3,391,493	2,340,720
f. Software and Other Development Charges		
To wholly owned subsidiary companies:		
– Nucleus Software Solutions Pte Ltd.	19,809,374	43,551,749
g. Loans and advances		
Given to wholly owned subsidiary company		
– Nucleus Software Limited	41,785,962	19,800,000
– Nucleus Software Inc.	–	22,445,000
Received back from wholly owned subsidiary company	5,203,000	–
– Nucleus Software Inc.		
h. Investments in subsidiaries		
– Nucleus Software Netherlands B.V	–	5,663,000
i. Interest received		
– Nucleus Software Inc.	821,862	256,148
j. Lease Rent Paid		
To wholly owned subsidiary company	6,193,242	–
– Nucleus Software Limited		
k. Capital Assets Purchased		
From wholly owned subsidiary company		
– Nucleus Software Limited	1,451,944	–
l. Bad Debts Written off		
– Nucleus Software Japan Kabushiki Kaisha	4,685,318	–

(Amount in ₹)

Particulars	As at 31 March 2012	As at 31 March 2011
Outstanding balances as at year end		
a. Loans and advances		
To wholly owned subsidiaries		
- Nucleus Software Limited	90,946,318	49,160,356
– Nucleus Software Inc.	20,352,000	22,340,000
b. Trade receivables		
Wholly owned subsidiaries		
- Nucleus Software Japan Kabushiki Kaisha	55,712,666	59,745,455
- Nucleus Software Solutions Pte Ltd.	9,984,233	7,287,560
- VirStra i -Technology Services Limited	–	328,087
- Nucleus Software Inc.	18,662,145	625,609
- Nucleus Software Netherlands B.V	28,421,047	22,673,628
- Nucleus Software Limited	21,580	–

Notes forming part of the financial statements

(Amount in ₹)

Particulars	As at 31 March 2012	As at 31 March 2011
c. Trade payables		
Due to wholly owned subsidiaries		
- Nucleus Software Solutions Pte Ltd.	7,183,101	8,459,470
- Nucleus Software Limited	1,451,944	–
- VirStra i -Technology Services Limited	–	–
d. Service income accrued but not due		
Wholly owned subsidiaries		
- Nucleus Software Netherlands B.V	23,382,503	–
e. Interest income accrued but not due		
Wholly owned subsidiaries		
- Nucleus Software Inc.	297,800	255,838
f. Investments in subsidiary companies (see note 2.9)		

2.33 Segment reporting – Basis of preparation

a. 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 Standards) 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.

b. 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 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.

The secondary segmentation is based on the nature and type of services rendered. Accordingly, Secondary Segmentation has been classified under Products and Software Projects and Services. Products revenue includes Income from sale of licenses and all other related customization, implementation, time and material contracts, fixed price contracts and annual technical service for these licenses. Software projects and services includes other time and material contracts and fixed price contracts, whereby no license sale is made by the Company.

Information in respect of primary segment

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

a. For the year ended 31 March, 2012

(Amount in ₹)

Description	India	Far East	South East Asia	Europe	Middle East	Others	Total
Revenue from external customers	511,351,372	354,615,075	373,773,656	284,579,827	380,285,453	143,940,985	2,048,546,368
Expenses	421,866,634	222,881,056	224,786,733	162,309,439	189,207,839	73,154,031	1,294,205,732
Segment result	89,484,738	131,734,019	148,986,923	122,270,388	191,077,614	70,786,954	754,340,636
Unallocated corporate expenditure							545,694,780



Nucleus Software Exports Limited

(Amount in ₹)

Description	India	Far East	South East Asia	Europe	Middle East	Others	Total
Operating profit before taxation							208,645,856
Other income							194,747,418
Net foreign exchange gain/(loss)							35,228,587
Profit before taxation							438,621,861
Tax Expense							
Current tax expense for current year							95,800,000
MAT Credit Entitlement							—
Tax expense relating to prior year							9,225,898
Provision for wealth tax							18,793
Withholding taxes charged off							8,860,814
Deferred tax credit							(1,704,906)
Net profit after taxation							326,421,262

b. For the year ended 31 March, 2011

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
Net foreign exchange gain/(loss)							9,967,447
Profit before taxation							481,934,348
Tax Expense							
Current tax expense for current year							48,758,116
MAT Credit Entitlement							(17,800,000)
Tax expense relating to prior year							2,530,306
Provision for wealth tax							31,038
Withholding taxes charged off							13,290,292
Deferred tax credit							(22,497,707)
Net profit after taxation							457,622,303

Notes forming part of the financial statements

Assets and liabilities of reportable primary segment are as follows:

(Amount in ₹)							
a. As at 31 March, 2012							
Description	India	Far East	South East Asia	Europe	Middle East	Others	Total
Segment assets	298,736,579	206,603,461	253,378,088	170,695,252	176,495,238	105,721,192	1,211,629,810
Unallocated corporate assets							2,501,481,661
Total assets							3,713,111,471
Segment liabilities	162,243,971	103,637,668	115,597,386	64,271,070	123,156,475	73,842,753	642,749,323
Unallocated corporate liabilities							144,207,125
Total liabilities							786,956,448
Capital employed							2,926,155,023
b. As at 31 March, 2011							
Segment assets	148,372,319	194,877,396	195,714,850	76,143,223	121,491,069	84,297,806	820,896,663
Unallocated corporate assets							2,555,914,987
Total assets							3,376,811,650
Segment liabilities	130,295,497	113,155,399	66,360,575	43,932,744	106,374,031	44,846,585	504,964,831
Unallocated corporate liabilities							163,041,582
Total liabilities							668,006,413
Capital employed							2,708,805,237

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

(Amount in ₹)							
a. For the year ended 31 March, 2012							
Description	India	Far East	South East Asia	Europe	Middle East	Others	Total
Capital expenditure (unallocated)							29,294,816
Total capital expenditure							29,294,816
Depreciation expenditure (unallocated)							61,025,968
Total depreciation							61,025,968
Segment non-cash expense other than depreciation	8,642,775	308,247	17,057,514	–	2,940,579	9,096,890	38,046,005
Total non cash expenditure other than depreciation	8,642,775	308,247	17,057,514	–	2,940,579	9,096,890	38,046,005



Nucleus Software Exports Limited

b. 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)	49,426,529

Information in respect of secondary segment

Information for business segments

(Amount in ₹)

Description	Products	Software projects and services	Total
a. For the year ended 31 March, 2012			
Revenue	1,920,016,407	128,529,961	2,048,546,368
Carrying amount of segment assets	1,135,609,694	76,020,116	1,211,629,810
b. For the year ended 31 March, 2011			
Revenue	1,795,100,232	200,403,551	1,995,503,783
Carrying amount of segment assets	738,456,024	82,440,639	820,896,663

Note : The carrying amount of segment assets has been allocated proportionately in ratio of revenue in the related secondary segment.

2.34 Employee Benefit Obligations

Defined contribution plans

An amount of ₹ 58,330,038 (₹ 53,634,569) 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 employee benefit expenses in the Statement of Profit and Loss.

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 as on 31 March, 2012

(Amount in ₹)

a. Particulars	As at 31 March, 2012	As at 31 March, 2011
Obligation at period beginning	75,668,784	58,763,800
Current service cost	14,467,346	11,256,827
Interest cost	6,501,164	4,737,864
Actuarial losses/(gains)	(3,033,687)	(2,760,474)
Past service cost	—	13,262,322
Benefits paid	(10,045,991)	(9,591,555)
Obligation at period end	83,557,616	75,668,784

Notes forming part of the financial statements

(Amount in ₹)

Particulars	As at 31 March, 2012	As at 31 March, 2011
b. Change in plan assets		
Plan Assets at period beginning, at fair value	–	–
Contributions by employer	10,045,991	9,591,555
Benefits paid	(10,045,991)	(9,591,555)
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.		
Expected employer's contribution next year	20,807,966	15,685,826

c. Gratuity cost for the year:

(Amount in ₹)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Current service cost	14,467,346	11,256,827
Interest cost	6,501,164	4,737,864
Actuarial losses/(gains)	(3,033,687)	(2,760,474)
Past service cost	–	13,262,322
Net gratuity cost	17,934,823	26,496,539

d. Experience adjustment

(Amount in ₹)

Particulars	Year ended 31 March 2008	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Year ended 31 March 2012
Defined benefit obligation	35,529,286	51,341,655	58,763,800	75,668,784	83,557,616
Plan assets	–	–	–	–	–
Surplus/(Deficit)	(35,529,286)	(51,341,655)	(58,763,800)	(75,668,784)	(83,557,616)
Experience adjustment on plan liabilities	4,388,027	2,701,103	(3,409,464)	(609,066)	(1,340,985)
Experience adjustment on plan assets	–	–	–	–	–

e. Economic assumptions :

Discount rate	8.35%	7.90%
Salary escalation rate	10% p.a for first years & 7% p.a thereafter	10% p.a for first 2 years & 7% p.a thereafter

f. 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.

g. Salary escalation rate:

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

h. Demographic assumptions

Retirement age	58 years
Mortality table	LIC (1994-96) duly modified

i. Withdrawal rates

Ages - Withdrawal Rate (%)
21-50 years - 20%
51-54 years - 2%
55-57 years - 1%



2.35 Forward contract and option in foreign currency

(Amount in ₹)

a.	Forward contract outstanding	Buy/Sell	As at 31 March 2012	As at 31 March 2011
	In USD	Sell	10,750,000	12,500,000
	Equivalent amount in ₹	Sell	546,960,000	558,500,000
b.	Loans and advances include net marked to market gain of ₹ 498,933, relating to forward contracts which are outstanding as at year end. The loss on such forward contract which are designated as effective, aggregating to ₹ 147,146 have been debited to Hedging Reserve. The gain on ineffective contracts aggregating to ₹ 646,079 has been credited to Statement of Profit and Loss.			
c.	The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :			

Currency	As at 31 March 2012		As at 31 March 2011	
	Amount in foreign currency	Amount in ₹	Amount in foreign currency	Amount in ₹
Assets				
USD	15,534,392	784,876,585	10,609,170	476,907,965
Euro	1,234,341	83,824,066	827,148	52,261,857
MYR	3,289,324	54,600,193	2,862,244	42,480,461
SGD	246,768	9,984,233	205,631	7,287,560
CHF	12,845	723,816	–	–
SEK	62,844	482,642	–	–
GBP	62,899	5,128,155	–	–
Liabilities				
USD	5,955,649	303,023,399	2,674,138	119,642,085
AED	354,446	4,905,539	218,098	2,654,253
SGD	177,536	7,183,101	3,595,023	127,407,609
JPY	–	–	102,041	55,000
EURO	230,985	15,686,184	–	–
GBP	63,285	5,159,654	–	–
SEK	62,844	482,642	–	–
CHF	12,845	723,816	–	–

Notes forming part of the financial statements

2.36 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS

Particulars	(Amount in ₹)	
	Year ended 31 March 2012	Year ended 31 March 2011
Income from software services and products	2,048,546,368	1,995,503,783
Software development expenses	1,399,674,173	1,331,601,339
Gross Profit	648,872,195	663,902,444
Selling and marketing expenses	183,864,671	186,024,024
General and administration expenses	195,335,700	221,003,377
Operating profit before depreciation	269,671,824	256,875,043
Depreciation and amortisation expense	61,025,968	81,000,759
Operating profit after depreciation	208,645,856	175,874,284
Other income	229,976,005	306,060,064
Profit before taxation	438,621,861	481,934,348
Tax expense:		
- Current tax expense for current year	95,800,000	48,758,116
- MAT credit entitlement	-	(17,800,000)
- Withholding taxes charged off	8,860,814	13,290,292
- Tax expense relating to prior year	9,225,898	2,530,306
- Provision for wealth tax	18,793	31,038
- deferred tax credit	(1,704,906)	(22,497,707)
Profit after taxation	326,421,262	457,622,303

2.37 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 period/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.

2.38 During the current year, as per provision of Income -tax Act, 1961, the Company has taken credit of corporate dividend tax aggregating ₹ 5,839,693 (previous year ₹ 13,281,619) on account of dividend received from one of its subsidiaries.

2.39 Revenue recognised upto the reporting date in respect of contracts in progress at the reporting date aggregates ₹ 951,240,690 (Previous year ₹ 885,860,896).

2.40 During the previous year, Nucleus Software (Australia) Pty Ltd., one of the wholly owned subsidiaries of the Company, was wound up with effect from 05 April, 2010.

2.41 The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

For and on behalf of the Board of Directors
NUCLEUS SOFTWARE EXPORTS LIMITED

Sd/-

JANKI BALLABH
Chairman

Sd/-

P K SANGHI
Chief Financial Officer

Sd/-

VISHNU R DUSAD
Managing Director

Sd/-

POONAM BHASIN
Company Secretary

Place : New Delhi
Date : 29 April, 2012



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.	Virstra I-Technology Services Ltd	VirStra i-Technology (Singapore) Pte. Ltd. (Step down subsidiary Company)	Nucleus Software Limited
Financial Year of the Subsidiary Company ended on	March 31, 2012	March 31, 2012	March 31, 2012	March 31, 2012	March 31, 2012	March 31, 2012	March 31, 2012
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 ₹ 10 each fully paid up	200,000 Shares of SG\$1 each fully paid up	10,000,000 Shares of ₹ 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 31.03.12	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Not dealt with in the Accounts for the period ended 31.03.12	SG\$ 442,032 (Equivalent to ₹ 17,884.615)	US\$ 17,069 (Equivalent to ₹ 868,471)	Yen 24,499,951 (Equivalent to ₹ 15,197,320)	Euro 15,097 (Equivalent to ₹ 1,025,237)	₹ 38,445,390	SG\$ (6,375) (Equivalent to ₹ 257,933)	(₹ 5,125,007)
The net aggregate of profit/losses of the Subsidiary Company							
for its previous financial 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 31.03.12	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Not dealt with in the Accounts for the period ended 31.03.12	SG\$ 4,078,181 (Equivalent to ₹ 165,003,203)	US\$ (581,683) (Equivalent to ₹ 29,595,929)	Yen (24,907,191) (Equivalent to ₹ 15,449,930)	Euro (450,636) (Equivalent to ₹ 30,602,691)	₹ 97,433,871	SG\$ (582,424) (Equivalent to ₹ 23,564,875)	(₹ 9,758,940)

Statement under Section 212 (8)

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, 2012		March 31, 2011	
	S \$	INR	S \$	INR
Share Capital	625,000	25,287,500	625,000	22,150,000
Reserves	4,525,118	183,086,274	4,083,086	144,704,568
Total Assets	7,510,395	303,870,582	6,868,885	243,433,284
Total Liabilities	2,360,277	95,496,807	2,160,799	76,578,717
Investments	–	–	–	–
For the Year Ended				
Turnover	15,670,896	634,044,452	18,422,561	652,895,562
Profit Before Taxation	425,425	17,212,696	(1,544,846)	(54,749,342)
Provision for Taxation (Credit/(Expense))	16,607	671,919	(314,297)	(11,138,686)
Profit After Taxation	442,032	17,884,615	(1,859,143)	(65,888,028)
Proposed Dividend	–	–	–	–

Note:

1. Above figures in INR have been calculated at 1 S\$ = ₹ 40.46 and 1 S\$ = ₹ 35.44 for the year ended March 31, 2012 and March 31, 2011 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 Inc. USA
Date of Incorporation	August 5, 1997
Business Address	3086 Congressional Office Park Suite 10, Kendall Park, NJ 08824 USA
Directors	Vishnu R. Dusad
Auditors	SPMG & Co.

Financial Data

At the End of the Year	March 31, 2012		March 31, 2011	
	US \$	INR	US \$	INR
Share Capital	350,000	17,808,000	350,000	15,638,000
Reserves	(914,611)	(46,535,408)	(931,680)	(41,627,462)
Total Assets	1,247,287	63,461,963	436,367	19,496,878
Total Liabilities	1,811,898	92,189,370	1,018,047	45,486,340
Investments	–	–	–	–
For the Year Ended				
Turnover	2,537,913	129,129,013	406,787	18,175,243
Profit Before Taxation	20,109	1,023,146	(365,758)	(16,342,067)
Provision for Taxation	3,040	154,675	3,229	144,272
Profit After Taxation	17,069	868,471	(368,987)	(16,486,339)
Proposed Dividend	–	–	–	–

Note:

- Above figures in INR have been calculated at 1 US \$ = ₹ 50.88 and 1 US \$ = ₹ 44.68 for the year ended March 31, 2012 and March 31, 2011 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 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 Pramod K. Sanghi Rajeev Sharma
Auditors	Deloitte Haskins & Sells

Financial Data

At the End of the Year	March 31, 2012		March 31, 2011	
	JPY	INR	JPY	INR
Share Capital	10,000,000	6,203,000	10,000,000	5,390,000
Reserves	(806,842)	(500,484)	(25,306,794)	(13,640,362)
Total Assets	281,055,292	174,338,598	129,797,097	69,960,635
Total Liabilities	271,862,134	168,636,082	145,103,891	78,210,997
Investments	–	–	–	–
For the Year Ended				
Turnover	536,615,908	332,862,848	642,600,482	346,361,660
Profit Before Taxation	24,564,875	15,237,592	(1,979,304)	(1,066,845)
Provision for Taxation	64,924	40,272	618,146	333,181
Profit After Taxation	24,499,951	15,197,320	(2,597,450)	(1,400,026)
Proposed Dividend	–	–	–	–

Note:

- Above figures in INR have been calculated at 1 JPY = ₹ 0.6203 and 1 JPY = ₹ 0.5390 for the year ended March 31, 2012 and March 31, 2011 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 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, 2012	March 31, 2011
	INR	INR
Share Capital	10,000,000	10,000,000
Reserves	91,707,995	97,433,871
Total Assets	121,560,136	124,490,962
Total Liabilities	19,852,141	17,057,093
Investments	31,866,400	16,300,588
For the Year Ended		
Turnover	164,232,523	183,108,891
Profit Before Taxation	56,333,285	92,451,542
Provision for Taxation	17,887,895	(312,844)
Profit After Taxation	38,445,390	92,764,386
Dividend*	36,000,000	210,000,000

*The Company paid interim dividend of ₹ 360 Lacs during the financial year 2011-12.

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 under Section 212 (8)

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 Pramod K. Sanghi
Auditors	Deloitte Haskins & Sells

Financial Data

At the End of the Year	March 31, 2012		March 31, 2011	
	Euro	INR	Euro	INR
Share Capital	400,000	27,164,000	400,000	25,280,000
Reserves	(435,539)	(29,577,453)	(450,636)	(28,480,195)
Total Assets	736,986	50,048,719	297,708	18,815,146
Total Liabilities	772,525	52,462,173	348,344	22,015,341
Investments	–	–	–	–
For the Year Ended				
Turnover	1,042,348	70,785,853	247,208	15,623,546
Profit Before Taxation	15,097	1,025,237	(163,541)	(10,335,791)
Provision for Taxation	–	–	–	–
Profit After Taxation	15,097	1,025,237	(163,541)	(10,335,791)
Proposed Dividend	–	–	–	–

Note:

1. Above figures in INR have been calculated at 1 Euro = ₹ 67.91 and 1 Euro = ₹ 63.20 for the years ended March 31, 2012 and March 31, 2011 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 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, 2012	March 31, 2011
	INR	INR
Share Capital	100,000,000	100,000,000
Reserves	(14,883,947)	(9,758,940)
Total Assets	179,142,106	148,952,699
Total Liabilities	94,026,053	58,711,639
Investments	23,000	23,000
For the Year Ended		
Turnover	6,193,242	–
Profit Before Taxation	(5,125,007)	(4,448,643)
Provision for Taxation	–	–
Profit After Taxation	(5,125,007)	(4,448,643)
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 under Section 212 (8)

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, 2012		March 31, 2011	
	S \$	INR	S \$	INR
Share Capital	200,000	8,092,000	200,000	7,088,000
Reserves	788,797	31,914,727	(782,422)	(27,729,036)
Total Assets	13,597	550,135	19,792	701,428
Total Liabilities	602,394	24,372,861	602,214	21,342,464
Investments	–	–	–	–
For the Year Ended				
Turnover	–	–	–	–
Profit Before Taxation	(6,375)	(257,933)	(5,391)	(191,057)
Provision for Taxation	–	–	–	–
Profit After Taxation	(6,375)	(257,933)	(5,391)	(191,057)
Proposed Dividend	–	–	–	–

Note:

- Above figures in INR have been calculated at 1 S\$ = ₹ 40.46 and 1 S\$ = ₹ 35.44 for the year ended March 31, 2012 and March 31, 2011 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.



**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, 2012

Management's Discussion and Analysis

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.

Financial statements of the Company are prepared under the historical cost convention in compliance with the requirements of the Companies Act, 1956, 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 items 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.

The Company has prepared its financials for the year, as per the Revised Schedule VI notified by Ministry of Corporate Affairs vide Notification number S.O. 447(E) dated 28 February, 2011. This has significantly impacted the disclosure and presentation made in the financial statements. Previous period/year figures also have been regrouped/reclassified wherever necessary to make them comparable with the current period figures.

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 110 003. Subsequently in October 1994, it was converted into a Public Limited Company. In August 1995, Nucleus made an Initial Public Offer and is currently listed at National Stock Exchange of India Ltd., and Bombay Stock Exchange Ltd. In absence of any trading activity, the Company applied for voluntary delisting of shares from Madras Stock Exchange Ltd. and was granted the same w.e.f. September, 2011.

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 branch offices in Chennai and Mumbai in India and in London, UK 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.

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's focus on product development is to build products on latest architecture & technology stack. They will have advanced feature & functionalities to support growing need of business. At Nucleus our strategy is to ultimately touch and improve lives of more and more people across the world by equipping Banks with superior technology products for managing lending operations.

The emergence of disruptive technologies such as cloud, mobility, sustainability and social networking are all adding up in making the ecosystem conducive for product development. The technology products sector in India, which for the last two decades has been dormant and overshadowed by the country's software services industry, is on a steep growth trajectory. India is emerging as a software hub globally with product firms also now marking their presence.

The need of the hour for the Indian IT industry is to change its business model whereby it can create more value to its customers by facilitating business process transformation, using technology innovations. This paradigm shift would require IT companies to acquire in-depth understanding of their customers' business and new technologies to serve them Better. 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.

We are grateful for having received various accolades, a few of them to list would be:

- FinnOne™ ranked for the fourth consecutive year as the '**World's No 1 Selling Lending Software Product**' (for the year 2011) and ranked **fourth** in global sales across all banking products by IBS Publishing, UK.
- Annual Report and Accounts of the Company for the year ended March 31, 2011 adjudged as the **BEST** under the Category XI – Service Sector (other than financial services sector, transport services Turn over less than ₹ 500 crore) of the '**ICAI Awards for Excellence in Financial Reporting**'. A GOLD SHIELD was awarded to the Company, for the fourth consecutive year.
- Annual Report of the Company for the year ended March 31, 2011 won the Platinum award under Technology-Software category and **ranked fourth worldwide** in the Top 100 Annual Reports in the Vision Awards by the League of American Communications Professionals (LACP), USA.
- South Asian Federation of Accountants (SAFA) adjudged Nucleus' Annual Report as the recipient of '**Certificate of Merit**' for the Best Presented Accounts and Corporate Governance Disclosures Award 2010 in the category 'Communication & Information Technology'



- Nucleus Software **ranked amongst the Top 5 Companies** for Best Corporate Governance Practices in India by IR Global Rankings 2011.
- 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.
- HDFC Bank, Nucleus Software customer, won the prestigious **Celent 2010 Model Bank Award** for its loan origination system, FinnOne™.
- Nucleus ranked amongst the Top 25 companies adopting “**Good Corporate Governance Practices**” by ICSI for fourth consecutive year in 2009.
- 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 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.

Management's Discussion and Analysis

The system also supports features such as workflow based request assignment, root cause analysis, escalations and graphical representation of data in form of dashboards.

- **Collateral Management System (CMS)** is pluggable component that can be integrated with any credit origination system, servicing system or any other system where collateral details are captured and various activities are performed on the captured information. CMS offers end-to-end collateral management services relevant in the lending scenario. This includes collateral acceptance, collateral maintenance, verification, valuation, lien marking, full or partial release of collateral and liquidation. The system also supports features such as multi currency handling, rule based collateral rating and collateral dedupe.
- **Central Liability System (CLS)** is an integrated system that collates limits and exposures from disparate source systems and provides a consolidated view of exposure limits for tracking and monitoring. These help risk manager, business managers and top management to take decisions on the level of exposures that the lending organization can take at obligor level or obligor group level and manage the product portfolio effectively. With the help of CLS, business managers and risk managers can segregate the business areas where the bank has taken more exposure which needs to be tracked or curtailed and also the areas where the bank can concentrate for increasing exposures. The system supports features such as consolidated information on credit risk & exposure for monitoring, earmarking and sub-allocation.
- **Finance Against Securities (FAS)** is a comprehensive solution that establishes credit lines to individuals and corporate against the pledging of financial securities like shares, mutual funds and bonds. The objective of the product is to value the collateral security provided by the customer and determine the credit limits that may be granted to a customer. The credit limits are computed based on a number of risk and exposure parameters. As the market value of the security offered is volatile in nature, the system conducts valuation at regular intervals. Deposits system caters to the requirements of the liability business of a financial institution. The system enables the banks to launch and setup term and demand deposit schemes. The system is capable of handling the lifecycle of the deposit business like account opening, financial transactions on these accounts like cash withdrawal/deposit, funds transfer, FD booking, revision, premature closure, standing instructions, tax deduction, interest accrual and account closure. The system has predefined reports to monitor the performance of the business, prepare MIS for statutory reporting to Central Bank.
- **General Ledger (GL)** is a double entry accounting system that comprehensively manages accounting procedures including those specific to the financial services industry. Besides chart of account maintenance, and balance sheet and P&L statement generation, it has a number of innovative features like soft closing of periods, allocation of cost centers over profit centers, budgets, profitability analysis and bank reconciliation. GL also has a strong sub module on bank reconciliation.
- **Bank Reconciliation System** is a tool to reconcile Bank accounts maintained by business units with its bankers. The system helps in identification of differences in transaction between bank statement and books. It reduces risk of fraud, enables credit to vendor/customers on time, shows the true and fair position of books of accounts at any given point of time.
- **Forecaster System** is a web-based data-mining tool that involves access to and manipulation of business data available with the organization. It is used to identify patterns and relationships in data and do a case-based reasoning. Based on this reasoning, it creates models that can be used to visualize the situation and hence make informed decisions and do predictive analysis. It uses advanced statistics and data mining algorithms such as decision tree, logistic and multiple linear regressions. The system provides an end to end solution to implement data mining projects by using Cross Industry Standard process (CRISP) for data mining.
- **PowerPay** is an effective tool to enable bank and finance companies to calculate the commissions and other payouts payable to various service providers. The system takes data from various source systems and calculates the payouts based on various parameters defined. Before calculating the payout, it provides facility to get the data validated from respective business partners. It provides facility of handling disputes raised by any business partner. It also facilitates claw back of payouts already given.
- **Lead Management System** is an effective tool for sales and marketing management. The Lead Management System is an independent module providing tools for effective and systematic customer acquisition process by handling the lead throughout its lifecycle. The system will automate the process of lead capture, tracking, follow up, and closure. The system supports dedupe functionality, prospect/lead curing, and reference management. The system provides a flexible rule based lead classification and allocation process.
- **Asset Based Securitization** is a module which helps the NBFC/ Bank to securitize or sell off 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.

New products **FinnOne Pro™ Gold** and **FinnOne - Transaction Banking System** are in development phase and our R&D efforts are being dedicated to formalize these products.

FinnOne™ is flagship product for the lending business from Nucleus Software. It was developed more than a decade back to serve lending needs of the BFS sector. Cash@Will™, our existent product was developed about a decade ago to serve Cash Management needs of the Banks while serving their corporate customers. In past few years technology & business needs have changed rapidly. To mitigate the risk of obsolescence and align with market needs, the Company decided to initiate new product development; **FinnOne Pro™ Gold** in the lending vertical and **FinnOne - Transaction Banking System in the Cash Management verticals** of the banking space.

The focus of this new product development is to build product on latest architecture & technology stack. In addition new products will have advanced feature & functionalities to support growing needs of business.

Salient features that differentiate these two new products are:

- J2EE technology
- SOA & multi-layer architecture
- Database independence
- Design to support multi-entity
- Support for Gold & Educational loans
- Support for Fleet finance
- Hooks to plug-in standard workflow engine
- Policy frame work with factory supplied default
- Value dated transaction
- On-line process & bulk processing
- High performance & low bandwidth usage

Figure 1

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.

The Board took some major decisions during the year to reorganize the Company’s top management team, necessary to take a major leap forward. Critical functions of the organisation were strengthened with the hiring of senior members in Global Delivery and Product Development.

Another major initiative during the year was the formation of Review Committee; as a Committee of the Board with the objective of reviewing the operations and systems of the Company. The Committee conducted weekly reviews with the Management and also made recommendations to the Board in respect of required changes to policies, procedures, budget allocations, financial management and operational management. 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.

FINANCIAL PERFORMANCE

Financial statements of the Company are 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”). The Company has six subsidiary Companies, all of which are wholly-owned subsidiaries. The Company discloses standalone audited financial results on a quarterly and annual basis, consolidated unaudited financial results on a quarterly basis and consolidated audited financial results on an annual basis. The financial results of the Company have been discussed in this report in two parts:

- Nucleus Software Exports Limited (Consolidated) including performance of subsidiaries of Nucleus Software, discussed in this chapter. 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.

The Company has prepared its financials for the year, as per the Revised Schedule VI notified by Ministry of Corporate Affairs vide Notification number S.O. 447(E) dated 28 February, 2011. This has significantly impacted the disclosure and presentation made in the financial statements. Previous period/year figures also have been regrouped/reclassified wherever necessary to make them comparable with the current period figures.

Management's Discussion and Analysis

The consolidated financial results are as below:

(₹ in crore)

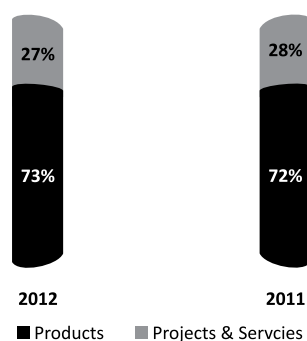
For the Year Ended March 31,	2012	% of Revenue	2011	% of Revenue	Growth (%)
Revenue From Operations	282.25	100.00	270.48	100.00	4.35
Expenses					
a) Employee benefit expense	157.08	55.65	150.74	55.73	4.21
c) Travel expenditure	19.54	6.92	17.72	6.55	10.27
b) Finance cost (Bank charges)	0.33	0.12	0.31	0.11	6.45
e) Other expenses	69.75	24.71	71.23	26.33	(2.08)
Total Expenses	246.70	87.40	240.00	88.73	2.79
Operating Profit (EBITDA)	35.55	12.60	30.48	11.27	16.63
Depreciation	7.45	2.64	9.28	3.43	(19.73)
Operating Profit after Interest and Depreciation	28.10	9.96	21.20	7.84	32.55
Other Income	16.87	5.98	9.40	3.48	79.47
Foreign Exchange Gain/ (Loss)	3.34	1.18	(0.74)	(0.27)	NA
Profit Before Tax	48.31	17.12	29.86	11.04	61.79
Taxation					
– Withholding Taxes	0.92	0.33	2.69	0.99	(65.80)
– Current (Net of MAT credit entitlement)	11.45	4.06	2.90	1.07	NA
– Other taxes	0.60	0.21	(2.07)	(0.77)	NA
Profit After Tax	35.34	12.52	26.34	9.74	34.17

Revenue from Operations

Our revenues from software development comprise of income from time and material and fixed price contracts. Revenue from time and material contracts is recognised as the services are rendered and revenue from fixed price contracts comprise of sale of license, related customisation and implementation and is recognised in accordance with the output method based on percentage completion. Revenue from annual technical service contracts is recognised on a pro rata basis over the period in which such services are rendered.

We witnessed year on year growth driven by good product sales and successful implementations across locations. During the year, the total revenue from operations is ₹ 282.25 crore, registering a growth of 4.35 % over ₹ 270.48 crore, total revenue for the previous year.

Revenue from Business Segments



Revenue from Products

We are a Product Company and derive most of our revenues from Products and related services, categorized under revenue from "Products". It comprises of license fees, revenue from customization and implementation of products and post-production maintenance support. Product revenue for the year is ₹ 204.99 crore, 72.63 % of the total revenue, which is an increase of 5.90 % over Product revenue of ₹ 193.57 crore, 71.57% of total revenue, in the previous year.

Revenue from Projects and Services

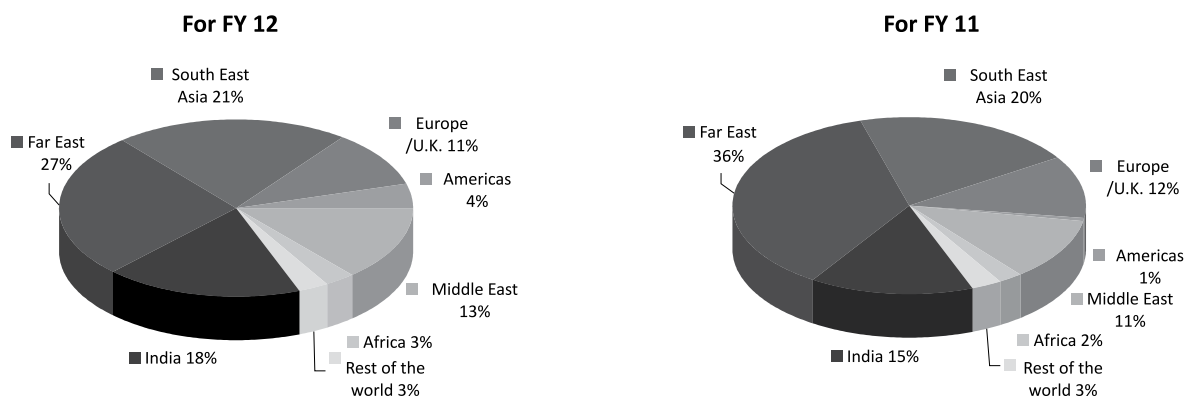
Software services rendered by the Company, classified under this segment, typically consist of development of software to meet specific customer requirements. These services consist of application development & maintenance, testing, consulting and infrastructure management services with a strong banking domain focus. Revenue from Software projects and services has grown marginally for the year to ₹ 77.26 crore, 27.37% of the total revenue for fiscal 2012 against ₹ 76.91 crore constituting 28.43% of the total revenue for fiscal 2011.

Revenue from Various Geographies

Your Company is incorporated in India, caters to customers situated all across the globe, and hence significant part of the revenue is derived from international sales. The graph below presents a geography-wise distribution for the year as well as the previous year.



Revenue from various geographies



EXPENSES

Employee Benefit Expense

Employee benefit expenses include salaries paid to employees globally which have fixed and variable components; provision for retirement benefits, contribution to provident fund and expense on staff welfare activities. The employee benefit expenses have increased by 4.21 % to ₹ 157.08 crore, 55.65 % of total revenue. For the previous year, they were at ₹ 150.74 crore, 55.73% of total revenue.

(₹ in crore)

For the Year Ended March 31,	2012	% of Revenue	2011	% of Revenue	Growth (%)
Salaries	145.23	51.45	138.22	51.10	5.07
Contribution to provident and other funds	7.43	2.63	7.29	2.69	1.92
Gratuity expense	1.95	0.69	2.78	1.03	(29.86)
Staff welfare	2.47	0.88	2.45	0.91	0.82
Total Employee Benefit Expenses	157.08	55.65	150.74	55.73	4.21
REVENUE	282.25	100.00	270.48	100.00	4.35

Employee costs have risen and we are taking steps to optimize utilization and productivity.

Operating and Other Expenses

Operating and other expenses primarily consist of expenses on travel to execute work at client site and for other related activities, consultancy charges, cost of software purchased for delivery to clients, bandwidth and communication expense, infrastructure charges and expenses on account of brand building activities. Other expenses included here are training and recruitment costs, legal and professional charges, repairs and maintenance charges, insurance, provision for doubtful debts, bad debts, finance costs and other miscellaneous charges.

Operating and other expenses at ₹ 89.62 crore, 31.75 % of revenue for the year remained under control, with a marginal increase 0.40% against ₹ 89.26 crore, 33.00% of revenue in the previous financial year.

(₹ in crore)

For the Year Ended March 31,	2012	% of Revenue	2011	% of Revenue	Growth (%)
Software and other development charges (out sourced)	19.88	7.04	19.28	7.13	3.11
Travelling	19.55	6.93	17.72	6.55	10.33
Cost of software purchased for delivery to clients	7.89	2.80	6.13	2.27	28.71
Power and fuel	3.36	1.19	2.81	1.04	19.57
Rent	9.44	3.34	8.99	3.32	5.01
Rates & Taxes	0.29	0.10	0.26	0.10	11.54
Repair and maintenance	2.37	0.84	2.41	0.89	(1.66)
Legal and professional	6.80	2.41	9.47	3.50	(28.19)
Conveyance	1.43	0.51	1.35	0.50	5.93
Communication	2.44	0.86	2.73	1.01	(10.62)
Information technology expenses	1.73	0.61	1.81	0.67	(4.42)
Provision for doubtful debts/advances/other current assets	4.63	1.64	4.83	1.79	(4.14)
Commission to channel partners	1.83	0.65	0.88	0.33	NA
Training and recruitment	1.30	0.46	1.92	0.71	(32.29)
Conference, exhibition and seminar	1.00	0.35	1.13	0.42	(11.50)
Advertisement and business promotion	0.98	0.35	0.93	0.34	5.38
Insurance	0.58	0.21	0.73	0.27	(20.55)
Finance Cost (Bank charges)	0.33	0.12	0.31	0.11	6.45
Miscellaneous expenses	3.79	1.34	5.57	2.06	(31.96)
Total Operating and Other Expenses	89.62	31.75	89.26	33.00	0.40
REVENUE	282.25	100.00	270.48	100.00	4.35

Management's Discussion and Analysis

- Software and other development charges relate to outsourced work for software development and is higher than previous year by 3.11%.
- Cost of software purchased for delivery to clients has increased by 28.71% for the year against the previous year.
- Provisions for doubtful debts include bad debts written off and 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. This figure is ₹ 4.63 crore against ₹ 4.83 crore previous year.
- Finance cost includes bank charges and fee for issuance of bank guarantees to customers.

We have taken a number of steps to improve our operational efficiency and there has been a very strong control and focus on costs.

Operating Profit (EBITDA)

Operating Profit improved to ₹ 35.55 crore, 12.60 % of revenue against ₹ 30.48 crore, 11.27 % of revenue in the previous year. We achieved operating margin growth in rupee terms with favorable exchange rate movement, with Dollar revenues remaining flat.

Depreciation

Depreciation on fixed assets was ₹ 7.45 crore, 2.64 % of revenue for the year against ₹ 9.28 crore, 3.43% 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. All these investments are in India.

(₹ in crore)

For the Year Ended March 31,	2012	2011
On Investments		
Capital Gain- Mutual Funds	1.02	-
Dividend on investment in Mutual fund units	8.88	6.13
Interest Income	3.94	2.60
Foreign Exchange differences on consolidation	0.20	(0.11)
Provisions written back	0.84	0.11
Others	1.99	0.67
Total	16.87	9.40

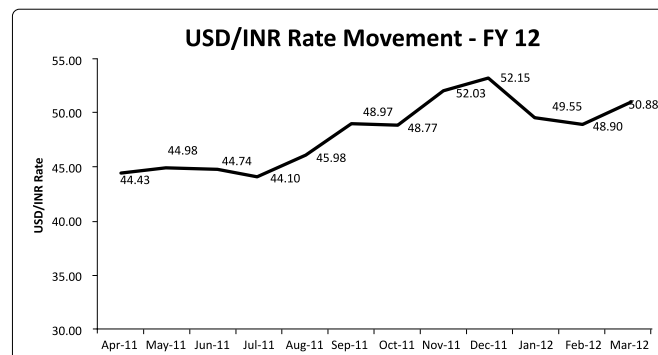
Other income for the year is ₹ 16.87 crore, against ₹ 9.40 crore in the previous year.

The Company maintained a prudent investment mix by investing funds into both Mutual Funds and Fixed Deposits. The Company had an investment of ₹ 104.13 crore in Mutual Funds and ₹ 70.69 crore in Fixed Deposits as on March 31, 2012, against ₹ 125.76 crore in Mutual Funds and ₹ 40.37 crore in Fixed Deposits as on March 31, 2011.

Foreign Exchange Gain / (Loss)

Foreign Exchange Gain (Loss) includes gain (loss) from translation of current assets and liabilities at quarter end rates, those arising from realization/payments of receivables/payables and from cancellation of options and forward contracts, respectively. During the year, the Company had a foreign exchange gain of ₹ 3.34 crore against a loss of ₹ 0.74 crore for the previous year.

Foreign Exchange continues to be volatile, as depicted in the below mentioned chart.



With risk appetite varying and the Dollar fluctuating inversely with higher risk appetite, most of the global currencies remained under pressure against the US Dollar. After a rather eventful year the Indian Rupee ended the year on historically the lowest year ending level of 50.88 against the US \$, weakened by 14 percent, against 44.68 on March 31, 2011.

The Company follows a well-defined policy of hedging close to receivables through Forward Contracts which are designated as Highly Probable forecast transactions. 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. In terms of foreign currency hedges, we had on March 31, 2012, 12.00 million US dollars of forward contracts at an average rate of 51.87, designated as highly probable forecast transactions. There is a mark-to-market loss of ₹ 0.09 crore reflected in the hedging reserve in balance sheet. Currency-wise revenues for the year along with a comparison with the previous year is as follows:

For the Year Ended March 31,	2012	2011
Indian Rupee ₹	18.12%	15.11%
Japanese Yen	7.16%	6.40%
Singapore \$	8.38%	8.98%
US \$	61.66%	64.40%
Malaysian Ringgit	1.53%	2.04%
South Korean Won	1.17%	1.18%
United Arab Emirates Dirham	-	0.25%
Euro	1.98%	1.64%
TOTAL	100.00%	100.00%

Taxation

It represents provision for corporate & income taxes in various countries where the Company and subsidiaries operate.

(₹ in crore)

For the Year Ended March 31,	2012	2011
Withholding taxes charged off	0.92	2.69
Current Tax	11.45	6.43
MAT Credit Entitlement	-	(3.52)
Deferred Tax Credit (net)	(0.30)	(2.24)
Earlier Year Tax	0.90	0.16
Total	12.97	3.52



Nucleus Software Exports Limited

Total effective tax for the year is 26.85% of Profit Before Tax, in comparison to 11.78% of Profit Before Tax for the previous year. The tax holiday enjoyed by units in STP/ FTZ under Section 10A of the IT Act expired on April 1, 2012, which resulted in an increase in tax implication for all our units in India w.e.f this financial year 2011-12. During the year, a unit of the Company commenced operations from the SEZ in Jaipur. SEZ's in India are eligible for tax exemptions and a host of other fiscal benefits, incentives and concessions both from the State and Union Government.

Minimum Alternate Tax at 18.50% (plus applicable surcharge and cess) of book profits was made applicable to SEZ Units and SEZ Developers vide Finance Act 2011. Company may claim set off of taxes paid under MAT against taxes payable under normal provisions in future years, but it is possible that the set off may not be available in its entirety. In such a scenario, taxes paid under MAT would become a cost for the Company. Further, Dividend Distribution Tax at 15% (plus applicable surcharge and cess) has also been made applicable to SEZ Developers. These developments have adversely impacted the prospective investments in the SEZ scheme.

Profit After Tax

Our profit after tax for the year is ₹ 35.34 crore, 12.52% of revenue, against ₹ 26.34 crore, 9.74% of revenue, during the previous year.

Overall revenue growth is critical for meeting our strategic objectives, and we are conscious of the need to achieve the same. We would continue with our major emphasis on increasing revenue growth coupled with higher productivity to generate better margins. Capturing greater market share in products would also yield better realizations. Emerging markets across the world will continue to provide stability and growth would be led by larger engagements and value offerings.

Share Capital

Share Capital of the Company consists of Equity Share Capital. The paid-up share capital as on March 31, 2012 is 32,383,454 equity shares of ₹ 10 each as against 32,382,524 equity shares of ₹ 10 each as on March 31, 2011. The increase in the paid-up share capital of the Company during the year has been due to allotment of 930 shares on exercise under Employee Stock Option Plan 2005.

Subsidiaries

The Company has six wholly owned subsidiary companies, all over the world. There is also a step down subsidiary at Singapore. 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. Paid-up Share Capital of the Subsidiaries as on March 31, 2012 is as per the below table.

Name of Subsidiary Company	Currency	As at March 31, 2012		As at March 31, 2011	
		In foreign Currency	Eqv. ₹ in crore	In foreign Currency	Eqv. ₹ in crore
Nucleus Software Solutions Pte. Ltd., Singapore 625,000 equity shares of S\$ 1 each	SGD	625,000	1.63	625,000	1.63
Nucleus Software Inc., USA 1,000,000 shares of US\$ 0.35 cents each	USD	350,000	1.63	350,000	1.63
Nucleus Software Japan Kabushiki 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 ₹ 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	400,000	2.42
Nucleus Software Limited, India 10,000,000 equity shares of ₹ 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.

As per General Circular No: 2 /2011 issued by the Government of India, Ministry of Corporate Affairs, a general exemption was 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.

Management's Discussion and Analysis

Reserves and Surplus

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

	(₹ in crore)		
	Opening Balance as on April 1, 2011	Additions/ (Deletions) during the year	Closing Balance as on March 31, 2012
General Reserve	75.68	3.65	79.33
Securities Premium	2.17	0.02	2.19
Capital Reserve	0.67	0.20	0.87
Employee Stock Options	0.62	(0.62)	-
Foreign Currency Translation Reserve	5.39	2.36	7.75
Hedging Reserve	1.62	(1.71)	(0.09)
Profit and Loss Account Balance	169.41	22.28	191.69
Total	255.56	26.18	281.74

Fixed Assets

As at March 31, 2012, gross block of fixed assets including investment in technology assets is ₹ 119.22 crore (₹ 110.32 crore as on March 31, 2011).

	(₹ in crore)		
As at March 31,	2012	2011	Inc/Dec (%)
Gross Block			
Freehold land	0.34	0.33	3.03
Leasehold land	18.78	18.78	-
Leasehold improvement	1.27	1.27	-
Building	28.14	24.34	15.61
Office and other equipment	18.83	16.94	11.16
Computers	31.16	29.69	4.95
Vehicles	1.51	1.68	(10.12)
Furniture and fixtures	5.15	4.48	14.96
Software	14.04	12.81	9.60
Total	119.22	110.32	8.07
Less; accumulated depreciation	70.31	63.25	11.16
Net Block	48.91	47.07	3.91
Add: Capital Work In Progress	-	2.53	NA
Net Fixed Assets	48.91	49.60	(1.39)

There are fresh additions of ₹ 9.42 crore during the year, consisting of ₹ 3.79 crore in Nucleus Software Ltd. on construction of SEZ unit in Jaipur and ₹ 2.54 crore in technology assets by the Parent Company. The net fixed assets after depreciation are ₹ 48.91 crore as on March 31, 2012 against ₹ 49.60 crore as on March 31, 2011.

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, 2012 the cash and bank balances stood at ₹ 92.19 crore (₹ 61.75 crore on March 31, 2011) and current investments in liquid schemes and Fixed Maturity Plans of mutual funds were ₹ 104.13 crore (₹ 125.76 crore on March 31, 2011).

Total cash and cash equivalents are thus at ₹ 196.32 crore on March 31, 2012 against ₹ 187.51 crore as on March 31, 2011.

	(₹ in crore)	
As at March 31,	2012	2011
Balances with Bank		
In Current Accounts	21.50	21.38
In Fixed Deposit Account	70.69	40.37
Investments in Mutual Funds	104.13	125.76
Total	196.32	187.51

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,	2012	2011
Balances with Banks		
In Current Accounts in India		
Citi Bank	0.43	0.18
Citi Bank – EEFC accounts in US dollar	1.94	6.24
DBS Bank	0.10	0.01
HDFC Bank – EEFC accounts in US dollar	0.76	0.26
HDFC Bank	0.18	0.90
HDFC Bank – Unclaimed dividend accounts	0.18	0.14
HSBC Bank – Unclaimed dividend accounts	0.02	0.03
ICICI Bank	0.07	0.06
State Bank of India	0.02	0.10
In Current Accounts in Overseas locations		
Citibank UAE	0.11	0.13
Citibank UK	0.08	0.10
Citibank Spain	0.08	-
Citibank Singapore	5.72	7.26
Citibank Korea	0.90	0.98
Citibank Philippines	0.13	0.05
PNC Bank USA	4.46	0.89
Bank of Tokyo Mitshubishi - Japan	0.91	0.62
Shinsei Bank Japan	2.48	1.11
Citibank Japan	1.32	2.05



Nucleus Software Exports Limited

(₹ in crore)

As at March 31,	2012	2011
Citibank Singapore	0.06	0.07
Citibank Netherlands.	1.55	0.20
Total Balances in Current Accounts	21.50	21.38
In Fixed Deposit Accounts		
HDFC Bank	0.10	0.09
Citi Bank	0.44	0.70
Punjab National Bank	10.01	–
State Bank of India	0.22	–
Corporation Bank	19.90	–
Bank of India	20.02	20.02
State Bank of Travancore	20.00	16.59
Syndicate Bank	–	1.98
State Bank of Bikaner & Jaipur	–	0.99
Total Balances in Fixed Deposit Accounts	70.69	40.37
Total Bank Balance & Fixed Deposits	92.19	61.75

Net cash flow from operating activities before working capital changes is ₹ 43.95 crore for the financial year against ₹ 35.89 crore in the previous year. After considering working capital changes, operating cash flow is ₹ 13.63 crore against ₹ 31.74 crore.

Operating cash flow is today considered a better measure of operations of the Company than the net profits as it measures the cash generated by the operations and there is a decline this year with lower operating profitability.

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

As at March 31,	2012	2011
Operating cash flow as % of revenue	15.57	13.27
Days of sale receivable	114	63
Cash and Equivalents as % of assets	47.99	51.44
Cash and Equivalents as % of revenue	69.55	69.32
Current investments as % of assets	25.45	34.50
Current investments as % of revenue	36.89	46.50

Other Long-Term Investments

Other long term investments comprise of investment in 250,000 Equity Shares of face value of ₹ 10/- 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.

Trade Receivables

Our trade receivables (net of provision) as on March 31, 2012 are ₹ 87.83 crore, against ₹ 46.90 crore as on March 31, 2011. In the opinion of Management, all the trade receivables are recoverable. We have modified the grouping of receivables this year and have reported as below :

(₹ in crore)

As at March 31,	2012	2011
Gross Receivables	87.83	46.90
Advances from customers and unearned income	20.72	14.55
Net receivables	67.11	32.35

In 2011 and in earlier years, we reported net receivables. In 2012, we have reported gross receivables and moved customer advances and unearned income under current liabilities and also regrouped 2011 figures. Days of sales receivables (DSR) is higher at 114 days as on March 31, 2012 against 63 days on March 31, 2011.

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

As at March 31,	2012	2011
Less than 6 months	97.64%	91.86%
More than 6 months	2.36%	8.14%

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.

Loans and Advances

In accordance with the revised Schedule VI notified by MCA, Loans and Advances have been classified into long-term and short-term based on their period of realization.

(₹ in crore)

As at March 31,	2012	2011
Long term Loans and advances		
Security deposits	2.87	2.60
Advance income tax	10.91	13.24
Prepaid expenses	0.66	1.26
MAT credit entitlement	4.91	6.51
Staff Loans	0.61	0.25
Capital advances	0.01	0.30
Total	19.97	24.16
Short term Loans and advances		
Prepaid expenses	3.21	1.44
Supplier advances	1.74	1.43
MAT credit entitlement	2.43	5.50
Employee advances	2.16	1.17
Others	1.78	3.83
Total	11.32	13.37
Total Loans and Advances	31.29	37.53

Management's Discussion and Analysis

Security Deposits, utilised primarily for hiring of office premises and staff accommodation, amounts to ₹ 2.87 crore as on March 31, 2012 (₹ 2.60 crore as on March 31, 2011).

Advance income tax is ₹ 10.91 crore as on March 31, 2012 (₹ 13.24 crore as on March 31, 2011)

Current Liabilities

Current liabilities represent trade payables, short-term provisions and other current liabilities. As on March 31, 2012 the Current liabilities are ₹ 83.68 crore (₹ 66.73 crore as on March 31, 2011)

(₹ in crore)

As at March 31,	2012	2011
Trade Payables	30.08	24.84
Advances from customers	13.97	9.00
Deferred Revenue	22.12	15.17
Unclaimed dividend	0.19	0.18
Book Overdraft	-	0.54
Statutory dues	3.95	4.03
Other Payables	0.25	0.81
Short term provisions		
Leave encashment	1.50	1.09
Gratuity	2.21	1.66
Proposed dividend	8.10	8.10
Tax on dividend	1.31	1.31
Total	83.68	66.73

Trade payables represent the amount payable for providing goods and services and is ₹ 30.08 crore as on March 31, 2012 (₹ 24.84 crore as on March 31, 2011)

Advances from customers as on March 31, 2012 is ₹ 13.97 crore (₹ 9.00 crore as on March 31, 2011). These consist of advance payments received from customers for which related costs have not been yet incurred or product license delivery is at later date.

Statutory dues are the amounts accrued for taxes deducted at source by the Company, staff provident fund, employee state insurance liabilities, sales tax, etc. As on March 31, 2012 it is ₹ 3.95 crore (₹ 4.03 crore as on March 31, 2011).

Short term provisions for leave encashment and gratuity are those for which liability is expected to arise in near future. A sum total of all these short-term provisions as on March 31, 2012 is ₹ 13.12 crore (₹ 12.16 crore as on March 31, 2011).

Long-term Provisions

Long term provisions as on March 31, 2012 are ₹ 11.26 crore (₹ 9.43 crore as on March 31, 2011). The break-up of provision at the year-end is given below:

(₹ in crore)

As at March 31,	2012	2011
Gratuity	6.72	6.35
Leave encashment	4.54	3.08
Total	11.26	9.43

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provision for Gratuity and Leave encashment represents provisions made by the Company based on valuation reports from actuaries.



Risk Management Report

Risk may be defined as the possibility to suffer damage or loss, which is characterized by three factors:

1. The probability or likelihood that loss or damage will occur.
2. The expected time of occurrence.
3. The magnitude of the negative impact that can result from its occurrence.



Figure 1

Risk management then may be termed as the process of identifying, analyzing, evaluating and mitigating uncertain events. It involves instituting a comprehensive approach to managing business to mitigate risk and optimize business performance. This holistic approach enables organizations to reduce duplication of efforts, increase efficiency and enable smarter business decision making process.

Risk Management Structure at Nucleus

At Nucleus Risk Management is a disciplined way to deal with business uncertainty and the associated risk and opportunity. By utilizing structured risk and compliance management programs, the Company endeavors 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.

Formal risk management processes at Nucleus comprise of policies and review by vigorous internal audit, both internally and by external bodies functional meetings. Senior Management at Nucleus is the Nucleus Risk Management Team which meets periodically, reviews the risks, status of mitigation plans and action taken. Reports are placed to the Board through the Audit Committee.

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 impact on business.

Adverse Economic Conditions and Reduction in Corporate IT Spending Budgets may harm our business. The global financial crisis of 2008 started with the subprime delinquency in the USA, affected the global banking system adversely with failure of large institutions, resulted in bail outs by national governments in USA and Europe, spread to other parts of the economy and affected employment and GDP adversely. The crisis hit bottom in March 2009 and after that some green shoots started appearing. It was not to be and the fiscal position of Governments in the USA and Europe started deteriorating. Ireland, Portugal and Greece had to be bailed out by the IMF, the EU and the ECB and as we write; the survival of euro zone is in doubt and the US had political deadlock on the debt ceiling. India survived the 2008 crisis rather well, with timely liquidity intervention by the RBI and fiscal stimulus. However, persistent inflation in the last two years, twin fiscal and current account deficits and fall in gross investments have started negating the otherwise vibrant domestic economy.

Economic slowdown translates into reduction and /or delays in technology spending decisions by banking & financial services firms from whom we essentially derive our revenues. Our revenues may be adversely affected by adverse global macro economic conditions especially as the financial sector has been under severe strain.

We seek to mitigate this risk by working in both Developed and Emerging economies and focusing on value based solutions which enable our customers to significantly reduce cost in a difficult environment.

Our business depends on our ability to attract and retain talent. The first challenge is 'employability' of resources. With a large pool of graduating engineers in India, largely unemployable due to deficiencies in the current system of education, the IT sector is grappling with the issue of not being able to recruit the 'right fit'. The wide industry academia gap is forcing companies to invest heavily in training to convert "qualified" manpower to "billable" resources. After employees become productive, availability of abundant opportunities leads to rapid job switches among professionals leading to high attrition levels. To contain attrition, we are investing proactively in hiring, training, cross skill development, managing motivation and rewarding performance. All these measures lead to further cost escalation aggravating margin pressure.

Over time, we have developed a recruitment system and database specific to our domain that facilitates rapid identification of skilled candidates. We rely on hiring from a mix of university and industry talent worldwide and differentiate for talented individuals by offering diverse customer exposure in different geographies, opportunity to work on products rather than services, and competitive compensation.

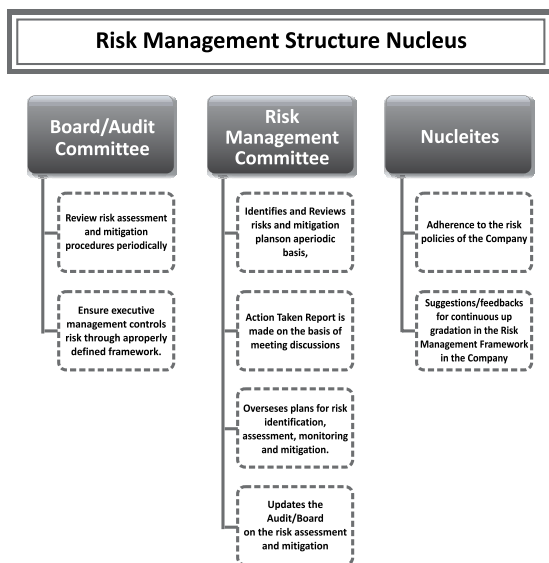


Figure 2

Risk Management Report

Our limited ability to recruit internationally may further prove a roadblock in our measure to drive sales internationally. Nucleus School of Banking and Technology (NSBT) an education division of the Company launched in the previous year, continues to provide role based training programs specializing in the Banking & Financial Service Industry (BFS) Technology segment, to convert educated youth into employable staff. While some of these NSBT trained freshers are inducted in the Company, in the medium term some of them will also be offered as trained resources to the industry.

The Company is constantly exposed to the risk of exchange rate fluctuations. Eighty five to ninety percent of our revenue is denominated in foreign currency, predominantly the US Dollars. 75-80% of our expenses are in the Indian Rupee and therefore the Company is exposed to continuing risk of foreign exchange fluctuation. Movements in the value of the Indian Rupee against the US Dollars, the Euro and the Japanese yen can cause significant variation in our revenue and profitability.

The exchange rate between the Indian Rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. After a rather eventful last year, the Indian Rupee ended the year at historically the weakest level of 50.88 against the US \$, weakened by 14 percent against 44.68 on March 31, 2011. A weaker local currency can lead to increased profitability in the short run with implications on inflation and cost in the medium term. In earlier years, there has been steep appreciation in the external value of the Indian Rupee and volatility management becomes extremely challenging.

We monitor our foreign currency exposures daily and use derivative financial instruments such as foreign exchange forward contracts to mitigate the risk of exchange rate fluctuations. The hedging strategies that we have implemented, or may in the future implement, to mitigate foreign currency exchange rate risks, may not reduce or completely offset our exposure to foreign exchange rate fluctuations. This may additionally also expose our business to unexpected market, operational and counterparty credit risks. We may incur losses from our use of derivative financial instruments that could have a material adverse effect on our business, results of operations and financial condition.

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

	As of March 31,	
	2012	2011
Aggregate amount of outstanding forward and options contracts	\$ 12.00 million	\$ 13.75 million
Gain/(loss) on outstanding forward and options contracts reflected in the Hedging Reserve in the Balance Sheet	₹ 0.09 crore	₹ 1.62 crore

The Company follows a well-defined policy of hedging close to receivables through Forward Contracts which are designated as Highly Probable forecast transactions. 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.

We face strong 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. As we continue to create additional functionality and products, we compete with additional vendors.

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

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 compete effectively based on our strategy of providing flexible, easy to use solutions.

We may not be able to adequately protect our Intellectual Property (IP) rights. Your Company has an IP led business model and globally licenses IP 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 challenging. 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 may at times be unable to protect our source code from copying if there is an unauthorized disclosure of source code; critical to our business. This could make it easier for third parties to compete with our products by copying functionality, which would also affect us unfavourably.

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 the 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.

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 for client negotiating positions at the time of



contract renewal or work distribution among multiple vendors. The group's profitability and revenues would be affected in case of loss of business with these major clients or significant downsizing of projects by these clients.

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
- Cancellation or deferral of significant projects from these clients
- Moving work in-house by them.

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 47% of revenues from top 5 clients against 56% 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. 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 inability to maintain and devise effective internal control methods may affect us adversely The accuracy of our financial reporting depends on how well we have installed Internal Control mechanisms. While we may introduce the best of processes to check and prevent error, inherent limitations like that of human error etc. cannot be ruled out and hence internal control might not prevent or detect all mis-statements or fraud. If we cannot maintain and execute adequate internal control systems to ensure reliability of organizational financial system, we may lose out on meeting our mission and be materially adversely affected.

Nucleus has defined roles, responsibilities and authorities for employees at all levels. The Company has a robust system of Internal Audit and has appointed reputed Internal Auditors to check on the validity and correctness of internal reporting, which in turn validates financial reporting. During the year, Authority matrix for Global Heads of Functions, Strategic Business Unit (SBU) Heads and Business Unit (BU) Heads was also formalized to further strengthen the Internal Control function. This helped in not only assigning responsibility at various levels but also ensures a sense of accountability. 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.

Our prime focus on providing products and services only in the BFS domain to large Banks and Financial Institutions exposes us to the risk of Industry concentration. This is linked to the 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. A slowdown in economy translates to reduction or a delay in technology spending decisions by banking & financial services firms. While acknowledging this risk, we continue to focus on this sector and are confident that our "Value" based solutions will find greater market success. Our 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.

Security vulnerabilities and business continuity. This 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 the consumers, when confronted with adverse events such as a disruption or failure of our systems or operations in the event of a major earthquake, weather event, cyber-attack, terrorist attack, or other catastrophic event could cause delays in completing sales, providing services, or performing other mission-critical functions. Our corporate headquarters, a significant portion of our research and development activities, and certain other critical business operations are located in Noida, India which is adjacent to the national capital of India, Delhi. Here it may be worthwhile to mention that according to the Seismic Zone Mapping done by the Geological Survey of India (GSI), Delhi is considered among 30 cities in the country falling in zone IV, which is defined as a severe intensity seismic zone.

Any catastrophic event that results in the destruction or disruption of any of our critical business or information technology systems could harm our ability to conduct normal business operations. 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. The Company is continuously investing in security of its operations & processes and evaluating the risks on periodic bases. With an objective to increase adherence to secure practices; your Company also geared up for obtaining ISO 27001-Information Security Standard compliance certification. 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.

Our significant investments in innovation may not prove profitable. The Information Technology industry is characterized by rapid technological change, evolving industry standards, changing customer preferences and new product and service introductions. Our model for growth is based on our ability to initiate and embrace new technology trends, enter new markets, both in terms of geographies and product areas, and to drive adoption of the products we develop and market. Our future success will depend on our ability to develop solutions that keep pace with changes in the markets in which we provide services. We cannot be sure that we will be successful in developing new products with evolving technologies in a timely or cost-effective manner or, if these products are developed, they will be successful in the market. Delay in product development schedules may also adversely affect our revenues adversely. The development of software products is a complex and time-consuming process. New products and enhancements to existing products may require long development and testing periods which may lead to significant delays in new product.

Our degree of success with FinnOne Pro Gold and the FinnOne - Transaction Banking System, our new products, will impact our ability to grow our share of the lending software market. If customers do not perceive our latest offerings as providing significant new functionality

Risk Management Report

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.

We operate a global business that exposes us to additional risks. Your Company is incorporated in India, has overseas subsidiaries in Japan, Netherlands, Singapore and USA and caters to customers operating in various countries and a significant part of the revenue is derived from international sales. 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.

Abrupt political change, terrorist activity, and armed conflict pose a risk of general economic disruption in affected countries, which may increase our operating costs. These conditions also may add uncertainty to the timing and budget for technology investment decisions by our customers, and may result in supply chain disruptions for hardware manufacturers, either of which may adversely affect our revenue. New regulations may require us to find alternative compliant and cost-effective methods of distributing our products and services.

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. 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.

We have partnerships with third parties for product delivery, and failure on their part to deliver, could affect our performance.

In some cases, we partner with third party vendors, for both software and hardware, to provide complete solutions as per customer requirements. In such instances, our ability to deliver the complete solution to our customers depends on our and our partners' ability to meet the quality standards of our customers'. If we or our partners fail to deliver appropriately, our ability to complete the contract may be adversely affected, which may have a material and adverse impact on our revenue and profitability. To counter this risk we partner with only reputed firms and ensure proper contractual formalities before aligning with any such partner to reduce or limit the risk of their non/ low performance.

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

With your Company shares listed on National Stock Exchange of India Ltd. and Bombay 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 processes governing any trading in the Company's shares by various stakeholders.



Corporate Social Responsibility

The Corporate Social Responsibility (CSR) programs at Nucleus are based on adherence to ethical standards of law; most valuable for a society.

The objective of CSR framework at Nucleus is to encourage the stakeholders to have a more meaningful engagement with the business rather than the often-prevalent one-sided expectational engagement.

We have instituted a CSR Policy in the organization, with an objective to :

- To act in a socially responsible manner at all times.
- To devise mechanisms whereby business would monitor and ensure its adherence to law, ethical standards, and would embrace the responsibility for the impact of its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere.

The 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.



Nucleus for the Society: Society is an integral part of our existence and we Nucleites recognize this fact and in-turn try to give it back to the society. We have always turned out in great numbers to extend our helping hand to those that are still struggling.

Nucleites came forward and shared clothes, books and toys with children on the occasion of Christmas and helped bring a smile on their faces. We recognize the entitlement of differently-abled persons to realization of all human rights and fundamental freedom on equal terms with others in society, without discrimination of any kind. As per the Policy for Recruitment of Differently-abled Resources we hired differently-abled persons for various business functions. Various exhibitions by Non-Governmental Organisations (NGO) were conducted in the office campus, ahead of festivals like Diwali and Holi to promote sale of products/ articles prepared by rural artisans and Prisoners of Tihar Jail.



Nucleus for Environment: Our Company 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. Our new Office in Jaipur SEZ has also been designed in a manner to ensure similar conservation of electricity.

Nucleus as a workplace: Various activities were conducted during the year to help employees lead a healthy and balanced life.

The Company tied up with a Health & Fitness expert, there is a Doctor@Nucleus initiative, whereby a Doctor is available weekly to provide consultation and guidance within the office campus. Employees are also regularly provided health care tips through internal communication channels to safeguard against contagious diseases and to encourage a healthy lifestyle.

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.

The National Voluntary Guidelines on Socio-Economic and Environmental Responsibilities of Business

The National Voluntary Guidelines on Socio-Economic and Environmental Responsibilities of Business were issued by the Ministry of Corporate Affairs during the previous year. The Guidelines take into account the learnings from various international and national good practices, norms and frameworks, and provide a distinctively 'Indian' approach, which will enable businesses to balance and work through the many unique requirements of our land.

The Guidelines are a refinement over the Corporate Social Responsibility Voluntary Guidelines 2009, released by the Ministry of Corporate Affairs in December 2009. We at Nucleus mapped our status with the requirements and areas for improvement highlighted for adoption.

We believe that one of the critical aspects of Responsible Business practices is that businesses should not only be responsible but they should also be seen as socially, economically and environmentally responsible. While the Guidelines encompassing nine Principles and related Core Elements identify the areas where responsible practices need to be adopted, the Reporting Framework provides a standard disclosure template which can be used by businesses to report on their performance in these areas

At Nucleus, we are conscious of our duties towards our community and our planet and are taking active steps towards creating a better planet for us and for future generations.

Nucleus School of Banking Technology

In the current market scenario, more value for money is demanded. This focus of buyers along with increasing competition from lower cost countries push the price point lower each day. On the other hand there is rising operational cost with salaries going up due to shortage of talent, attrition related costs and productivity loss due to skilling mismatch.

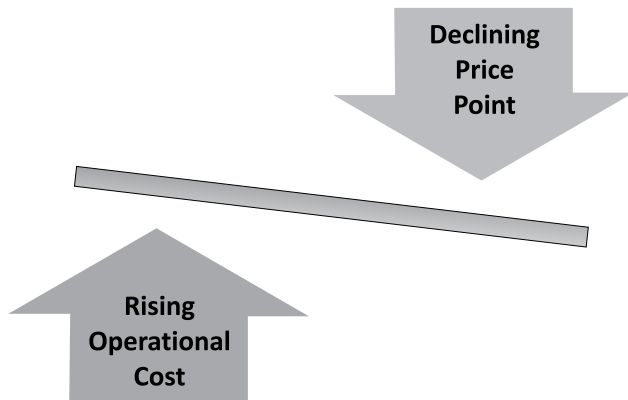


Figure 1

The only long term solutions are to improve demand-supply of talent pool and make fresh recruits productive from day one. 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. NSBT offerings are targeted to leverage and create a niche in core competence of Banking Technology.

The two main reasons for the employability gap are:

- Lack of practical exposure
- Poor attitude towards work/studies

Though engineering courses cater for project work, it is often wasted by the students. At NSBT, focus is mainly on these two elements making sure students have a professional outlook and put learnings to practical use. The result is visible in the over 400 students; who have graduated from NSBT.

In the second year, two new initiatives were started to support the learning model at NSBT and expand its offerings.

New Tools

LabWorks

LabWorks, an online technical learning lab was developed in-house by NSBTians under the guidance of the core team. It presents a repository of programming problems which the student attempts on LabWorks. LabWorks executes and validates its result to give instant feedback to the student. Student re-tries till he/she gets it right.

This ensures 100% review of every student's work which would otherwise require a large faculty team. The problems are designed to take the student from easy to complex levels. Most importantly, this ensures everyone has done all the problems. LabWorks is available over the internet.

Learn@Will

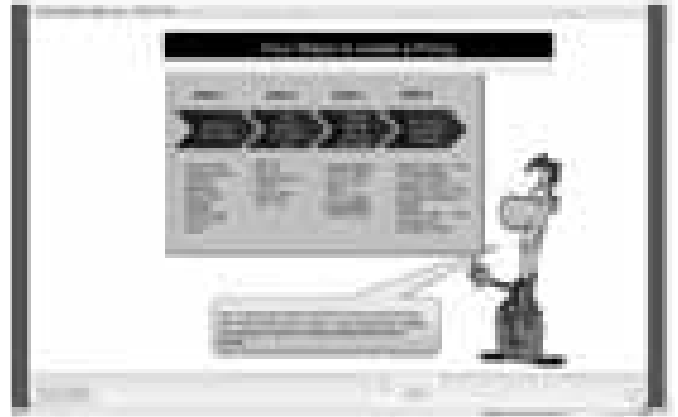


Figure 2

Learn@Will is an e-Learning initiative by NSBT. The goal is to make learning cost effective so that it can be offered to a larger target. The core technical subjects have already been moved to Learn@Will. This has immediately helped by reducing faculty costs.

It is an interactive audio-visual experience with intermediate checkpoints, a glossary etc. It allows students to post queries which are responded to by mentors. Coupled with LabWorks, it becomes a complete learning package

Programs

NSBT continues to offer the 3 month NSBT Certified Software Professional program for Engineering students and the NSBT Certified Business Analyst program for MBA students.

Additionally, this year, NSBT developed skills on your company's core product FinnOne™. It now offers induction programs on FinnOne for functional as well as technical users.

NSBT continues to be a key part of the NASSCOM Special Interest Group on Industry-Academia partnership. We have engaged with 2 neighbour colleges and conducted Industrial visits for students, guest lectures for faculty/students and mentored students on their summer internship projects.



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, 2012, the Consolidated Statement of Profit and Loss 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 ₹ 279,076,917 as at 31 March, 2012, total revenues of ₹ 627,679,130 and net cash inflows amounting to ₹ 6,577,442 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, 2012;
 - b. in the case of the Consolidated Statement of Profit and Loss, 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.

**New Delhi,
29 April, 2012**

**For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 015125N)
Sd/-
RASHIM TANDON
Partner
(Membership No. 95540)**



Consolidated Balance Sheet as at 31 March 2012

(Amount in ₹)

	Notes Ref.	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
1. SHAREHOLDERS' FUNDS			
a. Share capital	2.1	323,849,540	323,840,240
b. Advance pursuant to stock option plan	2.2	167,640	2,182,720
c. Reserves and surplus	2.3	2,817,421,828	2,555,690,826
		3,141,439,008	2,881,713,786
2. NON-CURRENT LIABILITIES			
a. Long-term provisions	2.4	112,631,182	94,316,502
b. Deferred tax liabilities (net)	2.5	–	591,954
c. Other long term liabilities	2.6	–	997,636
		112,631,182	95,906,092
3. CURRENT LIABILITIES			
a. Trade payables	2.7	300,796,129	248,407,869
b. Other current liabilities	2.8	404,847,310	297,264,723
c. Short-term provisions	2.9	131,147,976	121,633,538
		836,791,415	667,306,130
		4,090,861,605	3,644,926,008
ASSETS			
4. NON-CURRENT ASSETS			
a. Fixed assets			
– Tangible assets	2.10	473,042,374	457,390,543
– Intangible assets	2.10	16,079,558	13,378,951
– Capital work-in-progress		–	25,271,228
		489,121,932	496,040,722
b. Non-current investments	2.11	2,523,000	2,523,000
c. Deferred tax assets (net)	2.12	56,613,368	54,193,864
d. Long-term loans and advances	2.13	199,771,294	241,602,568
e. Other non current assets	2.14	12,289,265	–
		760,318,859	794,360,154
5. CURRENT ASSETS			
a. Current investments	2.15	1,041,280,367	1,257,637,157
b. Trade receivables	2.16	878,322,125	469,010,786
c. Cash and cash equivalents	2.17	921,885,987	617,467,102
d. Short-term loans and advances	2.18	113,188,279	133,720,085
e. Other current assets	2.19	375,865,988	372,730,724
		3,330,542,746	2,850,565,854
		4,090,861,605	3,644,926,008

See accompanying notes forming part of the consolidated financial statements I & 2

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Sd/-
RASHIM TANDON
Partner

Place : New Delhi
Date : 29 April, 2012

Place : New Delhi
Date : 29 April, 2012

For and on behalf of the Board of Directors
NUCLEUS SOFTWARE EXPORTS LIMITED

Sd/-
JANKI BALLABH
Chairman

Sd/-
VISHNU R DUSAD
Managing Director

Sd/-
P K SANGHI
Chief Financial Officer

Sd/-
POONAM BHASIN
Company Secretary

Consolidated Statement of Profit and Loss Account for the period ended 31 March 2012

(Amount in ₹)

	Notes Ref.	Year ended 31 March 2012	Year ended 31 March 2011
1. REVENUE FROM OPERATIONS			
Income from software services and products	2.20	2,822,547,662	2,704,806,127
2. OTHER INCOME	2.21	202,064,298	86,649,824
3. TOTAL REVENUE (1+2)		3,024,611,960	2,791,455,951
4. EXPENSES			
a. Employee benefits expense	2.22	1,570,771,533	1,507,454,515
b. Operating and other expenses	2.23	893,018,581	889,492,091
c. Finance cost	2.24	3,280,714	3,051,381
d. Depreciation and amortisation expense	2.10	74,503,704	92,806,435
Total Expenses		2,541,574,532	2,492,804,422
5. PROFIT BEFORE TAX (3-4)		483,037,428	298,651,529
6. TAX EXPENSE			
a. Current tax expense for current year		114,513,971	64,249,645
b. MAT Credit Entitlement		-	(35,197,875)
c. Tax expense relating to prior year		8,952,138	1,693,181
d. Provision for wealth tax		18,793	31,038
e. Withholding taxes charged off		9,162,560	26,933,131
f. Deferred tax credit (net)		(3,011,458)	(22,432,442)
7. PROFIT FOR THE YEAR		353,401,424	263,374,851
8. EARNINGS PER EQUITY SHARE	2.28		
Equity shares of ₹ 10 each			
a. Basic		10.91	8.13
b. Diluted		10.91	8.13
Number of shares used in computing earnings per share			
a. Basic		32,382,995	32,381,700
b. Diluted		32,382,995	32,398,359
See accompanying notes forming part of the consolidated financial statements	1 & 2		

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Sd/-

RASHIM TANDON
Partner

Place : New Delhi
Date : 29 April, 2012

Place : New Delhi
Date : 29 April, 2012

For and on behalf of the Board of Directors
NUCLEUS SOFTWARE EXPORTS LIMITED

Sd/-

JANKI BALLABH
Chairman

Sd/-
P K SANGHI
Chief Financial Officer

Sd/-

VISHNU R DUSAD
Managing Director

Sd/-
POONAM BHASIN
Company Secretary



Consolidated Cash Flow Statement for the Year Ended 31 March 2012

	Notes Ref.	Year ended 31 March 2012	(Amount in ₹) Year ended 31 March 2011
A. Cash flow from operating activities			
Net profit before tax		483,037,428	298,651,529
Adjustment for:			
Depreciation		74,503,704	92,806,435
Exchange difference on translation of foreign currency accounts		(11,678,207)	8,191,442
Dividend received from non trade investments		(88,779,805)	(61,325,014)
Interest on fixed deposits		(39,404,315)	(25,965,711)
(Profit)/Loss on sale of investments		(10,222,787)	27,625
Amortisation of employees compensation expenses		(6,230,635)	(1,973,593)
Profit on sale of fixed assets (net)		256,326	229,281
Provisions written back		(8,355,612)	-
Advances and other current assets written off		14,944,394	8,031,279
Provision for doubtful debts / advances		31,390,860	40,236,812
Operating profit before working capital changes		439,461,351	358,910,086
Adjustment for (increase) / decrease in operating assets			
Trade receivable		(412,141,742)	216,331,730
Short-term loans and advances		216,024	198,706
Long-term loans and advances		2,449,205	1,832,648
Other current assets		2,834,347	(62,912,150)
Other non-current assets		(12,289,265)	-
Adjustment for (increase) / decrease in operating liabilities			
Trade payables and other current liabilities		142,028,706	(75,123,431)
Short-term provisions		9,513,759	(8,446,991)
Long-term provisions		18,314,680	20,916,819
Other long term liabilities		(997,636)	-
		189,389,429	451,707,416
Direct taxes paid		(53,076,235)	(134,317,125)
Wealth tax paid		(18,793)	(31,038)
Net cash from operating activities (A)		136,294,402	317,359,254
B. Cash flow from investing activities			
Purchase of fixed assets/capital work in progress		(67,723,263)	(45,540,104)
Profit / (Loss) on sale of fixed assets		(256,326)	592,508
Purchase of current investments		(4,543,133,547)	(5,340,842,827)
Proceeds on sale of current investments		4,759,468,424	5,039,722,690
Interest on fixed deposits		21,193,326	27,825,639
Income tax paid		(9,487,421)	(8,759,536)
Dividend received from non trade investments		88,779,805	61,325,014
Profit on Sale of Long term non trade investment		10,222,787	-
Net cash from/ (used in) investing activities (B)		259,063,785	(265,676,616)
C. Cash flow from financing activities			
Dividend paid (including corporate dividend tax)		(94,091,878)	(102,554,724)
Advance pursuant to employee stock option scheme / proceeds from employee stock option exercised		124,620	885,600
Net cash used in financing activities (C)		(93,967,258)	(101,669,124)
Net increase / (decrease) in cash and cash equivalents (A+B+C)		301,390,929	(49,986,487)
Opening cash and cash equivalents		617,467,102	667,453,589
Exchange difference on translation of foreign currency bank accounts		3,027,956	-
Closing cash and cash equivalents (Refer note 2.17)		921,885,987	617,467,102

See accompanying notes forming part of the consolidated financial statements

I & 2

In terms of our report attached

For **DELOITTE HASKINS & SELLS**

Chartered Accountants

Sd/-

RASHIM TANDON

Partner

Place : New Delhi

Date : 29 April, 2012

Place : New Delhi

Date : 29 April, 2012

For and on behalf of the Board of Directors

NUCLEUS SOFTWARE EXPORTS LIMITED

Sd/-

JANKI BALLABH

Chairman

Sd/-

P K SANGHI

Chief Financial Officer

Sd/-

VISHNU R DUSAD

Managing Director

Sd/-

POONAM BHASIN

Company Secretary

Notes forming part of the consolidated financial statements

Note 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. (Subsidiary of VirStra i – Technology Services Limited)	100	Singapore
Nucleus Software Netherlands B.V.	100	Netherlands
Nucleus Software Limited	100	India

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

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

shown in respect of reserves comprise the amount of relevant reserves as per the balance sheet of the parent company and its share in the post acquisition increase in the relevant reserves of the subsidiaries.

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

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

(iii) Use of estimates

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

(iv) Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

(v) 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 Statement of Profit and Loss. 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 Statement of Profit and Loss.

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

- 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 Statement of Profit and Loss 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.

(vi) 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.

(vii) Other Income

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.

(viii) 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.

(ix) Depreciation and amortisation

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 ₹ 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	3-5
Vehicles	5
Furniture and fixtures	5-7
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.

(x) 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.

(xi) 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.

(xii) 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.

(xiii) 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.

Notes forming part of the consolidated financial statements

(xiv) 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 Statement of Profit and Loss 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 Statement of Profit and Loss 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 Statement of Profit and Loss.

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 Statement of Profit and Loss.

Singapore

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

United States of America

The Company's social security contributions are charged to the Statement of Profit and Loss.

Netherlands

The Company's social security contributions are charged to the Statement of Profit and Loss.

(xv) Operating leases

Lease payments under operating lease are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

(xvi) 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.

(xvii) 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.

(xviii) 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.

(xix) Provision and 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.

(xx) Hedge Accounting

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The Company designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in "Accounting Standard 30 Financial Instruments: Recognition and Measurement". These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognised directly in "Hedging reserve account" under Reserves and surplus, net of applicable deferred income taxes and the ineffective portion is recognised immediately in the Statement of Profit and Loss. Amounts

accumulated in the "Hedging reserve account" are reclassified to the Statement of Profit and Loss in the same periods during which the forecasted transaction affects profit and loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in "Hedging reserve account" is retained until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in "Hedging reserve account" is immediately transferred to the Statement of Profit and Loss.

(xxi) Derivative Contracts

The Company enters into derivative contracts in the nature of forward contracts with an intention to hedge its existing assets and liabilities, firm commitments and highly probable transactions. Derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the policy stated for Foreign Currency Transactions and Translations.

Derivative contracts designated as a hedging instrument for highly probable forecast transactions are accounted as per the policy stated for Hedge Accounting.

All other derivative contracts are marked-to-market and losses are recognised in the Statement of Profit and Loss. Gains arising on the same are not recognised, until realised, on grounds of prudence.

Notes forming part of the consolidated financial statements

Notes Forming Part of Consolidated Financial Statements for the Year Ended 31 March, 2012

2.1 SHARE CAPITAL

(Amount in ₹)

Particulars	As at 31 March 2012	As at 31 March 2011	
a. Authorized			
Equity shares			
40,000,000 (40,000,000) equity shares of ₹ 10 each	<u>400,000,000</u>	<u>400,000,000</u>	
Issued, Subscribed and Paid-Up			
Issued			
32,386,254 (32,385,324) equity shares of ₹ 10 each	<u>323,862,540</u>	<u>323,853,240</u>	
Subscribed and Paid-Up			
32,383,454 (32,382,524) equity shares of ₹ 10 each, fully paid up	323,834,540	323,825,240	
Add: 2,800 (2,800) forfeited equity shares pending reissue	15,000	15,000	
	<u>323,849,540</u>	<u>323,840,240</u>	
b. Subscribed and paid up Share capital includes 16,185,012 equity shares of ₹ 10 each issued as bonus shares by capitalisation of securities premium account during the year ended 31 March 2008.			
c. Number of shares held by each Share Holders holding more than 5% shares:			
Karmayogi Holdings Private Ltd	9,000,000	9,000,000	
Vishnu R Dusad	3,603,492	3,603,492	
Nucleus Software Engineers Pvt Ltd	2,385,882	2,385,882	
Madhu Dusad	2,036,248	2,036,248	
d. Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting year :			
Particulars	Opening Balance	Allotted under Employee Stock Option Plans	Closing Balance
Year ended 31 March, 2012			
– Number of shares	32,370,024	930	32,383,454
– Amount	323,700,240	9,300	323,834,540
Year ended 31 March, 2011			
– Number of shares	32,370,024	12,500	32,382,524
– Amount	323,700,240	125,000	323,825,240

2.2 EMPLOYEES STOCK OPTION PLAN (“ESOP”)

- a. Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999, issued by the SEBI, 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 grant of options over the exercise price of the option, including up-front payments, if any, is to be recognized and amortised on graded vesting basis over the vesting period of the options.
- b. 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.



c. Details of options granted, exercised, forfeited and closing balance in the above mentioned scheme are as follows:

(Amount in ₹)

Particulars	As at 31 March 2012	Weighted Average	As at 31 March 2011	Weighted Average
2002 Stock Option Scheme				
Options outstanding at the beginning of the year	49,550	360	73,300	337
Options granted	–	–	–	–
Options forfeited	(49,550)	360	(17,500)	339
Options exercised	–	–	(6,250)	146
Balance carried forward	–	–	49,550	360
2005 Stock Option Scheme				
Options outstanding at the beginning of the year	43,920	341	85,400	356
Options granted	–	–	3,560	144
Options forfeited	(41,290)	355	(45,040)	290
Options exercised	(930)	144	–	–
Balance carried forward	1,700	144	43,920	341
2006 Stock Option Scheme				
Options outstanding at the beginning of the year	84,002	302	101,074	365
Options granted	–	–	–	–
Options forfeited	(68,938)	263	(17,072)	405
Options exercised	–	–	–	–
Balance carried forward	15,064	509	84,002	302
Total stock options outstanding at end of the period (in Nos)	16,764		177,472	
Total advance pursuant to stock option plan (in ₹)	167,640		2,182,720	

d. During the year ended 31 March 2012, 159,778 shares (79,612 shares) respectively were forfeited and the amount paid up as application money aggregating to ₹ 2,005,780 (₹ 1,242,120) respectively has been transferred to the Capital reserve account, Also refer note 2.3(a)

e. The Share based compensation expense reversal for the year ended 31 March, 2012 is ₹ 6,230,635 (₹ 1,973,593) respectively. Also refer note 2.3.

Particulars	As at 31 March 2012	As at 31 March 2011
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2.3 RESERVES AND SURPLUS

a. Capital reserve

Opening balance	6,729,510	5,487,390
Add: Amount forfeited against employees stock option plan	2,005,780	1,242,120
Closing balance	8,735,290	6,729,510

b. Securities premium reserve

Opening balance	21,740,689	20,953,189
Add : On conversion of stock options issued to employees	124,620	787,500
Closing balance	21,865,309	21,740,689

c. Employee stock options outstanding account

Opening balance	6,230,635	8,204,228
Less: Reversal on forfeiture of stock options granted	6,230,635	1,973,593
Closing balance	–	6,230,635

Notes forming part of the consolidated financial statements

(Amount in ₹)

Particulars	As at 31 March 2012	As at 31 March 2011
d. General reserve		
Opening balance	756,821,599	701,782,930
Add: Transferred from surplus in statement of Profit and Loss	36,486,665	55,038,669
Closing balance	793,308,264	756,821,599
e. Hedging reserve [see note 2.32]		
Opening balance	16,179,937	13,723,574
Add / (Less) : Effect of foreign exchange rate variations on hedging instruments outstanding at the end of the year	(17,044,167)	2,456,363
Closing balance	(864,230)	16,179,937
f. Foreign currency translation reserve		
Opening balance	53,929,896	35,384,951
Add: Addition during the year	23,566,537	18,544,945
Closing balance	77,496,433	53,929,896
g. Surplus in Statement of Profit and Loss		
Opening balance	1,694,058,560	1,601,443,739
Add: Profit for the Year	353,401,424	263,374,851
Less: Transferred to general reserve	36,486,665	55,038,669
Less: Proposed dividend	80,960,696	80,989,444
Less :Corporate dividend tax	13,131,861	34,731,917
Closing balance	1,916,880,762	1,694,058,560
	2,817,421,828	2,555,690,826

For the year ended 31 March 2011, the Company had declared Dividend of ₹ 2.50 per Share (25% on equity share of par value of ₹ 10) which was approved by shareholder poll in Annual General Meeting held on 08 July 2011.

The Board of Directors has recommended a final dividend of ₹ 2.50 per share (25% on equity share of par value of ₹ 10 each) at their Board meeting held on April 29, 2012. The payment is subject to approval of the shareholders at the Annual General meeting.

2.4 LONG-TERM PROVISIONS

a. Provision for compensated absences	45,438,889	30,757,809
b. Provision for gratuity	67,192,293	63,558,693
Total	112,631,182	94,316,502

2.5 DEFERRED TAX LIABILITY (Net)

(Amount in ₹)

Particular	Opening as at 1 April 2011	(Charged)/ Credited during the year	Closing as at 31 March 2012
a. Deferred tax assets			
Provision for compensated absences, gratuity and other employee benefits	5,741	(5,741)	–
b. Deferred tax liabilities			
On difference between book balance and tax balance of fixed assets	597,695	597,695	–
c. Net deferred tax (liability) / asset	(591,954)	591,954	–



Nucleus Software Exports Limited

(Amount in ₹)

Particulars	As at 31 March 2012	As at 31 March 2011
2.6 OTHER LONG TERM LIABILITIES		
Retention money	–	997,636
	–	997,636
2.7 TRADE PAYABLES		
a. Trade Payables		
- Micro and small enterprises	–	–
- Others	300,796,129	248,407,869
Total	300,796,129	248,407,869
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 on the basis of information collected by the Management. This has been relied upon by the auditors.		
2.8 OTHER CURRENT LIABILITIES		
a. Advance from customers	139,670,177	90,010,835
b. Deferred revenue	221,217,667	151,731,886
c. Unclaimed dividends	1,911,894	1,771,309
d. Book overdraft	–	5,357,497
e. Payable for purchase of fixed assets	–	8,108,313
f. Retention money	2,534,414	–
g. Other payables - statutory remittances	39,513,158	40,284,883
Total	404,847,310	297,264,723
2.9 SHORT-TERM PROVISIONS		
a. Provision for compensated absences	14,950,516	10,944,735
b. Provision for gratuity	22,105,310	16,597,332
c. Provision for proposed equity dividend	80,958,635	80,956,310
d. Provision for tax on proposed dividend	13,133,515	13,135,161
Total	131,147,976	121,633,538

Nucleus Software Export Limited

Notes forming part of the consolidated financial statements

Note 2.10
Fixed Assets (At Cost)

(Amount in ₹)

	Gross block				Accumulated depreciation				Net block	
	As at 1 April 2011	Additions	Deductions / adjustments*	As at 31 March 2012	As at 1 April 2011	Depreciation for the year	Deductions / adjustments*	As at 31 March 2012	As at 31 March 2012	As at 31 March 2011
Tangible assets										
Freehold land	3,360,720	-	-	3,360,720	-	-	-	3,360,720	3,360,720	
Leasehold land	187,842,361	-	-	187,842,361	10,069,435	2,001,442	-	175,771,484	177,772,926	
Leasehold improvement	12,758,283	-	-	12,758,283	11,521,316	1,236,967	-	-	1,236,967	
Buildings	243,428,946	37,922,025	20	281,350,951	43,414,662	8,827,969	-	229,108,320	200,014,284	
Plant and machinery (including Office equipment)	169,409,862	16,676,275	(2,243,444)	188,329,581	137,331,264	21,382,916	(2,228,644)	27,386,757	32,078,599	
Computers	296,858,516	21,352,496	6,584,792	311,626,220	264,648,602	22,911,866	5,508,601	29,574,354	32,209,914	
Vehicles	16,752,729	-	1,636,276	15,116,453	11,873,459	2,281,903	1,502,091	2,463,182	4,879,270	
Furniture and fixtures	44,764,417	6,082,959	(662,077)	51,509,453	38,926,554	6,363,372	(841,971)	5,377,556	5,837,863	
	975,175,834	82,033,755	5,315,567	1,051,894,022	517,785,292	65,006,435	3,940,077	473,042,374	457,390,543	
Intangible assets										
Software	128,067,060	12,164,836	(93,900)	140,325,796	114,688,109	9,497,269	(60,860)	16,079,558	13,378,951	
	128,067,060	12,164,836	(93,900)	140,325,796	114,688,109	9,497,269	(60,860)	16,079,558	13,378,951	
Current year	1,103,242,895	94,198,591	5,221,667	1,192,219,818	632,473,401	74,503,704	3,879,218	489,121,933	470,769,494	
Previous year	1,126,414,695	21,056,224	44,228,024	1,103,242,895	584,096,885	92,806,435	44,429,919	470,769,494		

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



			(Amount in ₹)	
Particulars	As at 31 March 2012		As at 31 March 2011	
2.11 NON CURRENT INVESTMENTS (at cost)				
Trade (unquoted)				
250,000 (250,000) equity shares of ₹ 10 (₹ 10) each, fully paid up, in Ujjivan Financial Services Private Limited	2,500,000		2,500,000	
Investments in Government securities				
– National savings certificates	23,000		23,000	
Aggregate amount of non current investments	2,523,000		2,523,000	
2.12 DEFERRED TAX ASSET (net)				
Particular	Opening as at 1 April 2011	(Charged)/ Credited during the year	Closing as at 31 March 2012	
a. Deferred tax assets				
Provision for compensated absences, gratuity and other employee benefits	36,999,806	6,822,827	43,822,633	
Provision for doubtful debts / advances	21,007,133	(7,920,881)	13,086,252	
	58,006,939	(1,098,054)	56,908,885	
b. Deferred tax liabilities				
On difference between book balance and tax balance of fixed assets	3,813,075	3,517,558	295,517	
c. Net deferred tax (liability) / asset				
	54,193,864	2,419,504	56,613,368	
			(Amount in ₹)	
Particulars	As at 31 March 2012		As at 31 March 2011	
2.13 LONG-TERM LOANS AND ADVANCES				
(Unsecured, considered good)				
a. Security Deposits	28,719,233		26,043,488	
b. Advance tax [net of provision of ₹ 216,384,412 (₹ 149,261,649)]	109,097,103		132,382,396	
c. Mat Credit Entilement	49,053,049		65,149,825	
d. Prepaid expenses	6,633,045		12,594,047	
e. Staff Loans	6,112,938		2,530,106	
f. Capital advances	155,926		2,902,706	
Total	199,771,294		241,602,568	
2.14 OTHER NON CURRENT ASSETS				
(Unsecured, considered good)				
Service Income accrued but not due	12,289,265		–	

Notes forming part of the consolidated financial statements

2.15 Current investments - (At the lower of cost and fair value)

Investments in bonds and mutual funds - Non trade

Name of the Mutual Fund Scheme	No. of units	Value of units	No. of units	Value of units
	as at	as at	as at	as at
	31 March 2012	31 March 2012	31 March 2011	31 March 2011
		₹		₹
Liquid Schemes of Mutual Funds (Quoted)				
a. Axis Liquid Fund- Institutional-Daily Dividend-Reinvestment	114,366	114,377,237	86,329	86,331,943
b. Birla Sun Life Cash Plus-Inst. Prem. -Daily Dividend-Reinvestment	-	-	5,761,098	57,723,320
c. DSP BlackRock Money Manager Fund-Regular-Daily Dividend	-	-	10,975	11,000,000
d. HDFC Liquid Fund Premium Plan-Dividend-Daily Reinvest	3,673,228	45,033,042	6,434,615	78,887,094
e. ICICI Prudential Liquid Super Institutional Plan-Div-Daily	12,649	1,264,658	695,723	69,587,478
f. JM High Liquidity Fund-Super Institutional Plan -Daily Dividend	-	-	2,218,899	22,225,603
g. Kotak Liquid (Institutional Premium)-Daily Dividend	3,981,247	48,683,081	3,722,102	45,514,242
h. UTI Liquid Cash Plan Institutional- Daily Income Option- Re-investment	-	-	32,174	32,799,307
i. JP Morgan India Liquid Fund-Super IP-Daily Dividend-Reinvestment	1,976,926	19,784,881	-	-
j. Reliance Liquidity Fund-Super IP-Daily Dividend-Reinvestment	3,086,549	30,881,230	-	-
Fixed Maturity Plans/Interval Plans (Quoted)				
a. Axis Fixed Term Plan- Series 13 (370 Days)-Growth Plan	-	-	5,000,000	50,000,000
b. Birla Sun Life Short Term FMP Series 4 Dividend-Payout	-	-	6,000,000	60,000,000
c. Birla Sun Life Short Term FMP Series 6 Dividend-Payout	-	-	2,165,001	21,650,011
d. BSL Quarterly Interval Fund-Series 4 -Dividend Payout Option	4,998,351	50,000,000	-	-
e. BSL Short Term FMP-Series 31 Dividend-Payout Option	9,981,527	99,815,270	-	-
f. DSP BlackRock FMP-3M-Series 28-Dividend-Payout	-	-	4,000,000	40,000,000
g. DSP BlackRock FMP-3M-Series 29-Dividend-Payout	-	-	6,000,000	60,000,000
h. DSP BlackRock FMP-3M-Series 33-Dividend-Payout	-	-	3,987,614	39,876,141
i. DSP BlackRock FMP-Series 42-3M-Dividend-Payout Option.	3,959,080	39,590,798	-	-
j. DSP BlackRock FMP-Series 40-3M-Dividend-Payout Option.	5,000,000	50,000,000	-	-
k. HDFC FMP 370D March 2011(4)-Growth-Series XVI	-	-	5,000,000	50,000,000
l. HDFC FMP 92 D March 2012 (1) - Dividend-Series XIX	5,000,000	50,000,000	-	-
m. HDFC FMP 92 D March 2012 (2) - Dividend-Series XXI	5,000,000	50,000,000	-	-
n. HDFC FMP 366D March 2012 (1) - Growth - Series XXI	4,998,377	49,983,770	-	-
o. ICICI Prudential Interval Fund II Quarterly Interval Plan A Institutional Dividend	-	-	2,526,200	25,262,000
p. ICICI Prudential FMP -Series 63 - 1 Year Plan C-Growth Option	5,000,000	50,000,000	-	-
q. IDFC FMP Half Yearly-Series-12-Dividend	-	-	700,000	7,000,000
r. IDFC Fixed Maturity Plan-Quarterly Series 72- Dividend Option	4,600,000	46,000,000	-	-
s. IDFC Fixed Maturity Plan-Quarterly Series 74- Dividend Option	4,000,000	40,000,000	-	-
t. Kotak FMP 6M Series 11-Dividend	-	-	4,999,980	49,999,800
u. Kotak Quarterly Interval Plan Series 10-Dividend	-	-	3,499,055	35,000,000
v. Kotak Quarterly Interval Plan Series 5-Dividend	-	-	5,000,000	50,000,000
w. Kotak Quarterly Interval Plan Series 4-Dividend Option	4,996,453	50,000,000	-	-
x. Reliance Fixed Horizon Fund-XVIII Series- 1-Dividend Plan	-	-	3,142,228	31,422,280
y. Reliance Fixed Horizon Fund-XVIII Series- 7-Dividend Plan	-	-	2,700,000	27,000,000
z. SBI Debt Fund Series-180 Days-14-Dividend	-	-	5,000,000	50,000,000
aa. SBI Debt Fund Series-180 Days-15-Dividend	-	-	5,750,000	57,500,000
ab. SBI Debt Fund Series-90 Days-38-Dividend	-	-	4,150,000	41,500,000
ac. SBI Debt Fund Series-90 Days-42-Dividend	-	-	5,000,000	50,000,000
ad. SBI Debt Fund Series-90 Days-59-Dividend-Payout Option	5,400,000	54,000,000	-	-
ae. SBI Debt Fund Series-90 Days-60-Dividend-Payout Option	6,000,000	60,000,000	-	-
af. TATA Fixed Income Portfolio Fund Scheme C2 Inst Hal Yearly	-	-	2,486,226	25,000,000
ag. TATA Fixed Maturity Plan Series 28 Scheme A Dividend	-	-	1,500,000	15,000,000
ah. UTI Fixed Income Interval Fund - Half Yearly Interval Plan-Series I - Institutional Dividend Plan	-	-	5,105,720	51,057,350
ai. JP Morgan India FMP -Series 9-Dividend Plan-Payout Option	6,000,000	60,000,000	-	-
aj. ICICI Prudential Liquid Super Institutional Plan Daily Dividend	318,588	31,866,400	120,354	12,038,254
ak. UTI Liquid Cash Plan	-	-	4,182	4,262,334
Aggregate amount of current investment	88,097,341	1,041,280,367	102,798,475	1,257,637,157
Market Value of quoted investment		1,043,159,117		1,262,905,944



(Amount in ₹)

Particulars	As at 31 March 2012	As at 31 March 2011
2.16 TRADE RECEIVABLES		
Debts outstanding for a period exceeding six months from the date they were due for payment		
a. Unsecured		
– Considered good	20,701,721	38,232,519
– Considered doubtful	34,711,546	53,470,916
Less: Provision for doubtful debts	55,413,267	91,703,435
	<u>(34,711,546)</u>	<u>(53,470,916)</u>
	20,701,721	38,232,519
b. Other debts (Unsecured, Considered good)	857,620,404	430,778,267
Total	<u>878,322,125</u>	<u>469,010,786</u>
2.17 CASH AND CASH EQUIVALENTS		
a. Cash on hand	4,019	8,068
b. Balances with scheduled banks:		
– in current accounts	37,042,693	79,289,156
c. Balances with scheduled banks:		
– in deposit accounts (Original maturity of more than 12 months)	656,935,943	403,708,774
– in deposit accounts (Original maturity of less than 12 months)	50,000,000	–
d. Balance with non scheduled banks:		
– in current account		
– Citibank, United Kingdom	837,721	1,011,098
– Citibank, U.A.E	1,142,091	1,265,987
– Citibank, Spain	803,244	–
– Citibank-Singapore	57,207,655	72,624,240
– Citibank-Korea	9,034,805	9,747,651
– Citibank-Philippines	1,302,859	509,222
– PNC Bank-USA	44,597,895	8,907,730
– Bank of Tokyo Mitsubishi -Japan	9,061,238	6,226,743
– Shinsei Bank - Japan	24,818,258	11,045,785
– Citibank -Japan	13,175,437	20,491,893
– Citibank -Singapore	551,955	701,417
– Citibank -Netherlands	15,370,174	1,929,338
Total	<u>921,885,987</u>	<u>617,467,102</u>
Details of balances as on balance sheet dates with scheduled banks in current accounts:-		
– Canara Bank	–	1,800
– Citi Bank	4,280,097	1,737,968
– Citi Bank *	19,413,719	62,443,157
– DBS Bank	994,306	94,338
– HDFC Bank *	7,577,611	2,584,473
– HDFC Bank	1,824,194	9,021,822
– HDFC Bank **	1,793,989	1,436,667
– HSBC Bank **	188,176	339,775
– ICICI Bank	747,617	612,290
– State Bank of India	222,984	1,016,866
Total	<u>37,042,693</u>	<u>79,289,156</u>
* EEFC account		
** Earmarked for unclaimed dividend		

Notes forming part of the consolidated financial statements

(Amount in ₹)

Particulars	As at 31 March 2012	As at 31 March 2011
Details of fixed deposit as on balance sheet dates with scheduled banks :-		
– HDFC Bank	958,987	892,774
– Citi Bank	4,461,956	7,016,000
– Bank of India	200,200,000	200,200,000
– State Bank of Travancore	200,000,000	165,900,000
– State bank of Bikaner and Jaipur	–	9,900,000
– Syndicate Bank	–	19,800,000
– Corporation Bank	199,000,000	–
– State Bank of India	2,215,000	–
– Punjab national Bank	100,100,000	–
Total	706,935,943	403,708,774
Detail of fixed deposit under lien		
HDFC Bank	958,987	892,774
Citi Bank	4,461,956	7,016,000
State Bank of India	2,215,000	–
Total	7,635,943	7,908,774
2.18 SHORT-TERM LOANS AND ADVANCES		
Unsecured, considered good		
a. Prepaid expenses	32,119,962	14,448,819
b. Supplier advances	17,439,976	14,273,506
c. Advance fringe benefit tax [net of provision ₹ 24,915,859 (₹ 24,915,859)]	2,732,275	2,732,275
d. Service tax credit receivable	2,587,336	2,421,043
e. Mat credit entitlement	24,335,872	55,000,023
f. Security deposit	643,145	730,661
g. Staff loans	3,476,151	16,587,998
h. Employee advances	21,647,716	11,734,568
i. Mark-to-market gain on forward and options contracts (see note 2.32)	9,275	15,791,193
j. Expenses recoverable from Customers	8,196,571	–
Total	113,188,279	133,720,085
2.19 OTHER CURRENT ASSETS		
a. Service Income accrued but not due		
Unsecured		
– Considered good	345,160,066	360,235,791
– Considered doubtful	14,096,726	20,154,645
	359,256,792	380,390,436
Less : Provision for service income accrued but not due	14,096,726	20,154,645
	345,160,066	360,235,791
b. Interest accrued but not due (Unsecured, considered good)	30,705,922	12,494,933
Total	375,865,988	372,730,724



(Amount in ₹)

Particulars	Year Ended 31 March 2012	Year Ended 31 March 2011
2.20 INCOME FROM SOFTWARE SERVICES AND PRODUCTS		
Software development services and Products	2,822,547,662	2,704,806,127
Total	2,822,547,662	2,704,806,127
2.21 OTHER INCOME		
a. Interest on deposits with banks and others	39,404,315	25,965,711
b. Dividend on investment in mutual fund units	88,779,805	61,325,014
c. Profit on sale of investments		
– Current, non trade investments	10,222,787	–
d. Provisions written back	8,355,612	1,156,410
e. Reversal of employee's stock compensation expense (net)	6,230,635	1,973,593
f. Miscellaneous income	13,735,268	4,682,866
g. (Loss) / gain on foreign currency (net)		
– (Loss) / gain on exchange fluctuation	32,497,209	(7,381,243)
– (Loss)/ gain on ineffective hedges (see note 2.32)	873,505	28,119
h. forex gain / (loss) on consolidation	1,965,162	(1,100,646)
Total	202,064,298	86,649,824
2.22 EMPLOYEE BENEFIT EXPENSES		
a. Salaries and bonus	1,452,285,923	1,382,189,864
b. Contribution to provident and other funds (see note 2.31)	74,267,843	72,893,769
c. Gratuity expense (see note 2.31)	19,507,425	27,816,582
d. Staff welfare	24,710,342	24,554,300
Total	1,570,771,533	1,507,454,515
Employee benefit expenses includes remuneration to Key Managerial personnel ;		
a. Salary	8,074,815	7,855,440
b. Contribution to provident and other funds	360,000	360,000
Total	8,434,815	8,215,440
Notes :		
I. 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.		
2.23 OPERATION AND OTHER EXPENSES		
a. Software and other development charges	198,792,383	192,793,532
b. Cost of software purchased for delivery to clients	78,863,741	61,257,869
c. Power and fuel	33,627,059	28,139,471
d. Rent (see note 2.25)	94,446,888	89,870,527
e. Repair and maintenance		
– Buildings	3,470,465	4,903,851
– Others	20,193,055	19,156,443
f. Insurance	5,837,276	7,282,367
g. Rates & taxes	2,947,153	2,606,322

(Amount in ₹)

Particulars	Year Ended 31 March 2012	Year Ended 31 March 2011
h. Travelling		
Foreign	181,858,730	164,733,779
Domestic	13,595,911	12,467,826
i. Advertisement and business promotion	9,827,884	9,292,733
j. Legal and professional (see note 2.27)	68,011,104	94,748,405
k. Directors remuneration	7,017,000	6,480,000
l. Conveyance	14,298,922	13,466,789
m. Communication	24,396,242	27,338,081
n. Training and recruitment	13,022,565	19,203,427
o. Loss on sale of fixed assets (net)/Loss on Discarded Assets	256,326	229,281
p. Conference, exhibition and seminar	10,043,017	11,300,826
q. Information technology expenses	17,340,223	18,120,649
r. Provision for doubtful debts/advances/other current assets	46,335,254	48,268,090
s. Commission to channel partner	18,315,556	8,798,293
t. Customer claim	–	22,157,950
u. Miscellaneous expenses	30,521,827	26,875,580
Total	893,018,581	889,492,091

Directors Remuneration includes**Non Executive Directors**

a. Commission	4,357,000	4,800,000
b. Sitting fees	2,660,000	1,680,000
Total	7,017,000	6,480,000

2.24 FINANCE COST

Bank Charges	3,280,714	3,051,381
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2.25 Operating Lease**Obligations on long-term, non-cancelable operating leases**

The Company has acquired office premises under cancellable and non-cancellable operating lease. Operating lease rentals paid during the year ended 31 March, 2012 is ₹ 94,446,888 (Previous year ₹ 89,870,527) respectively. The future minimum lease expense in respect of non-cancellable leases is as follows:

(Amount in ₹)

Particulars	As at 31 March 2012	As at 31 March 2011
Lease obligations payable		
a. Not later than 1 year	24,986,902	19,920,134
b. Later than 1 year but not later than 5 years	8,318,727	20,559,733
Total	33,305,629	40,479,867

2.26 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).

	4,919,084	26,752,469
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(Amount in ₹)

Particulars	Year Ended 31 March 2012	Year Ended 31 March 2011
2.27 Auditors Remuneration (excluding service tax)		
a. As auditors	6,232,203	5,887,794
b. For other services	764,165	350,000
c. Reimbursement of expenses	399,166	45,000
Total	7,395,534	6,282,794
Note :		
Includes payment to other auditors ₹ 2,113,160 (previous year ₹ 1,814,460).		
2.28 Earnings per share		
a. Profit after taxation available to equity shareholders (Rupees)	353,401,424	263,374,851
b. Weighted average number of equity shares used in calculating basic earnings per share	32,382,995	32,381,700
c. Effect of dilutive issue of shares	–	16,659
d. Weighted average number of equity shares used in calculating diluted earnings per share	32,382,995	32,398,359
e. Basic earnings per share (Rupees)	10.91	8.13
f. Diluted earnings per share (Rupees)	10.91	8.13

2.29 RELATED PARTY TRANSACTIONS

List of related parties – where control exists

Key managerial personnel:

- Vishnu R Dusad (Managing Director)
- Kapil Gupta (Director, Subsidiary Company)

Transactions with related parties

Managerial remuneration (including perquisite value of ₹ 628,215 (Previous year ₹ 609,620) for Managing Director)

Key Managerial personnel	9,063,030	8,825,060
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2.30 Segment reporting – Basis of preparation

a. Segment accounting policies

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

b. 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 reasonably allocated to various segments are consolidated under “Unallocated” head.

The secondary segmentation is based on the nature and type of services rendered. Accordingly, Secondary Segmentation has been classified under Products and Software Projects and Services. Products revenue includes Income from sale of licenses and all other related customization, implementation, time and material contracts, fixed price contracts and annual technical service for these licenses. Software projects and services includes other time and material contracts and fixed price contracts, whereby no license sale is made by the Company.

Notes forming part of the consolidated financial statements

Information in respect of primary segment

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

a. For the year ended 31 March, 2012

(Amount in ₹)

Description	India	Far East	South East Asia	Europe	Middle East	Others	Total
Revenue from external customers	511,351,373	752,836,056	598,266,164	297,264,647	380,285,452	282,543,970	2,822,547,662
Expenses	415,728,296	401,521,862	461,366,957	165,179,028	189,207,839	166,275,335	1,799,279,317
Segment result	95,623,077	351,314,194	136,899,207	132,085,619	191,077,613	116,268,635	1,023,268,345
Unallocated corporate expenditure							742,295,215
Operating profit before taxation							280,973,130
Other income							166,746,355
Foreign exchange gain/(loss)							35,317,943
Profit before taxation							483,037,428
Tax Expense							
Current tax expense for current year							114,513,971
MAT Credit Entitlement							-
Tax expense relating to prior year							8,952,138
Provision for wealth tax							18,793
Withholding taxes charged off							9,162,560
Deferred tax credit							(3,011,458)
Net profit after taxation							353,401,424

b. For the year ended 31 March, 2011

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	344,395,465	538,120,939	445,928,917	142,634,234	193,789,767	86,332,642	1,751,201,964
Segment result	64,299,968	439,455,019	105,802,942	168,750,155	109,707,568	65,588,511	953,604,163
Unallocated corporate expenditure							741,602,458
Operating profit before taxation							212,001,705
Other income							95,103,594
Foreign exchange gain (loss)							(8,453,770)
Profit before taxation							298,651,529
Tax Expense							
Current tax expense for current year							64,249,645
MAT Credit Entitlement							(35,197,875)
Tax expense relating to prior year							1,693,181
Provision for wealth tax							31,038
Withholding taxes charged off							26,933,131
Deferred tax credit							(22,432,442)
Net profit after taxation							263,374,851



Nucleus Software Exports Limited

Assets and liabilities of reportable primary segment are as follows:

a. As at 31 March, 2012 (Amount in ₹)							
Description	India	Far East	South East Asia	Europe	Middle East	Others	Total
Segment assets	225,558,693	355,294,654	408,024,864	166,698,878	176,495,238	139,201,231	1,471,273,558
Unallocated corporate assets							2,619,588,047
Total assets							4,090,861,605
Segment liabilities	183,420,396	134,956,402	167,169,671	64,940,858	123,156,475	131,992,587	805,636,389
Unallocated corporate liabilities							143,786,208
Total liabilities							949,422,597
Capital employed							3,141,439,008
b. As at 31 March, 2011							
Segment assets	141,114,724	234,688,879	326,145,289	75,958,466	121,491,069	117,582,014	1,016,980,441
Unallocated corporate assets							2,627,945,567
Total assets							3,644,926,008
Segment liabilities	156,576,788	120,297,574	130,830,047	53,573,017	106,374,031	57,192,390	624,843,847
Unallocated corporate liabilities							138,368,375
Total liabilities							763,212,222
Capital employed							2,881,713,786

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

a. For the year ended 31 March, 2012 (Amount in ₹)							
Description	India	Far East	South East Asia	Europe	Middle East	Others	Total
Capital expenditure	92,772,748	459,761	858,590	–	–	107,492	94,198,591
Total capital expenditure							94,198,591
Depreciation expenditure	69,595,265	652,516	4,008,466	109,675	–	137,782	74,503,704
Total depreciation							74,503,704
Segment non-cash expense other than depreciation	8,642,775	549,639	25,105,370	–	2,940,579	9,096,890	46,335,253
Total non cash expenditure other than depreciation	8,642,775	549,639	25,105,370	–	2,940,579	9,096,890	46,335,253
b. For the year ended 31 March, 2011							
Capital expenditure (Including CWIP)	41,667,145	480,019	1,381,459	35,700	–	457,002	44,021,325
Total capital expenditure							44,021,325
Depreciation expenditure	85,600,574	816,943	6,226,659	99,762	–	62,498	92,806,437
Total depreciation							92,806,437
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

Notes forming part of the consolidated financial statements

Information in respect of secondary segment

Information for business segments

(Amount in ₹)

Description	Products	Software projects and services	Total
a. For the year ended 31 March, 2012			
Revenue	2,049,907,862	772,639,800	2,822,547,662
Carrying amount of segment assets	1,068,529,426	402,744,132	1,471,273,558
b. For the year ended 31 March, 2011			
Revenue	1,935,736,031	769,070,096	2,704,806,127
Carrying amount of segment assets	727,817,666	289,162,775	1,016,980,441

Note : The carrying amount of segment assets has been allocated proportionately in ratio of revenue in the related secondary segment.

2.31 Employee Benefit Obligations

Defined contribution plans

An amount of ₹ 74,627,843 (₹ 72,893,769) 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 employee benefit expenses in the Statement of Profit and Loss.

Defined benefit plans

The Company operates gratuity plan for companies incorporated in India, 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 as on 31st March 2012

(Amount in ₹)

a. Particulars	As at 31 March 2012	As at 31 March 2011
Obligation at period beginning	80,156,025	62,565,402
Current service cost	15,562,287	12,341,356
Interest cost	6,906,152	5,057,006
Actuarial losses/(gains)	(2,961,014)	(2,899,852)
Past service cost	—	13,318,072
Benefits paid	(10,472,345)	(10,225,959)
Obligation at period end	89,191,105	80,156,025
b. Change in plan assets		
Plan Assets at period beginning, at fair value	—	—
Contributions	10,472,345	10,225,959
Benefits paid	(10,472,345)	(10,225,959)
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.		
Expected employer's contribution next year	22,105,310	16,597,332



c. Gratuity cost for the year: (Amount in ₹)

Particulars	Year Ended 31 March 2012	Year Ended 31 March 2011
Current service cost	15,562,287	12,341,356
Interest cost	6,906,152	5,057,006
Actuarial losses/(gains)	(2,961,014)	(2,899,852)
Past service cost	-	13,318,072
Net gratuity cost	19,507,425	27,816,582

d. Experience adjustment (Amount in ₹)

Particulars	Year ended 31 March 2008	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2011	Year ended 31 March 2012
Defined benefit obligation	37,253,641	54,471,069	62,565,402	80,156,025	89,191,105
Plan assets	-	-	-	-	-
Surplus/(Deficit)	(37,253,641)	(54,471,069)	(62,565,402)	(80,156,025)	(89,191,105)
Experience adjustment on plan liabilities	4,243,623	3,001,783	(3,924,021)	(1,206,489)	(1,145,180)
Experience adjustment on plan assets	-	-	-	-	-

e. Economic assumptions :

Discount rate	8.35%	7.90%
Salary escalation rate	10% p.a for first years & 7% p.a thereafter	10% p.a for first 2 years & 7% p.a thereafter

f. 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.

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

h. Demographic assumptions

Retirement age	58 years
Mortality table	LIC (1994-96) duly modified

i. Withdrawal rates

Ages - Withdrawal Rate (%)	21-50 years - 20%
	51-54 years - 2%
	55-57 years - 1%

2.32 Forward contract and option in foreign currency

a. Forward contract outstanding	Buy/Sell	As at 31 March 2012	As at 31 March 2011
In USD	Sell	12,000,000	13,750,000
Equivalent amount in Rupees	Sell	610,560,000	614,350,000

As at 31 March 2012, the Company has recorded marked to market gain of ₹ 9,275 relating to forward contracts out of which loss of ₹ 864,230 is designated as effective cash flow hedges, hence balance of gain of ₹ 873,505 relating to forward contracts that are designated as ineffective cash flow hedges credited to the Statement of Profit and loss.

Notes forming part of the consolidated financial statements

2.33 Following expenses are reimbursed by the customers

(Amount in ₹)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Software support expenses		
Salaries and allowances	6,539,309	8,160,588
Staff welfare	336,768	625,910
Travelling & Conveyance	1,954,257	3,174,347
Communication expenses	687,962	3,580,185
Bandwidth charges	1,027,204	2,188,260
Rent	3,770,358	7,350,884
Assets hire charges	334,186	684,260
Legal and professional charges	1,166,140	1,082,415
Repair and maintenance	839,452	835,441
Training and recruitment	1,330,145	1,980,162
Insurance	55,000	522,125
Electricity and water	1,072,517	2,468,485
Miscellaneous expenses	387,053	2,165,127
Sub-total (A)	19,500,351	34,818,189
General and administration expenses		
Accounting charges	1,058,880	2,217,030
Bank charges	154,779	213,084
Sub-total (B)	1,213,659	2,430,114
Depreciation (C)	2,169,794	3,290,441
Grand Total (A+B+C)	22,883,804	40,538,744

2.34 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS

(Amount in ₹)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Income from software services and products	2,822,547,662	2,704,806,127
Software development expenses	1,928,104,218	1,834,007,562
Gross Profit	894,443,444	870,798,565
Selling and marketing expenses	289,388,729	302,140,399
General and administration expenses	249,577,881	263,850,026
Operating profit before depreciation	355,476,834	304,808,140
Depreciation	74,503,704	92,806,435
Operating profit after depreciation	280,973,130	212,001,705
Other income	202,064,298	86,649,824
Profit before taxation	483,037,428	298,651,529
Tax expense:		
– Current tax expense for current year	114,513,971	64,249,645
– MAT credit entitlement	-	(35,197,875)
– Withholding taxes charged off	9,162,560	26,933,131
– Tax expense relating to prior year	8,952,138	1,693,181
– Provision for wealth tax	18,793	31,038
– Deferred tax credit	(3,011,458)	(22,432,442)
Profit after taxation	353,401,424	263,374,851



2.35 Statement of Subsidiary in pursuance of approval under Section 212 (8) of the Companies Act, 1956

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 not attaching the individual Directors' Report, Balance Sheet and Profit and Loss Account of all subsidiaries to its Annual Report, subject to fulfilling certain conditions as stipulated in the circular. In terms of above Circular, the Company has disclosed in the Consolidated Financial Statements, the minimum information required by the aforesaid circular for each of its subsidiaries :- (a) Capital (b) Reserves (c) Total assets (d) Total liabilities (e) details of investment (f) turnover (g) profit before taxation (h) provision for taxation (i) Profit after taxation (j) proposed dividend.

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.

Subsidiary companies referred to in (e), (f) and (g) below have been audited by other auditors.

a. Name of Subsidiary : VirStra i-Technology Services Limited

	March 31, 2012	March 31, 2011
	INR	INR
At the End of the Year		
Share Capital	10,000,000	10,000,000
Reserves	91,707,995	97,433,871
Total Assets	121,560,136	124,490,962
Total Liabilities	19,852,141	17,057,093
Investments	31,866,400	16,300,588
For the Year Ended		
Turnover	164,232,523	183,108,891
Profit Before Taxation	56,333,285	92,451,542
Provision for Taxation	17,887,895	-312,844
Profit After Taxation	38,445,390	92,764,386
Dividend*	36,000,000	210,000,000

*The Company paid interim dividend of ₹ 360 Lacs during the financial year 2011-12.

b. Name of Subsidiary : Nucleus Software Netherlands B.V.

	March 31, 2012		March 31, 2011	
	Euro	INR	Euro	INR
At the End of the Year				
Share Capital	400,000	27,164,000	400,000	25,280,000
Reserves	(435,539)	(29,577,453)	(450,636)	(28,480,195)
Total Assets	736,986	50,048,719	297,708	18,815,146
Total Liabilities	772,525	52,462,173	348,344	22,015,341
Investments	-	-	-	-
For the Year Ended				
Turnover	1,042,348	70,785,853	247,208	15,623,546
Profit Before Taxation	15,097	1,025,237	(163,541)	(10,335,791)
Provision for Taxation	-	-	-	-
Profit After Taxation	15,097	1,025,237	(163,541)	(10,335,791)
Proposed Dividend	-	-	-	-

Note: Above figures in INR have been calculated at 1 Euro = ₹ 67.91 and 1 Euro = ₹ 63.20 for the years ended March 31, 2012 and March 31, 2011 respectively

Notes forming part of the consolidated financial statements

c. Name of Subsidiary : Nucleus Software Limited

	March 31, 2012		March 31, 2011	
	INR		INR	
At the End of the Year				
Share Capital	100,000,000		100,000,000	
Reserves	(14,883,947)		(9,758,940)	
Total Assets	179,142,106		148,952,699	
Total Liabilities	94,026,053		58,711,639	
Investments	23,000		23,000	
For the Year Ended				
Turnover	6,193,242		-	
Profit Before Taxation	(5,125,007)		(4,448,643)	
Provision for Taxation	-		-	
Profit After Taxation	(5,125,007)		(4,448,643)	
Dividend	-		-	

d. Name of Subsidiary : Nucleus Software Japan Kabushiki Kaisha

	March 31, 2012		March 31, 2011	
	JPY	INR	JPY	INR
At the End of the Year				
Share Capital	10,000,000	6,203,000	10,000,000	5,390,000
Reserves	(806,842)	(500,484)	(25,306,794)	(13,640,362)
Total Assets	281,055,292	174,338,598	129,797,097	69,960,635
Total Liabilities	271,862,134	168,636,082	145,103,891	78,210,997
Investments	-	-	-	-
For the Year Ended				
Turnover	536,615,908	332,862,848	642,600,482	346,361,660
Profit Before Taxation	24,564,875	15,237,592	(1,979,304)	(1,066,845)
Provision for Taxation	64,924	40,272	618,146	333,181
Profit After Taxation	24,499,951	15,197,320	(2,597,450)	(1,400,026)
Proposed Dividend	-	-	-	-

Note: Above figures in INR have been calculated at 1 JPY = ₹ 0.6203 and 1JPY = ₹ 0.5390 for the year ended March 31, 2012 and March 31, 2011 respectively



Nucleus Software Exports Limited

e. Name of Subsidiary : Nucleus Software Solutions Pte. Ltd.

	March 31, 2012		March 31, 2011	
	S \$	INR	S \$	INR
At the End of the Year				
Share Capital	625,000	25,287,500	625,000	22,150,000
Reserves	4,525,118	183,086,274	4,083,086	144,704,568
Total Assets	7,510,395	303,870,582	6,868,885	243,433,284
Total Liabilities	2,360,277	95,496,807	2,160,799	76,578,717
Investments	–	–	–	–
For the Year Ended				
Turnover	15,670,896	634,044,452	18,422,561	652,895,562
Profit Before Taxation	425,425	17,212,696	(1,544,846)	(54,749,342)
Provision for Taxation(Credit/(Expense)	16,607	671,919	(314,297)	(11,138,686)
Profit After Taxation	442,032	17,884,615	(1,859,143)	(65,888,028)
Proposed Dividend	–	–	–	–

Note: Above figures in INR have been calculated at 1 S\$ = ₹ 40.46 and 1 S\$ = ₹ 35.44 for the year ended March 31, 2012 and March 31, 2011 respectively.

f. Name of Subsidiary : Nucleus Software Inc. USA

	March 31, 2012		March 31, 2011	
	US \$	INR	US \$	INR
At the End of the Year				
Share Capital	350,000	17,808,000	350,000	15,638,000
Reserves	(914,611)	(46,535,408)	(931,680)	(41,627,462)
Total Assets	1,247,287	63,461,963	436,367	19,496,878
Total Liabilities	1,811,898	92,189,370	1,018,047	45,486,340
Investments	–	–	–	–
For the Year Ended				
Turnover	2,537,913	129,129,013	406,787	18,175,243
Profit Before Taxation	20,109	1,023,146	(365,758)	(16,342,067)
Provision for Taxation	3,040	154,675	3,229	144,272
Profit After Taxation	17,069	868,471	(368,987)	(16,486,339)
Proposed Dividend	–	–	–	–

Note: Above figures in INR have been calculated at 1 US \$ = ₹ 50.88 and 1 US \$ = ₹ 44.68 for the year ended March 31, 2012 and March 31, 2011 respectively

Notes forming part of the consolidated financial statements

g. Name of Subsidiary : VirStra i-Technology (Singapore) Pte Limited

(Step down Subsidiary of Nucleus Software Exports Limited)

	March 31, 2012		March 31, 2011	
	S \$	INR	S \$	INR
At the End of the Year				
Share Capital	200,000	8,092,000	200,000	7,088,000
Reserves	788,797	31,914,727	(782,422)	(27,729,036)
Total Assets	13,597	550,135	19,792	701,428
Total Liabilities	602,394	24,372,861	602,214	21,342,464
Investments	-	-	-	-
For the Year Ended				
Turnover	-	-	-	-
Profit Before Taxation	(6,375)	(257,933)	(5,391)	(191,057)
Provision for Taxation	-	-	-	-
Profit After Taxation	(6,375)	(257,933)	(5,391)	(191,057)
Proposed Dividend	-	-	-	-

Note: Above figures in INR have been calculated at 1 S\$ = ₹ 40.46 and 1 S\$ = ₹ 35.44 for the year ended March 31, 2012 and March 31, 2011 respectively.

2.36 Revenue recognised upto the reporting date in respect of contracts in progress at the reporting date aggregates ₹ 1,141,501,588 (Previous year ₹ 910,755,938).

2.37 The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

**For and on behalf of the Board of Directors
NUCLEUS SOFTWARE EXPORTS LIMITED**

Sd/-

JANKI BALLABH
Chairman

Sd/-

VISHNU R DUSAD
Managing Director

Sd/-

P K SANGHI
Chief Financial Officer

Sd/-

POONAM BHASIN
Company Secretary

Place : New Delhi
Date : 29 April, 2012



SHAREHOLDERS' REFERENCER

Shareholders Referencer

Shareholders' Referencer

A. Corporate

- Nucleus was incorporated in Delhi in 1989 as Nucleus Software Exports Private Limited, a Private Limited Company under the Indian Companies Act 1956. The Company became a Public Limited Company in 1994.
- 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.), 201307, India.
- The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs, Government of India is L74899DLI989PLC034594
- The Company made an IPO in August 1995. 1,168,900 equity shares, face value ₹ 10/-each were issued to Indian public at a premium of ₹ 40/- per share and 331,500 equity shares, face value ₹ 10/-each, were issued to Non Resident Indians at a premium of ₹ 50/-per share.
- History of Bonus issues at Nucleus is as under:

Allotment Date	Ratio	No. of Shares
September 24, 1994	60:1	876,000
December 27, 1994	57:100	576,270
October 22, 2001	1:2	2,637,050
August 10, 2004	1:1	8,045,406
August 8, 2007	1:1	16,182,312

B. Preferential Issue

The Company had allotted 1,875,500 equity shares of ₹ 10/- each on preferential basis to the promoter/associates and permanent employees of the Company at a price of ₹ 103.15/- per share inclusive of share premium on June 22, 2001.

C. Share Related Data

- The Shares of Nucleus are listed on The National Stock Exchange of India Limited and Bombay Stock Exchange Limited.
- Scrip Code of Nucleus on NSE is NUCLEUS and on BSE is 531209. The Company's shares are traded in "Group B" category at the Bombay Stock Exchange Ltd.
- International Securities Identification Number (ISIN code-NSDL and CDSL) is INE096B01018.
- Face value of the Company's equity shares is ₹ 10.
- Shares of the Company are compulsorily traded in demat form.
- 98.80% of the Company's equity shares are in demat form.
- The Company had 17,953 shareholders as on March 31, 2012.
- The Company has not issued any GDR/ADR. The Company has granted options to employees under ESOP (1999), 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 vesting under various plans as on March 31, 2012 are:

ESOP (1999) Plan	-	Nil
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ESOP (2002) Plan	-	Nil
ESOP (2005) Plan	-	15,064
ESOP (2006) Plan	-	1,700

The Company issued Bonus Share in the ratio of 1:1 in August 2007 and in accordance with statutory approvals, options granted prior to August 2007, on exercise will entitle the option holder for 2 share for 1 option held.

D. Dividend

• Dividend Policy

The Dividend Policy of the Company mandates the dividend payout, in the range of 15-30% of the profits available for distribution, subject to:

- Provisions of The Companies Act 1956 and other applicable laws.
- Cash Flows.

The Board of Directors review the Dividend Policy periodically.

• Dividend

The Board of Directors recommended a Final Dividend of ₹ 2.50/- per share, on equity share capital (25% on equity share of par value of ₹10/-) at their Board meeting held on April 29, 2012. The payment is subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company.

• 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)
2010-11	25%	2.50	8.10
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.



• 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 & 2003-04 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 IEPF
2004-2005 (Final)	July 8, 2005	July 7, 2012	August 6, 2012
2005-2006 (Final)	July 8, 2006	July 7, 2013	August 6, 2013
2006-2007 (Interim)	March 13, 2007	March 12, 2014	April 11, 2014
2007-2008 (Final)	July 8, 2008	July 7, 2015	August 6, 2015
2008-2009 (Final)	July 8, 2009	July 7, 2016	August 6, 2016
2009-2010 (Final)	June 24, 2010	June 23, 2017	July 22, 2017
2010-2011 (Final)	July 08, 2011	July 07, 2018	August 06, 2018

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

E. 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 2011-2012:

(Share price in ₹)

Month	Open	High	Low	Close	Traded Qty
Apr. '11	85.00	115.25	84.75	93.25	6,13,075
May '11	93.75	96.60	80.05	84.30	4,46,502
Jun. '11	85.00	89.35	76.70	83.25	2,51,666
Jul. '11	84.50	86.20	73.60	74.00	1,28,885
Aug. '11	74.05	74.90	60.20	64.15	1,28,320
Sept. '11	64.95	72.45	60.35	65.60	1,11,202
Oct. '11	65.00	76.90	64.45	71.20	1,22,925
Nov. '11	68.60	77.00	60.00	64.00	1,73,021
Dec. '11	64.95	71.45	55.65	60.50	2,57,995
Jan. '12	60.55	74.00	60.50	71.85	1,18,365
Feb. '12	72.00	80.65	66.65	69.25	6,77,953
Mar. '12	69.50	72.00	61.00	62.20	1,38,066
Total Share Traded during the year					3,167,975

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 2011-2012:

(Share price in ₹)

Month	Open	High	Low	Close	Traded Qty
Apr. '11	85.10	115.00	85.00	93.65	1,310,798
May '11	94.00	95.80	80.05	84.60	1,209,855
Jun. '11	85.00	88.95	78.70	82.90	743,573
Jul. '11	82.70	87.00	73.20	73.80	519,879
Aug. '11	75.65	75.65	60.15	63.40	387,775
Sept. '11	64.00	73.20	60.00	65.95	306,425
Oct. '11	64.80	77.30	62.25	70.75	350,022
Nov. '11	70.00	74.80	59.55	63.90	387,793
Dec. '11	65.80	69.90	55.45	61.25	864,788
Jan. '12	60.50	73.95	60.20	71.45	373,592
Feb. '12	71.45	80.45	63.75	68.85	1,449,375
Mar. '12	69.00	71.70	60.50	61.85	349,202
Total Share Traded during the year					8,253,077

Notes:

- The highest share price of the Nucleus scrip at Bombay Stock Exchange Ltd. was ₹ 115.25 in April 2011 and the lowest share price was ₹ 55.65 in December 2011.
- The highest share price of the Nucleus scrip at National Stock Exchange was ₹ 115.00 in April 2011 and the lowest share price was ₹ 55.45 in December 2011.

Shareholders Referencer

iii. Quarterly high -low price history of the Company's share for the year 2011-12

(Share price in ₹)

During the Quarter Ended	BSE		NSE	
	High	Low	High	Low
June 30, 2011	115.25	76.70	115.00	78.70
September 30, 2011	86.20	60.20	87.00	60.00
December 31, 2011	77.00	60.00	77.30	55.45
March 31, 2012	80.65	60.50	80.45	60.20

F. Financial Reporting to the Shareholders

i. The Company initiated a practice of sending audited quarterly results in the form of a printed Quarterly Report to the shareholders since December 1999. From the the financial year 2009, the Company started releasing the Quarterly Report, in the form of a soft copy only and is uploaded on the Company's website www.nucleussoftware.com. This will not only result in prompt information disposal to the shareholders but also contribute in saving paper thus saving trees and help in making the planet greener.

These reports contain audited financial of the Parent Company along with the Auditors Report thereon, Unaudited consolidated financial of the Company and subsidiaries and a detailed analysis of results under "Management Discussion and Analysis".

- ii. The Company sends Quarterly and Annual Results alongwith the Press Release to the shareholders through e-mail.
- iii. 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
- iv. 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
- v. 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.
- 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.

Your Company has also whole-heartedly supported the 'Green Initiative' taken by the Ministry of Corporate Affairs, Government of India enabling electronic delivery of documents to the shareholders at their e-mail addresses registered with the Depository participants/Registrar & Share Transfer Agent. The Company sent relevant communication to the shareholders by email in the previous year 2010-11. This year also your Company is actively pursuing this initiative by sending Annual Reports in a soft copy form.

G. 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	20	20	Nil
Revalidation of Dividend warrants	158	158	Nil
Issue of duplicate share certificates	Nil	Nil	Nil
Non receipt of share certificate	1	1	Nil
Non-Receipt of Annual Report	12	12	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 2011-12.

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 31,995,987 shares (98.80% of the paid up share capital) as at March 31, 2012.

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 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

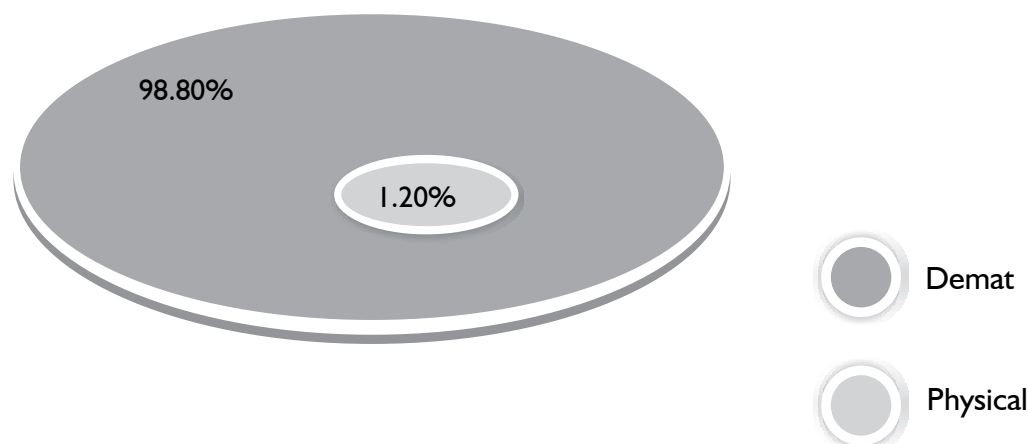
There is one legal proceeding pending against the Company in the Court.

H. Shareholding Data

Distribution of Shareholding

No. of Equity Shares Held	As on March 31, 2012				As on March 31, 2011				
	Share Holders		Shares		Share Holders		Shares		
	From	To	(No.)	%	(No.)	%	(No.)	%	
1	100	10,603	59.06	485,880	1.50	10,888	56.94	498,697	1.55
101	200	2,601	14.49	445,824	1.38	2,873	15.02	497,725	1.54
201	500	2,396	13.35	855,170	2.64	2,892	15.12	1,011,596	3.12
501	1,000	1,324	7.37	1,009,676	3.12	1,457	7.62	1,069,590	3.30
1,001	5,000	834	4.65	1,780,607	5.50	826	4.32	1,674,768	5.17
5,001	10,000	102	0.57	741,594	2.29	98	0.51	690,998	2.13
10,001 and above.		93	0.51	27,064,703	83.57	89	0.47	26,939,150	83.19
TOTAL		17,953	100.00	32,383,454	100.00	19,123	100.00	32,382,524	100.00

Shares held in Physical and Dematerialised form as on March 31, 2012



Shareholders Referencer

i. Categories of Shareholders

Category	As on March 31, 2012			As on March 31, 2011		
	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	9	57.44	18,601,866
Individuals	16,954	22.32	7,229,972	17,958	22.22	7,196,095
Bodies Corporates	462	3.06	992,179	617	3.13	1,014,728
OCBs and NRIs	512	2.15	693,571	517	2.08	672,111
FII's	3	4.20	1,360,039	4	4.29	1,390,598
Mutual Funds	13	10.83	3,505,827	17	10.83	3,504,246
Banks and Financial Institutions	-	-	-	1	0.01	2,880
Total	17,953	100.00	32,383,454	19,123	100.00	32,382,524

ii. Shares under Lock-in

There are no shares under Lock in as on March 31, 2012.

iii. Share Transfers, Demat and Remat

The details of shares transferred in physical form, dematerialised and rematerialised during the year ended March 31, 2012 are given below:

No. of Shares		
1	Transferred in physical form	145
2	Dematerialised	618,774
3	Rematerialised	49

I. 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, 2016	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.

J. 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	Position	Age
Janki Ballabh	Chairman	69
Vishnu R Dusad	CEO & Managing Director	55
Arun Shekhar Aran	Non-Executive Director	53
Prithvi Haldea	Non-Executive Director	61
Sanjiv Sarin	Non-Executive Director	53
Pramod Kumar Sanghi	President - Finance & Chief Financial Officer	57
Ravi Pratap Singh	President	51
Viveka Ragukumar	Executive Vice President	48
Anurag Bhatia	Senior Vice President	46
Deep Sanwarlal Singhania	Senior Vice President	43
Mukesh Batra	Senior Vice President	43
Parminder Iqbal Bansil	Senior Vice President	43
Alok Agarwal	Vice President	40
Anurag Mantri	Vice President	42
Ashwani Arora	Vice President	39
Kamal Nayyar	Vice Presedent	40
Manish Arora	Vice President	41
Parag Bhise	Vice President	47
Rajesh Garg	Vice President	41
Rajgopalan Venkatraman	Vice President	41
Ramesh Gopal	Vice President	44
Sanjeev Kulshreshtha	Vice President	48
Shalini Modi	Vice President	36



ii. Employee Structure

1. Employee strength globally including employees of subsidiaries.

As at March 31,	2012		2011	
	No.	%	No.	%
– Technical Staff	1,418	85.63	1,455	84.59
– Non-Technical Staff including Business Development Group	238	14.37	265	15.41
Gender classification of employees is:				
– Male	1,301	78.56	1,359	79.01
– Female	355	21.44	361	20.99
Total	1,656	100	1,720	100

2. The age profile of employees

As at March 31,	2012		2011	
	No.	%	No.	%
Between 20 and 25 years	397	23.97	374	21.74
Between 26 and 30 years	551	33.27	632	36.74
Between 31 and 40 years	616	37.19	621	36.10
Between 41 and 50 years	79	4.78	79	4.60
Between 51 & above	13	0.79	14	0.82
Total	1,656	100.00	1,720	100.00

K. Financial Calendar for the year 2012-13

(Tentative and subject to change)

i. Financial Reporting

For the first quarter ending June 30, 2012	between 20th to 31st of July 2012
For the second quarter ending September 30, 2012	between 20th to 31st of October 2012
For the third quarter ending December 31, 2012	between 20th to 31st of January 2013
For the year ending March 31, 2013	between 21st to 30th of April 2013

ii. Annual General Meeting

For the year ending March 31, 2012	July 11, 2012
For the year ending March 31, 2013	July, 2013

iii. Dividend

Date of Book Closure for AGM and payment of Dividend	July 4, 2012 to July 11, 2012 (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.

L. 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 to assess the level of satisfaction among Nucleus shareholders and identify areas of strengths and weakness of Nucleus perceived by the shareholders.

A Shareholder Satisfaction Survey is conducted through a shareholder feedback form uploaded on investors section of the Company website, for online filing. It is our constant endeavor to provide efficient and prompt services to the shareholders. responses received through this survey it help us :

- o to assess the level of satisfaction among Nucleus shareholders and
- o identify areas of strengths and weakness of Nucleus as perceived by the shareholders.

M. Frequently Asked Questions

i. Dividend

What is the ECS facility and how does it work?

Reserve Bank of India's Electronic Clearance Service (ECS) Facility provides investors an option to collect dividend / interest directly through their bank accounts rather than receiving the same through post. Under this option, investor's bank account is directly credited and an advice thereof is issued by the Company after the transaction is effected. The concerned bank branch credits investor's account and indicate the credit entry as "ECS" in his/her passbook/statement of account. If any investor maintains more than one bank account, payment can be received at any one of his/her accounts as per the preference of the investor. The investor does not have to open a new bank account for the purpose.

What are the benefits of ECS facility?

Some of the major benefits of ECS Facility are:

- a. Shareholder need not make frequent visits to his bank for depositing the physical paper instruments.
- b. Prompt credit to the bank account of the investor through electronic clearing at no extra cost.
- c. Exposure to delays / loss in postal service avoided.
- d. As there can be no loss in transit of warrants, issue of duplicate warrants is avoided.
- e. Fraudulent encashment of warrants is avoided.

How to avail ECS facility?

Investors holding shares in physical form may send their ECS Mandate Form, duly filled in, to the Company's R&T Agent. ECS Mandate Form is enclosed for immediate use of investors. The Form may also be downloaded from the Company's website under the section "Investors". However, if shares are held in dematerialised form, ECS mandate has to be sent to the concerned Depository Participant (DP) directly, in the format prescribed by the DP.

Can ECS Facility be opted out by the investors?

ECS would be an additional mode of payment. Investors have the right to opt out from this mode of payment by giving an advance notice of four weeks either to the Company's R&T Agent or to the concerned DP as the case may be.

Shareholders Referencer

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 Dematerialising 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.

N. You can contact the following Nucleus personnel for any information: -

Vishnu R Dusad	CEO & Managing Director +91 (120) 4031500 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

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 12	FY 11	FY 10
Cost of Capital			
Risk Free Debt Cost (%)	8.28	7.64	4.95
Market Premium*	7.00	7.00	7.00
Beta Variant	0.29	0.63	0.73
Cost of Equity	10.30	12.05	10.06
Average Debt/Total Capital (%)	–	–	–
Cost of Debt-Net of Tax(%)	–	–	–
WACC	10.30	12.05	10.06
Average Capital Employed	386.79	279.79	256.16
PAT as a percentage of Average Capital Employed(%)	9.14	9.41	14.99
Economic Value Added (EVA)			
Operating Profit (excluding extraordinary income)	28.10	21.20	42.75
Less: Tax**	12.96	3.53	5.94
Cost of Capital	39.83	33.71	25.77
Economic Value Added	(24.70)	(16.04)	11.04
Enterprise Value			
Market Value of Equity	200.30	277.03	446.38
Add: Debt	–	–	–
Less: Cash and Cash Equivalents	196.32	187.51	162.41
Enterprise Value	3.98	89.52	283.97
Ratios			
EVA as a percentage of average capital employed	(6.39)	(5.73)	4.31
Enterprise Value/Average Capital Employed	0.01	0.32	1.11

* Market Premium is assumed to be constant for IT Companies.

** Taxes include withholding taxes.

Notes:

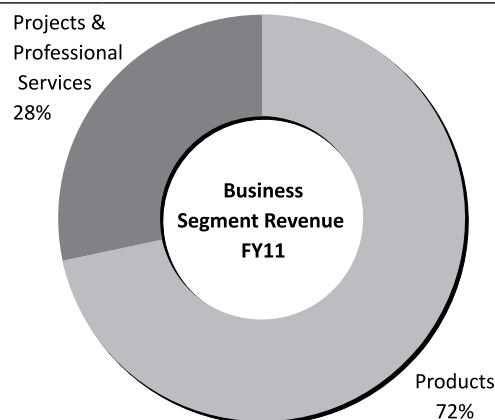
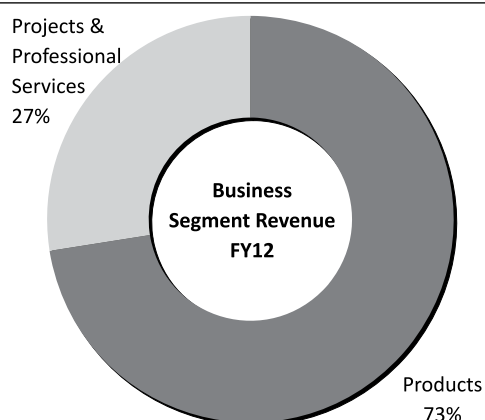
1. Cost of equity = return on risk-free investment + expected risk premium on equity investment adjusted for our beta variant in India.
2. Above figures are based on consolidated financial statements.
3. Cash and cash equivalents includes investments in liquid mutual funds.

**SEGMENT INFORMATION, HISTORICAL PERSPECTIVE
AND RATIO ANALYSIS**

Consolidated Segment Information of Nucleus Software Group

(₹ in crore)

REVENUE BY	For the Year Ended March 31,			
	2012	% of Revenue	2011	% of Revenue
GEOGRAPHICAL SEGMENTS				
India	51.13	18.12	40.87	15.11
Far East	75.28	26.67	97.76	36.14
South East Asia	59.83	21.20	55.17	20.40
Europe/ U.K.	29.73	10.53	31.14	11.51
Americas	12.19	4.32	1.38	0.51
Middle East	38.03	13.47	30.35	11.22
Africa	8.53	3.02	6.06	2.24
Rest of the World	7.53	2.67	7.75	2.87
TOTAL	282.25	100.00	270.48	100.00
CURRENCY SEGMENT				
Indian Rupee	51.13	18.12	40.87	15.11
Japanese Yen	20.21	7.16	17.30	6.40
Singapore \$	23.64	8.38	24.30	8.98
US \$	174.04	61.66	174.18	64.40
Malaysian Ringgit	4.31	1.53	5.53	2.04
South Korean Won	3.32	1.17	3.20	1.18
United Arab Emirates Dirham	–	–	0.67	0.25
Euro	5.60	1.98	4.43	1.64
TOTAL	282.25	100.00	270.48	100.00
BUSINESS SEGMENT				
Products	204.99	72.63	193.57	71.57
Own	197.35	69.92	181.33	67.04
Traded	7.64	2.71	12.24	4.53
Projects & Professional Services	77.26	27.37	76.91	28.43
TOTAL	282.25	100.00	270.48	100.00



A Historical Perspective

(₹ in crore, except per share data)

Consolidated Performance

For the Year Ended March 31,	2012	2011	2010	2009	2008
Revenue from Operations	282.25	270.48	291.78	328.40	288.72
Operating Profit (EBITDA)	35.55	30.48	54.08	49.60	73.41
EBITDA as a % of Revenue from Operations	12.60	11.27	18.53	15.10	25.43
Depreciation	7.45	9.28	11.33	13.28	11.85
Provision for Taxation	12.97	3.52	5.94	9.86	6.87
Profit After Tax (PAT)	35.34	26.34	38.40	32.26	61.74
PAT as a % of Revenue from Operations	12.52	9.74	13.18	9.82	21.38
Return on Average Networkth (%)	11.74	9.42	15.02	14.16	32.45
Return on Average Capital Employed (PBIT/Average Capital Employed) (%)	12.49	10.68	17.31	18.43	35.93
As at March 31,	2012	2011	2010	2009	2008
Share Capital	32.38	32.38	32.37	32.37	32.37
Reserves and Surplus	281.74	255.57	238.70	207.93	182.95
Gross Block	119.22	110.32	112.64	112.02	95.03
Net Current Assets	249.38	218.33	117.75	158.89	66.26
Market Capitalisation	200.29	277.03	446.38	164.60	615.14
Per Share data					
Earning Per Share	10.91	8.13	11.86	9.97	19.08
Dividend Per Share	2.50	2.50	2.50	2.50	3.00
Book Value Per Share	97.00	88.92	83.74	74.24	66.52

Notes:

1. Market Capitalisation is calculated by considering the closing market price of the scrip at the close of the year which is ₹ 61.85 at March 31, 2012 and ₹ 85.55 at March 31, 2011.
2. Previous year figures have been regrouped/ reclassified wherever necessary.
3. The above financial results for FY 2012 and FY 2011 have been prepared on the basis of Revised Schedule VI notified by Ministry of Corporate Affairs on February 28, 2011.

A Historical Perspective

US \$ '000 except per share data

Consolidated Performance

For the Year Ended March 31,	2012	2011	2010	2009	2008
Revenue from Operations	58,999	58,736	61,080	72,287	72,361
Operating Profit (EBITDA)	7,431	6,619	11,321	10,918	18,398
EBITDA as a % of Revenue from Operations	12.60	11.27	18.53	15.10	25.43
Depreciation	1,557	2,015	2,372	2,923	2,970
Provision for Taxation	2,711	764	1,243	2,170	682
Profit After Tax (PAT)	7,387	5,720	8,039	7,101	15,474
PAT as a % of Revenue from Operations	12.52	9.74	13.18	9.82	21.38
Return on Average Networth (%)	11.74	9.42	15.02	14.16	32.45
Return on Average Capital Employed (PBIT/Average Capital Employed) (%)	12.49	10.68	17.31	18.43	35.93
US\$ Exchange Rate (In ₹)*	47.84	46.05	47.77	45.43	39.90

As at March 31,

Share Capital	6,364	7,247	7,179	6,380	8,113
Reserves and Surplus	55,373	57,200	52,939	40,980	45,852
Gross Block	23,432	24,691	24,981	22,077	23,817
Net Current Assets	49,013	48,865	26,114	31,315	16,607
Market Capitalisation	39,365	62,004	98,998	32,440	154,169

Per Share data

Earning Per Share	0.23	0.18	0.25	0.22	0.48
Dividend Per Share	0.05	0.05	0.05	0.06	0.08
Book Value Per Share	1.91	1.99	1.86	1.46	1.67
US\$ Exchange Rate (In ₹)#	50.88	44.68	45.09	50.74	39.90

Notes:

1. Market Capitalisation is calculated by considering the closing market price of the scrip at the close of the year which is ₹ 61.85 at March 31, 2012 and ₹ 85.55 at March 31, 2011.
2. Previous year figures have been regrouped/ reclassified wherever necessary.
3. The above financial results for FY 2012 and FY 2011 have been prepared on the basis of Revised Schedule VI notified by Ministry of Corporate Affairs on February 28, 2011.
4. * The Revenue and expenditure items have been translated at the average INR/US\$ rate, mentioned here for the respective years.
5. # The Balance Sheet items have been translated at year end INR/US\$ rate, mentioned here for the respective years.

Ratio Analysis

Consolidated Performance

For the Year Ended March 31,	2012	2011	2010	2009	2008
Ratios- Financial Performance					
Export Revenue/Revenue (%)	81.88	84.89	87.39	88.81	88.88
Domestic Revenue/ Revenue (%)	18.12	15.11	12.61	11.19	11.12
Total Operating Expenses/Revenue (%)	87.40	88.73	81.47	84.90	74.57
Operating Profit/Revenue (%)	12.59	11.27	18.53	15.11	25.43
Depreciation/Revenue (%)	2.64	3.43	3.88	4.04	4.10
Other Income/ Revenue (%)	5.98	3.48	3.30	4.17	2.51
Tax/ Revenue (%)	4.59	1.30	2.04	3.00	2.38
Effective Tax Rate – (Tax/PBT) (%)	26.84	11.79	13.40	23.39	10.01
PAT from Ordinary Activities/ Revenue(%)	6.54	6.26	9.86	5.65	18.87
PAT from Ordinary Activities/Net Worth(%)	5.88	5.88	10.62	7.72	25.31
Ratios- Return					
ROCE (PBIT/Average Capital Employed) (%)	12.49	10.68	17.31	18.43	35.93
ROANW (PAT/Average Net Worth) (%)	11.74	9.42	15.02	14.16	32.45
Ratios - Balance Sheet					
Debt-Equity Ratio	–	–	–	–	–
Debtors Turnover (Days)	114	63	72	84	79
Asset Turnover Ratio	0.69	0.74	1.07	1.36	1.34
Current Ratio	3.98	4.27	2.76	3.00	2.77
Cash and Equivalents/Total Assets (%)	47.99	51.44	59.81	50.66	43.53
Cash and Equivalents/ Revenue (%)	69.55	69.32	55.66	37.20	32.60
Depreciation/Average Gross Block(%)	6.49	8.32	10.09	12.82	14.49
Technology Investment/ Revenue (%)	1.19	0.58	0.18	2.13	3.08
Ratios - Growth					
Growth in Export Revenue (%)	0.66	(9.95)	(12.58)	13.66	30.01
Growth in Revenue (%)	4.35	(7.30)	(11.15)	13.74	30.53
Operating Expenses Growth (%)	2.79	0.96	(14.74)	29.49	36.34
Operating Profit Growth (%)	16.63	(43.64)	9.01	(32.43)	16.02
PAT Growth (%)	34.17	(31.41)	19.03	(47.76)	11.95
EPS Growth (%)	34.23	(31.45)	18.96	(47.75)	11.66
Per- Share Data (Period End)					
Earning Per Share from Ordinary Activities (₹)	5.70	5.23	8.89	5.73	16.84
Earning Per Share (Including Other Income) (₹)	10.91	8.13	11.86	9.97	19.08
Cash Earning Per Share from Ordinary Activities (₹)	8.00	8.10	12.39	9.83	20.50
Cash Earning Per Share (Including Other Income) (₹)	13.21	11.00	15.36	14.07	22.74
Book Value Per Share (₹)	97.00	88.92	83.74	74.24	66.52
Price/Earning	5.67	10.52	11.62	5.05	9.96
Price/Cash Earning	4.68	7.78	8.98	3.58	8.36
Price/Book Value	0.64	0.96	1.65	0.68	2.86
Dividend Per Share (DPS) (₹)	2.50	2.50	2.50	2.50	3.00
Dividend (%)	25	25	25	25	30
Dividend Payout (In ₹ Crore)	8.10	8.10	8.09	8.09	9.71

Notes:

1. While calculating the consolidated figures of group, inter group transactions have been ignored.
2. Previous year figures have been regrouped/ reclassified wherever necessary.
3. Cash and Equivalents include cash and bank balances and current investments.
4. The above financial results for FY 2012 and FY 2011 have been prepared on the basis of Revised Schedule VI notified by Ministry of Corporate Affairs on February 28, 2011.



Glossary

SEBI	Securities & Exchange Board of India
NSE	National Stock Exchange of India Ltd.
BSE	Bombay Stock Exchange Ltd.
BFS	Banking & Financial Services
IPO	Initial Public Offer
IP	Intellectual Property
IT	Information Technology
ITES	Information Technology Enabled Services
EU	European Union
NASSCOM	National Association of Software and Services Companies
ADR	American Depository Receipt
GDR	Global Depository Receipt
PAT	Profit After Tax
PBT	Profit Before Tax
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
MCA	Ministry of Corporate Affairs
DP	Depository Participant
FAQ	Frequently Asked Questions
DRF	Demat Requisition Form
RBI	Reserve Bank of India
ESOP	Employee Stock Option Plan
STPI	Software Technology Parks of India
NGO	Non Governmental Organisation
CSR	Corporate Social Responsibility
MDA	Management Discussion and Analysis
NSBT	Nucleus School of Banking Technology
CEO	Chief Executive Officer
CFO	Chief Financial Officer
MD	Managing Director
ICAI	Institute of Chartered Accountants of India
ICSI	Institute of Company Secretaries of India

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Third Annual General Meeting of the Members of Nucleus Software Exports Limited will be held on Wednesday, the 11th day of July 2012 at 11:30 A.M. at Sri Sathya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi-110003 to transact the following business:

Ordinary Business:

1. To review, consider and adopt the Audited Balance Sheet as at March 31, 2012 and Profit and Loss account for the year ended on that date together with the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend @ ₹ 2.50 per share on equity shares for the financial year ended March 31, 2012.
3. To appoint a Director in place of Mr. Arun Shekhar Aran, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. Sanjiv Sarin, who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting of the Company and to authorize the Board of Directors to fix their remuneration. M/s Deloitte Haskins & Sells, Chartered Accountants, the retiring auditors are eligible for reappointment.

**By Order of the Board
For Nucleus Software Exports Limited**

**Place: New Delhi
Date: 29.04.2012**

**(Poonam Bhasin)
Company Secretary**

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. Members/Proxies should bring duly filled attendance slips attached herewith for attending the meeting.
3. The Register of Directors' shareholding maintained under Section 307 of the Companies Act, 1956, will be available for inspection by the members at the AGM.
4. The Register of Members and Share Transfer Books shall remain closed from July 04, 2012 to July 11, 2012 (both days inclusive).
5. Re-appointment of Directors:
Mr. Arun Shekhar Aran retires by rotation, and being eligible, offers himself for re-appointment.
Mr. Sanjiv Sarin retires by rotation, and being eligible, offers himself for re-appointment.
Information as required under Clause 49 (IV)(G) of the Listing Agreement entered into by the Company with the Stock Exchanges, in respect of the Directors proposed to be appointed/reappointed is given in the annexure to the Notice.
6. The Dividend on Equity Shares, @ ₹ 2.50 per share, recommended by the Board of Directors for the financial year ended March 31, 2012, if approved at the meeting, will be payable to those shareholders whose names appear on the Register of Members of the Company on July 04, 2012, 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 July 03, 2012.
7. Members whose shareholding(s) are in electronic mode are requested to direct changes relating to address, bank mandate and Electronic Clearing Service (ECS) details to their respective Depository participants.
8. Members are requested to quote their Registered Folio Number or Demat Account Number & Depository Participant (D.P) ID number on all correspondence with the Company.
9. Members who are holding shares in more than one folio are requested to intimate to the Company the detail of all folio numbers for consolidation into a single folio.
10. Members/Proxy holders are requested to bring their copies of the Annual Report with them to the Annual General Meeting, as extra copies will not be provided.
11. MEMBERS MAY NOTE THAT NO SNACK BOXES/GIFTS/GIFTS COUPONS SHALL BE DISTRIBUTED AT THE VENUE OF THE MEETING.
12. Members are requested to send to the Company their queries, if any, on accounts and operations of the Company at least ten days before the meeting so that the same could be suitably answered at the meeting.



Annexure A

PROFILE OF THE DIRECTORS SEEKING RE-APPOINTMENT

Mr. Arun Shekhar Aran

Mr. Arun Shekhar Aran is a successful first generation entrepreneur with 29 years of experience in IT industry. Having completed B. Tech from IIT, Delhi and MBA from IIM, Ahmadabad 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.

Directorships held in other Companies	1. Nucsoft Limited. 2. Nucsoft Oss Labs Private Limited
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Membership/ Chairmanships of Committees of other Companies (includes only Audit Committee and Shareholders/ Investor Grievance Committee)	NIL
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Shareholding in the Company

Mr. Arun Shekhar Aran - 1,75,092 Equity Shares
Mrs. Vinita Aran (Wife) - 1,66,456 Equity Shares

Mr. Sanjiv Sarin

Mr. Sanjiv Sarin is a postgraduate from IIT Delhi and has PGDBM from XLRI, Jamshedpur. He has 30 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 been associated with. He has extensive advisory experience on issues of strategy, driving performance improvement, change management, organization building and human capital development. He plays the role of a friend, advisor and mentor to start ups. He also works as a freelance editor.

Directorships held in other Companies	1. Medison Medical System India Pvt. Ltd. 2. VirStra i-Technology Services Ltd. 3. Nucleus Software Ltd.
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Membership/ Chairmanships of Committees of other Companies (includes only Audit Committee and Shareholders/ Investor Grievance Committee)	Member of the Audit Committee of Nucleus Software Limited
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Shareholding in the Company

Mr. Sanjiv Sarin - 17,300 Equity Shares
Mrs. Poonam Sarin (Wife) - 54,000 Equity Shares

Disclosure in terms of clause 49 (IV) (G) (ia) of the Listing Agreement There are no inter-se relationship between the Board Members.



Nucleus Software Exports Limited

Registered Office : 33-35, Thyagraj Nagar Market, New Delhi-110 003

PLEASE FILL THE ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING VENUE.

Joint shareholders may obtain additional Attendance Slip on request.

DP. ID
Client ID

ATTENDANCE SLIP

Regd. Folio No.

NAME AND ADDRESS OF THE SHAREHOLDER

No. of Share(s) held:

I hereby record my presence at the **TWENTY THIRD ANNUAL GENERAL MEETING** of the Company held on Wednesday, July 11, 2012 at 11:30 a.m. at Sri Sathya Sai International Centre, Pragati Vihar, Lodi Road, New Delhi- 110 003.

Signature of the Shareholder or Proxy

.....TEAR HERE.....



Nucleus Software Exports Limited

Registered Office : 33-35, Thyagraj Nagar Market, New Delhi-110 003

DP. ID
Client ID

PROXY FORM

Regd. Folio No.

I/ We.....
ofbeing a member / members of Nucleus Software Exports Ltd.
hereby appoint.....of
.....or failing him
.....of.....

as my / our proxy to vote for me / us on my / our behalf at the **TWENTY THIRD ANNUAL GENERAL MEETING** of the Company to be held on Wednesday, July 11, 2012 at 11:30 a.m. and at any adjournment thereof.

Signed.....day of2012

Affix a ₹ 1/- Revenue Stamp
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Note: The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.

FinnOneTM

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Loan Management System
Collections

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BankOneTM

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**NUCLEUS
SOFTWARE**

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New Delhi • New Jersey • Noida • Seoul • Singapore • Tokyo