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**Nucleus Software Exports Limited.**

Rs. In Crore, except per share data

**FINANCIAL HIGHLIGHTS**

Particulars	Consolidated Performance				
	For the Quarter ended		Nine Month Ended		For the Year Ended
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008	March 31, 2009
Revenue from Operations	68.47	84.24	219.76	242.59	328.40
Operating Profit (EBITDA)	12.24	15.21	40.22	37.80	49.60
Profit after Tax (PAT)	9.20	10.55	29.21	22.66	32.26
EBITDA as a % of Revenue from Operations	17.88%	18.06%	18.30%	15.58%	15.10%
PAT as a % of Revenue from Operations	13.44%	12.52%	13.29%	9.34%	9.82%
EPS*	2.84	3.26	9.02	7.00	9.97
Dividend Per Share	-	-	-	-	2.50
Dividend Payout	-	-	-	-	8.09
At the end of the Period	As at				
			December 31, 2009	December 31, 2008	March 31, 2009
Share Capital			32.37	32.37	32.37
Reserves and Surplus			238.93	204.99	207.93
Net Worth			271.30	237.36	240.30
Total Assets			271.86	238.02	241.16
Net Fixed Assets			56.47	65.30	64.21
Investments			68.15	0.25	16.29
Current Assets			207.18	249.15	238.44
Cash and Cash Equivalents			146.47	104.22	122.18
Working Capital			144.47	171.51	158.89
Market Capitalisation			514.04	152.30	164.60
No. of Shareholders			17,455	13,327	13,266
No. of Shares (Face Value of Rs.10.00)			32,370,024	32,370,024	32,370,024

Notes:

Market Capitalisation is calculated by considering the closing market price of the scrip at the close of the year/quarter.

**FINANCIAL HIGHLIGHTS**

All figures in USD'000 except per share data

	Consolidated Performance				
	For the Quarter ended		Nine Month Ended		Year Ended
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008	March 31, 2009
<b>For the Period</b>					
Revenue from Operations	14,348	17,018	46,052	49,008	72,287
Operating Profit (EBITDA)	2,565	3,073	8,428	7,636	10,920
Profit after Tax (PAT)	1,928	2,131	6,121	4,578	7,101
EBITDA as a % of Revenue from Operations	17.88%	18.06%	18.30%	15.58%	15.11%
PAT as a % of Revenue from Operations	13.44%	12.52%	13.29%	9.34%	9.82%
EPS*	0.06	0.07	0.19	0.14	0.22
Dividend Per Share	-	-			0.06
Dividend Payout	-	-			1,781
Particulars	As at				
			December 31, 2009	December 31, 2008	March 31, 2009
Share Capital			6,905	6,644	6,380
Reserves and Surplus			50,966	42,075	40,980
Net Worth			57,871	48,719	47,359
Total Assets			57,991	48,855	47,529
Net Fixed Assets			12,046	13,403	12,655
Investments			14,537	51	3,210
Current Assets			44,194	51,139	46,993
Cash and Cash Equivalents			31,244	21,392	24,080
Working Capital			30,817	35,203	31,315
Market Capitalisation			109,649	31,260	32,440

**Note:**

- 1.) Market Capitalisation is calculated by considering the closing market price of the scrip at the close of the year/quarter.
- 2.) While Calculating the figures of group, intergroup transactions have been ignored.
- 3.) For the Quarter ended December 31 2009, the revenue and expenditure items have been translated at an average rate of Rs. 47.72/US\$ and balancesheet items at a quarter ended rate of Rs. 46.88/US\$, against an average revenue and expenditure conversion rate of Rs. 49.50/ \$ and balance sheet rate of Rs. 48.72\$ for December 31st 2008.

## Letter to the Shareholders

Dear Shareholder,

We present below the performance of your Company for Q3 and Nine Month Period Ended December 31, 2009. Nucleus Software is heading towards becoming one of the icons of the capabilities of our country in the field of intellectual property creation. Our products are becoming a benchmark across the globe with analyst firms like Gartner and Forrester recognizing Nucleus Software among the leading vendors in lending space.

In terms of financial performance, consolidated revenue for the quarter was Rs. 68.47 crore against Rs. 84.24 crore in the corresponding quarter previous year. Our total operating expenses reduced by 18.54 % to Rs. 56.23 crore, against Rs. 69.03 crore in the corresponding quarter previous year, and we are moving towards achieving a 10% reduction in overall expense for the year. EBITDA is at Rs.12.24 crore (17.88% of revenue) against Rs. 15.21 crore (18.06% of revenue) in the corresponding quarter previous year. Net profit after tax (PAT) is at Rs. 9.20 crore, against Rs.10.55 crore in the corresponding quarter previous year. Earning per share for the quarter was Rs. 2.84 against Rs. 3.26 in the corresponding quarter previous year.

For the nine month period, consolidated revenue was Rs. 219.76 crore against Rs. 242.59 crore in the corresponding nine month period of the previous year. Our total operating expense reduced by 12.33 % to Rs. 179.54 crore in comparison to Rs. 204.79 crore in the corresponding period previous year. Consequently, with the reduction in expenses, despite the fall in revenue, EBITDA increased by 6.41 % to Rs. 40.22 crore (18.30% of revenue) against Rs. 37.80 crore (15.58 % of revenue) in the corresponding period previous year. With decrease in depreciation, withholding taxes and foreign exchange loss, net profit after tax (PAT) is at Rs. 29.21 crore, 28.94 % higher than Rs. 22.66 crore recorded in the corresponding period previous year. The increase in bottom line despite a dip in the top line is an indicator of increased productivity through elimination of risk and better use of technology or

internal system. Earning per share for the nine month period was Rs. 9.02 against Rs. 7.00.

The Product business revenue was Rs. 39.68 crore against Rs. 55.70 crore in the corresponding quarter previous year. This includes Rs. 35.96 crore of product revenue from own business against Rs. 52.64 crore in the corresponding quarter previous year. The Company continues to focus and invest on development of niche Banking Products. For the nine month period, Product business revenue was Rs. 126.07 crore against Rs. 165.06 crore in the corresponding period previous year. This includes Rs. 115.25 crore of product revenue from own business against Rs. 149.75 crore in the corresponding period previous year.

Operating cash flow after working capital changes was Rs. 12.68 crore. Receivables were at Rs. 61.97 crore against Rs. 75.58 as on September 30, 2009. The Company continues to enjoy a high level of liquidity. 'Cash and Bank balances' and 'Current Investments' were at Rs. 146.47 crore against Rs. 129.55 crore as on September 30, 2009.

We had a hedging position of US \$ 9.73 million, in December 31, 2009 at an average rate of Rs. 47.03 and we are covering close to our India receivables. This includes an old US \$ 1.00 million option which is marked to market at a rate of Rs. 46.88 and US \$ 8.73 million of forwards, and there is a mark-to-market gain of about Rs. 60.75 lakhs is in the hedging reserve.

This quarter we added 5 new customers and bagged 8 product orders for implementing 29 product modules, from the leading financial institutions in India, Middle East and South East Asia. This region has immense potential in terms of growth in the banking sector and institutions, both large and small, and is increasingly realizing the importance of technology in enhancing businesses. During the quarter, we successfully implemented 20 product modules across the globe. In terms of the nine month period, we won 22 product orders for 78 product modules. We added 14 new customers and successfully implemented 63 product modules across the globe. We also implemented our first end-to-end Islamic product in a leading Middle East Islamic bank.

We have added 3 new channel partners during the quarter. We have increased our sales presence in Europe and Latin America, and we are confident of generating some business from these markets. We continue to be optimistic about our business model, and continue to invest in products. We also participated in many banking events this quarter, World Islamic Retail Banking Forum in Dubai, Metrodata Solutions Day in Indonesia, and SME Banking Excellence in Mumbai.

We continue to enrich our existing products with newer versions in terms of functionality and have been working on enhancing our products. Our new upcoming version of FinnOne, the FinnOne Pro, built on the latest J2EE technology with SOA principles, will provide customers robustness, and longevity. It will also support multi-country, multi-branch, multi-currency, multi-product, and multi-lingual implementation and is now in the final stages of testing. We are also working towards CMMI level III certification and achieving 100% compliance with relation to all our processes.

The quarter gone by, has been very challenging from the HR perspective, and we planned to manage most of our requirements with internal resource movements and improving productivity of the existing teams. Selective hiring continued for skills not available internally. Manpower numbers at the end of the quarter were 1668. Project management and planning tool developed internally were further enhanced. Regular communication with Nucleites, open houses and understanding and resolving their concerns was a major activity over the last quarter. A special interim appraisal for employees was also carried out in December 2009.

I take great pride in sharing with you that Nucleus Software has been ranked among the Top 25 companies adopting “Good Corporate Governance Practices” by Institute of Company Secretaries of India for the fourth consecutive year in 2009. South Asian Federation of Accountants (SAFA) has adjudged Nucleus’ Annual Report as the recipient of the second runner’s up position for the Best Presented Accounts Award for the year 2008 under the Communication and Information Technology Sector Category.

We are very optimistic about the long-term opportunity for Nucleus Software and will continue to deliver value to our customers and boost our market share in Latin

America, Europe, Middle East, South East Asia and India. This cannot be possible without the dedicated hard-work of Nucleites, guidance of our Board Members and well-wishers, support of our customers, business associates and shareholders. I also take this opportunity to thank all of you and request you to stay with us through out this challenging journey of Nucleus Software.

**Vishnu R Dusad**

**Chief Executive Officer & Managing Director**

**Date: January 17, 2010**

**Auditor's Report On Quarterly Financial Results and Year to Date Results of the Nucleus Software Exports Ltd. pursuant to the Clause 41 of the Listing Agreement**

To  
Board of Directors of Nucleus Software Exports Ltd.

We have audited the quarterly financial results of Nucleus Software Exports Ltd. ("the company") for the quarter ended 31 December 2009 and the year to date results for the period 1 April 2009 to 31 December 2009, attached herewith, being submitted by the Company pursuant to the requirement of clause 41 of the Listing Agreement. These quarterly financial results as well as the year to date financial results have been prepared on the basis of the interim financial statements, which are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial results based on our audit of such interim financial statements, which have been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard (AS) 25, Interim Financial Reporting, prescribed by Companies (Accounting Standard) Rules 2006 and other accounting principles generally accepted in India.

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 results are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

In our opinion and to the best of our information and according to the explanations given to us these quarterly financial results as well as the year to date results:

- (i) are presented in accordance with the requirements of clause 41 of the Listing Agreement in this regard; and
- (ii) give a true and fair view of the net profit and other financial information for the quarter ended 31 December 2009 as well as the year to date results for the period from 1 April 2009 to 31 December 2009.

Further, we also report that we have, on the basis of the books of account and other records and information and explanations given to us by the management, also verified the number of shares as well as percentage of shareholdings in respect of aggregate amount of public shareholdings, as furnished by the company in terms of clause 35 of the Listing Agreement and found the same to be correct.

*for B S R & Co.  
Chartered Accountants*

Place: Gurgaon  
Date: 17 January 2010

**Jiten Chopra**  
*Partner*  
Membership No.: 092894

Nucleus Software Exports Ltd.

Balance Sheet as at 31 December 2009

	Schedule	As at 31 December 2009 (Rupees)	As at 31 March 2009 (Rupees)
<b>Sources of funds</b>			
<b>Shareholders' funds</b>			
Share capital	1	323,715,240	323,715,240
Advance pursuant to stock option schemes		3,911,740	5,999,100
Reserves and surplus	2	2,042,410,518	1,727,290,025
		<u>2,370,037,498</u>	<u>2,057,004,365</u>
		<b><u>2,370,037,498</u></b>	<b><u>2,057,004,365</u></b>
<b>Application of funds</b>			
<b>Fixed assets</b>			
Gross block	3	885,910,479	885,944,866
Less: Accumulated depreciation		(461,598,954)	(393,789,994)
Net block		<u>424,311,525</u>	<u>492,154,872</u>
Add: Capital work in progress (including capital advances)		-	919,233
		<u>424,311,525</u>	<u>493,074,105</u>
<b>Investments</b>	4	764,201,937	296,293,234
<b>Deferred tax asset</b> (refer note 3, schedule 16)		24,619,282	14,721,892
<b>Current assets, loans and advances</b>			
Sundry debtors	5	451,366,820	512,700,324
Cash and bank balances	6	582,351,071	824,813,049
Loans and advances	7	197,597,252	169,103,521
Other current assets	8	378,742,307	302,072,562
		<u>1,610,057,450</u>	<u>1,808,689,456</u>
<b>Less: Current liabilities and provisions</b>			
Current liabilities	9	(346,315,975)	(370,679,290)
Provisions	10	(106,836,721)	(185,095,032)
		<u>(453,152,696)</u>	<u>(555,774,322)</u>
<b>Net current assets</b>		1,156,904,754	1,252,915,134
		<b><u>2,370,037,498</u></b>	<b><u>2,057,004,365</u></b>

Significant accounting policies and notes to the ac 16

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

As per our report of even date attached

For **B S R & Co.**  
Chartered Accountants

For and on behalf of the Board of Directors

**Jiten Chopra**  
Partner  
Membership No.: 092894

**Janki Ballabh**  
Chairman

**Vishnu R Dusad**  
Managing Director

**P K Sanghi**  
Chief Financial Officer

**Poonam Bhasin**  
Company Secretary

Place: Gurgaon  
Date: 17 January 2010

Place: Noida  
Date: 17 January 2010

Nucleus Software Exports Ltd.

Profit and Loss Account for the quarter and nine months ended 31 December 2009

Schedule	For the quarter ended		For the nine months ended		ended	
	2009 (Rupees)	31 December 2008 (Rupees)	2009 (Rupees)	2008 (Rupees)	31 March 2009 (Rupees)	
Sales and services	11	447,671,895	518,167,443	1,466,053,767	1,542,186,277	2,094,346,387
Software development expenses	12	301,429,652	310,113,213	939,404,978	954,562,434	1,307,267,825
<b>Gross profit</b>		<b>146,242,243</b>	<b>208,054,230</b>	<b>526,648,789</b>	<b>587,623,843</b>	<b>787,078,562</b>
Selling and marketing expenses	13	30,123,309	42,544,872	110,334,182	140,205,761	187,345,955
General and administration expenses	14	47,917,129	59,099,233	112,262,359	160,599,807	217,724,001
<b>Operating profit before depreciation and withholding tax</b>		<b>68,201,805</b>	<b>106,410,125</b>	<b>304,052,248</b>	<b>286,818,275</b>	<b>382,008,606</b>
Depreciation	3	22,964,034	26,447,587	75,514,435	74,279,376	101,177,086
Withholding taxes charged off		-	24,738,429	870,334	61,741,398	72,624,682
<b>Operating profit after depreciation and withholding tax</b>		<b>45,237,771</b>	<b>55,224,109</b>	<b>227,667,479</b>	<b>150,797,501</b>	<b>208,206,838</b>
Other income	15	19,099,308	29,103,668	136,343,026	143,523,341	165,629,052
Loss on foreign exchange fluctuation (net)		(11,281,687)	(12,832,564)	(36,104,352)	(106,270,867)	(88,096,691)
<b>Profit before taxation</b>		<b>53,055,392</b>	<b>71,495,213</b>	<b>327,906,153</b>	<b>188,049,975</b>	<b>285,739,199</b>
Provision for tax - current income tax		11,000,000	6,800,000	45,200,000	19,600,000	33,500,000
- MAT credit (entitlement) / reversal (refer note 9, schedule16)		3,200,000	700,000	4,600,000	(7,200,000)	(5,200,000)
- fringe benefit tax		-	1,800,000	332,155	5,470,686	7,020,686
- deferred tax (credit) / charge (refer note 3, schedule16)		(5,257,589)	3,215,026	(9,897,390)	(8,481,965)	(13,101,386)
- income tax for earlier years		-	843,173	-	1,943,173	1,943,173
Provision for wealth tax		-	-	61,714	88,047	88,047
<b>Profit after taxation</b>		<b>44,112,981</b>	<b>58,137,014</b>	<b>287,609,674</b>	<b>176,630,034</b>	<b>261,488,679</b>
<b>Profit amount available for appropriation</b>						
Profit for the period / year		44,112,981	58,137,014	287,609,674	176,630,034	261,488,679
Add: Balance brought forward		1,338,844,443	1,061,282,959	1,083,451,476	935,567,064	935,567,064
<b>Total amount available for appropriation</b>		<b>1,382,957,424</b>	<b>1,119,419,973</b>	<b>1,371,061,150</b>	<b>1,112,197,098</b>	<b>1,197,055,743</b>
Proposed dividend		-	-	-	-	80,925,060
Corporate dividend tax		-	-	(11,896,274)	(7,222,875)	6,530,339
Transferred to general reserve		-	-	-	-	26,148,868
<b>Balance carried forward to the Balance Sheet</b>		<b>1,382,957,424</b>	<b>1,119,419,973</b>	<b>1,382,957,424</b>	<b>1,119,419,973</b>	<b>1,083,451,476</b>
<b>Earnings per equity share (par value Rs. 10 each)</b> (refer note 16, schedule 16)						
Basic		1.36	1.80	8.89	5.46	8.08
Diluted		1.35	1.80	8.88	5.45	8.07
<b>Number of shares used in computing earnings per equity share</b>						
Basic		32,370,024	32,370,024	32,370,024	32,369,419	32,369,568
Diluted		32,376,406	32,370,024	32,373,563	32,399,923	32,377,620

**Significant accounting policies and notes to the accounts** 16

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

**As per our report of even date attached**

For B S R & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

**Jiten Chopra**  
Partner  
Membership No.: 092894

**Janki Ballabh**  
Chairman

**Vishnu R Dusad**  
Managing Director

**P K Sanghi**  
Chief Financial Officer

**Poonam Bhasin**  
Company Secretary

Place: Gurgaon  
Date: 17 January 2010

Place: Noida  
Date: 17 January 2010

Nucleus Software Exports Ltd.  
Cash Flow Statement for the nine months ended 31 December 2009

	For the nine months ended 31 December 2009 (Rupees)	For the year ended 31 March 2009 (Rupees)
<b>A. Cash flow from operating activities</b>		
Net profit before tax	327,906,153	285,739,199
<i>Adjustment for:</i>		
Depreciation	75,514,435	101,177,086
Exchange difference on translation of foreign currency accounts	13,230,500	9,665,202
Dividend received from non-trade investments	(8,751,595)	(13,916,401)
Dividend received from subsidiary	(70,000,000)	(42,500,000)
Interest on fixed deposits	(43,698,890)	(34,769,928)
Profit on sale of investments	(9,264)	(66,988,868)
Amortisation of employees stock compensation expenses	(1,892,326)	3,220,673
Profit on sale of fixed assets (net)	(82,704)	-
Advances and other current assets written off	245,787	4,846,684
Provision for doubtful debts / advances / other current assets	4,807,856	30,679,934
Provisions written back	(10,560,123)	(5,511,808)
Provision for diminution in the value of investments	16,293,150	5,515,363
Operating profit before working capital changes	303,002,979	277,157,136
(Increase) / decrease in sundry debtors	51,640,766	(69,417,582)
(Increase) / decrease in loans and advances	(21,418,829)	12,824,301
(Increase) / decrease in other current assets	(90,014,432)	60,902,154
(Decrease) / increase in current liabilities and provisions	17,617,872	(8,418,249)
	260,828,356	273,047,760
Income tax paid (net)	(39,878,499)	(51,127,761)
Wealth tax paid	(61,714)	(88,047)
Fringe benefit tax paid	(472,156)	(6,880,686)
<b>Net cash from operating activities (A)</b>	<b>220,415,987</b>	<b>214,951,266</b>
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets/capital work in progress	(10,195,620)	(81,187,982)
Sale of fixed assets	739,053	-
Purchase of current investments	(1,439,377,464)	(1,685,829,309)
Proceeds from sale of current investments	962,007,875	2,353,813,139
Proceeds from sale of non trade investments	-	158,732,400
Investments in shares of subsidiaries	(6,823,000)	(106,391,000)
Loans and advances to subsidiaries (net)	(2,478,928)	(30,367,749)
Interest on fixed deposits	51,588,930	9,150,848
Income tax paid	(14,856,402)	(15,415,620)
Dividend received from non-trade investments	8,751,595	13,916,401
Dividend received from subsidiary	70,000,000	42,500,000
<b>Net cash from / (used in) investing activities (B)</b>	<b>(380,643,961)</b>	<b>658,921,128</b>
<b>C. Cash flow from financing activities</b>		
Dividend paid (including corporate dividend tax)	(82,782,000)	(106,380,524)
Advance pursuant to employee stock option scheme / proceeds from employee stock option exercised	400,000	360,000
<b>Net cash (used) in financing activities (C)</b>	<b>(82,382,000)</b>	<b>(106,020,524)</b>
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>(242,609,974)</b>	<b>767,851,870</b>
Opening cash and cash equivalents	824,813,049	57,191,639
Exchange difference on translation of foreign currency bank accounts	147,996	(230,460)
Closing cash and cash equivalents*	582,351,071	824,813,049

\*Include fixed deposits amounting to Rs. 5,806,429 (Rs.5,365,165) under lien with bank on account of guarantees issued on behalf of the Company and other fixed deposits amounting to Rs. 447,985,000 (Rs. 713,577,049)

**Note:**

1. The above cash flow statement has been prepared in accordance with the 'Indirect method' as set out in the Accounting Standard 3 on "Cash Flow Statements" prescribed under Companies (Accounting Standard) Rules, 2006.

2. Cash and cash equivalents consist of cash in hand, cheques in hand, remittance in transit, balances in current accounts and fixed deposits with scheduled banks / non scheduled banks.

**As per our report of even date attached**

For **B S R & Co.**  
Chartered Accountants

**Jiten Chopra**  
Partner  
Membership No.: 092894

Place: Gurgaon  
Date: 17 January 2010

For and on behalf of the Board of Directors

**Janki Ballabh**  
Chairman

**P K Sanghi**  
Chief Financial Officer

Place: Noida  
Date: 17 January 2010

**Vishnu R Dusad**  
Managing Director

**Poonam Bhasin**  
Company Secretary

Nucleus Software Exports Ltd.

Schedules forming part of the financial statements

	As at 31 December 2009 (Rupees)	As at 31 March 2009 (Rupees)
<b>SCHEDULE 1:</b>		
<b>Share capital</b>		
<b>Authorised capital</b>		
40,000,000 (40,000,000) equity shares of Rs.10 each	<u>400,000,000</u>	<u>400,000,000</u>
<b>Issued, subscribed and paid up</b>		
<b>Issued</b>		
32,372,824 (32,372,824) equity shares of Rs.10 each	<u>323,728,240</u>	<u>323,728,240</u>
<b>Subscribed and paid up</b>		
32,370,024 (32,370,024) equity shares of Rs.10 each, fully paid up	323,700,240	323,700,240
Of the above:		
16,185,012 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of securities premium account during the year ended 31 March 2008		
8,045,406 equity shares of Rs. 10 each have been issued as bonus shares by capitalisation of securities premium account during the year ended 31 March 2005		
2,637,050 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of general reserve and securities premium account during the year ended 31 March 2002		
1,452,270 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of general reserve during the year ended 31 March 1995		
Add: 2,800 (2,800) forfeited equity shares pending for reissue	15,000	15,000
	<u>323,715,240</u>	<u>323,715,240</u>
<b>SCHEDULE 2:</b>		
<b>Reserves and surplus</b>		
<b>General reserve</b>		
Balance as at 1 April	618,391,859	592,242,991
Add: Transferred from Profit and Loss Account	-	26,148,868
	<u>618,391,859</u>	<u>618,391,859</u>
<b>Securities premium account</b>		
Balance as at 1 April	20,953,189	20,484,589
Add: Securities premium received	-	360,000
Add : On conversion of stock options issued to employees	-	123,600
Less: Amount utilised for issuance of bonus shares	-	15,000
	<u>20,953,189</u>	<u>20,953,189</u>
<b>Capital reserve account</b>		
Balance as at 1 April	2,540,030	1,800,030
Add: Amount forfeited against employees stock option plan	2,487,360	740,000
	<u>5,027,390</u>	<u>2,540,030</u>
<b>Employee stock options</b>		
Balance as at 1 April	14,340,608	15,248,208
Add: Options granted during the period / year	-	-
Less: Reversal on forfeiture of stock options granted	3,868,380	784,000
Less: Transferred to securities premium account on exercise of stock options	-	123,600
	<u>10,472,228</u>	<u>14,340,608</u>
Less: Deferred employee compensation	-	(1,976,054)
	<u>10,472,228</u>	<u>12,364,554</u>
<b>Hedging reserve (refer note 4, schedule16)</b>		
Balance as at 1 April	(10,411,083)	-
Add: Movement during the period / year	15,019,511	(10,411,083)
	<u>4,608,428</u>	<u>(10,411,083)</u>
<b>Profit and Loss Account</b>		
Balance as at 1 April	1,083,451,476	935,567,064
Add: Profit for the period / year	287,609,674	261,488,679
Less: Transferred to general reserve	-	26,148,868
Less: Proposed dividend	-	80,925,060
Less: Corporate dividend tax	(11,896,274)	6,530,339
	<u>1,382,957,424</u>	<u>1,083,451,476</u>
	<u>2,042,410,518</u>	<u>1,727,290,025</u>

Nucleus Software Exports Ltd.  
Schedules forming part of the financial statements

**SCHEDULE 3:**  
**Fixed assets**  
(Rupees)

	Gross block		Accumulated depreciation		Net block		
	As at 1 April 2009	Additions Deductions / adjustments	As at 2009	As at 1 April 2009	Depreciation for the period Deductions / adjustments	As at 2009	As at 31 March 2009
<b>Tangible assets</b>							
Freehold land	3,360,720	-	3,360,720	-	-	3,360,720	3,360,720
Leasehold land	66,395,000	-	66,395,000	5,128,737	563,667	60,702,596	61,266,263
Leasehold improvements	12,539,955	-	12,539,955	4,929,850	3,374,744	4,235,361	7,610,105
Buildings (including office equipment)	243,025,991	-	243,025,991	27,538,556	6,012,585	209,474,850	215,487,435
Computers	139,303,347	1,307,156	140,610,503	74,161,298	17,041,089	49,408,116	65,142,049
Vehicles	225,128,953	1,333,907	220,441,052	142,258,794	28,049,979	56,129,489	82,870,159
Furniture and fixtures	17,278,364	-	15,222,212	9,606,943	2,217,072	4,822,598	7,671,421
	46,902,885	67,500	46,686,521	32,588,900	4,558,023	9,823,462	14,313,985
<b>Intangible assets</b>							
Softwares	132,009,651	5,618,874	137,628,525	97,576,916	13,697,276	26,354,333	34,432,735
<b>Total</b>	<b>885,944,866</b>	<b>8,327,437</b>	<b>885,910,479</b>	<b>393,789,994</b>	<b>75,514,435</b>	<b>461,598,954</b>	<b>492,154,872</b>
Previous year	788,863,849	97,081,017	885,944,866	292,612,908	101,177,086	393,789,994	492,154,872

**Nucleus Software Exports Ltd.**

**Schedules forming part of the financial statements**

	As at 31 December 2009 (Rupees)	As at 31 March 2009 (Rupees)
<b>SCHEDULE 4:</b>		
<b>Investments</b>		
<b>Long term investments</b>		
<b>Equity shares - Trade and unquoted</b>		
25,000 (25,000) equity shares of Rs. 100 each, fully paid up, in Nucleus Financial Services Private Limited	2,500,000	2,500,000
	<b>2,500,000</b>	<b>2,500,000</b>
<b>Equity shares in wholly owned subsidiaries - Unquoted</b>		
625,000 (625,000) equity shares of Singapore Dollar 1 each, fully paid up, in Nucleus Software Solutions Pte. Ltd., Singapore, a wholly owned subsidiary	16,319,950	16,319,950
1,000,000 (1,000,000) equity shares of US Dollar 0.35 each, fully paid up, in Nucleus Software Inc., USA, a wholly owned subsidiary	16,293,150	16,293,150
Less: Provision for diminution in value of investment in Nucleus Software Inc., USA	(16,293,150)	-
200 (200) equity shares of Japanese Yen 50,000 each, fully paid up, in Nucleus Software Japan Kabushiki Kaiga, Japan, a wholly owned subsidiary	4,092,262	4,092,262
316,000 (316,000) equity shares of Australian Dollar 1 each, fully paid up, in Nucleus Software (Australia) Pty. Ltd., Australia, a wholly owned subsidiary	9,790,955	9,790,955
Less: Provision for diminution in value of investment in Nucleus Software (Australia) Pty. Ltd., Australia	(9,790,955)	(9,790,955)
100,000 (100,000) equity shares of Hongkong Dollar 1 each, fully paid up, in Nucleus Software (HK) Ltd., Hong Kong, a wholly owned subsidiary	619,885	619,885
Less: Provision for diminution in value of investment in Nucleus Software (HK) Ltd., Hong Kong	(619,885)	(619,885)
1,000,000 (1,000,000) equity shares of Rs. 10 each, fully paid up, in VirStra /- Technology Services Limited, India, a wholly owned subsidiary [Of the above, 6 (6) equity shares are held by nominees on behalf of the Company]	10,000,000	10,000,000
3,000 (2,000) equity shares of Euro 100 each, fully paid up, in Nucleus Software Netherlands B.V., Netherlands, a wholly owned subsidiary	18,579,000	11,756,000
10,000,000 (10,000,000) equity shares of Rs. 10 each, fully paid up, in Nucleus Software Limited, India a wholly owned subsidiary [Of the above, 6 (6) equity shares are held by nominees on behalf of the Company]	100,000,000	100,000,000
	<b>148,991,212</b>	<b>158,461,362</b>
<b>Current investments</b>		
<b>Investments in bonds and mutual funds - Non trade and unquoted</b>		
865,125 (Nil) units of face value of Rs. 100 each of ICICI Prudential Flexible Income Plan - F	91,473,720	-
Nil (5,255,930) units of face value of Rs. 10 each of ICICI Prudential Institutional Liquid Plan	-	52,561,930
6,145,960 (Nil) units of face value of Rs. 10 each of Birla Sun Life Savings Fund-Inst-(D)	61,501,390	-
3,462,031 (Nil) units of face value of Rs. 10 each of Fortis Money Plus Plan-Inst-(D)	34,631,047	-
Nil (2,828,469) units of face value of Rs. 10 each of HDFC Cash Management Fund-Savings	-	30,084,727
Nil (1,231,736) units of face value of Rs. 10 each of HDFC Liquid Fund Premium Plan-(D)	-	15,100,840
4,264,158 (Nil) units of face value of Rs. 10 each of HDFC Cash Management Fund-Treasury	42,775,901	-
5,937,259 (Nil) units of face value of Rs. 10 each of JP Morgan India Treasury Fund-Super I	59,425,431	-
Nil (1,966,813) units of face value of Rs. 10 each of Reliance Liquid Fund -Treasury Plan Ins	-	30,067,057
2,102,935 (Nil) units of face value of Rs. 10 each of Reliance Medium Term Fund - (D)	35,950,730	-
20,047 (Nil) units of face value of Rs. 1000 each of Reliance Money Manager Fund-Inst-(D)	20,069,834	-
9,307,075 (Nil) units of face value of Rs. 10 each of LICMF Savings Plus Fund-(D)	93,070,745	-
489,557 (684,631) units of face value of Rs. 10 each of LICMF Liquid Fund-(D)	5,375,387	7,517,318
9,061,287 (Nil) units of face value of Rs. 10 each of Kotak Flexi Debt Scheme - Inst. (D)	91,043,280	-
2,002,765 (Nil) units of face value of Rs. 10 each of JM Money Manager Fund Super Plus Pla	20,038,262	-
57,343 (Nil) units of face value of Rs 1000 each of UTI Treasury Advanatage Fund-Inst-(D)	57,354,998	-
	<b>612,710,725</b>	<b>135,331,872</b>
	<b>764,201,937</b>	<b>296,293,234</b>

**Notes:**

1. Net asset value (NAV) of current investments is Rs. 612,710,725 (Rs. 135,331,872 ) as at 31 December 2009.
2. Refer note 8, schedule 16 for details of investments purchased and sold during the nine months ended 31 December 2009.

**Nucleus Software Exports Ltd.**

**Schedules forming part of the financial statements**

	As at 31 December 2009 (Rupees)	As at 31 March 2009 (Rupees)
<b>SCHEDULE 5:</b>		
<b>Sundry debtors (Unsecured)</b>		
Debts outstanding for a period exceeding six months		
- Considered good	100,529,553	86,754,261
- Considered doubtful	13,556,898	14,314,413
	114,086,451	101,068,674
Less: Provision for doubtful debts	(13,556,898)	(14,314,413)
	100,529,553	86,754,261
Other debts (considered good)*	350,837,267	425,946,063
	<b>451,366,820</b>	<b>512,700,324</b>

\* includes debt amounting to Rs. 8,528,795 (Rs. 10,615,001) from Nucleus Software Inc., USA, Rs. 70,119,174 (Rs. 7,696,718) from Nucleus Software Japan Kabushiki Kaiga, Rs. 22,312,974 (Rs. 16,029,068) from Nucleus Software Solutions Pte. Ltd., Singapore,

	As at 31 December 2009 (Rupees)	As at 31 March 2009 (Rupees)
<b>SCHEDULE 6:</b>		
<b>Cash and bank balances</b> (refer note 7, schedule16)		
Cash in hand	102,020	487,952
Cheques in hand	4,186,409	1,366,929
Balances with scheduled banks:		
- in current accounts	82,585,031	74,676,490
- in fixed deposit accounts*	453,791,429	718,942,214
Balance with non scheduled banks:		
- in current account (Citibank, United Kingdom)	156,440	1,019,739
[Maximum amount outstanding during the year Rs. 2,148,871 (Rs. 2,307,184)]		
- in current account (Citibank, U.A.E)	1,269,761	476,810
[Maximum amount outstanding during the year Rs. 3,585,632 (Rs. 3,212,886)]		
Remittance in transit	40,259,981	27,842,915
	<b>582,351,071</b>	<b>824,813,049</b>

\*include fixed deposits amounting to Rs. 5,806,429 (Rs.5,365,165) under lien with bank on account of guarantees issued on behalf of the Company

**SCHEDULE 7:**

**Loans and advances**

(Unsecured, considered good)

Advances recoverable in cash or in kind or for value to be received	18,619,015	11,440,354
Loans and advances to subsidiaries*	27,114,849	25,114,849
Security deposits	11,543,746	9,891,046
Mark to Market on Options/Forward contracts	279,252	-
Advance income tax [net of provision Rs. 106,806,885 (Rs. 61,606,885)]	51,101,687	41,566,786
Advance fringe benefit tax [net of provision Rs. 24,915,859 (Rs. 24,583,704)]	2,732,275	2,592,274
MAT credit entitlement (refer note 9, schedule16)	52,700,000	57,300,000
Prepaid expenses	33,506,428	21,198,212
	<b>197,597,252</b>	<b>169,103,521</b>

\* includes loan amounting to Rs. 27,114,849 (Rs. 25,114,849) to Nucleus Software Limited, [maximum amount outstanding during the year Rs. 27,114,849 (Rs. 25,114,849)], being companies under the same management within the meaning of section 370 (1-B) of t

**SCHEDULE 8:**

**Other current assets**

Service income accrued but not due [net of provision of Rs. 13,676,819 (Rs. 12,010,692)]*	359,929,711	275,369,926
Interest accrued but not due	18,812,596	26,702,636
	<b>378,742,307</b>	<b>302,072,562</b>

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

**SCHEDULE 9:**

**Current liabilities**

Sundry creditors *#	249,097,381	202,633,269
Withholding tax	-	25,770,224
Due to subsidiaries	6,395,274	6,891,872
Advances from customers	61,802,253	59,815,181
Mark to Market on Options / Forward contracts (refer note 4, schedule16)	-	40,417,880
Unclaimed dividends	1,474,373	1,194,215
Other liabilities**	27,546,694	33,956,649
	<b>346,315,975</b>	<b>370,679,290</b>

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

# Includes salary, bonus and incentives payable of Rs. 94,280,900 (Rs. 54,367,100).

\*\* Includes contribution to provident and other funds payable of Rs. 7,481,240 (Rs. 8,499,304).

**SCHEDULE 10:**

**Provisions**

Gratuity	62,638,576	51,341,655
Leave encashment	44,198,145	39,075,103
Proposed dividend	-	80,925,060
Corporate dividend tax	-	13,753,214
	<b>106,836,721</b>	<b>185,095,032</b>

	For the quarter ended		For the nine months ended		ended
	2009 (Rupees)	31 December 2008 (Rupees)	2009 (Rupees)	2008 (Rupees)	31 March 2009 (Rupees)
<b>SCHEDULE 11:</b>					
<b>Sales and services</b>					
Software development services and products					
- Domestic	100,033,807	93,289,349	301,354,989	271,344,873	382,272,032
- Overseas	347,638,088	424,878,094	1,164,698,778	1,270,841,404	1,712,074,355
	<b>447,671,895</b>	<b>518,167,443</b>	<b>1,466,053,767</b>	<b>1,542,186,277</b>	<b>2,094,346,387</b>

**SCHEDULE 12:**

**Software development expenses**

Salaries and allowances	192,546,269	212,465,327	601,206,767	651,869,631	853,455,537
Contribution to provident and other funds	10,597,065	12,510,508	34,187,097	36,350,596	48,499,723
Directors' remuneration	2,148,000	904,000	8,460,000	2,482,000	6,210,000
Employee's stock compensation expenses (net)	-	650,868	-	2,737,584	2,737,584
Staff welfare	2,705,091	3,666,474	9,739,541	11,454,129	16,133,330
Conveyance	2,978,561	2,809,172	9,487,287	8,171,409	10,954,723
Communication	3,042,838	3,523,891	8,637,055	12,030,074	15,060,620
Rent	4,065,779	2,203,629	11,192,979	4,385,583	5,331,569
Legal and professional	9,263,248	3,576,156	25,654,507	15,724,535	18,333,397
Repair and maintenance					
- Buildings	1,076,221	153,164	1,706,264	518,790	558,689
- Others	2,707,974	2,446,675	8,575,134	8,364,860	11,293,073
Training and recruitment	848,101	2,359,283	1,611,172	7,950,777	11,495,603
Printing and stationery	311,560	109,744	924,423	881,260	922,899
Insurance	1,291,113	802,684	3,051,588	2,382,697	3,165,838
Software and other development charges	16,576,961	8,212,311	54,609,281	26,231,922	79,306,710
Cost of software purchased for delivery to clients	7,579,799	10,628,736	34,646,205	37,104,291	53,811,355
Travelling	33,873,683	33,264,161	95,785,911	97,357,163	133,363,188
Power and fuel	5,321,835	6,311,163	17,375,857	20,195,043	24,563,233
Information technology expenses	3,443,098	2,557,007	9,227,660	5,778,703	9,210,475
Miscellaneous expenses	1,052,456	958,260	3,326,250	2,591,387	2,860,279
	<b>301,429,652</b>	<b>310,113,213</b>	<b>939,404,978</b>	<b>954,562,434</b>	<b>1,307,267,825</b>

**SCHEDULE 13:**

**Selling and marketing expenses**

Salaries and allowances	15,042,140	25,298,410	48,163,779	62,453,052	80,466,585
Contribution to provident and other funds	451,915	643,306	1,446,420	1,903,012	2,503,103
Directors' remuneration	2,148,000	904,000	8,460,000	2,482,000	6,210,000
Employee's stock compensation expenses (net)	-	61,848	-	196,123	196,123
Staff welfare	244,283	400,079	860,993	1,063,183	1,556,938
Conveyance	238,375	854,846	1,044,354	2,074,630	2,904,912
Communication	1,030,002	258,574	3,150,893	1,005,773	1,350,934
Rent	1,044,582	1,353,580	3,048,218	6,977,954	8,544,802
Legal and professional	285,858	4,328,555	3,352,323	10,432,053	13,610,004
Repair and maintenance					
- Buildings	56,498	8,040	89,573	27,235	29,330
- Others	142,158	128,441	450,159	439,122	592,842
Training and recruitment	42,385	89,853	131,672	319,005	448,948
Printing and stationery	7,749	284,556	322,385	1,620,001	1,727,967
Insurance	59,493	84,521	127,587	148,201	175,979
Travelling	4,902,047	4,777,643	19,725,723	21,712,777	27,050,489
Advertisement and business promotion	1,315,535	2,141,331	2,982,359	7,875,658	8,897,607
Power and fuel	582,037	431,960	1,492,708	1,459,217	1,926,985
Conference, exhibition and seminar	-	-	7,292,731	10,615,692	12,840,739
Information technology expenses	158,656	97,384	383,025	226,361	352,399
Commission to channel partners	1,134,648	341,843	4,711,353	2,719,936	5,658,663
Miscellaneous expenses	1,236,948	56,102	3,097,927	4,454,776	10,300,606
	<b>30,123,309</b>	<b>42,544,872</b>	<b>110,334,182</b>	<b>140,205,761</b>	<b>187,345,955</b>

	For the quarter ended		For the nine months ended		ended
	2009 (Rupees)	31 December 2008 (Rupees)	2009 (Rupees)	2008 (Rupees)	31 March 2009 (Rupees)
<b>SCHEDULE 14:</b>					
<b>General and administration expenses</b>					
Salaries and allowances	18,867,993	23,327,375	56,583,213	70,698,040	92,634,600
Contribution to provident and other funds	1,044,833	1,520,951	3,239,099	4,363,233	5,893,266
Directors' remuneration	1,074,000	452,000	4,230,000	1,241,000	3,105,000
Employee's stock compensation expenses (net)	-	72,610	-	302,711	286,966
Staff welfare	405,218	574,699	1,337,499	1,769,164	2,472,713
Conveyance	674,735	509,967	1,629,427	1,681,165	2,189,302
Communication	385,550	328,321	1,547,773	1,683,253	2,042,499
Rent	73,600	50,300	155,200	187,399	228,199
Rates and taxes	474,614	554,827	1,956,490	1,915,798	2,388,574
Legal and professional	1,341,531	5,882,606	4,829,756	13,762,067	18,743,171
Repair and maintenance					
- Buildings	279,405	39,764	442,976	134,687	145,045
- Others	703,037	635,201	2,226,256	2,171,667	2,931,883
Training and recruitment	217,647	214,580	448,032	1,424,407	1,783,081
Printing and stationery	45,352	164,583	533,130	1,068,177	1,089,036
Loss on sale of fixed assets (net)	24,596	-	24,596	-	-
Insurance	101,244	75,484	315,626	230,193	307,902
Bank charges	586,071	539,499	2,339,838	1,312,204	1,767,758
Travelling	496,809	1,919,139	1,236,348	10,930,171	15,718,451
Advertisement and business promotion	170,109	259,678	380,382	1,223,545	1,381,390
Power and fuel	386,456	546,405	1,543,726	1,802,227	2,189,656
Conference, exhibition and seminar	248,963	-	306,875	20,400	34,510
Information technology expenses	269,992	240,459	889,010	555,891	896,415
Advances and other current assets written off	16,809	-	245,787	5,184	4,846,684
Provision for doubtful debts /advances / other current assets *	1,747,921	17,874,094	4,807,856	31,761,477	30,679,934
Provision for diminution in the value of investments	16,293,150	-	16,293,150	-	5,515,363
Miscellaneous expenses	1,987,494	3,316,691	4,720,314	10,355,747	18,452,603
	<b>47,917,129</b>	<b>59,099,233</b>	<b>112,262,359</b>	<b>160,599,807</b>	<b>217,724,001</b>

\*Includes bad debts written off Rs. 422,890 (Rs. 1,722,362; Rs. 3,899,243; Rs. 6,853,183; Rs. 5,937,802) and net of write back of provisions for other current assets / doubtful debts Rs. Nil (Rs. Nil; Rs. 757,514; Rs. Nil; Rs. 11,351,044)

**SCHEDULE 15:**

**Other income**

Dividend received from non-trade investments	4,756,525	4,759,065	8,751,595	13,584,529	13,916,401
Dividend received from subsidiary	-	-	70,000,000	42,500,000	42,500,000
Interest on fixed deposits [gross of tax deducted at source Rs. 3,002,065 (Rs. 332,493; Rs. 4,921,481; Rs. 355,645; Rs. 1,532,671)]	10,484,713	13,452,795	43,698,890	13,918,744	34,769,928
Profit on sale of fixed assets (net)	-	-	107,300	-	-
Profit on sale of investments					
- Long term trade investment	-	-	-	21,849,760	21,849,760
- Current non trade investments	-	10,434,048	9,264	45,139,108	45,139,108
Provisions written back	2,964,879	-	10,560,123	5,300,000	5,511,808
Reversal of employee's stock compensation expense (net)	739,611	-	1,892,326	-	-
Miscellaneous income	153,580	457,760	1,323,528	1,231,200	1,942,047
	<b>19,099,308</b>	<b>29,103,668</b>	<b>136,343,026</b>	<b>143,523,341</b>	<b>165,629,052</b>

## SCHEDULE 16:

### Significant accounting policies and notes to the accounts

#### 1. Company Overview

Nucleus Software Exports Ltd. ('Nucleus' or 'the Company') was incorporated on 9 January 1989 in India as a private limited company. It was subsequently converted into a public limited company on 10 October 1994. The Company made an initial public offer in August 1995. As at 31 December 2009, the Company is listed on three stock exchanges in India namely National Stock Exchange, Bombay Stock Exchange and Madras Stock Exchange. The Company has wholly owned subsidiaries in Singapore, USA, Japan, Australia, Hong-Kong, Netherlands and India. The Company's business consists of software product development and marketing and providing support services mainly for corporate business entities in the banking and financial services sector.

#### 2. Significant accounting policies

##### (i) Basis of preparation

The financial statements are prepared under the historical cost convention on the accrual basis, in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") and mandatory accounting standards as prescribed in the Companies (Accounting Standard) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India ("SEBI"). The interim financial statements are prepared to conform to the Accounting Standard 25 on 'Interim Financial Reporting' as specified in the Companies (Accounting Standard) Rules, 2006. These financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2009. Accounting policies have been consistently applied except where a newly issued accounting standard, is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an ongoing basis.

##### (ii) Use of estimates

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

##### (iii) Revenue recognition

Revenue from software development services comprises income from time and material and fixed price contracts. Revenue from time and material

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

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

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

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

**(iv) Expenditure**

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

**(v) Fixed assets and capital work in progress**

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

**(vi) Depreciation**

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

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

Asset category	Useful life (in years)
Building	30
Plant and machinery (including office	5

equipment)	
Computers	4
Vehicles	5
Furniture and fixtures	5
Software	3
Temporary wooden structures (included in furniture and fixtures)	1

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

**(vii) Investments**

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

**(viii) Research and development**

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

**(ix) Foreign exchange transactions**

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

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

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

The Company follows hedge accounting in accordance with principles set out in AS 30. The Company records the gain or loss on effective hedges in the hedging reserve until the transactions are complete. On completion, the gain or loss is transferred to the Profit and Loss Account of that period. To designate a forward contract or option as an effective hedge,

management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. In the absence of a designation as effective hedge, a gain or loss is recognized in the Profit and Loss Account.

**(x) Employee stock option based compensation**

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

**(xi) Employee benefits**

*Short-term employee benefits*

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

*Defined contribution plans*

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

*Defined benefit plans*

Gratuity

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

Provisions in respect of gratuity for the interim period are calculated on a year-to-date basis by using the actuarially determined rates at the end of the prior financial year, adjusted by the management's estimates after keeping into consideration events occurring during the interim period.

*Other long term employee benefits*

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

Provisions in respect of leave encashment for the interim period are calculated on a year-to-date basis by using the actuarially determined rates at the end of the prior financial year, adjusted by the management's estimates after keeping into consideration events occurring during the interim period.

**(xii) Operating leases**

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

**(xiii) Earnings per share**

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

**(xiv) Taxation**

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax annually based on the tax liability computed after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowance or other matters is probable. Minimum Alternate Tax ("MAT") paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax after the tax holiday period. Accordingly, it is recognised as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantially enacted regulations. Where there are unabsorbed depreciation or carry forward losses, deferred tax assets are recognised

only to the extent there is virtual certainty of realisation of such assets. In other situations, deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Such assets are reviewed at each Balance Sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized. Deferred tax assets or liabilities arising due to timing differences, originating during the tax holiday period and reversing after the tax holiday period are recognised in the period in which the timing difference originate. The income tax provision for the interim period is made based on the best estimate of the average annual tax rate expected to be applicable for the full financial year.

**(xv) Impairment of assets**

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

**(xvi) Contingencies**

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

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

**3. Deferred tax asset / (liability)**

Components of net deferred tax asset / (liability):

(Amount in Rupees)

	As at 31 December 2009	As at 31 March 2009
<b>Deferred tax asset</b>		
Provision for doubtful debts and income accrued	5,405,284	3,260,917
Provision for retirement benefits	31,937,997	28,293,037
	37,343,281	31,553,954
<b>Deferred tax liability</b>		
Difference of depreciation as per Income-tax laws and books of accounts	(12,723,999)	(16,832,062)
<b>Net deferred tax (liability) / asset</b>	<b>24,619,282</b>	<b>14,721,892</b>

4. **Forward contract and option in foreign currency**

	As at 31 December 2009	As at 31 March 2009
<b>Forward contract outstanding</b>		
In USD	6,500,000	4,750,000
Equivalent amount in Rupees	304,720,000	241,015,000
<b>Options contract outstanding</b>		
In USD	1,000,000	3,400,000
Equivalent amount in Rupees	46,880,000	172,516,000

As at 31 December 2009, the Company has recorded marked to market gain of Rs. 4,608,428 relating to forward contracts that are designated as effective cash flow hedges with a corresponding credit to hedging reserves. Further as at 31 December 2009, the Company has recorded marked to market loss of Rs. 4,329,176 relating to foreign currency options which does not qualify for hedging and accordingly the loss has been recognized in the Profit and Loss Account.

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

Current Assets					
As at 31 December 2009			As at 31 March 2009		
Amount in foreign		Amount in	Amount in foreign		Amount in
USD	15,143,809	648,967,066	USD	12,464,731	616,920,280
EURO	13,077	879,697	EURO	12,206	792,382
AED	595,848	2,620,810	SGD	1,166,923	39,195,408
RM	1,713,902	23,106,414	AED	468,056	6,379,597
SGD	646,149	21,413,374	RM	1,211,277	16,957,876

Creditors					
As at 31 December 2009			As at 31 March 2009		
Amount in foreign		Amount in	Amount in foreign		Amount in
USD	2,606,928	122,212,805	USD	2,704,414	124,706,872
AED	462,337	5,871,686	AED	4,081	55,623
AUD	16,211	670,649	AUD	16,211	567,385
SGD	201,856	6,689,496	SGD	200,169	6,663,637
EURO	14,528	977,300			

## 5. Employees Stock Option Plan ("ESOP")

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

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

Committee comprising four members, the majority of whom are independent directors.

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

### 2002 Stock Option Scheme

	Quarter ended		Nine months ended		Year ended 31 March 2009
	31 December		31 December		
	2009	2008	2009	2008	
Options outstanding at the beginning of the period	101,350	140,050	126,050	141,550	141,550
Options granted	-	-	-	-	-
Options forfeited	(10,050)	-	(34,750)	-	(14,000)
Options exercised	-	-	-	(1,500)	(1,500)
Balance carried forward	<b>91,300</b>	<b>140,050</b>	<b>91,300</b>	<b>140,050</b>	<b>126,050</b>

### 2005 Stock Option Scheme

	Quarter ended		Nine months ended		Year ended 31 March 2009
	31 December		31 December		
	2009	2008	2009	2008	
Options outstanding at the beginning of the period	99,400	142,000	142,000	142,000	142,000
Options granted	-	-	-	-	-
Options forfeited	-	-	(42,600)	-	-
Options exercised	-	-	-	-	-
Balance carried forward	<b>99,400</b>	<b>142,000</b>	<b>99,400</b>	<b>142,000</b>	<b>142,000</b>

### 2006 Stock Option Scheme

	Quarter ended		Nine months ended		Year ended
	31 December		31 December		31 March
	2009	2008	2009	2008	2009
Options outstanding at the beginning of the period	152,860	249,860	189,860	249,860	249,860
Options granted	40,000	-	40,000	-	-
Options forfeited	(91,786)	(7,500)	(128,786)	(7,500)	(60,000)
Options exercised	-	-	-	-	-
Balance carried forward	<b>101,074</b>	<b>242,360</b>	<b>101,074</b>	<b>242,360</b>	<b>189,860</b>

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

*(Amount in Rupees)*

		Quarter ended		Nine months ended		Year ended
		31 December		31 December		31 March
		2009	2008	2009	2008	2009
Balance brought forward		439,489	3,529,636	1,976,054	5,980,726	5,980,726
Less: Amortisation expense#		439,489	785,327	1,893,895	3,236,417	4,004,672
Less: Reversal due to forfeiture		-	-	82,159	-	-
<b>Balance carried forward</b>		<b>-</b>	<b>2,744,309</b>	<b>-</b>	<b>2,744,309</b>	<b>1,976,054</b>

#excluding write back of stock compensation expense in respect of forfeited/lapsed option of Rs. 1,179,100 ( Rs. Nil; Rs. 3,868,380; Rs. Nil; Rs. 784,000 )

## 6. Managerial Remuneration \*

(Amount in Rupees)

	Quarter ended		Nine months ended		Year ended
	31 December		31 December		31 March
	2009	2008	2009	2008	2009
<b>A. Managing director</b>					
Salary and perquisites	1,500,0	1,500,0	4,500,0	4,500,00	6,000,000
Contribution to provident and	90,000	90,000	270,000	270,000	360,000
Commission	2,930,0	-	12,230,	-	5,525,000
	<b>4,520,0</b>	<b>1,590,0</b>	<b>17,000,</b>	<b>4,770,0</b>	<b>11,885,0</b>
<b>B. Non executive directors</b>					
Commission	500,000	500,000	3,000,0	500,000	2,375,000
Sitting fees	440,000	260,000	1,420,0	1,205,00	1,625,000
	<b>940,00</b>	<b>760,00</b>	<b>4,420,0</b>	<b>1,705,0</b>	<b>4,000,00</b>

\*Notes:

1. The limits for the purpose of computing managerial remuneration as per Section 349 of the Companies Act, 1956 apply only with reference to the financial year of the Company for the purpose of the Companies Act, 1956, which ends on 31 March 2010.
2. 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.

## 7. Bank Balances

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

(Amount in Rupees)

Name of Bank	As at 31 December 2009	As at 31 March 2009
Canara Bank	1,911	86,026
Citi Bank	12,189,314	6,922,063
Citi Bank – EEFC accounts in US dollar	5,207,272	57,259,931
DBS Bank	111,597	247,809
HDFC Bank – EEFC accounts in US dollar	2,599,159	2,320,022
HDFC Bank	33,927,968	4,637,947

HDFC Bank - Unclaimed dividend accounts	1,089,589	802,973
HSBC Bank - Unclaimed dividend accounts	389,917	394,042
ICICI Bank	23,610,729	1,710,969
State Bank of India	3,457,575	233,332
Vijaya Bank	-	61,376
<b>Total</b>	<b>82,585,031</b>	<b>74,676,490</b>

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

*(Amount in Rupees)*

<b>Name of Bank</b>	<b>As at 31 December 2009</b>	<b>As at 31 March 2009</b>
HDFC Bank	41,882,429	222,234,512
Canara Bank	56,885,000	181,007,037
Citi Bank	5,024,000	35,000,665
DBS Bank	-	22,500,000
Punjab National Bank	24,900,000	66,000,000
ICICI Bank	52,000,000	127,300,000
State Bank of India	57,300,000	7,500,000
Corporation Bank	86,900,000	37,400,000
Bank of India	39,800,000	20,000,000
State Bank of Hyderabad	89,100,000	-
<b>Total</b>	<b>453,791,429</b>	<b>718,942,214</b>

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

*(Amount in Rupees)*

<b>Name of Bank</b>	<b>As at 31 December 2009</b>	<b>As at 31 March 2009</b>
Citi Bank, U.A.E	1,269,761	476,810
Citi Bank, United Kingdom	156,440	1,019,739
<b>Total</b>	<b>1,426,201</b>	<b>1,496,549</b>

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

### 8. Details of investments purchased and sold during the nine months ended 31 December 2009

Name of the investment	Face value Amount (Rupees)	Purchased during the period		Sold during the period	
		Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
Reliance Liquid Fund-Treasury Plan- Institutional Option-Daily Dividend Option	10	5,210,232	79,649,857	5,210,232	79,649,857
JP Morgan India Liquid Fund- Super Institutional Daily Dividend Plan-Reinvest	10	499,555	5,000,000	499,555	5,000,000
Canara Robeco Liquid Fund - Institutional Daily Dividend Reinvest	10	2,390,423	24,002,235	2,390,423	24,002,235
Canara Robeco Treasury Advantage Institutional Daily Dividend Fund	10	2,734,439	33,926,459	2,734,439	33,926,459
Birla Sun Life Cash Plus-Institutional Premium- Daily Dividend Reinvestment	10	10,682,580	107,034,106	10,682,580	107,034,106
UTI Liquid Cash Plan Institutional- Daily Income Option- Reinvestment	1,000	75,728	77,200,992	75,728	77,200,992
HDFC Cash Management Fund-Savings Plan-Daily Dividend Reinvestment	10	5,563	59,168	5,563	59,168
Reliance Medium Term Fund- Daily Dividend Plan	10	2,749,262	47,000,000	2,749,262	47,000,000
HDFC Liquid Fund Premium Plan-Dividend	10	10,502,758	128,761,711	10,502,758	128,761,711
LICMF Liquid Fund- Dividend Plan	10	11,246,044	123,482,682	11,246,044	123,482,682
ICICI Prudential Institutional Liquid Plan- Super Institutional Daily Dividend	10	4,490,061	44,909,559	4,490,061	44,918,823
JP Morgan India Liquid Plus Fund-Super Institutional-Dividend	10	4,197,117	42,004,324	4,197,117	42,004,324
Kotak Liquid (Institutional)-Daily Dividend	10	5,766,048	70,507,810	5,766,048	70,507,810
Fortis Overnight Fund-Institutional Daily Dividend	10	4,149,078	41,503,223	4,149,078	41,503,223
Fortis Money Plus Institutional Plan Daily Dividend	10	699,783	7,000,000	699,783	7,000,000

### Details of investments purchased and sold during the nine months ended 31 December 2008

Name of the investment	Face value Amount (Rupees)	Purchased during the period		Sold during the period	
		Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
ICICI Prudential Flexible Income Plan- Dividend	10	10,256,033	108,442,165	10,256,033	108,442,165
HDFC Cash Management Fund-Savings Plus Plan-Wholesale-Dividend	10	5,035,685	50,515,476	5,035,685	50,515,476
Mirae Asset Liquid Plus Fund-IP-Dividend	1,000	21,089	21,118,683	21,089	20,741,296

Name of the investment	Face value Amount (Rupees)	Purchased during the period		Sold during the period	
		Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
ABN AMRO Money Plus Fund-IP-Dividend	10	840,402	8,404,123	840,402	8,406,624
DWS Fixed Term Fund- Series 57-Dividend	10	5,000,000	50,000,000	5,000,000	50,000,000
Lotus India FMP- 3 Months-Series XXXV-Dividend	10	2,040,077	20,400,850	2,040,077	20,410,558
Canara Robeco Monthly Interval Fund-Dividend	10	2,044,490	20,450,302	2,044,490	20,444,903
SBI Debt Fund Series -90 Days -26-Dividend	10	5,104,510	51,045,100	5,104,510	51,045,100
SBI Debt Fund Series -90 Days -29-Dividend	10	3,000,000	30,000,000	3,000,000	30,000,000
JM Interval Fund-Quarterly Plan 5 -Institutional Dividend Plan-Dividend	10	3,506,723	35,067,233	3,506,723	35,067,233
JM Fixed Maturity Fund-Series XII Quarterly Plan 3-Institutional-Dividend	10	3,478,772	34,787,722	3,478,772	34,787,722
DSPML FMP 3M Series 12-Institutional Dividend-Dividend	10	2,500,000	25,000,000	2,500,000	25,359,000
Reliance Fixed Horizon Fund-X -Series 13-Super Institutional Dividend Plan	10	1,017,815	10,178,146	1,017,815	10,325,220
Reliance Liquid Plus Fund-Institutional-Dividend	1,000	41,169	41,215,471	41,169	41,215,471
DWS Liquid Plus Fund-Regular-Dividend	10	549,548	5,503,559	549,548	5,503,559
Canara Robeco Liquid Plus -Institutional Plan-Dividend	10	5,917,090	73,413,925	5,917,090	73,413,925
JP Morgan India Liquid Plus Fund-Super Inst-Dividend	10	15,133,945	151,474,142	15,133,945	151,474,142
LIC MF Liquid Plus Fund-Dividend	10	30,245,862	302,458,623	30,245,862	302,458,623
JP Morgan India Liquid Fund-Super Inst-Dividend	10	11,320,238	113,294,838	11,320,238	113,294,838
LIC MF Liquid Fund-Dividend	10	1,366,389	15,003,087	1,366,389	15,003,087
ICICI Prudential Institutional Liquid Plan-Super Institutional-Dividend	10	7,001,001	70,013,508	7,001,001	70,013,508
Canara Robeco Liquid Fund -Institutional Plan-Dividend	10	4,303,209	43,208,526	4,303,209	43,208,526
Sundaram BNP Paribas Liquid Plus -Super IP-Dividend	10	5,021,563	50,341,170	5,021,563	50,341,170
JM Money Manager Fund Super Plus Plan-Daily Dividend-Dividend	10	3,369,827	33,712,084	3,369,827	33,712,084
SBI SHF Liquid Plus Plus-IP-Dividend	10	1,003,064	10,035,659	1,003,064	10,035,659
Reliance Fixed Horizon Fund-VIII- Series 10-Institutional-Dividend	10	2,000,000	20,000,000	2,000,000	20,000,200
Sundaram BNP Paribas Interval Fund-Qly-Plan-C-Inst-Dividend	10	1,017,552	10,177,525	1,017,552	10,175,525
HDFC FMP 90D May 2008 (VIII) (2)-Wholesale Plan-Dividend	10	5,000,000	50,000,000	5,000,000	50,000,000

Name of the investment	Face value Amount (Rupees)	Purchased during the period		Sold during the period	
		Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
Reliance Fixed Horizon Fund-VIII-Series 11-Inst-Dividend	10	1,000,000	10,000,000	1,000,000	10,000,000
IDFC Fixed Maturity Plan- Quarterly Series 34-Dividend	10	1,017,690	10,176,900	1,017,690	10,176,900

### Details of investments purchased and sold during the nine months ended 31 December 2008

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

Pursuant to the change in the Indian Income-tax Act, 1961, the Company has calculated its tax liability after considering Minimum Alternative Tax (MAT). The MAT liability can be carried forward and set off against the future tax liabilities. Accordingly a sum of Rs. 52,700,000 (Rs. 57,300,000) was carried forward and shown under "Loans and advances" in the balance sheet as at 31 December 2009.

### 10. Segment reporting – Basis of preparation

#### (i) Segment accounting policies

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

#### (ii) Composition of reportable segments

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

Income and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while the remainder of the costs are categorised in relation to the associated turnover and/or man months. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments

as the underlying services are used interchangeably across geographies. The Company believes that it is not practicable to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as “unallocated” and directly charged against total income.

Segment assets and liabilities represent the net assets 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.

### Information in respect of primary segment

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

#### For the quarter ended 31 December 2009

Description	<i>(Amount in Rupees)</i>						Total
	India	Far East	Singapore	Europe	Middle East	Others	
Revenue from external customers	100,033,807	135,253,719	31,942,535	51,062,207	77,220,174	52,159,453	447,671,895
Expenses	93,536,239	80,646,262	29,029,333	30,766,457	66,577,379	43,395,608	343,951,278
Segment result	6,497,568	54,607,457	2,913,202	20,295,750	10,642,795	8,763,845	103,720,617
Unallocated corporate expenditure							58,482,846
Operating profit before taxation							45,237,771
Other income							19,099,308
Foreign exchange gain /(loss)							(11,281,687)
Profit before tax							53,055,392
Provision for taxation							
– current income tax							14,200,000
- MAT credit entitlement							-
– fringe benefit tax							-
– deferred tax							(5,257,589)
– income tax for earlier years							-
Provision for wealth tax							-
<b>Net profit after taxation</b>							<b>44,112,981</b>

**For the quarter ended 31 December 2008**

*(Amount in  
Rupees)*

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Revenue from external customers	93,289,349	196,185,039	38,826,621	55,130,250	74,447,676	60,288,508	518,167,443
Expenses	75,630,579	169,951,533	32,515,772	24,575,918	71,540,860	47,284,908	421,499,570
Segment result	17,658,770	26,233,506	6,310,849	30,554,332	2,906,816	13,003,600	96,667,873
Unallocated corporate ...							41,443,764
Operating profit before ...							55,224,109
Other income							29,103,668
Foreign Exchange gain /(loss)							(12,832,564)
Profit before tax							71,495,213
Provision for taxation							
- current income tax							7,500,000
- MAT credit entitlement							-
- fringe benefit tax							1,800,000
- deferred tax charge / ...							3,215,026
- income tax for earlier years							843,173
Provision for wealth tax							-
<b>Net profit after taxation</b>							<b>58,137,014</b>

**For the nine month ended 31 December 2009**

*(Amount in Rupees)*

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Revenue from external customers	301,354,989	405,725,254	131,568,573	130,677,551	314,529,626	182,197,774	1,466,053,767
Expenses	293,258,983	287,377,339	102,200,323	68,883,528	212,872,086	116,802,388	1,081,394,647
Segment result	8,096,006	118,347,915	29,368,250	61,794,023	101,657,540	65,395,386	384,659,120
Unallocated corporate expenditure							156,991,641
Operating profit before taxation							227,667,479
Other income							136,343,026
Foreign exchange gain /(loss)							(36,104,352)
Profit before tax							327,906,153
Provision for taxation							
– current income tax							49,800,000
- MAT credit entitlement							-
– fringe benefit tax							332,155
– deferred tax							(9,897,390)
– income tax for earlier years							-
Provision for wealth tax							61,714
<b>Net profit after taxation</b>							<b>287,609,674</b>

**For the nine month ended 31 December 2008**

*(Amount in Rupees)*

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Revenue from external customers	271,344,873	631,753,621	98,083,139	166,238,511	198,767,964	175,998,169	1,542,186,277
Expenses	233,971,365	522,659,011	75,791,671	82,409,841	174,624,080	163,119,223	1,252,575,191
Segment result	37,373,508	109,094,610	22,291,468	83,828,670	24,143,884	12,878,946	289,611,086
Unallocated corporate expenditure							138,813,585
Operating profit before taxation							150,797,501
Other income							143,523,341
Foreign Exchange gain /(loss)							(106,270,867)
Profit before tax							188,049,975
Provision for taxation							
- current income tax							19,600,000
- MAT credit entitlement							(7,200,000)

- fringe benefit tax	5,470,686
- deferred tax charge / (credit)	(8,481,965)
- income tax for earlier years	1,943,173
Provision for wealth tax	88,047
<b>Net profit after taxation</b>	<b>176,630,034</b>

**For the year ended 31 March 2009**

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Revenue from external customers	382,272,032	781,338,765	148,892,095	216,114,713	320,227,865	245,500,917	2,094,346,387
Expenses	328,827,617	687,717,666	120,245,004	113,238,695	242,272,383	200,528,189	1,692,829,554
Segment result	53,444,415	93,621,099	28,647,091	102,876,018	77,955,482	44,972,728	401,516,833
Unallocated corporate expenditure							193,309,995
Operating profit before							208,206,838
Other income							165,629,052
Foreign exchange gain /(loss)							(88,096,691)
Profit before tax							285,739,199
Provision for taxation							
- current income tax							33,500,000
- MAT credit entitlement							(5,200,000)
- fringe benefit tax							7,020,686
- deferred tax charge / (credit)							(13,101,386)
- income tax for earlier years							1,943,173
Provision for wealth tax							88,047
<b>Net profit after taxation</b>							<b>261,488,679</b>

*(Amounts in Rupees)*

Assets and liabilities of reportable primary segment are as follows:

**As at 31 December 2009**

*(Amounts in Rupees)*

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Segment assets	113,838,473	387,542,087	21,843,041	38,059,692	137,329,466	112,683,772	811,296,531
Unallocated corporate assets							2,011,893,663
<b>Total assets</b>							<b>2,823,190,194</b>
Segment liabilities	91,981,564	88,469,808	29,933,113	23,779,526	107,511,316	57,216,780	398,892,107

Unallocated corporate liabilities	54,260,589
<b>Total liabilities</b>	<b>453,152,696</b>
<b>Capital employed</b>	<b>2,370,037,498</b>

**As at 31 March 2009**

*(Amount in Rupees)*

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

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

**For the quarter ended 31 December 2009**

*(Amount in Rupees)*

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Capital expenditure (unallocated)							5,943,396
<b>Total capital expenditure</b>							<b>5,943,396</b>
Depreciation expenditure (unallocated)							22,964,034
<b>Total depreciation</b>							<b>22,964,034</b>
Segment non-cash expense other than depreciation	(691,873)	(171,967)	(68,138)	(63,271)	(365,178)	2,385,546	1,025,119
<b>Total non cash expenditure other than depreciation</b>	<b>(691,873)</b>	<b>(171,967)</b>	<b>(68,138)</b>	<b>(63,271)</b>	<b>(365,178)</b>	<b>2,385,546</b>	<b>1,025,119</b>

**For the quarter ended 31 December 2008**

*(Amount in Rupees)*

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Capital expenditure (unallocated)							10,690,367
<b>Total capital expenditure</b>							<b>10,690,367</b>
Depreciation expenditure (unallocated)							26,447,587
<b>Total depreciation</b>							<b>26,447,587</b>
Segment non-cash expense other than depreciation	4,741,056	282,718	1,141,883	(68,210)	12,599,242	(42,368)	18,654,321
<b>Total non cash expenditure other than depreciation</b>	<b>4,741,056</b>	<b>282,718</b>	<b>1,141,883</b>	<b>(68,210)</b>	<b>12,599,242</b>	<b>(42,368)</b>	<b>18,654,321</b>

**For the nine months ended 31 December 2009**

*(Amount in Rupees)*

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Capital expenditure (unallocated)							7,408,204
<b>Total capital expenditure</b>							<b>7,408,204</b>
Depreciation expenditure (unallocated)							75,514,437
<b>Total depreciation</b>							<b>75,514,437</b>
Segment non-cash expense other than depreciation	539,559	(480,575)	(200,215)	(168,764)	(9,366)	3,251,700	3,251,700
<b>Total non cash expenditure other than depreciation</b>	<b>539,559</b>	<b>(480,575)</b>	<b>(200,215)</b>	<b>(168,764)</b>	<b>(9,366)</b>	<b>3,251,700</b>	<b>3,251,700</b>

**For the nine months ended 31 December 2008**

*(Amount in Rupees)*

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Capital expenditure (unallocated)							63,562,585
<b>Total capital expenditure</b>							<b>63,562,585</b>
Depreciation expenditure (unallocated)							74,279,376
<b>Total depreciation</b>							<b>74,279,376</b>
Segment non-cash expense other than depreciation	10,740,420	1,232,403	1,300,665	132,928	13,161,213	8,430,349	34,997,978
<b>Total non cash expenditure other than depreciation</b>	<b>10,740,420</b>	<b>1,232,403</b>	<b>1,300,665</b>	<b>132,928</b>	<b>13,161,213</b>	<b>8,430,349</b>	<b>34,997,978</b>

**For the year ended 31 March 2009**

*(Amounts in Rupees)*

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

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

i) Information for business segments

**For the quarter ended 31 December 2009**

(Amounts in Rupees)

Description	Products	Software projects and services	Total
Revenue	358,065,980	89,605,915	447,671,895
Carrying amount of segment assets	648,907,583	162,388,948	811,296,531

**For the quarter ended 31 December 2008**

(Amounts in Rupees)

Description	Products	Software projects and services	Total
Revenue	461,305,373	56,862,070	518,167,443
Carrying amount of segment assets	820,211,689	110,685,919	930,897,608

**For the nine months ended 31 December 2009**

(Amounts in Rupees)

Description	Products	Software projects and services	Total
Revenue	1,149,633,530	316,420,237	1,466,053,767
Carrying amount of segment assets	636,193,376	175,103,155	811,296,531

**For the nine months ended 31 December 2008**

(Amounts in Rupees)

Description	Products	Software projects and services	Total
Revenue	1,337,599,616	204,586,661	1,542,186,277
Carrying amount of segment assets	820,211,689	110,685,919	930,897,608

For the year ended 31 March 2009

(Amounts in Rupees)

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

## 11. Related party transactions

### a) List of related parties – where control exists

Wholly owned subsidiary companies

- Nucleus Software Solutions Pte Ltd, Singapore
- Nucleus Software Japan Kabushiki Kaiga, Japan
- Nucleus Software Inc., USA
- Nucleus Software (H.K) Ltd., Hong Kong
- Nucleus Software (Australia) Pty Ltd., Australia
- VirStra *i* -Technology Services Limited, India
- Nucleus Software Netherlands B.V, Netherlands
- Nucleus Software Limited, India (incorporated on 21 April 2008)

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

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

***Other related parties:***

Key managerial personnel:

- Vishnu R Dusad (Managing director)

b) Transactions with related parties

(Amount in  
Rupees)

	Quarter ended		Nine months ended		Year ended	
	31 December		31 December		31 March	
	2009	2008	2009	2008	2009	
<b>i</b>	<b>Software development, services and products</b>					
	-Nucleus Software Ja Kabushiki Kaic	29,496,773	115,090,701	85,115,242	361,320,223	417,357,972
	-Nucleus Software Solutions Pte l	26,144,237	18,125,769	95,422,156	66,087,045	80,976,770
	- Others	3,750,000	3,750,000	11,250,000	11,311,962	16,670,012
<b>ii</b>	<b>Other income</b>					
	<i>Dividend income</i>					
	-VirStra i - Technology Services Limit	-	-	70,000,000	42,500,000	42,500,000
	<i>Others</i>					
	-VirStra i - Technology Services Limit	37,161	531,975	559,632	1,744,572	2,202,220
<b>iii</b>	<b>Managerial remuneration</b>					
	-Vishnu R Dus (Managing director)	4,520,000	1,590,000	17,000,000	4,770,000	11,885,000
<b>iv</b>	<b>Reimbursement of expenses</b>					
	<i>From wholly owned subsidiary companies :</i>					
	-VirStra i - Technology Services Limit	122,471	7,506	801,017	580,854	2,118,955
	-Nucleus Software Solutions Pte l	3,404,033	3,166,342	10,320,067	6,912,550	9,385,249

	-Nucleus Software Japa Kabushiki Kaig	114,446	-	508,789	3,473,646	3,597,274
	-Nucleus Software Inc.	-	-	34,400	110,033	110,033
	-Nucleus Software Netherlands B	51,966	-	304,389	-	-
	<i>To wholly own subsidiary companies:</i>					
	-Nucleus Software Solutions Pte l	125,211	469,790	2,035,551	4,083,728	5,097,361
	-Nucleus Software Japa Kabushiki Kaig	22,624	-	281,362	-	4,896,652
<b>v</b>	<b>Cost of services hired</b>					
	-Nucleus Software Solutions Pte l	1,339,871	-	9,756,772	-	3,030,384
<b>vi</b>	<b>Software and Other Development Charges</b>					
	<i>To wholly own subsidiary companies:</i>					
	-Nucleus Software Solutions Pte l	7,032,000	-	7,709,952	-	-
	-Nucleus Software Japa Kabushiki Kaig	-	-	-	-	28,104,350
<b>vii</b>	<b>Commission paid</b>					
	<i>To wholly own subsidiary company</i>					
	-Nucleus Software Inc.	-	-	1,335,280	-	1,116,280

<b>viii</b>	<b>Loans and advances</b>					
	<i>Given to wholly owned subsidiary company</i>					
	-Nucleus Software Limited	500,000	505,000	2,000,000	26,114,849	27,114,849
	<i>Repaid by wholly owned subsidiary company</i>					
	-Nucleus Software Limited	-	-	-	2,000,000	2,000,000
<b>ix</b>	<b>Investment:</b>					
	-Nucleus Software Limited	-	97,500,000	-	100,000,000	100,000,000
	-Nucleus Software Netherlands B.V.	6,823,000	-	6,823,000	-	6,391,000

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

(Amount in Rupees)

	<b>As at 31 December 2009</b>	<b>As at 31 March 2009</b>
<b>i</b>	<b>Loans and advances</b>	
	<i>To wholly owned subsidiaries</i>	
	-Nucleus Software Limited	27,114,849
		25,114,849
<b>ii</b>	<b>Debtors</b>	
	<i>Wholly owned subsidiaries</i>	
	-Nucleus Software Japan Kabushiki Kaiga	70,119,174
	-Nucleus Software Solutions Pte Ltd.	22,312,974
	-VirStrat i -Technology Services Limited	7,735,237
	-Nucleus Software Inc.	8,528,795
	-Others	879,697
		10,615,001
		610,246
<b>iii</b>	<b>Service income accrued but not due</b>	
	<i>Wholly owned subsidiary Company</i>	
	-Nucleus Software Japan Kabushiki Kaiga	-
		52,292,340

<b>iv</b>	<b>Sundry creditors</b> <i>Due to wholly owned subsidiaries</i>		
	-Nucleus Software Solutions Pte Ltd.	5,724,625	6,324,487
	-Nucleus Software (Australia) Pty Ltd.	670,649	567,385
<b>v</b>	<b>Investment in subsidiaries</b>	Refer Schedule 4 of financial statements	

**1 Legal and professional (includes payment to auditors) \***

*(Amount in Rupees)*

	Quarter ended		Nine months ended		Year
	31 December		31 December		31 March
	2009	2008	2009	2008	2009
- Audit fees	375,000	375,000	1,125,000	1,125,000	1,535,000
- Other services	-	-	-	910,000	1,465,000
- Out of pocket expenses	35,000	25,000	100,000	100,000	155,110
<b>Total</b>	<b>410,000</b>	<b>400,000</b>	<b>1,225,000</b>	<b>2,135,000</b>	<b>3,155,110</b>

\* excluding service tax

**1 CIF value of imports**

*(Amount in Rupees)*

	Quarter ended		Nine months ended		Year
	31 December		31 December		31 March
	2009	2008	2009	2008	2009
Capital goods	887,804	10,599,73	1,389,295	30,674,070	67,646,097
<b>Total</b>	<b>887,804</b>	<b>10,599,7</b>	<b>1,389,295</b>	<b>30,674,070</b>	<b>67,646,09</b>

**1 Expenditure in foreign currency**

*(Amount in Rupees)*

	Quarter ended		Nine months ended		Year
	31 December		31 December		31 March
	2009	2008	2009	2008	2009
Travel expenses	31,859,54	30,003,30	91,760,915	96,348,937	132,274,99
Professional charges	1,096,715	4,391,000	3,917,787	14,153,156	17,024,177
Cost of software purchased for delivery to clients	3,570,825	8,917,952	29,180,744	32,595,026	36,419,156
Conference, exhibition and	-	-	7,174,727	8,663,077	10,880,495

Software and Other Development Charges	8,647,464	5,044,963	22,703,423	13,634,320	59,514,224
Salary in Foreign currency	7,170,755	9,024,894	21,906,498	23,266,490	32,470,142
Others	6,461,643	6,402,314	15,974,970	23,553,424	28,039,554
<b>Total</b>	<b>58,806,9</b>	<b>63,784,4</b>	<b>192,619,06</b>	<b>212,214,43</b>	<b>316,622,7</b>

**1 Earnings in foreign**

*(Amount in Rupees)*

	Quarter ended		Nine months ended		Year
	31 December		31 December		31 March
	2009	2008	2009	2008	2009
Income from software	347,638,0	424,878,0	1,164,698,7	1,270,841,40	1,712,074,3
Interest	-	282	579	2,458	2,458
<b>Total</b>	<b>347,638,</b>	<b>424,878,</b>	<b>1,164,699,</b>	<b>1,270,843,8</b>	<b>1,712,076,</b>

**1 Earnings per share**

*(Amount in Rupees)*

	Quarter ended		Nine months ended		Year ended
	31 December		31 December		31 March
	2009	2008	2009	2008	2009
Profit after taxation available to equity shareholders (Rupees)	44,112,98 1	58,137,0 14	287,609,67 4	176,630,0 34	261,488,679
Weighted average number of equity shares used in calculating basic	32,370,02 4	32,370,0 24	32,370,024	32,369,41 9	32,369,568
Add: Effect of dilutive issue of shares	6,382	-	3,539	30,505	8,052
Weighted average number of equity shares used in calculating diluted earnings per share	32,376,40 6	32,370,02 4	32,373,563	32,399,923	32,377,620
Basic earnings per share (Rupees)	1.36	1.80	8.89	5.46	8.08
Diluted earnings per share (Rupees)	1.35	1.80	8.88	5.45	8.07

**17. Capital commitments and contingent liabilities**

- a. Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances) Rs. 1,752,800 (Rs. 1,309,533).
- b. Claim against the Company not acknowledged as debt Rs. 324,000 (Rs. 324,000).

## 18. Operating lease

The Company has acquired office premises under a non-cancellable operating lease. Operating lease rentals paid during the quarter ended 31 December 2009 is Rs. 5,183,961 (Rs. 3,607,509, Rs. 14,396,397, Rs. 11,550,936, Rs. 14,104,570). The future minimum lease expense in respect of such leases is as follows:

*(Amount in Rupees)*

	<b>As at 31 December 2009</b>	<b>As at 31 March 2009</b>
Not later than 1 year	4,641,447	4,641,447
Later than 1 year but not later than 5 years	4,061,259	7,542,352
Later than 5 years	-	-
<b>Total</b>	<b>8,702,706</b>	<b>12,183,799</b>

19. The following are the aggregate amounts incurred on certain specific expenses that are required to be disclosed under Schedule VI to the Companies Act, 1956
20. During the quarter ended 30 September 2009, as per provision of Income-tax Act, 1961, the Company has taken credit of corporate dividend tax aggregating Rs. 11,896,274 on account of dividend received from one of its subsidiaries.
21. The company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the international transactions entered into with associated enterprises during the 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.
- 22.** Revenue recognised upto the reporting date in respect of contracts in progress at the reporting date aggregates Rs. 711,295,337 (Rs. 1,457,086,628).
- 23.** As reported in the financial results for the quarter ended June 30, 2009 and September 30, 2009, one of the major customers of an overseas subsidiary of the Company, has on July 25, 2009 given notice to this subsidiary of partial cancellation of contracts, on a date one month from receipt of notice. In this regard, the negotiations between the subsidiary and the customer are in advanced stages for reaching a mutually satisfactory conclusion. As per legal opinion received and an assessment by management, there is no liability on the parent Company, and there is no impact on the financial results of the Company.
- 24.** Previous period/year figures have been regrouped/ reclassified wherever necessary to make them comparable with the current period and year figures.

**For and on behalf of the Board of Directors**

**Janki Ballabh**

*Chairman*

**P K Sanghi**

*Chief Financial Officer*

Place: Noida

Date: 17 January 2010

**Vishnu R Dusad**

*Managing Director*

**Poonam Bhasin**

*Company Secretary*

**Nucleus Software Exports Ltd.**

**Consolidated Balance Sheet as at 31 December 2009**

	As at 31 December 2009 (Rupees)	As at 31 March 2009 (Rupees)
<b>Sources of funds</b>		
<b>Shareholders' funds</b>		
Share capital	323,715,240	323,715,240
Advance pursuant to stock option schemes	3,911,740	5,999,100
Reserves and surplus	<u>2,389,274,252</u>	<u>2,079,345,937</u>
	2,716,901,232	2,409,060,277
<b>Deferred tax liability</b> (refer note 2, schedule 16)	1,550,057	2,541,492
	<u><u>2,718,451,289</u></u>	<u><u>2,411,601,769</u></u>
<b>Application of funds</b>		
<b>Fixed assets</b>		
Gross block	1,124,199,510	1,120,218,666
Less: Accumulated depreciation	<u>(562,919,013)</u>	<u>(481,171,475)</u>
Net block	561,280,497	639,047,191
Add: Capital work in progress (including capital advances)	<u>3,431,503</u>	<u>3,100,736</u>
	<b>564,712,000</b>	<b>642,147,927</b>
<b>Investments</b>	681,489,759	162,902,975
<b>Deferred tax asset</b> (refer note 2, schedule 16)	27,520,537	17,623,147
<b>Current assets, loans and advances</b>		
Sundry debtors	619,712,779	801,005,914
Cash and bank balances	785,669,093	1,061,360,508
Loans and advances	261,760,033	227,679,275
Other current assets	<u>404,631,621</u>	<u>294,329,402</u>
	<b>2,071,773,525</b>	<b>2,384,375,098</b>
<b>Less: Current liabilities and provisions</b>		
Current liabilities	(511,794,735)	(600,625,716)
Provisions	<u>(115,249,797)</u>	<u>(194,821,663)</u>
	<b>(627,044,532)</b>	<b>(795,447,379)</b>
<b>Net current assets</b>	<b>1,444,728,993</b>	<b>1,588,927,720</b>
	<u><u>2,718,451,289</u></u>	<u><u>2,411,601,769</u></u>

**Nucleus Software Exports Ltd.**
**Consolidated Profit and Loss Account for the period ended 31 December 2009**

	For the quarter ended		For the nine months ended		Year Ended
	31 December 2009 (Rupees)	31 December 2008 (Rupees)	30 December 2009 (Rupees)	31 December 2008 (Rupees)	31 March 2009 (Rupees)
Sales and services	684,675,306	842,372,519	2,197,565,245	2,425,910,223	3,284,028,256
Software development expenses	464,382,203	541,738,787	1,481,378,255	1,629,242,721	2,225,452,271
<b>Gross profit</b>	<b>220,293,103</b>	<b>300,633,732</b>	<b>716,186,990</b>	<b>796,667,502</b>	<b>1,058,575,985</b>
Selling and marketing expenses	55,084,297	66,065,262	177,208,545	210,834,458	277,984,917
General and administration expenses	42,822,753	82,462,101	136,777,619	207,846,518	284,540,362
<b>Operating profit before depreciation and withholding tax</b>	<b>122,386,053</b>	<b>152,106,369</b>	<b>402,200,826</b>	<b>377,986,525</b>	<b>496,050,706</b>
Depreciation	27,612,479	31,881,918	89,730,140	101,362,875	132,770,459
Withholding taxes charged off	-	24,738,429	870,332	61,741,398	72,624,682
<b>Operating profit after depreciation and withholding tax</b>	<b>94,773,574</b>	<b>95,486,022</b>	<b>311,600,354</b>	<b>214,882,253</b>	<b>290,655,565</b>
Other income	22,766,386	38,685,072	75,875,274	116,831,988	137,083,763
Gain / (Loss) on foreign exchange fluctuation (net)	(16,551,182)	(10,739,729)	(55,984,865)	(90,144,398)	(79,196,089)
<b>Profit before taxation</b>	<b>100,988,778</b>	<b>123,431,365</b>	<b>331,490,763</b>	<b>241,569,842</b>	<b>348,543,239</b>
Provision for tax - current income tax	17,139,346	19,072,877	62,077,009	36,824,632	53,734,308
- MAT credit entitlement (refer note 8, sche	(2,900,000)	(5,400,000)	(12,410,000)	(19,200,000)	(20,215,904)
- fringe benefit tax	-	1,800,000	332,155	5,470,686	7,020,686
- deferred tax credit (refer note 2, schedule	(5,257,589)	3,215,026	(10,695,145)	(8,481,965)	(14,876,749)
- income tax for earlier year	-	(783,330)	-	316,671	210,273
Provision for wealth tax	-	-	61,714	88,047	88,047
<b>Profit after taxation</b>	<b>92,007,021</b>	<b>105,526,792</b>	<b>292,125,030</b>	<b>226,551,772</b>	<b>322,582,578</b>
<b>Profit available for appropriation</b>					
Profit for the period / year	92,007,021	105,526,792	292,125,030	226,551,772	322,582,578
Add: Balance brought forward	1,359,320,935	1,292,231,695	1,359,320,935	1,171,206,713	1,171,206,712
<b>Total amount available for appropriation</b>	<b>1,451,327,956</b>	<b>1,397,758,487</b>	<b>1,651,445,965</b>	<b>1,397,758,484</b>	<b>1,493,789,290</b>
Corporate dividend tax	-	-	226	-	13,753,214
<b>Balance carried forward to the Balance Sheet</b>	<b>1,451,327,956</b>	<b>1,397,758,487</b>	<b>1,651,445,739</b>	<b>1,397,758,484</b>	<b>1,359,320,935</b>
<b>Earnings per share ( par value Rs. 10 each)</b> (refer note 13, schedule 16)					
Basic	2.84	3.26	9.02	7.00	9.97
Diluted	2.84	3.26	9.02	6.99	9.96
<b>Number of shares used in computing earnings per equity share</b>					
Basic	32,370,024	32,370,024	32,370,024	32,369,419	32,369,568
Diluted	32,376,406	32,370,024	32,372,617	32,399,923	32,377,620

**Nucleus Software Exports Ltd.**

**Consolidated Cash Flow Statement for the nine months ended 31 December 2009**

	For the nine months ended 30 December 2009	For the quarter ended 30 December 2009	For the year ended 31 March 2009
<b>A. Cash flow from operating activities</b>			
Net profit before tax	331,490,763	100,988,778	348,543,239
<i>Adjustment for:</i>			
Depreciation	89,730,140	27,612,479	132,770,459
Exchange difference on translation of foreign currency accounts	11,919,289	7,805,982	39,862,501
Dividend received from non trade investments	(9,606,331)	(5,046,380)	(14,906,748)
Interest on fixed deposits	(44,128,285)	(10,607,111)	(35,617,650)
Profit on sale of investments	(9,264)	-	(66,988,868)
Amortisation of employees compensation expenses	(1,892,326)	(739,611)	3,220,672
Loss on sale of fixed assets (net)	252,396	24,596	7,614,637
Advances and other current assets written off	245,787	16,809	4,846,684
Provision for doubtful debts / advances	7,886,730	1,747,921	48,260,777
Operating profit before working capital changes	<u>385,888,899</u>	<u>121,803,463</u>	<u>467,605,703</u>
Decrease / (increase) in debtors	168,292,545	132,138,391	(147,080,667)
Decrease / (increase) in loans and advances	(3,195,847)	1,598,687	(3,805,308)
Decrease / (increase) in other current assets	(123,590,640)	(74,408,866)	71,359,468
(Decrease) / increase in current liabilities	<u>(53,304,598)</u>	<u>(16,159,050)</u>	<u>78,684,156</u>
	374,090,359	164,972,625	466,763,352
Direct taxes paid	(67,979,557)	(38,141,768)	(84,710,563)
Fringe benefit tax paid	(472,156)	-	(6,880,686)
<b>Net cash from operating activities (A)</b>	<b>305,638,645</b>	<b>126,830,856</b>	<b>375,172,103</b>
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets/capital work in progress	(15,081,629)	(2,519,171)	(214,959,374)
Sale of fixed assets	(252,396)	(24,596)	20,305,092
Purchase of current investments	(1,439,377,464)	(687,870,508)	(1,858,919,660)
Proceeds on sale of current investments	920,799,944	316,778,852	2,509,956,771
Proceeds on sale of non trade investments	-	-	158,732,400
Interest on fixed deposits	51,962,059	41,478,185	10,036,440
Tax paid	(14,856,402)	(3,563,754)	(15,415,620)
Dividend received from non trade investments	9,606,331	5,046,380	14,906,748
<b>Net cash from/ (used in) investing activities (B)</b>	<b>(487,199,557)</b>	<b>(330,674,612)</b>	<b>624,642,797</b>
<b>C. Cash flow from financing activities</b>			
Dividend paid (including corporate dividend tax thereon)	(94,678,500)	-	(113,603,399)
Advance pursuant to employee stock option scheme	400,000	400,000	360,000
<b>Net cash used in financing activities (C)</b>	<b>(94,278,500)</b>	<b>400,000</b>	<b>(113,243,399)</b>
Net (decrease) / increase in cash and cash equivalents	<b>(275,839,412)</b>	<b>(203,443,756)</b>	<b>886,571,501</b>
Opening cash and cash equivalents	<b>1,061,360,509</b>	<b>987,306,281</b>	<b>175,019,463</b>
Effect of exchange rate change	147,996	1,806,568	(230,455)
Closing cash and cash equivalents *	<b>785,669,093</b>	<b>785,669,093</b>	<b>1,061,360,509</b>

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

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

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

### Overview

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

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

Nucleus is a leading global software powerhouse providing innovative and pioneering products and software solutions to the Banking and Financial Services Industry. Our core competence is in banking and financial services spanning across solutions in the areas of Retail & Corporate Banking, Credit Cards, Cash Management, Relationship Banking, Financial CRM, Credit Risk & Appraisal, EAI, Internet Banking, FX, Basel II, Data warehousing and Analytics. For over twenty years, the Company has developed solutions spanning from Retail Banking to Corporate Banking, Cash Management, Internet Banking and Credit Cards. FinnOne™, the Flagship product of Nucleus Software is a comprehensive suite for Retail Banking applications comprising of modules like Customer Acquisition System, Loan Management, Delinquency and Recovery Management, Deposits and Finance Against Securities. Cash@Will™ is the offering from Nucleus Software in the area of Cash Management and Internet Banking.

Multi-product, multi-service, multi-currency and multi-lingual implementation has led to worldwide acceptability and customer satisfaction. Nucleus operates through integrated and well-networked subsidiaries in Australia, Hongkong, India, Japan, Netherlands, Singapore and USA and branch offices in India, Korea, Philippines, UAE and UK. Since 1995, the Company has deliberately chosen to develop software products and invested heavily in creation of intellectual property.

### 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 (BFSI) vertical. From a modest beginning with product development for a leading bank, Nucleus is today a major player in the “Banking Products” industry and is one of the few Indian Companies whose products are installed at multiple locations internationally.

Our every move is guided by a single-minded focus on becoming a leading IT solutions provider in the Banking and Financial Services Industry. It is this dream that steered our organization in 1996 towards creating products that redefine quality and efficiency, highly appreciating the value of a delighted customer. Today a comprehensive suite of products provides solutions to the banking business.

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

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

**Some of the notable accolades won by Nucleus are:**

- **Annual Report for financial year 2008 received the ‘Second Runner’s up’ position** for “Best Presented Accounts Award” by the South Asian Federation of Accountants in November 2009 in the category of ‘Communication and Information Technology Sector”.
- **Forrester Research** a leading independent analyst firm, Recognized Nucleus Software **as an industry vertical specialist in their recent report “working with two offshore Providers”**.
- **Forrester Research** a leading independent analyst firm, Recognized Nucleus Software **amongst 17 vendors of globally deployed banking platforms evaluated on their 2008 deals**.
- Nucleus Software’s FinnOne™ has been ranked **‘World’s No 1 Selling Lending Software product ’ (for year 2008) by IBS Publishing of U.K.** This is the third consecutive year, that it has been ranked amongst the top two.
- **Annual Report and Accounts of Nucleus Software for year ended March 31, 2008 have been adjudged as the BEST** under the category ‘Information Technology, Communication and Entertainment enterprises’ of the ‘ICAI Awards for Excellence in Financial Reporting’ by the Institute of Chartered Accountants of India (ICAI). **This award signifies that the accounting policies followed by Nucleus Software are the Best amongst the category.**
- Nucleus Software has been **ranked among the Top 25 Companies adopting “Good Corporate Governance Practices in India”** for the fourth consecutive year in 2009.
- Nucleus Software has been Ranked Amongst **India’s Top 15 Exciting Emerging Companies to Work For by Nasscom**.
- Nucleus Software has been recognized under **“Best Practices” for Performance Management System by NASSCOM, 2008**
- Nucleus is selected as **one of Forbes ASIA’s 200 Best Under A Billion companies**, for the second consecutive year, list released in September 2008.
- Nucleus Software has been conferred the **Best Independent Software Vendor (ISV) Partner (North India for 2008) award by IBM**
- Nucleus Software was awarded the **“D&B – ECGC Indian Exporters’ Excellence Award”** by Dun & Bradstreet India (D&B India) and Export Credit Guarantee Corporation of India Ltd (ECGC) for the year 2007.

- Nucleus Software was adjudged as **one of the fastest growing companies in Asia Pacific under Deloitte Technology Fast 500 – 2007.**
- Nucleus Software was conferred with **Oracle Partner of the Year Award in Fusion Middleware category at an APAC level.**
- Nucleus Software was awarded for being the **Fastest Growing ISV in 2007 by Oracle Corporation.**
- Nucleus Software was ranked **13th in Dataquest Top 20 Best Employers Survey 2006.** Survey was conducted by IDC-Dataquest amongst 200 IT employers across India.
- Received the award for **“Excellence in Financial Reporting” by the Institute of Chartered Accountants of India (ICAI) for financial year 2005.** Our Annual Report was adjudged No.2 in the category of ‘Information Technology, Communication and Entertainment Enterprises’ companies.
- Annual Report for financial year 2005 received the **‘Merit Award’ for “Best Presented Accounts Award” by the South Asian Federation of Accountants in January 2007** in the category of ‘Communication and Information Technology Sector’.
- Nucleus Software received the **best Partner award for “Building World Class Loan Management Solution on 9iAS technology”** by Oracle Corporation in 2003.
- Nasscom ranked Nucleus as one of the **Top 5 Indian Product Companies in its annual software and services industry performance report** for the financial year 2002.

### Group Structure

Nucleus’ operations are managed through Parent Company based in India and well-networked subsidiaries in Australia, Hongkong, India, Japan, Netherlands, Singapore and USA. All major software development takes place in development centers in India and Singapore and the subsidiaries and branch offices in India, Korea, Philippines, UAE and UK provide an effective front-end for 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.

During the year the Company has introduced Strategic Business Units “SBU”, based organization structure. Under this structure, Strategic Business Units have been set up based on geographies or key customers for serving the following objectives: .

- Meet business scalability requirements
- Integration between Sales and Delivery
- Searching newer geographies
- Improve Company visibility
- Better resource utilization
- Growth opportunities for employees

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

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

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

In these uncertain times, a Resource Management Group (RMG) has been formed for just in time resource allocation to projects and monitoring idle time and productivity.

## Risks and Concerns:

### Concentration :

- a) **Client Concentration:** - Your Company offers products and services to large international clients in the Banking and Financial Services (BFSI) space. With increasing penetration of accounts and value added services for existing customers, revenues from individual clients have become large. While increased revenue from individual clients has an advantage of lower marketing costs, predictability of revenue, easier resource planning and focused relationships, which deliver customer satisfaction. At the same time, it exposes to risks of the client reducing IT expenditure, reducing man month rates, reducing the size of engagement due to external factors etc. The concentration of business on a few customers could reduce the bargaining power of the Company with respect to its customers.

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.

While we are committed to reduce the revenue from top 5 clients to 40 % of the total revenue in the medium term, during the quarter, your Company derived 69% of revenues from its top 5 clients against 72% of revenues from the top 5 clients in the corresponding quarter previous year. In order to further reduce this risk, the Company is making substantial investments in marketing and brand building in other growing markets, to win new clients. We endeavor to mitigate risk by delivering value on a consistent basis. Despite the extremely uncertain economic scenario worldwide, the Company won 11 product orders for 38 product modules of FinnOne™, our retail loan suite and Cash@Will™. The Company has been a regular participant at the Global Banking events to add to the brand and visibility, thereby attracting new customers. These initiatives will help in reaching out to more customers across the globe and reduce client concentration.

For the Year ended December 31,	2009	2008
% of Revenue from the top-five clients	69%	72%
Clients accounting for > 10% of revenues	2	3

- b) **Geographic concentration :** Geographical risk is attributable to all the factors, which are peculiar or sensitive to a region. Concentration of revenue

from any country exposes us to the risks specific to its economic condition, global trade policies, local laws, and political environment.

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

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

<b>REVENUE BY</b>	<b>31 Dec 2009</b>	<b>31 Dec 2008</b>
<b><i>GEOGRAPHICAL SEGMENTS</i></b>		
INDIA	14%	11%
FAR EAST	43%	50%
SOUTH EAST ASIA	20%	17%
EUROPE /U.K.	7%	7%
USA & CANADA	0%	0%
MIDDLE EAST	11%	9%
AFRICA	1%	3%
REST OF THE WORLD	3%	4%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

Our success in different geographies is a function of:

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

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

We mitigate this risk by investing in new markets. We have been looking for opportunities in developed countries arising from the turmoil in consumer finance and also through replacement of legacy system. We have been pursuing prospects for our product business from Japan, Southeast Asia, Middle East, India, and Africa. Our efforts are yielding results and we have seen some new prospects from the European region too. To strengthen our hold in other parts of the world, we have signed five new partners in Latin America, Argentina, Brazil, Chile, Columbia, Egypt and Mexico to increase share of business in these countries. As the Company’s products find greater acceptance, we are confident that this geographical concentration risk will not be a constraint in the future.

- c) Political Concentration:** Our eight subsidiaries are located in seven countries (Australia, Hong Kong, India, Japan, Netherlands, Singapore and USA). Political activities in these countries also effect our operations and revenues. At the same time, such diversification strategy is also a de-risking mechanism to protect the Company from the political climate of any country. Any political instability in the Company's key consumer markets could impact business revenues.

In order to mitigate this risk, we undertake a proper research before commencing business in any new geography. We also remain abreast of political happening in the country as well as other geographies and take corrective measures at the onset of any trouble.

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

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

The issue of risk management in the BFSI sector has always been a matter of great concern. Lately, many financial institutions reported failure, which also includes many large banks, investment banks and insurance companies. This resulted in the BFSI segment being the hardest hit sector in the economic downturn.

At this juncture transformation from existing legacy systems to technologically advanced and cost effective lending solutions from Indian IT vendors may be the way forward and could convert risk into opportunity. With regard to the BFSI sector, Information Technology can be used for better monitoring, faster collection, analysis of data and timely action. IT based risk management systems are some of the solutions that can help in managing the various risks involved.

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.

**FINANCIAL CONDITION**  
**RESULTS OF OPERATIONS**

The consolidated financial results as below:

(Rs. in Crore)

	Quarter Ended December 31st				
	2009	% of Revenue	2008	% of Revenue	Growth %
<b>Income from Software Services and Products</b>	<b>68.47</b>	<b>100.00</b>	<b>84.24</b>	<b>100.00</b>	<b>(18.72)</b>
Software Development Expenses	46.44	67.83	54.17	64.30	(14.27)
Gross Profit	22.03	32.17	30.07	35.70	(26.74)
Selling and Marketing Expenses	5.51	8.04	6.61	7.85	(16.67)
General and Administration Expenses	4.28	6.25	8.25	9.79	(48.09)
<b>Operating Profit before Interest, Depreciation and Withholding Taxes</b>	<b>12.24</b>	<b>17.88</b>	<b>15.21</b>	<b>18.06</b>	<b>(19.53)</b>
Depreciation	2.76	4.03	3.19	3.79	(13.44)
Withholding Taxes	0.00	0.00	2.47	2.93	NA
<b>Operating Profit after Interest, Depreciation and Withholding Taxes</b>	<b>9.48</b>	<b>13.84</b>	<b>9.55</b>	<b>11.34</b>	<b>(0.75)</b>
Other Income	2.28	3.33	3.87	4.59	(41.09)
Foreign Exchange Gain/ (Loss)	(1.66)	(2.42)	(1.07)	(1.27)	55.14
<b>Profit before Tax</b>	<b>10.10</b>	<b>14.75</b>	<b>12.35</b>	<b>14.66</b>	<b>(18.23)</b>
Provision for Taxation					
-Current	1.71	2.50	1.83	2.17	(6.29)
- MAT credit entitlement	(0.29)	(0.42)	(0.54)	(0.64)	(46.30)
- Fringe Benefit	(0.53)	(0.77)	0.18	0.21	(392.11)
-Deferred	0.00	0.00	0.32	0.38	(100.00)
-Earlier year tax	0.00	0.00		0.00	
<b>Profit after Tax</b>	<b>9.20</b>	<b>13.44</b>	<b>10.56</b>	<b>12.54</b>	<b>(12.89)</b>

**REVENUE**

We derive our revenue from the following business segments:

- Products
- Projects and Services

**Products**

Product revenue arising from Products and related services comprises of license fees, revenue from customization and implementation of products and post production technical support.

Product revenue was Rs.39.68 crore during the quarter constituting 57.96% of the total revenue against Rs. 55.70 crore, 66.12% of total revenue, in the corresponding quarter previous year.

## Projects and Services

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

Revenue from software projects and services segment during the quarter was Rs. 28.78 crore constituting 42.04% of the total revenue against Rs. 28.54 crore constituting 33.88% of total revenue in the corresponding quarter previous year.

## EXPENDITURE

### Software Development Expenses

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

During the quarter our software development expenses were Rs.46.44 crore, 67.83% of revenue against Rs.54.18 crore, 64.31% of revenue in the corresponding quarter previous year.

(Rs. in crore)

Quarter Ended December 31st					
Particulars	2009	% of Revenue	2008	% of Revenue	Growth %
Employee Costs	30.06	43.90	34.06	40.43	(11.74)
Travel Expenses	4.18	6.11	4.06	4.82	3.07
Cost of Software Purchased for Delivery to Clients	2.14	3.12	2.09	2.49	2.16
Communication	0.46	0.68	0.47	0.56	(1.85)
Power and Fuel	0.57	0.84	0.69	0.82	(16.63)
Rent, Rates and Taxes	2.52	3.69	3.75	4.45	(32.68)
Software and Other Development Charges	1.66	2.42	0.82	0.97	101.86
Legal and Professional	0.93	1.35	0.38	0.45	146.91
Conveyance	0.35	0.51	0.33	0.39	5.20
IT Expenses	0.36	0.53	0.25	0.30	44.85
Repairs and Maintenance	0.32	0.47	0.31	0.36	4.33
Training and Recruitment	0.12	0.18	0.23	0.28	(47.35)
Insurance	0.17	0.25	0.16	0.19	3.70
Consultancy Charges	2.31	3.38	6.42	7.62	(63.97)
Others	0.28	0.41	0.16	0.19	73.57
<b>Total Software Development Expenses</b>	<b>46.44</b>	<b>67.83</b>	<b>54.18</b>	<b>64.31</b>	<b>(14.28)</b>
Revenue	68.47	100.00	84.24	100.00	(18.72)

Employee costs have decreased by 11.74% over the corresponding quarter previous year.

Rent has decreased to Rs.2.52 crore against Rs. 3.75 crore in corresponding quarter previous year due to lesser expenses incurred on outsourced work and onsite accommodation charges

Software and other development charges have increased to Rs.1.66 crore against Rs.0.97 crore in corresponding quarter previous year due to hiring of consultants for implementation at customer sites and contracting of development work overseas.

### Selling and Marketing Expenses

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

During the quarter selling and marketing expenses were Rs. 5.51 crore at 8.05% of revenue against Rs. 6.61 crore at 7.84% of revenue in the corresponding quarter previous year representing a decrease of 16.61%.

(Rs. in crore)

Quarter Ended December 31st						
Particulars	2009	% of Revenue	2008	% of Revenue	Growth %	
Employee Costs	3.52	5.14	4.32	5.13	(18.59)	
Travel Expenses	0.69	1.01	0.54	0.65	27.74	
Rent, Rates and Taxes	0.31	0.45	0.33	0.39	(6.11)	
Advertisement and Business Promotion	0.16	0.24	0.51	0.61	(67.95)	
Communication	0.21	0.31	0.17	0.20	27.85	
Conference, Exhibition and Seminar	0.01	0.01	(0.02)	(0.03)	NA	
Commission on Sales	0.11	0.17	0.03	0.04	231.92	
Legal and professional charges	0.15	0.22	0.44	0.52	(65.91)	
Printing and stationary	0.00	0.00	0.03	0.04	(89.50)	
Others	0.34	0.49	0.25	0.30	32.92	
<b>Total Selling and Marketing Expenses</b>	<b>5.51</b>	<b>8.05</b>	<b>6.61</b>	<b>7.84</b>	<b>(16.61)</b>	
Revenue	68.47	100.00	84.24	100.00	(18.72)	

Employee costs have decreased by 18.59.

### General and Administrative Expenses

Our general and administrative expenses comprise of compensation to our employees in Corporate Office, Finance, HR, Administration and other general functions; travel, communication, legal and professional charges, repairs and

maintenance, insurance, provision for doubtful debts, bad debts and other allocated infrastructure expenses.

During the quarter our general and administrative expenses were Rs.4.28 crore at 6.25% of revenue against Rs. 8.25 crore at 9.79% of revenue in the corresponding quarter previous year, representing a decrease of 48.07%.

(Rs. in crore)

Quarter Ended December 31st					
Particulars	2009	% of Revenue	2008	% of Revenue	Growth %
Employee Costs	2.67	3.89	3.16	3.75	(15.58)
Travel Expenses	0.06	0.09	0.21	0.25	(68.86)
Legal and Professional Charges	0.51	0.75	0.73	0.86	(29.33)
Communication	0.07	0.10	0.05	0.06	47.02
Provision for Doubtful Debts	0.17	0.26	2.18	2.59	(92.00)
Rent, Rates and Taxes	0.11	0.16	0.13	0.15	(11.85)
Conveyance	0.08	0.11	0.06	0.07	33.47
Printing and Stationery	0.03	0.04	0.04	0.05	(41.33)
Power and Fuel	0.04	0.06	0.06	0.07	(29.86)
Advertisement	0.02	0.02	0.03	0.03	(34.50)
Advances and current assets written off	0.00	0.00	(0.00)	(0.00)	NA
Miscellaneous expenses	0.52	0.76	1.61	1.91	(67.70)
<b>Total General and Administrative Expenses</b>	<b>4.28</b>	<b>6.25</b>	<b>8.25</b>	<b>9.79</b>	<b>(48.07)</b>
Revenue	68.47	100.00	84.24	100.00	(18.72)

There has been lesser provisioning for doubtful debts and lower write-offs with regards to advances and current assets.

### Operating Profit

During the quarter our operating income was Rs.12.24 crore, 17.88% of revenue against Rs.15.21 crore, 18.06% of revenue in the corresponding quarter previous year.

### Depreciation

Depreciation on fixed assets was Rs.2.76 crore, 4.03% of revenue for the quarter against Rs. 3.19 crore, 3.79% of revenue in the corresponding quarter previous year.

### Withholding Taxes

Withholding taxes charged off represent withholding taxes charged to Profit and Loss Account. During the quarter withholding taxes are NIL against Rs. 2.47 crore in the corresponding quarter previous year. As credits get available, this is turning more into a tax at source rather than an expense.

### Foreign Exchange Gain (Loss)

Foreign Exchange Gain (Loss) includes gain (loss) from cancellation of options and forward contracts other than those covered by hedge accounting, translation of current assets and liabilities at quarter end rates and those arising from realization /payments of receivables/payables respectively. During the quarter, the Company had a foreign exchange loss of Rs. 1.66 crore against a loss of Rs. 1.07 crore for the corresponding quarter previous year.

In terms of foreign currency hedges, we had on Dec 31, USD 8.73 million dollars of forward contracts at an average rate of 47.55 which are designated as highly probable forecast transactions, and there is a mark-to-market gain of about Rs. 60.75 lakhs which is taken to hedging reserve in the balance sheet. We have an old 1 million \$ option which is marked to market at Rs. 46.88 in the accounts.

### Other Income

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

(Rs. in crore)

For the Quarter ended December 31,	2009	2008
On Investments		
Dividend	0.50	0.48
Interest Income	1.06	1.37
Profit on sale of investments	-	1.04
Others	0.71	0.98
<b>Total</b>	<b>2.27</b>	<b>3.87</b>

Other income for the quarter was Rs. 2.27 crore compared to Rs. 3.87 crore for the corresponding quarter previous year

### Provision for Income Tax

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

(Rs. in crore)

As at December 31,	2009	2008
<b>Provision for Taxation</b>		
- Current Tax	1.71	1.9
- Fringe Benefit Tax	0.00	0.18
- MAT Credit Entitlement	(0.29)	(0.54)
- Deferred Tax Expense	(0.53)	0.32
- Earlier Year Tax		(0.07)
<b>Total</b>	<b>0.89</b>	<b>1.79</b>

Total tax is Rs. 0.89 crore for the quarter as against Rs. 1.79 crore for the corresponding quarter previous year.

### **Net Income**

Our net income for the quarter was Rs. 9.20 crore, 13.44% of revenue, against Rs. 10.56 crore, 12.54% of revenue, during the corresponding quarter previous year.

## **FINANCIALS**

### **Share Capital**

The Share Capital of the Company consists of Equity Share Capital.

Share Capital of the Parent Company remains the same at 32,370,024 Equity Shares of Rs.10/- each as on December 31 2009.

### **Subsidiaries**

Paid-up Share Capital of the Subsidiaries as on December 31 2009 is given below. As 100% of the Share Capital of the Subsidiaries is held by Nucleus Software Exports Limited and nominees; on consolidation of accounts, these amounts are contra with investments in Subsidiaries amount in the accounts of the Parent Company.

Name of Subsidiary Company	Currency	As at December 31, 2009		As at December 31, 2008	
		In foreign Currency	Eqv. Rupees (in crore)	In foreign Currency	Eqv. Rupees (in crore)
Nucleus Software Solutions Pte. Ltd. Singapore. 625,000 equity shares of S\$ 1 each.	SGD	625,000	1.63	625,000	1.63
Nucleus Software Inc., USA. 1,000,000 shares of US\$ 0.35 cents each	USD	350,000	1.63	350,000	1.63
Nucleus Software Japan Kabushiki Kaiga, Japan. 200 equity shares of JPY 50,000 each	JPY	10,000,000	0.41	10,000,000	0.41
Nucleus Software (HK) Ltd., Hong Kong. 100,000 equity shares of HK\$ 1 each.	HKD	100,000	0.06	100,000	0.06
Nucleus Software (Australia) Pty Ltd., Australia. 316,000 equity shares of Aus \$ 1 each	Aus \$	316,000	0.98	316,000	0.98
Virstra I-Technology Services Ltd., India. 1,000,000 equity shares of Rs. 10 each	INR	-	1.00	-	1.00
Nucleus Software Netherlands B.V., Netherlands. 3000 equity shares of Euro 100 each	Euro	300,000	1.86	100,000	0.54
Nucleus Software Limited, India 10,000,000 equity shares of Rs.10/- each	INR	-	10	-	0.25
<b>Step down Subsidiary of Nucleus Software Exports Ltd.</b>					
Virstra (Singapore) Pte. Ltd., Singapore. 200,000 equity shares of S\$ 1 each	SGD	200,000	0.56	200,000	0.56

\* In order to rationalize operations, the Board of Directors of your Company, at their meeting held on April 26, 2009, approved closure of two wholly owned subsidiaries viz. Nucleus Software (Australia) Pty Ltd., Australia and Nucleus Software (HK) Ltd., Hong Kong subject to necessary regulatory approvals. The prospects in these two countries would henceforth be looked after by the Singapore subsidiary, Nucleus Software Solutions Pte. Ltd. The Company has therefore made full provision for diminution in value of investments in Nucleus Software (Australia) Pty Ltd., Australia and Nucleus Software (HK) Ltd., Hong Kong.

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

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

### Reserves and Surplus

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

(Rs. in crore)

<i>Particulars</i>	<i>Balance as on October 1, 2009</i>	<i>Additions/ (Deletions) during the year</i>	<i>Closing Balance as on December 31, 2009</i>
General Reserve	65.43	0	65.43
Securities Premium	2.10	0	2.10
Capital Reserve	0.40	0.1	0.50
Employee Stock Options (net of deferred employee compensation)	1.12	-0.07	1.05
Foreign Currency Translation Reserve	4.46	-0.36	4.10
Hedging Reserve	0.27	0.34	0.61
Profit and Loss Account Balance	155.94	9.2	165.14
<b>Total</b>	<b>229.72</b>	<b>9.21</b>	<b>238.93</b>

### Fixed Assets

As at December 31, 2009, gross block of fixed assets including investment in technology assets was Rs. 112.42 crore (Rs. 110.019 crore as on December 31, 2008).

The net fixed assets after depreciation are Rs.56.47 crore as on December 31, 2009 compared to Rs. 65.30 crore as on December 31, 2008.

### Other Long-Term Investment

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

### Current Investments and Bank Balances

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

As of December 31, 2009 the cash and bank balances stood at Rs.146.47 crore (Rs. 104.23 crore on December 31, 2008) and current investments in liquid schemes and Fixed Maturity Plans of mutual funds were Rs.67.90 crore (NIL as on December 31, 2008) where the average maturity period is 60- 90 days of maturity for the entire fund.

(Rs. in crore)

<b>As at December 31,</b>	<b>2009</b>	<b>2008</b>
Cash and cheque in hand	0.44	0.04
<b>Balances with Bank</b>		
In Current Accounts	28.69	26.90
In Fixed Deposit Account	45.41	77.28
Remittance in transit	4.03	-
Investments in Mutual Funds	67.9	-
<b>Total</b>	<b>146.47</b>	<b>104.23</b>

Complete details of Bank Balances and Fixed Deposits of the Company are given below:

(Rs. in crore)

As on 31st December	2009
<b>Balances with Banks</b>	
<b>In Current Accounts in INDIA</b>	
Citi Bank	1.22
Citi Bank – EEFC accounts in US dollar	0.66
DBS Bank	0.01
HDFC Bank – EEFC accounts in US dollar	0.26
HDFC Bank	6.98
HDFC Bank – Unclaimed dividend accounts	0.11
HSBC Bank – Unclaimed dividend accounts	0.04
ICICI Bank	2.36
State Bank of India	0.35
<b>In Current Accounts in OVERSEAS locations</b>	
ANZ Bank, Australia	-
Bank of Tokyo Mitsubishi, Japan	1.59
Citi Bank, Korea	1.17
Citi Bank, Netherlands	0.43
Citi Bank, Philippines	0.13
Citi Bank, Singapore	8.22
Citi Bank, Singapore	0.08
Citi Bank, HongKong	-
Citi Bank, UK	0.01
Citi Bank, UAE	0.13
PNC Bank, USA	0.54
Shinsei Bank, Japan	4.40
<b>Total Balances in Current Accounts</b>	<b>28.69</b>
<b>In Fixed Deposit Accounts</b>	
CANARA BANK	5.69
CITI BANK	0.53
HDFC BANK	4.19
ICICI BANK	5.20
PUNJAB NATIONAL BANK	2.49
STATE BANK OF INDIA	5.73
CORPORATION BANK	8.69
BANK OF INDIA	3.98
STATE BANK OF HYDERABANK	8.91
<b>Total Balances in Fixed Deposit Accounts</b>	<b>45.41</b>
<b>Remittance in Transit</b>	<b>4.02</b>
<b>Cash In Hand</b>	<b>0.44</b>
<b>Total Bank Balance &amp; Fixed Deposits</b>	<b>78.56</b>

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

(Rs. in crore)

As at December 31,	2009	2008
Days of sale receivable	83	92
Cash and bank balances as % of assets	53.88%	43.79%
Cash and bank balances as % of revenue	214.33%	123.73%
Current investments as % of assets	24.98%	32.47%
Current investments as % of revenue	99.17%	91.74%

### Trade Receivables

Our trade receivables (net of provision) as on December 31, 2009 were Rs.61.97 crore against Rs. 83.92 crore as on December 31, 2008. In the opinion of management all the trade receivables are recoverable.

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

(Rs. in crore)

As at December 31,	2009	2008
Less than 6 months	79.31%	89.04%
More than 6 months	20.69%	10.96%
Days of sales receivables (DSR)	83	92

The days of sales receivables still remain high and Management is making all efforts to reduce the same.

### Loans and Advances

The amount is Rs.26.17 crore as on December 31, 2009 (Rs.21.28 crore as on December 31, 2008).

(Rs. in crore)

Loans and advances as on	31-Dec-09	31-Dec-08
Advances recoverable in cash or in kind	3.42	4.9
Loans and advances to subsidiaries *		
Security deposits	3.10	2.82
Advance income tax	6.59	2.52
Prepaid expenses	3.76	3.09
Advance fringe benefit tax	0.27	0.26
MAT credit entitlement	9.03	7.69
<b>Total</b>	<b>26.17</b>	<b>21.28</b>

Advances recoverable in cash or in kind or for value to be received are primarily towards amounts paid in advance for value and services to be received in future, and staff advances. The amount is Rs.3.42 crore as on December 31, 2009 (Rs.4.90 crore as on December 31, 2008).

Security Deposits are primarily for hiring of office premises and staff accommodation. The amount is Rs. 3.10 crore as on December 31, 2009 (Rs.2.82 crore as on December 31, 2008). Advance income tax has increased as WHT deducted from overseas customers add on to the advance tax/TDS.

Pursuant to the changes in the Indian Income Tax Act, 1961, the Company has calculated its tax liability after considering Minimum Alternate Tax (MAT). A sum of Rs.9.03 crore is carried forward and shown under Loans and Advances as at December 31, 2009 to be set off against future tax liabilities (Rs.7.69 crore as on December 31, 2008.)

### Other Current Assets

Other current assets as on December 31, 2009 are Rs. 40.47 crore (Rs.39.74 crore as on December 31, 2008).

(Rs. in crore)

As at December 31,	2009	2008
Service income accrued but not due	38.58	38.45
Interest accrued but not due	1.89	1.29
<b>Total</b>	<b>40.47</b>	<b>39.74</b>

### Current Liabilities

The Current Liabilities as on December 31, 2009 is Rs. 51.18 crore against (Rs. 67.91 crore as on December 31, 2008).

(Rs. in crore)

Current Liabilities as on	31-Dec-09	31-Dec-08
Sundry Creditors	36.69	48.14
Withholding tax	-	3.33
Due to Subsidiaries		
Advances from customers	9.76	10.55
Mark to Market on Options/ Forward Con	-	-
Unclaimed dividend	0.15	0.12
Other liabilities	4.58	5.77
<b>Total</b>	<b>51.18</b>	<b>67.91</b>

The total amount of Sundry Creditors as on December 31, 2009 is Rs. 36.69 crore (Rs.67.91 crore as on December 31, 2008).

Withholding tax payable represents the amount of withholding taxes to be deducted/deductible by overseas clients/ Subsidiaries on income billed to them by the Parent Company. The total amount of withholding tax liability as on December 31 2009 is NIL as against Rs. 3.33 crore on December 31, 2008.

Advances from customers as on December 31, 2009 is Rs.9.76 crore Rs. 10.55 crore as on December 31, 2008). These consist of advance payments received from customers and "Unearned Revenue"; Unearned Revenue is defined as client billing for which related costs have not been incurred or product license delivery is at a later date.

The amount of Unclaimed Dividend as on December 31, 2009 is Rs.0.15 crore (Rs.0.12 crore as on December 31, 2008).

Other liabilities represent amounts accrued for statutory dues related to taxes and staff benefits etc. The total amount of other liabilities as on December 31, 2009 is Rs. 4.58 crore (Rs. 5.77crore as on December 31, 2008).

### Provisions

Provisions as on December 31, 2009 are Rs.11.52 crore (Rs.9.72 crore as on December 31, 2008). The break-up of provisions at the quarter-end is given below:

(Rs. in crore)

As at December 31,	2009	2008
Gratuity	6.61	5.29
Leave encashment	4.94	4.19
Net of Advance Tax	(0.03)	0.24
Dividend		
Corporate dividend tax		
<b>Total</b>	<b>11.52</b>	<b>9.72</b>

Gratuity and leave encashment provisions are higher due to adoption of revised Accounting Standard 15 on employee benefits.



- 96.81 % of the Company's equity shares are in demat form.
- The Company had 17,455 shareholders as on December 31, 2009.
- The Company has not issued any GDRs / ADRs. The Company has granted options to employees under ESOP (2002), ESOP (2005) and ESOP (2006) scheme. The options if exercised at the end of the vesting period shall be converted into equity shares.
- The dividend declared and paid in the previous financial years is given below:

Financial Year	Dividend (%)	Dividend Per Share in Rs.	Dividend Pay Out in Rs. Crore
2008-09	25%	2.50	8.09
2007-08	30%	3.00	9.71*
2006-07	35%	3.50	5.64
2005-06	35%	3.50	5.64
2004-05	25%	2.50	4.02*
2003-04	25%	2.50	2.01
2002-03	20%	2.00	1.58
2001-02	20%	2.00	1.58
2000-01	20%	2.00	0.68

*\*The dividend payout in 2004-05 and 2007-08 was on the enhanced capital consequent to 1:1 bonus issue made during the respective years.*

The Board had not recommended any dividend prior to financial year 2000-2001.

- The Dividend Policy of the Company is to maintain the dividend payout, in the range of 15-30% of the profits available for distribution, subject to:
  - a) Provisions of Companies Act and other applicable laws.
  - b) Availability of funds in the Company

The Board of Directors reviews the Dividend Policy periodically.

- Registrars of Company **Karvy Computershare Private Limited**  
Plot No. 17-24  
Vithal Rao Nagar, Madhapur  
Hyderabad 500 081

Tel: 040-23420815-28  
 Fax: 040- 23420814/23420857  
 Email: [mailmanager@karvy.com](mailto:mailmanager@karvy.com)

## 6. Locations

Nucleus services its clients through a network of international offices. Nucleus has wholly owned subsidiaries in Singapore, U.S.A, Japan, Australia, India, Netherlands and branch offices in India, Philippines, Korea, UK and UAE.

Nucleus operates state-of-the-art Software Development Centers at NOIDA (U.P) and Chennai under the Software Technology Park scheme of the Government of India.

A Subsidiary VirStra-I Technology Services Ltd. operates a Development Centre at Pune under the Software Technology Park Scheme of the Government of India.

## 7. Stock market data relating to shares listed in India

### A. Monthly high and low quotations as well as the volume of shares traded at Bombay Stock Exchange Ltd. and National Stock Exchange.

	BSE					NSE				
	Open	High	Low	Close	Volume	Open	High	Low	Close	Volume
Oct-09	114.10	120.00	101.00	106.70	2,891,386	115.00	119.90	102.25	106.70	7,099,328
Nov-09	108.10	120.25	98.50	110.30	2,059,883	103.20	123.70	98.55	110.15	4,538,341
Dec-09	112.70	164.25	109.00	158.65	9,912,455	112.85	164.00	110.50	158.80	21,037,950

1. The highest share price of the Nucleus scrip at Bombay Stock Exchange Ltd. was Rs.164.25 in December 2009 and the lowest share price was Rs.98.50 in November 2009.
2. The highest share price of the Nucleus scrip at National Stock Exchange was Rs.164.00 in December 2009 and the lowest share price was Rs.98.55 in November 2009.

## B. Quarterly high -low price history of the share for last 4 quarters

	BSE		NSE	
	<i>High (Rs.)</i>	<i>Low(Rs.)</i>	<i>High(Rs.)</i>	<i>Low(Rs.)</i>
March 31 <sup>st</sup> 2009	63.50	39.50	63.35	38.75
June 30 <sup>th</sup> 2009	122.90	49.05	120.80	50.00
September 30 <sup>th</sup> 2009	131.50	74.40	138.00	74.20
December 31 <sup>st</sup> , 2009	164.25	98.50	164.00	98.55

### 8. Share Transfer System

The Company's shares are currently traded in dematerialised form, transfers are processed and approved in the electronic form by NSDL/CDSL through their Depository Participants.

The Shareholders/Investor Grievance Committee is authorised to approve transfer of shares, which are received in physical form, and the said Committee approves transfer of shares on a fortnightly basis.

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 31,337,008 shares (96.81% of the paid up share capital) as at December 31, 2009.

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.

### 9. Employee Stock Option Schemes

The Company earlier instituted an ESOP scheme 1999 in year 2000, ESOP scheme 2002 was instituted in 2002, ESOP scheme 2005 was instituted in 2005 and ESOP scheme 2006 was instituted in 2006. These schemes were duly approved by the Board of Directors and Shareholders in their respective meetings. The 1999 scheme originally provided for the issue of 170,000 Equity Shares, 2002 scheme for 225,000 Equity Shares, 2005 scheme for 625,000 Equity Shares and 2006 scheme for 10,00,000 to eligible employees

and Directors. A Compensation Committee of Board of Directors administers these schemes.

The Company had allotted Bonus shares in the ratio of 1:1 to the existing equity shareholders of the Company in August 2007. Consequently the Company applied and received in-principal approval from stock exchanges for allotment of additional shares in the ratio of 1:1 (pursuant to Bonus Issue), which are likely to arise out of exercise of options as and when exercised under the abovementioned schemes.

During the previous quarter, the Company had offered 100,000 options to the Employees of the Company and its subsidiary companies under Employee Stock Option Plan (2006)..

#### 10. Investors' Services

Details of request /complaints received during the quarter.

<i>S.No.</i>	<i>Nature of Requests</i>	<i>Received</i>	<i>Attended</i>	<i>Pending</i>
1.	Revalidation of Dividend Warrants	14	14	0
2.	Non-receipt of Dividend Warrant	5	5	0
3.	Non- receipt of Securities	1	1	0
4.	Non-Receipt of Annual Report	2	2	0
	<b>Total</b>	<b>22</b>	<b>22</b>	0

The Company attended to most of the investors' grievances/correspondence within a period of 15 days from the date of receipt of the same, during the quarter.

#### 11. Legal Proceedings

There are two legal proceeding pending against the Company in Court one relating to termination of employment and another relating to stamp duty.

#### 12. Distribution of Shareholding

<b>DISTRIBUTION SCHEDULE AS ON DECEMBER 31, 2009</b>						
<i>Sl No.</i>	<i>No of Equity Shares Held</i>		<i>Number of</i>	<i>Percentage of</i>	<i>No of Shares</i>	<i>Percentage of</i>
	<i>From</i>	<i>To</i>	<i>Share Holders</i>	<i>Share Holders</i>		<i>Shares</i>
1	1 -	500	15,174	86.93	1,682,988	5.20
2	501	1000	1,258	7.21	925,112	2.86
3	1001	2000	479	2.74	709,040	2.19

4	2000	3000	153	0.88	398,221	1.23
5	3001	4000	96	0.55	342,988	1.06
6	4001	5000	54	0.31	253,932	0.78
7	5001	10000	123	0.70	901,525	2.79
7	10001 and above.		118	0.68	27,156,218	83.89
<b>TOTAL</b>			<b>17,455</b>	<b>100.00</b>	<b>32,370,024</b>	<b>100.00</b>

### 13. Categories of Shareholders

<i>Category</i>	<i>As on December 31, 2009</i>		
	<i>No. of Share Holders</i>	<i>Voting Strength (%)</i>	<i>No. of Shares Held</i>
<b>Promoter and Promoter Group</b>	10	59.55	19,276,990
<b>Individuals</b>	16,157	19.89	6,439,845
<b>Bodies Corporate</b>	669	4.53	1,464,918
<b>Non-Resident Indians</b>	325	1.73	558,569
<b>Foreign Institutional Investors</b>	10	8.34	2,698,398
<b>Mutual Funds</b>	12	5.28	1,709,726
<b>Clearing Members and Trusts</b>	272	0.68	221,578
<b>Total</b>	<b>17,455</b>	<b>100.00</b>	<b>32,370,024</b>

14. Investors' Correspondence may be addressed to:

**The Company Secretary**  
Nucleus Software Exports Ltd.,  
33-35, Thyagraj Nagar Market  
New Delhi-110003

**India**

Tel: ++91-(120)-2404050 Fax: ++91-(120)-2403972  
Email: investorrelations@nucleussoftware.com

### 15. Employee Strength of Nucleus

Nucleus employed 1,668 people as on December 31, 2009 as compared to 2,042 people on December 31, 2008.

**A. Distribution of the employees:**

	December 31, 2009		December 31, 2008	
	No.	%	No.	%
Technical Staff	1,496	89.69	1,874	91.77
Non-Technical Staff including Business Development Group	172	10.31	168	8.23
<b>Total</b>	<b>1,668</b>	<b>100.00</b>	<b>2,042</b>	<b>100.0</b>
<b>The gender classification of employees is:</b>				
Male	1,334	79.98	1,565	76.64
Female	334	20.02	477	23.36
<b>Total</b>	<b>1,668</b>	<b>100.00</b>	<b>2,042</b>	<b>100.00</b>

**B. The age profile of employees is:**

	December 31, 2009		December 31, 2008	
	No.	%	No.	%
Between 20 and 25 years	148	8.87	560	27.43
Between 26 and 30 years	738	44.24	866	42.40
Between 31 and 40 years	699	41.91	538	26.35
Between 41 and 50 years	67	4.02	60	2.94
51 years and above	16	0.96	18	0.88

<b>Total</b>	<b>1,668</b>	<b>100.00</b>	<b>2,042</b>	<b>100.00</b>

16. *How do I contact Nucleus by telephone, mail or in person?*

You can contact the following Nucleus personnel for any information: -

**Vishnu R Dusad**                      Tel: +91 (120) 2404033  
**Managing Director**                E Mail: [vishnu@nucleussoftware.com](mailto:vishnu@nucleussoftware.com)

**Niraj Vedwa**                        Tel: +91 (120) 2403979  
**Chief Operating Officer** E Mail: [niraj@nucleussoftware.com](mailto:niraj@nucleussoftware.com)

**R P Singh**                             Tel: +91 (120) 2403981  
**President**                                E Mail: [rp@nucleussoftware.com](mailto:rp@nucleussoftware.com)

**Pramod K Sanghi**                    Tel: +91 (120) 2404036  
**President - Finance &**                E Mail: [pksanghi@nucleussoftware.com](mailto:pksanghi@nucleussoftware.com)  
**Chief Financial Officer**

**Prakash Pai**                          Tel: +91 (120) 2404046  
**President**                                E Mail: [pai@nucleussoftware.com](mailto:pai@nucleussoftware.com)

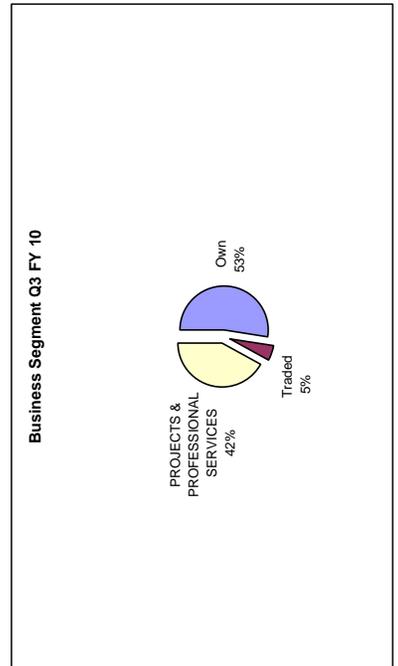
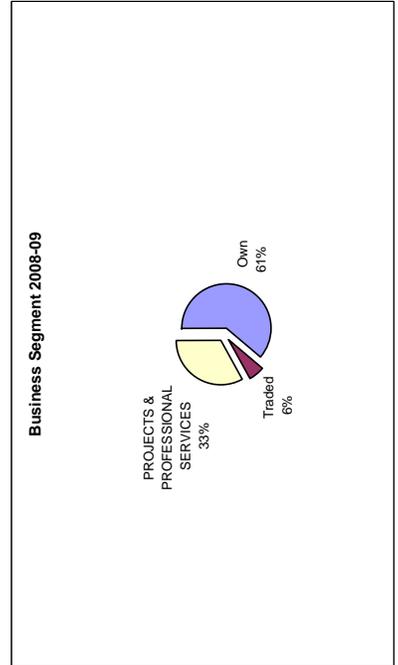
**Ravi Verma**                          Tel: +91(120) 2404050  
**President & Global Head**            E Mail: [ravi.verma@nucleussoftware.com](mailto:ravi.verma@nucleussoftware.com)  
**- Human Resource**

**Poonam Bhasin**                      Tel: +91 (120) 2403960  
**Company Secretary**                E Mail: [poonam@nucleussoftware.com](mailto:poonam@nucleussoftware.com)

Consolidated Segment Information

(Rs. in crore)

REVENUE BY	Quarter Ended		Nine Month Ended		Year ended	
	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008	31 March 2009	% of Revenue
<b>GEOGRAPHICAL SEGMENTS</b>						
INDIA	9.63	8.95	29.01	26.02	36.74	11.19
FAR EAST	29.51	41.96	87.61	124.33	160.55	48.89
SOUTH EAST ASIA	13.74	20.07	47.68	38.35	53.30	16.23
EUROPE /U.K.	5.11	7.46	13.07	16.62	21.61	6.58
USA & CANADA	0.03	0.22	0.86	0.66	0.80	0.24
MIDDLE EAST	7.72	11.28	31.47	19.88	32.02	9.75
AFRICA	0.97	1.42	4.95	9.31	13.16	4.01
REST OF THE WORLD	1.76	3.30	5.10	7.41	10.22	3.11
<b>TOTAL</b>	<b>68.47</b>	<b>100.00</b>	<b>219.76</b>	<b>242.59</b>	<b>328.40</b>	<b>100.00</b>
<b>CURRENCY SEGMENTS</b>						
INDIAN RUPEE	9.63	14.07	29.01	26.02	36.74	11.19
JAPANESE YEN	3.40	4.97	10.47	11.33	160.55	48.89
SING \$	9.14	13.35	33.02	29.02	53.30	16.23
US \$	44.75	65.36	140.33	173.27	21.61	6.58
MALAYSIAN RINGITT	0.14	0.20	0.25	0.11	0.80	0.24
AUD	-	0.00	0.00	0.00	32.02	9.75
AED	0.63	0.92	4.30	0.08	13.16	4.01
KRW	1.14	0.44	2.38	1.92		
EURO	-	0.00	0.00	0.95		
<b>TOTAL</b>	<b>68.47</b>	<b>100.00</b>	<b>219.76</b>	<b>242.59</b>	<b>328.40</b>	<b>100.00</b>
<b>BUSINESS SEGMENTS</b>						
<b>PRODUCTS</b>	<b>39.68</b>	<b>57.96</b>	<b>126.07</b>	<b>165.06</b>	<b>219.96</b>	<b>66.98</b>
Own	35.96	52.52	115.25	149.75	200.72	61.12
Traded	3.73	5.44	10.83	15.31	19.24	5.86
<b>PROJECTS &amp; PROFESSIONAL SERVICES</b>	<b>28.78</b>	<b>42.04</b>	<b>93.68</b>	<b>77.53</b>	<b>108.44</b>	<b>33.02</b>
<b>TOTAL</b>	<b>68.47</b>	<b>100.00</b>	<b>219.76</b>	<b>242.59</b>	<b>328.40</b>	<b>100.00</b>



**NUCLEUS SOFTWARE EXPORTS LIMITED**  
**RATIO ANALYSIS**

Particulars	Quarter ended		Nine Month Ended		Year ended
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008	March 31, 2009

**Ratios- Financial Performance**

Export Revenue/ Revenue	85.94%	89.37%	86.80%	89.27%	88.81%
Domestic Revenue/ Revenue	14.06%	10.63%	13.20%	10.73%	11.19%
Gross Profit/ Revenue	32.17%	35.69%	32.59%	32.74%	32.24%
Software Development Expenses/ Revenue	67.83%	64.31%	67.41%	67.26%	67.77%
Selling and Marketing Expenses/ Revenue	8.05%	7.84%	8.06%	8.59%	8.46%
General and Administrative Expenses/ Revenue	6.25%	9.79%	6.22%	8.57%	8.66%
Total Operating Expenses/ Revenue	82.12%	81.94%	81.70%	84.42%	84.90%
Operating Profit/ Revenue	17.88%	18.06%	18.30%	15.58%	15.11%
Depreciation/ Revenue	4.03%	3.78%	4.08%	4.18%	4.04%
Other Income/ Revenue	0.91%	3.32%	0.91%	1.10%	1.76%
Tax/ Revenue	1.31%	2.13%	1.79%	0.62%	0.79%
Tax/ PBT	8.89%	14.51%	11.88%	6.22%	7.46%
PAT from Ordinary Activities/ Revenue	12.53%	9.21%	12.39%	8.24%	8.06%
PAT from Ordinary Activities/ Net Worth	3.16%	3.27%	10.03%	8.42%	11.02%
ROCE(PBIT/Average Capital Employed)	3.78%	5.28%	12.92%	10.34%	15.26%
RONW (PAT/Average Net Worth)	3.45%	4.53%	11.42%	9.73%	14.16%

**Ratios Balance Sheet**

Debtors Turnover (Days)	83	92	78	95	84
Asset Turnover Ratio	0.25	0.35	0.81	1.02	1.36
Current Ratio	3.30	3.67	3.30	3.67	3.00
Cash and Equivalents/Total Assets (%)	53.88%	43.79%	53.88%	43.79%	50.66%
Cash and Equivalents/ Revenue (%)	214.33%	123.73%	66.78%	42.96%	37.20%
Depreciation/Average Gross Block(%)	2.46%	2.86%	8.00%	9.10%	12.82%

**Ratios - Growth**

Growth in Export Revenue (%)	-21.84%	15.29%	-11.93%	16.45%	13.66%
Growth in Revenue (%)	-18.72%	14.39%	-9.41%	15.16%	13.74%
Operating Expenses Growth (%)	-18.54%	25.20%	-12.33%	29.51%	29.49%
Operating Profit Growth (%)	-19.54%	-17.81%	6.41%	-28.04%	-32.43%
PAT Growth (%)	-12.81%	-32.04%	28.94%	-25.94%	-47.76%
EPS Growth (%)	-12.88%	-32.08%	28.86%	-50.46%	-47.75%

**Per- Share Data (Period End)**

Earning Per Share from Ordinary Activities (Rs.)	2.65	2.40	8.41	6.17	8.18
Earning Per Share (Including Other Income) (Rs.)	2.84	3.26	9.02	7.00	9.97
Cash Earning Per Share from Ordinary Activities (Rs.)	3.50	3.38	11.18	9.31	12.28
Cash Earning Per Share (Including Other Income)(Rs.)	3.70	4.24	11.80	10.13	14.07
Book Value (Rs.)	83.81	73.33	83.81	73.33	74.24
Price/Earning (Annualized)	13.97	3.61	5.87	5.04	5.05
Price/ Cash Earning (Annualized)	10.74	2.77	4.49	3.48	3.58
Price/Book Value	1.89	0.64	1.89	0.64	0.68

Note:1) While calculating the consolidated figures of group, inter group transactions have been ignored.

2) Cash and Equivalents includes cash and bank balances and current investments.